MITSUBISHI ESTATE CO., LTD.

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MITSUBISHI ESTATE CO., LTD.　ANNUAL REPORT 2015

MITSUBISHI ESTATE

Enhancing the Possibilities of Tomorrow

ANNUAL REPORT 2015

Enhancing the Possibilities of Tomorrow

Tokyo Station—throughout the history of Japan, the station has played a primary role as an intercity transportation hub. On the west side of the station, encompassing approximately 120 hectares* the Marunouchi area is one of Japan's leading business centers and comprises the Marunouchi, Otemachi, and Yurakucho. Occupied by a concentration of head offices of financial institutions and of companies listed on the stock exchange, the Marunouchi area lies at the heart of Japan's economy.

The Mitsubishi Estate Group has been continuously developing the Marunouchi area for over 120 years. Past development efforts carried out to suit each generation have resulted in a portfolio of approximately 30 office buildings that Mitsubishi Estate holds in the area. And even today, the Mitsubishi Estate Group continues its redevelopment of the Marunouchi area, pursuing its evolution into "the world's most interaction-inspiring neighborhood" that will be the source of future value creation.

* 120 hectares is approximately 35% of the size of Manhattan's Central Park (843 acres, or about 341 hectares), 85% of the size of London's Hyde Park (350 acres, or about 142 hectares), and about 4.3 times the size of the Tuileries Garden, in Paris (28 hectares).

In the Marunouchi area, the Mitsubishi Estate Group is fostering office demand of the future by supporting the business growth of its tenant firms. The Group supplies not only core infrastructure, such as office space designed for venture enterprises, but also support services, such as business partner matching services and networking opportunities. The Group is favorably positioned in a business district densely populated by about 4,000 enterprises. The ability to support business growth to this high standard is unique to the Mitsubishi Estate Group.

Constant Development of Services Fosters Future Demand

By providing services to its current customers, the Mitsubishi Estate Group gains a deeper understanding of customer needs. At the same time, the Group proceeds with the development of its businesses to provide solutions to the changes and diversification it perceives in customer needs. The accumulated knowledge from this continuous development process contributes to the Mitsubishi Estate Group's visionary ability to discover the beginnings of future demand before anyone else and to the innovation that enables an expansion of the potential market.

The Mitsubishi Estate Group is taking steps to enhance synergies between the Group companies of the Residential Business with a view to future expansion in business scale and to strengthening cash flow. The goal is to diversify revenue sources and increase the value of properties we develop. We aim to diversify revenue sources and raise the value of development assets by leveraging the specialist knowledge of each Group company in the condominium, custom-built housing, renovation, management, purchase and sales, leasing, and brokerage areas, and by deepening the cooperation between each company. Utilizing these enhanced synergies, the Residential Business will place even greater emphasis on its interface with customers and provide detailed solutions to their diversifying needs, such as renovating their homes or moving.

Consolidating the Foundations That Create the Future

Whenever people gather together, such meetings breed opportunities and generate value creation. In urban development, even more than land or capital, people are the essential business resource. Many skills are needed: know-how and expertise in real estate development; technical capabilities; analytical skills to understand the needs of customers, investors, and others or market conditions and to predict future movements; the ability to build partnerships with landowners, local authorities, and tenants; and the vision to perceive the requirements of the times. These inherent but not obvious strengths that each employee possesses combine together to form the backbone of an organization.

The source of the dynamism of our development is our interactions with others. Whether we are developing the Marunouchi area, "the world's most interaction-inspiring neighborhood," residences that mature along with the neighborhood as a part of the community, office buildings and retail and logistics facilities, or overseas real estate, we create dynamism through those interactions. To that end, we will reinforce the foundations for future value creation by enhancing the power of our organization using management methods that draw out our people's abilities.

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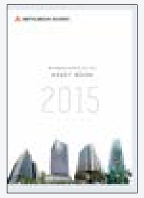
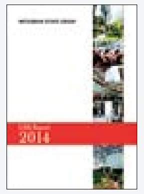
Caution Concerning Forward-Looking Statements

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.

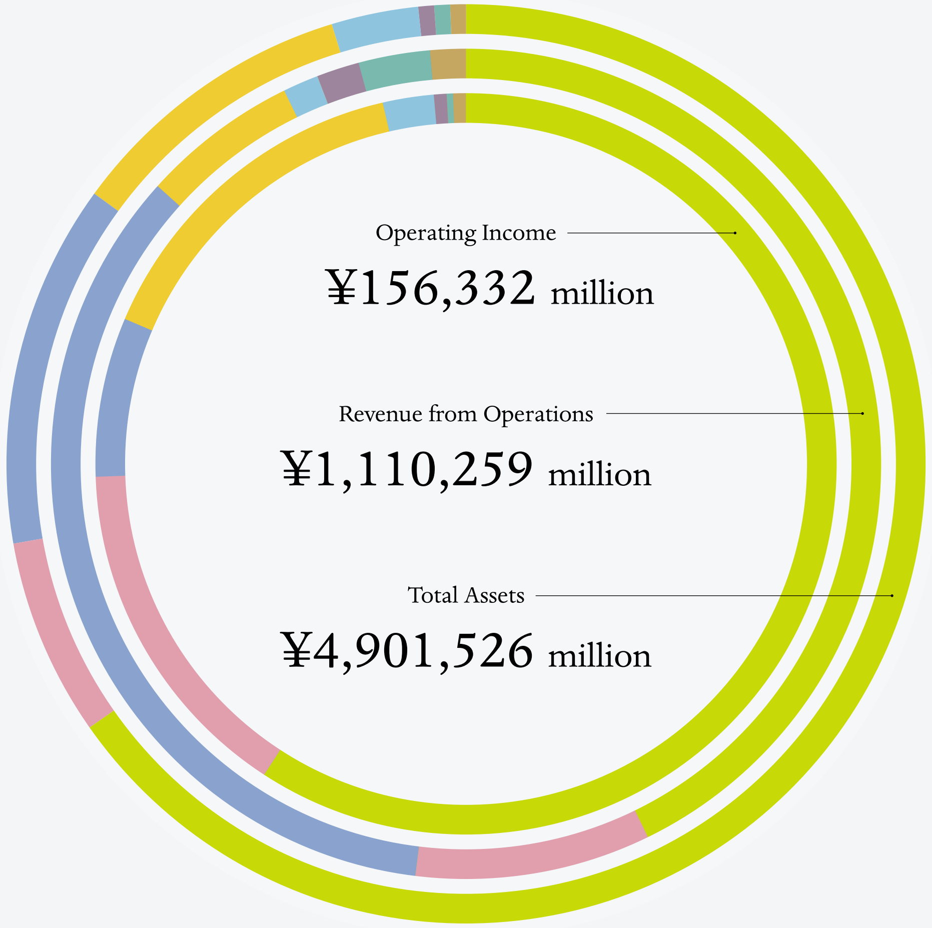


Asset Book
http://www.mec.co.jp/e/investor/irlibrary/annual/index.html



CSR Report
http://www.mec.co.jp/e/csr/report/index.html

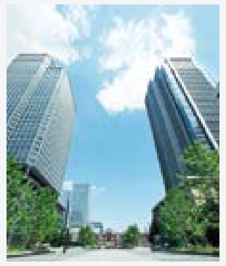
Mitsubishi Estate Co., Ltd., is a leading creator of urban change through the development of real estate including office buildings, residential properties, and commercial properties. As part of our ongoing commitment to achieve sustainable growth, we strive to create new value in Japan and overseas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



Fiscal year ended March 31, 2015 (consolidated)	Revenue from Operations	Operating Income	Total Assets (Millions of yen)
Building Business	484,816	102,820	3,094,967
Lifestyle Property Business	105,706	26,162	321,405
Residential Business	390,491	12,114	605,504
International Business	71,176	25,901	479,785
Investment Management Business	14,885	4,282	146,538
Architectural Design & Engineering Business	19,467	663	24,985
Hotel Business	30,827	754	28,034
Real Estate Services Business	13,939	524	20,731
Other	3,747	16	27,696
Adjustments	(24,799)	(16,906)	151,876
Total	1,110,259	156,332	4,901,526

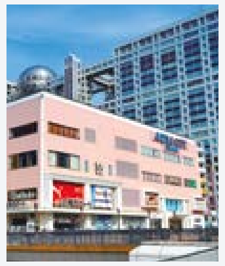
As of April 2015, the following segment changes have occured.
- Domestic retail & logistics property businesses (not including some multi-use facilities), no longer in the Building Business, now featuring the newly created Lifestyle Property Business.
- Overseas investment management business has been moved from the International Business to the Investment Management Business.
- Mitsubishi Jisho House Net Co., Ltd., has been moved from the Real Estate Services Business to the Residential Business.

Building Business



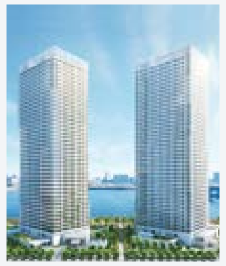
This is Mitsubishi Estate's core business, which engages in the development, leasing, and property management of office buildings, mainly in Tokyo and other major Japanese cities. We promote urban development that contributes to increased appeal of cities while maintaining a balance between management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

Lifestyle Property Business



Mitsubishi Estate operates the PREMIUM OUTLETS®, MARK IS, and other retail facilities using a comprehensive system where it remains continuously involved with the retail property from the planning stage to ongoing operations. Under the "Logicross" brand, Mitsubishi Estate is pursuing logistic business opportunities nationwide. The Company is also expanding the variety of its properties.

Residential Business



We offer services to meet a variety of needs in the condominium, custom-built housing, renovation, management, purchase and sales, leasing, and brokerage areas. As the circulation of existing homes expands and people's lifestyles grow increasingly diverse, we are strengthening our remodeling construction and 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 businesses in rapidly expanding Asian markets and advancing into continental Europe.

Investment Management Business

For investors seeking real estate asset management, we provide a wide range of services based on our specialized expertise, utilizing collaboration among our operating bases in Japan, the United States, and Europe. 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, ability, 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

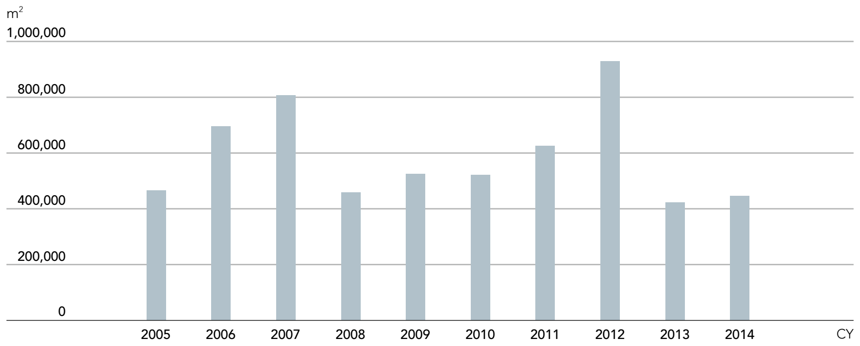
This business maintains a network of eight hotels under the Royal Park Hotels brand in Sendai, Tokyo (Nihonbashi, Shiodome, and Haneda), Yokohama, Nagoya, Kyoto, and Fukuoka. We are promoting the expansion of group hotels and improved brand value with a management foundation focused on customer satisfaction.

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 parking lots.

THE CURRENT JAPANESE REAL ESTATE MARKET

Supply of New Large-Scale Office Buildings in the 23 Wards of Tokyo

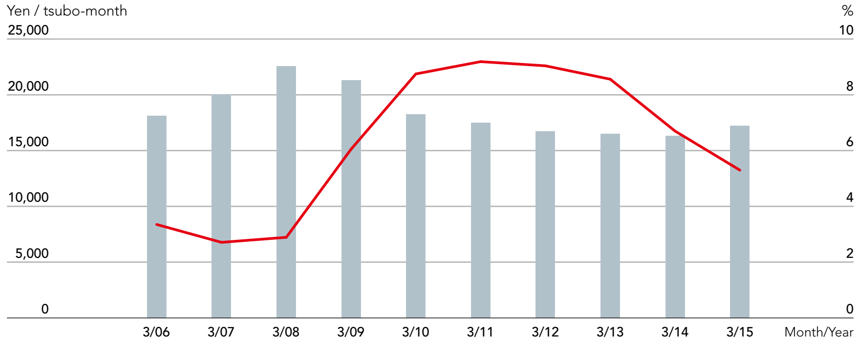


Notes: 1. Buildings with a standard floor area of 200 tsubo and above
2. 1m²=0.3025 tsubo

Source: Sanko Estate Co., Ltd.

Office building development in Tokyo continues, supported by a firm demand for office space. In 2013, much of the new supply was concentrated in Chuo-ku, Chiyoda-ku, and Minato-ku, located in the city center. (Source: Sanko Estate Co., Ltd.) However, the concentration ratio of new supply in those areas declined in 2014 because of several large-scale office building development projects in Shinjuku-ku, Shinagawa-ku, and Koto-ku.

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



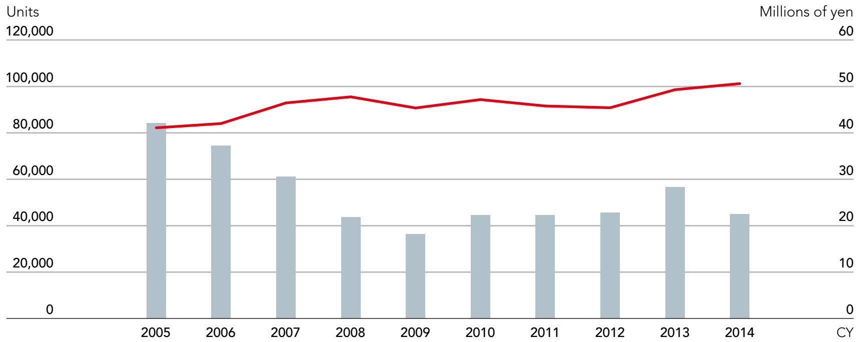
Average Rent (left scale) Vacancy Rate (right scale)

Source: Miki Shoji Co., Ltd.

Note: 1m²=0.3025 tsubo

Corporate earnings have been recovering since 2013, which has been reflected in an improvement in vacancy rates in the five central Tokyo metropolitan wards (Minato-ku, Chiyoda-ku, Chuo-ku, Shinjuku-ku, and Shibuya-ku). Average rents have also followed this upward trend. In January 2015, the average rent per tsubo reached ¥17,000, rising to that level for the first time since October 2011.

Sales of New Condominiums in the Tokyo Area / Condominium Prices



Sales of New Condominiums in the Tokyo Area (left scale) Condominium Prices (right scale)

Source: Real Estate Economic Institute Co., Ltd.

In 2014, the average price of condominiums in the Tokyo metropolitan area increased 2.7% from the previous fiscal year, to ¥50.6 million. The increase can be attributed to higher prices for construction materials and a surge in labor expenses due to a shortage in labor supply in the construction industry. The supply of condominiums in the area declined 20.5% from 2013, to 44,913 units.

Tokyo Stock Exchange REIT Index

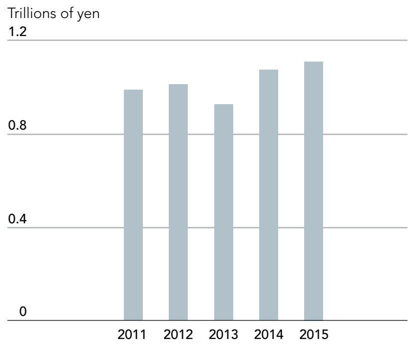
Source: The Association for Real Estate Securitization

The Tokyo Stock Exchange REIT Index continued its upward trend for several reasons. Conditions in the domestic real estate market were robust against the backdrop of rising real estate prices, mainly in downtown Tokyo, and higher office building rental fees. Moreover, in October 2014, the Bank of Japan announced a new policy that included substantial expansion in its J-REIT purchases.

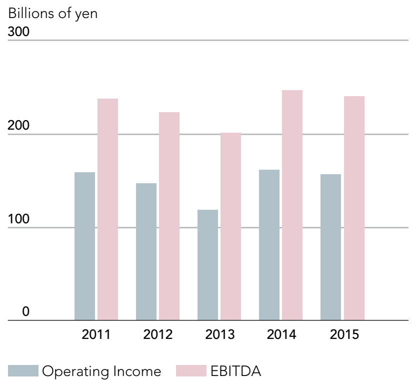
FINANCIAL HIGHLIGHTS

Years ended March 31

Revenue from Operations

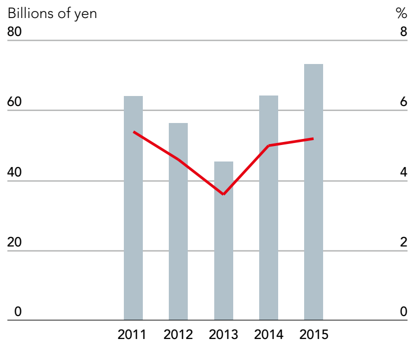


Operating Income / EBITDA



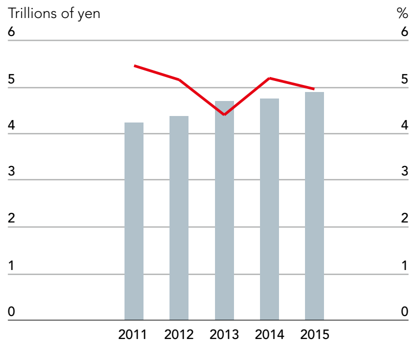
Consolidated revenue from operations in fiscal 2015, the fiscal year ended March 31, 2015, rose 3.3% year on year, to ¥1,110.2 billion. Despite a decline in the number of condominium units sold in the Residential Business, the growth in rental revenue and in revenue from the sale of property in the Building Business supported an overall increase in revenue from operations. EBITDA decreased 2.6% year on year, to ¥239.9 billion. The primary factors for this decrease were the declines in operating income and in depreciation.

Net Income / ROE



Net Income (left scale) ROE (right scale)

Total Assets / EBITDA/Total Assets*

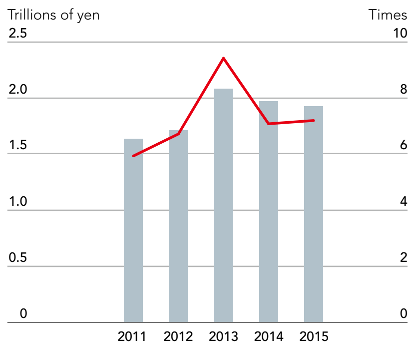


Total Assets (left scale)
EBITDA/Total Assets (right scale)

* EBITDA/Total Assets is calculated based on the average total assets from the beginning to the end of the period

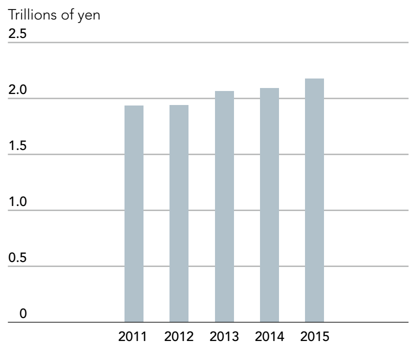
In fiscal 2015, ROE improved 0.2 percentage point as a result of the increase in consolidated net income. The target for EBITDA/Total Assets, a management indicator, set forth in the new Medium-Term Management Plan was 5.0% for fiscal 2017, a target that we were able to achieve. Development of management property office buildings leads to growth on the balance sheet, but Mitsubishi Estate is engaged in the policy of increasing business efficiency by continually adjusting its portfolio.

Interest-Bearing Debt / Net Interest-Bearing Debt/EBITDA



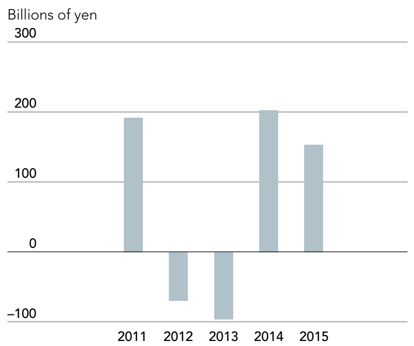
Interest-Bearing Debt (left scale)
Net Interest-Bearing Debt/EBITDA (right scale)

Unrealized Gain on Rental Properties

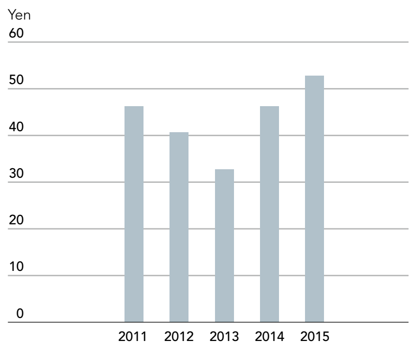


As of March 31, 2015, interest-bearing debt declined ¥43.6 billion year on year, contracting for the second consecutive year. Net interest-bearing debt over EBITDA, a stability indicator, was 7.2 times. The Medium-term Management Plan's stability target for fiscal 2017 is 8.0 to 8.9 times. Unrealized gain on rental properties rose ¥84.2 billion from a year earlier, to ¥2,180.7 billion.

Free Cash Flow



Earnings per Share



In fiscal 2015, free cash flow decreased ¥49.4 billion from fiscal 2014, to ¥153.5 billion. In addition to a decline in cash flows from operating revenues, expenditures for the purchase of a majority interest in TA Realty LLC contributed to the decline in free cash flow. Earnings per share rose ¥6.51, to ¥52.85 per share, advancing for the second consecutive year.

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

Enhancing Corporate Value and Deepening the Foundations of Growth for a Richer Future

Achieving Enhanced Corporate Value

Fiscal 2015 was the first year under the new Medium-Term Management Plan, which targets enhanced corporate value. I am pleased to report steady progress on the Marunouchi Redevelopment Project, which lies at the heart of our competitive advantage. Earnings have proved robust, as the office building vacancy rate has gradually declined and our office rent levels have risen. Net asset value (NAV)* and corporate value have been enhanced along with continuing redevelopment and an expansion in office building rent revenues.

* NAV: Net asset value of a company, reflecting market value of owned real estate. NAV will trend high if a company holds real estate with high asset value.

Marunouchi Redevelopment Business Model

Our core business is the Office Building business, centered in the Marunouchi area, and developments in this business are based on two main asset categories. First, there are the material assets, comprising the land and approximately 30 office buildings in Marunouchi, Tokyo's traditional business center. We have been developing the Marunouchi area as a city center for more than a century, and these material assets are at the heart of our business model.

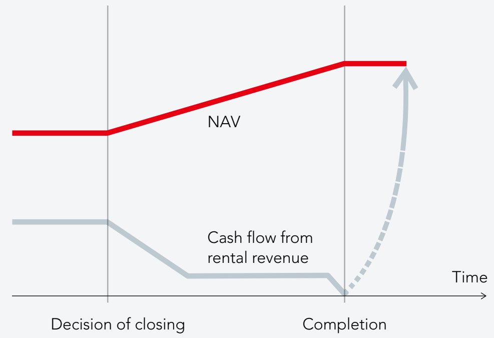
To fully realize the potential of these material assets, we rely on our second main category of assets—invisible assets. Initially, these assets comprise the expertise and know-how that we have built up in the course of urban development; our stakeholder networks, including leaseholders, tenants, and local authorities; and the real estate development functions within the Group that range from planning and development to property management. Invisible assets are reinforced by our brand value, which hinges on the confidence our customers have in our quality, as well as the creativity and passion of our employees. Elements such as these do not appear directly on an income statement but are essential to maximizing the value of our material assets.

Evaluations of Mitsubishi Estate tend to incline to material assets because of the prominence of our presence in the Marunouchi area. However, to create the type of urban environments that meet the needs of the age and to move to the next stage of development we cannot rely simply on the material assets that we have accumulated. We are creating a dynamic business model based on a fusion of material and invisible assets that transcends the current paradigm and that will sustain and enhance our corporate value.

NAV and CF Trends in Conjunction with Office Building Development

To enhance the value of the Marunouchi area, we are continuing to implement the redevelopment of existing office buildings. When redeveloping buildings that are owned by the Group, costs are posted in the period from the start of construction to immediately after completion, so it is difficult to determine the impact on profitability and cash flows.

Unlike the development of a new property with the acquisition of a plot, the redevelopment of an existing building first involves its operational closure. In terms of profitability, revenue will decline during the period from closure until the renovation work is complete. Once the renovated building starts operation, initial costs will be posted and depreciation will show a substantial increase.



On the other hand, the building's NAV will rise in tandem with redevelopment, and once an operation has started rental revenue is expected to generate steady operating cash flow. Initial costs are generally absorbed by the second year of operation, and the financial overview will show an easing of depreciation costs and rising profits.

Progress on Medium-Term Management Plan

The current Medium-Term Management Plan presents specific initiatives to meet a series of new challenges for the Group. Following, we summarize some of the challenges in fiscal 2015, the first year under the three-year plan.

In the Building Business, we are pursuing a number of projects. In the Marunouchi area, the Otemon Tower・JX Building is scheduled for completion in November 2015, and plans call for the Otemachi Park Building to be finished in 2017. Both of these projects were originally designated under the former Otemachi 1-1 Project. OTEMACHI FINANCIAL CITY GRAND CUBE, which was previously designated the third phase of the Otemachi Chain Redevelopment Project, is scheduled for completion in 2016, and the tentatively named Marunouchi 3-2 Project is expected to be completed in 2018. We are continuing to develop the Marunouchi area with the aim of making it an attractive location with "the world's most interaction-inspiring neighborhood". Outside of the Marunouchi area, we have completed six buildings with a view to future sales, including Toyosu Foresia.

The residential market was robust in fiscal 2015, principally in urban areas, and although we sold fewer units, our underlying sales trend was solid. In July 2014, our condominium management subsidiary was integrated with that of Marubeni Corporation and, in April 2015 we transferred our residential leasing business to Mitsubishi Jisho Residence Co., Ltd. We reorganized our residential stock business to achieve expansion and greater efficiencies.

We are steadily enhancing our overseas portfolio with new building developments in the United States, Europe, and Asia as well as property acquisitions with a view to future redevelopment. In January 2015 we acquired Boston-based TA Realty LLC, a leading real estate fund management firm, as part of our strategy to accelerate business in real estate investment management.

Finally, we have established a new business creation department that aims to open up opportunities for long-term growth. Our first major initiative is to acquire the operating rights for Sendai Airport, the first airport in Japan due to be privatized in 2016. We will search for further opportunities to utilize the synergies and know-how of Group businesses, including property management and commercial facility development. Further, in order to strengthen existing business and develop new asset types we created the Lifestyle Property Business Group from the former Retail & Logistics Property Business Group.

Related Major News Releases in Fiscal 2015

Theme		Release date	Related major news release
Investment & Development Business	Building Business	Nov. 2014	Start of Marunouchi 1-3 Project (tentative name) to redevelop Ginko Kaikan, Tokyo Ginko Kyokai Building, and former Mizuho Bank Head Office Building. Part of a move to strengthen the global financial infrastructure of the Otemachi, Marunouchi, and Yurakucho districts
		Oct. 2014	Opening of The Premier Floor Marunouchi on the 34th floor of the Marunouchi Building
		Aug. 2014	Completion of Toyosu Foresia office building with 44% green area and high earthquake resistance
		Aug. 2014	Continuing from Shiba Front Building, completion of Tamachi Front Building, a high-function office building in the Shinagawa/Tamachi area
		April 2014	Start of construction work on Otemachi 1-1 Project Building B (tentative name).
		April 2014	Start of the third phase of the Otemachi Chain Redevelopment Project (Marunouchi Redevelopment Stage 2, Project No. 6)
	Lifestyle Property Business	Feb. 2015	Completion of Logiport Hashimoto, a large-scale earthquake-resistant distribution facility
		Nov. 2014	Completion of Mitsubishi Estate's logistics facility Logicross in Hisayama, Fukuoka Prefecture
	Residential Business	Feb. 2015	Residential Business transferred to Mitsubishi Jisho Residence.
		Nov. 2014	Start of construction on The Parkhouse NishiShinjuku Tower 60, the tallest apartment building in Japan based on number of stories (60)
		June 2014	Start of Mitsubishi Jisho Community Holdings Co., Ltd., merger of Mitsubishi Jisho Community Co., Ltd and condominium management subsidiaries of Marubeni Corporation
	International Business	Jan. 2015	Completion of Singapore office development CapitaGreen
		Jan. 2015	Acquisition of office building in Paris, our first on the European continent
		Dec. 2014	Grand opening of Group's first development/commercial zone in Taiwan
		Aug. 2014	Acquisition of Los Angeles office building to expand and diversify the U.S. business portfolio
		July 2014	Capital participation in China logistics facility development
		May 2014	Start of participation in three major residential developments in Bangkok, Thailand, with more than 2,000 units
		April 2014	Acquisition of 28 State Street office building in Boston
Management & Services Business		Oct. 2014	Mitsubishi Jisho Investment Advisors private REIT managed assets break ¥200 billion mark
		Oct. 2014	Acquisition of TA Realty LLC, a leading U.S. real estate fund management firm
		Sept. 2014	Start of operations of ROYAL PARK HOTEL THE HANEDA on September 30 at Haneda Airport International Passenger Terminal

Fiscal 2015 Earnings

Revenue from operations increased from the previous fiscal year, as major office buildings completed in 2012 became fully operational and rises were recorded in property sale income. Operating income fell due to a number of factors, including a decline in sales of built-for-sale condominium units. Net income stepped up 14.1% year on year, despite impairment losses posted on a marked margin deterioration in some fixed assets as well as a fall in market value—we took a cautious stance on impairment within reasonable limits. Dividends per share rose ¥2 from the previous year, to ¥14 per share.

As noted above, we are implementing the Marunouchi Redevelopment Project, under which existing buildings will be renovated. In the short term, we will not be able to generate profits from the buildings that are included in the four redevelopment projects. Despite this, our earnings exceeded initial projections, and we believe these results testify to the underlying strength of the Mitsubishi Estate Group. We regret the posting of impairment losses, but we intend to learn from this experience and apply the lessons in our investment strategy and facility management.

Earnings Outline

Millions of yen

	Fiscal 2014 results	Initial forecast (Announced February 5, 2015)	Fiscal 2015 results
Revenue from operations	1,075,285	1,108,000	1,110,259
Operating income	161,271	150,000	156,332
Net income	64,297	67,000	73,338
EBITDA	246,332	231,500	239,934
Interest-bearing debt	1,973,042	1,970,000	1,929,355

Improving Asset Efficiency and Harnessing Group Power

Our earnings attest to the Group's underlying strength, but this does not mean that we should be satisfied with our present position. I believe our income and profits can accelerate if the Group's strengths are harnessed further, and I urge our employees not to simply meet existing standards but to strive for the next level of achievement. To enhance asset efficiency, we must make more effective investments and manage our operations more efficiently.

We are re-focusing on strict income and expenditure control in the core Building Business and scrutinizing investment and margins to raise asset value. Further, in April 2014 we reorganized our Building Business, merging the building asset group, which primarily oversees our own assets, and the urban development group, which mostly handles turnover business. We believe these moves will strengthen asset portfolio management and sourcing functions as well as facilitate the sharing of know-how across the Group.

In the Residential Business, efficiency is more important than ever, as construction costs rise and competition for sites becomes more severe. We intend to maintain our competitiveness in this difficult environment by drawing on our sourcing capabilities to acquire sites and leveraging our Group strengths to develop condominiums with higher added value.

Profit growth in such specialist services as property management and real estate investment management, for which customers pay a fee, is also crucial in enhancing asset efficiency. The integration of Mitsubishi Jisho Property Management and Mitsubishi Jisho Building Management in April 2014 was a step in this direction. Mitsubishi Jisho Building Management has a wealth of experience in managing large-scale complexes comprising office, commercial, and ancillary facilities and also engages in leasing, sales, and promotion. Mitsubishi Jisho Property Management's strengths lie in the efficient management of office buildings for REITs and real estate investment funds. We believe synergies between the two companies will allow our property management business to make more effective proposals while implementing consignment work efficiently and also enhancing the management of our owned buildings.

Real estate investment management is a promising area to harness the collective power of the Group and achieve synergies. The acquisition of TA Realty LLC has consolidated our local sourcing functions in Japan, the United States, and Asia. The hybrid model for investment management funds, which is composed of Group capital that is pooled with funding from third parties, gives us scope to efficiently build up our overseas business.

Sustaining Creative Development

The three-year mission under our Medium-Term Management Plan is to enhance corporate value principally through the achievement of higher NAV. This goal is in line with our business model, which calls for the creation of value through the long-term development of urban areas. We also believe this goal matches the needs of our stakeholders, including shareholders, investors, and others, who require us to maximize value in the long term. We have significant assets in the Marunouchi area, but we are not content to simply hold them; rather, we see them as an opportunity for further growth. We are fortunate to be in possession of all the rich possibilities of the Marunouchi area, built up by our predecessors, and with this at the center of our business we will focus our creativity to improve asset efficiency and generate Group synergies in other areas and segments. Working to create a richer future, we are determined to generate further value as we pursue our urban development mission.

July 2015

Hirotaka Sugiyama

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

BUSINESS REVIEW

Enhancing the Possibilities of Tomorrow

Beginning in fiscal 2015, the Mitsubishi Estate Group implemented a three-year Medium-Term Management Plan with the theme of "3 years to realize an increase in company & asset value." Under the medium-term plan, the Mitsubishi Estate Group is making capital investments for growth primarily in the redevelopment of its revenue base, the Marunouchi area. At the same time, it is endeavoring to increase future cash flow possibilities and the property values of its eight businesses grouped around the core Building, Lifestyle Property, Residential, and International businesses.

OFFICE BUILDING BUSINESS 1

Enhancing the Possibilities of Tomorrow

Continually Revitalizing Cities That Represent the Source of Corporate Value

Building Attractive Cities to Meet the Needs of the Times

Marunouchi is the name of a 1.2 million square meter area to the west of Tokyo station, which encompasses the Marunouchi, Otemachi, and Yurakucho. Over 120 years ago, the area became a business area representative of Tokyo. Today, it is a bustling hub of the Japanese economy, boasting 4,000 offices, including the head offices of 92 companies listed on the Tokyo Stock Exchange. Approximately 230,000 business people work in the area.

The Mitsubishi Estate Group owns approximately 30 office buildings in the Marunouchi area. At the same time, we are continuously engaged in "urban development" in the area through redevelopment to meets the needs of the times, and we have realized a significant increase in the value of our properties there. Starting with the completion of the Marunouchi Building in 2002, to date we have rebuilt a total of nine buildings in the area and redeveloped the space around them. In comparison with the floor space prior to redevelopment, total operating floor space* has been expanded by approximately 1.6 times. As of June 2015, we have commenced operations to demolish and newly construct four buildings in the area, and we are also pushing forward with planning for new projects.

* Total operating floor space of Mitsubishi Estate (non-consolidated)

Creating the Most Interaction-Inspiring Neighborhood in the World

Rebuilding properties outfitted with the latest features is only one aspect of our urban development operations, and, in recent years, we have been working toward increasing Tokyo's competitive strength as a major Asian business center by pouring our efforts into the development of support infrastructure.

EGG JAPAN (Entrepreneur Group for Growing JAPAN), established in 2007, is an prime example of these efforts. EGG JAPAN is an innovation platform office that targets small and medium-sized Japanese venture companies aspiring toward global expansion and burgeoning foreign companies that plan to enter the Japanese market. In addition to providing small-scale office space, EGG JAPAN offers business development support tailored to the needs of its tenant firms and networking opportunities through its members-only business club, Tokyo 21c Club.

Expansion of total operating floor space of buildings owned by Mitsubishi Estate through redevelopment:

Approximately 1.6 times

Comparison of total operating floor space in March 2002 and March 2015

Number of Fortune Global 500 companies in 2014, with headquarters or head offices in the Marunouchi area:

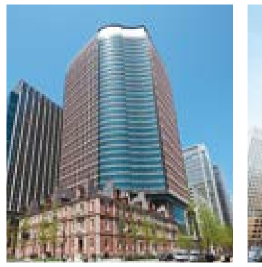
17 companies

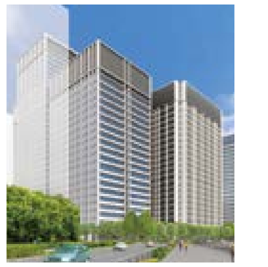
Indicated by U.S. *Fortune* magazine's annual ranking of global companies, based on total corporate earnings

Number of top 50 companies in terms of market capitalization with headquarters or head offices in the Marunouchi area:

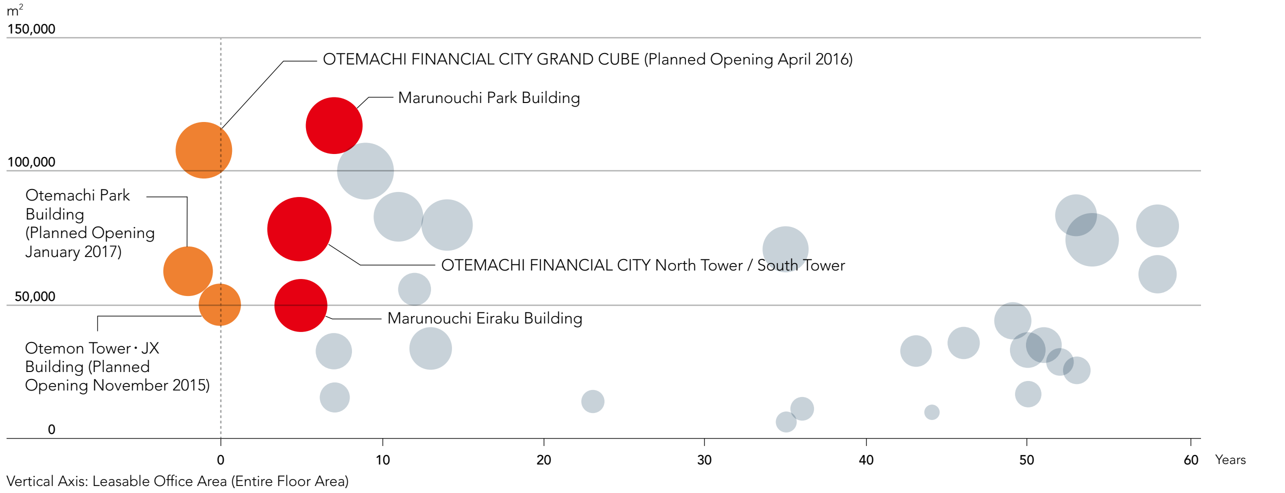
13 companies

Based on Nikkei Net's market capitalization ranking as of March 31, 2015





Mitsubishi Estate-Owned Buildings in the Marunouchi Area



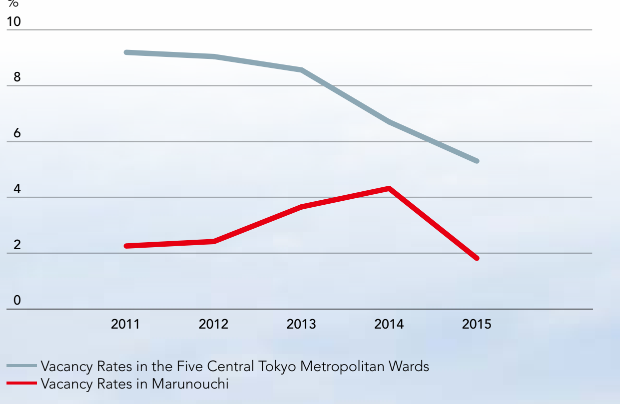
Vertical Axis: Leasable Office Area (Entire Floor Area)
Horizontal Axis: Building Age
Circle Size: Total Area (Entire Floor Area)

Moreover, the Group believes that the Marunouchi area should be a place where talented people from countries all around the world can meet and have positive interactions—a city where people not only work, but they live and live comfortably. To this end, we are striving to boost the functionality of the area by appealing for hospitals that provide medical care in English, daycare centers, and serviced apartments.

Through positive interactions come opportunities to create new value, which increases the city's competitiveness. Creating "the world's most interaction-inspiring neighborhood" is part of our initiative to add value to the city and, in turn, raise the corporate value of the Group.

Vacancy Rates for Offices in the Five Central Tokyo Metropolitan Wards[1] and Marunouchi[2]

Vacancy rates as of March 31 for each year



1. Minato-ku, Chiyoda-ku, Chuo-ku, Shinjuku-ku, and Shibuya-ku
Source: Miki Shoji Co., Ltd.
2. Building owned and master-leased by Mitsubishi Estate Co., Ltd.

Projects Completed Outside the Marunouchi Area

For the fiscal year ended March 31, 2015, six income-generating buildings, including Toyosu Foresia, were completed in the Tokyo metropolitan area. Moreover, the redevelopment of the Dai Nagoya Building, which is currently under construction in Nagoya, Aichi Prefecture, is scheduled for completion in November 2015.

Toyosu Foresia

OFFICE BUILDING BUSINESS 2

Enhancing the Possibilities of Tomorrow

Adapting to the Changing Needs of Growing Companies

K.K. Box Japan moved to EGG JAPAN in 2013. Katsunori Furuichi, Box Japan's president and representative director, talks about the reasons for choosing Marunouchi and how the business is developing.

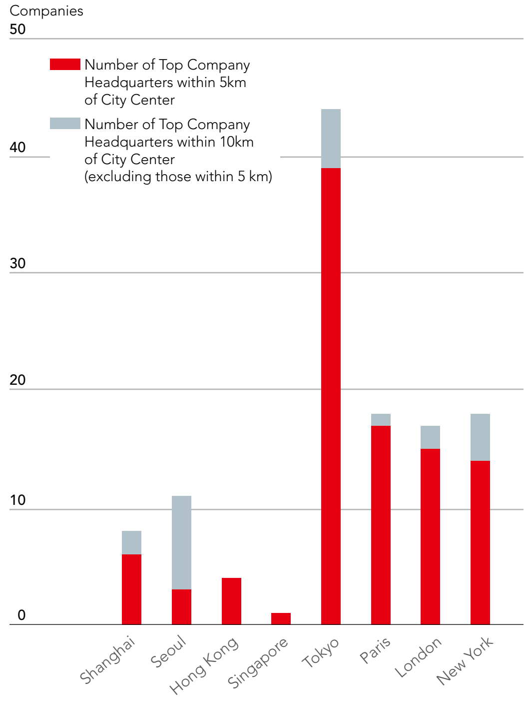
Katsunori Furuichi
President & Representative Director
K.K. Box Japan

Kiyoshi Ota
Deputy General Manager
Office Leasing and Tenant Relations Department
Mitsubishi Estate Co., Ltd.

Eiko Shimada
Deputy General Manager
Tokyo Client Business Development Office
Mitsubishi Estate Co., Ltd.

Interviewed in The Premier Floor Marunouchi

Number of Top Companies*



* Fortune Global 500, 2013
Source: *SHINKENCHIKU*, June 2015, Special Issue

OTA — The Premier Floor Marunouchi, situated on the 34th floor of the Marunouchi Building, was opened in October 2014 to provide small-scale, high-grade office space for burgeoning venture companies and global companies planning to expand their business operations in Japan. Box Japan, the Japan subsidiary of Box Inc., of the United States, which provides cloud collaboration services, has been a tenant since the floor opened.

SHIMADA — EGG JAPAN, an office space targeted at start-up companies, endeavors to offer business development support services and condenses all the functions required by an office into exclusive areas with a compact design. You moved from EGG JAPAN into The Premier Floor Marunouchi to increase floor space. How do you rate its functionality?

FURUICHI — It has definitely been a jump in terms of office sophistication. Customers and partner companies often remark that they prefer to hold meetings here because of its comfort, and, considering the benefits for business efficacy and recruitment, I think it is extremely reasonable. Actually, when we first moved into EGG JAPAN, my only trepidation was that space was somewhat limited, and just under a year after we moved in we had grown enough to fill capacity. We had already felt the benefits of introduction to companies in the area through Mitsubishi Estate's network at EGG JAPAN, but when we heard that a new floor was being developed as the next growth step for EGG JAPAN, we really began to understand Mitsubishi Estate's capabilities.

"Marunouchi is an ideal hub for business because of a myriad of sophisticated clients as well as numerous companies in the area to collaborate with as partners in the development of solutions."
FURUICHI

"We are leveraging the know-how accumulated through our operations and the networks we have built with companies over many years to support office product planning and business development."
OTA

OTA — To build an environment where tenants can devote themselves to business and to support their expansion, including by leveraging the Group's extensive network, is the common objective of both EGG JAPAN and The Premier Floor Marunouchi, and the know-how we have accumulated through our business operations, including the property management and hotel businesses, is used in product development.

SHIMADA — Why did you choose to set up your operations in EGG JAPAN in Marunouchi?

FURUICHI — We had also considered other areas outside Marunouchi, but to market the services that Box Japan provides to corporations, we decided Marunouchi was the best. We were attracted by the large number of customers in the area who could use Box's services to increase productivity, boost innovation, and drive the Japanese economy forward.

OTA — Approximately 4,000 prestigious companies are located here in Marunouchi. Would you say that the close proximity between you and your clients has earned you positive evaluations?

FURUICHI — The concentration of businesses in the area is important not only for communication with clients but also to foster innovation. Box Japan often engages in the collaborative development of solutions with software vendors, systems companies, and communications companies, and the process of ironing out the details face-to-face is a common practice.

OTA — As you said, the Group is working toward increasing the attractiveness of Marunouchi as a city by gathering large, conventional corporations as well as global corporations, such as Box, and venture companies together in one area, and we hope to build a city thriving with interaction. With this in mind, what do you think is most important to the future of Marunouchi?

"We want to make Marunouchi a place where large, conventional Japanese corporations as well as global corporations and up-and-coming businesses can come together, and companies engaged in new challenges can interact with each other."
SHIMADA

FURUICHI — The "smart creative" employees desired by growing companies also desire comfort outside of work, so I would say cultural richness and, of course, English support. The hurdle for foreigners living in Japan is higher than that in Singapore or Hong Kong, and raising the bar is going to be important in creating a more diverse city.

SHIMADA — To create a Marunouchi where people with a diverse range of values can interact freely, EGG JAPAN and The Premier Floor Marunouchi listen carefully to the opinions of tenants and continue to think about ways to create value unique to the Group.

LIFESTYLE PROPERTY BUSINESS

Enhancing the Possibilities of Tomorrow

Generating New Business Opportunities by Developing Diversified Assets

Hiroki Nabe
Logistics Facilities Development Department

"By aggressively promoting the Mitsubishi Estate Group's logistics property brand 'Logicross,' we will heighten awareness of our services in the market."

Area acquired in Nagoya for the new logistics facility

On April 1, 2015, the former Retail & Logistics Property Group restructured to form the Lifestyle Property Business Group. We plan to strengthen the existing retail properties and logistics properties business and, to acquire new revenue sources, we have reorganized to support the development of asset types that include new business but exclude office and residential properties in Japan. Our objective is to become a real estate business that improves the quality of our residents' lives and supports a diverse range of lifestyles.

The Retail Properties Business develops a variety of commercial properties across Japan, suited to the particular features of their location. This business is continually engaged in property planning, development, tenant leasing, and management operations through its comprehensive business structure.

We are currently engaged in three key areas of development to increase growth: integrated urban facilities, including a facility in the Marunouchi area, shopping centers such as MARK IS and AQUA CITY ODAIBA, and the PREMIUM OUTLETS® chain by Mitsubishi Estate · Simon Co., Ltd.

The Logistics Properties Business will continue to contribute to the improvement of social infrastructure by providing safe, secure, and cutting-edge logistics facilities.

MARK IS minatomirai

Outlet Business Also Planning New Development

In addition to the expansion at TOKI PREMIUM OUTLETS® in November 2014, and at SHISUI PREMIUM OUTLETS® in April 2015, in March 2015 Mitsubishi Estate · Simon, which develops and operates PREMIUM OUTLETS® malls, settled on a basic agreement with the city of Fukaya, in Saitama Prefecture, to construct a PREMIUM OUTLETS® mall area. The new outlet will be the tenth built by the Group in Japan, and it is expected to start commercial operation during the fiscal year ending March 31, 2019. We aim to make it the largest such facility in the country.

GOTEMBA PREMIUM OUTLETS®

Market Growth through the Development of Logistics Facilities

Hiroki Nabe, who works in logistics property development, points out that the domestic logistics market is growing rapidly because of the expansion in e-commerce, and that there has been a change in the logistics property functions in demand along with that growth. "Tenants are not only looking for locations based on access to highways, adequate space, and the surrounding environment. They are also concerned about commuting access for workers from residential areas and a good working environment for employees," he says.

To meet these needs, Mitsubishi Estate completed the construction of a large-scale logistics facility in Fukuoka Prefecture in October 2014. Logicross Fukuoka Hisayama boasts 40,000 square meters of floor space and is the first property to be independently developed by Mitsubishi Estate under the Logicross brand.

Logicross Fukuoka Hisayama

Reinforcing Our Presence through the Logicross Brand

Collection of information is extremely important in real estate development, particularly in the acquisition of commercial development land, and a great deal of information is available to market players with a strong reputation. Facilities that carry the Logicross brand serve to strengthen our presence as a market player in logistics facilities development. "To steadily build our portfolio of properties, I first want to aggressively promote 'Logicross' in the market and raise market awareness of Mitsubishi Estate's activities in logistics facilities," states Mr. Nabe enthusiastically.

Mr. Nabe thinks that expanding the range of assets will be positive in several ways. Such an expansion will raise the level of the Mitsubishi Estate Group's comprehensive capabilities and create synergies between business segments or lead to greater business opportunities. "The locations of logistics properties are quite different from those of our existing portfolio of buildings, residences, and other properties. These properties are expanding our contacts with landowners and tenants that were difficult to approach in the past. The expanded range of contacts is also enabling Mitsubishi Estate to consider projects in industrial parks or suburban areas near highway interchanges. By developing logistics properties, we will widen the range of business options for the Mitsubishi Estate Group as a whole. In addition, I want to contribute to strengthening our total solutions capabilities as a comprehensive developer that can deal with all situations," he explains.

RESIDENTIAL BUSINESS

Enhancing the Possibilities of Tomorrow

Carefully Considering the Unique Synergies between People and the Area in Which They Live

Jun Shibata from Mitsubishi Jisho Residence Co., Ltd., and Kunihiko Ishii from Mitsubisi Jisho Sekkei Co., Ltd. give valuable insight into the work that goes on behind the scenes in residential redevelopments.

Development at The Parkhouse NishiShinjuku Tower 60

SHIBATA — The Mitsubishi Estate Group has been engaged in development of The Parkhouse NishiShinjuku Tower 60 as the designated project representative since 2006. Mr. Ishii, you are the design supervisor for this long-term project, which finally entered development in 2014. Since then, the landscape has been gradually changing.

ISHII — The view has changed a little, but the unseen value of the area, such as its topography, history, and local community, which make up its unique character, remains unchanged. We have taken this unique character into account from a design perspective and solidified our project policies while considering various ideas and development requirements.

SHIBATA — So, this area is characterized by its metropolitan location flanked by the skyscrapers of Shinjuku, the redevelopment of urban areas interspersed with small wooden houses, and the connections that the people who have lived and worked here for years have built with the area. Moreover, the area evokes an old-time tradition of warm personal interactions in the bustling shopping streets frequented by local residents.

ISHII — The theme of the project is “connection,” which came from our desire to reflect the area’s history, while leveraging the potential of the land. For example, we plan to connect the bustling streets that intersperse the skyscrapers of Shinjuku to the plot by building a green space open to the public. Moreover, the provision of a communal area where residents have the opportunity to connect with each other will further serve to make this theme a reality.

“The strength of the Group is its ability to engage in development from various perspectives, while protecting the trust that we cherish and staying true to our core values.”
ISHII

Mr. Shibata, I believe you are also engaged in groundbreaking initiatives to encourage interaction among residents?

SHIBATA — We have been holding meetings and workshops for people considering to purchase units and residents before they move in. Expanding on your design philosophy of “connection,” we hope to support the area’s community, and we plan to hold a total of 60 support programs between 2017 and 2020. The shaping and invigoration of the community is important to building a safety network, and we are working hard from the perspective of preventing and reducing disasters.

ISHII — In order to make skyscraper residencies function like organic “cities,” do you also offer services?

SHIBATA — We have come to understand the importance of creating support infrastructure through communication with residents who already live in the area. We hope to consolidate our wisdom and consider what we can do as a Group to ensure that local people can continue to live happily and comfortably, and the fact that we were chosen to be a partner in this project demonstrates the expectation that people have of our ability.

ISHII — While protecting the trust that we cherish and staying true to our core values, we aspire to engage in development from various perspectives and build a living environment only Mitsubishi Estate can provide.

“We hope to consolidate our knowledge and consider what we can do as a Group to ensure that tenants and local residents can continue to live happily and comfortably.”
SHIBATA

Pushing Forward

The Group aims to expand the property management, which forms part of the Residential Business, and has established a base to leverage its comprehensive strengths. As one aspect of this, in April 2015, we transferred the residential leasing business, which develops The Parkhabio brand, from Mitsubishi Estate to Mitsubishi Jisho Residence Co., Ltd., centralizing land acquisition, product planning, and construction orders. Prior to this transfer, in July 2014 Mitsubishi Estate and Marubeni Corporation merged their condominium management subsidiaries. Together, we are working toward improving our management services by effectively leveraging our systems and know-how, and we are aiming to streamline our business by leveraging the scale merits of managing more than 300,000 residences.

From property management and renovation to removals and leasing management, we endeavor to strengthen collaborations at Group companies to realize expansion and growth.

PARK HABIO AKASAKA TOWER

INTERNATIONAL BUSINESS

Enhancing the Possibilities of Tomorrow

Establishing a Landmark in Singapore

Shojiro Kojima
Managing Director
Mitsubishi Estate Asia Pte. Ltd.

"The foundation for creating a relationship of trust with essential partners for business development in Asia is to share a common urban development vision."

CapitaGreen office, Singapore

Developing Office Buildings Symbolic of Our Asian Business

In December 2014, the Mitsubishi Estate Group completed its first office building project in Asia: CapitaGreen. Located in Raffles Place, Singapore's business center, CapitaGreen is a 40-story, state-of-the-art high-rise building. Designed around the theme of harmony with the environment, the building features an exterior that is covered approximately 55% with greenery. Moreover, the floors boast many amenities and are highly functional. Shojiro Kojima, president since 2014 of Mitsubishi Estate Asia Pte. Ltd., tells us the reason for developing an office building that merits being a landmark in so many ways. "It's a symbol of the Mitsubishi Estate Group's business development in Asia," he declares.

Mr. Kojima indicates that compared with Europe, the hurdles for conducting real estate business in Asia are high because of such factors as the importance of ownership rules and business practices as well as from the perspective of market liquidity and transparency. "By constructing a building symbolic of our work in the business center of Singapore, where many global companies have established bases, we have substantially heightened awareness of the Group in the market," he stresses.

Forming Trusting Partnerships while Expanding Projects across Asia

For development projects, such as CapitaGreen, it is important to have a partner with access to abundant information. On this project, that partner was CapitaLand Limited, a Singaporean company that is one of Asia's largest real estate companies. "The Group and CapitaLand share the same vision in our real estate development businesses—to build communities where people can live, relax, and work—that is the foundation of our mutual trust," Mr. Kojima says.

Mr. Kojima believes that to expand operations in Asia, it will be necessary to continue to seek out trustworthy partners and develop projects in multiple countries. He explains, "Asia is going through a growth phase. While, a wealth of business opportunities exists, the stability in individual markets is not necessarily high. With that in mind, keeping a close eye on conditions in each country's market, I want to build an Asian portfolio in stages diversified across multiple countries. I think that is the key to taking part in Asia's growth while constantly controlling risk appropriately."

Expanding Our Portfolio to the European Continent with Acquisition of a Paris Office Building

The Mitsubishi Estate Group began developing its Asian operations full scale, primarily in residential and commercial property development, following the establishment of Mitsubishi Estate Asia in 2008 and Mitsubishi Estate (Shanghai) Ltd. in 2013. In the United States and Europe, however, the strategy has been different. Since setting up local subsidiaries in the United States in 1972 and in the United Kingdom in 1986, investments have been divided between purchasing buildings based on the premise of earning rental revenues and on the premise of turning them over for a profit. In fiscal 2015, the Group acquired an office building in Paris as its first property on continental Europe. The Group will continue to expand and diversify its European portfolio.

46 Rue La Boétie, Paris

INVESTMENT MANAGEMENT BUSINESS

Enhancing the Possibilities of Tomorrow

Strengthening Our Response to Investor Needs

Ken Takanashi
Senior Vice President
TA Realty LLC

TA Realty LLC, which employs a hands-on approach to investment fund management, and the Mitsubishi Estate Group, which is engaged in long-term strategies to add value to the Marunouchi area, share a common investment philosophy.

28 State Street, Boston, Massachusetts, United States

Purchases to Swiftly Enhance Our Investment Portfolio

In addition to expanding its real estate development business—one of its core business foundations—the Group is enhancing its management services business, which provides services based on specialist know-how. We are engaged in efforts to create synergies between this business and our core business. In January 2015, through our U.S. subsidiary Rockefeller Group International, Inc., we purchased TA Realty LLC, a prominent real estate fund management company in the United States. In doing so, we advanced toward reaching the goal for total assets under management set forth in our Long-Term Vision, *BREAKTHROUGH 2020*.

TA Realty's total assets under management amounted approximately ¥1.4 trillion as of March 31, 2015, but the benefits of the purchase extend beyond this. Ken Takanashi, who has rich experience in investment management in Japan and currently works for the company, emphasizes its track record of over 30 years in business development. "This acquisition, with the proven track record that was gained, represents a key resource to the growth of the Group's investment management business in the United States."

Improving Our Response to Investor Needs to Boost Future Growth

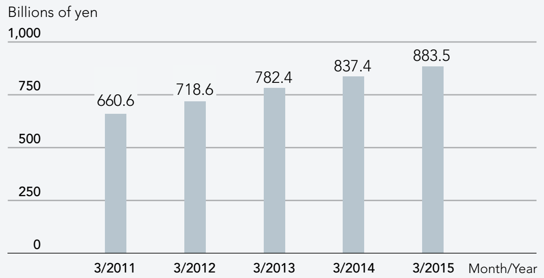
Mr. Takanashi explains that the investment philosophies of the Mitsubishi Estate Group and TA Realty share many common traits. "Fund management companies differ in their investment style, but the strength of TA Realty is its hands-on approach to raising value by leveraging its deep understanding of real estate to seek out high-potential properties. I feel that this is something that we share with the Mitsubishi Estate Group, which has been engaged in long-term initiatives to raise the value of the Marunouchi area."

Going forward, we will continue to strengthen our global real estate investment support system for institutional investors in countries around the world through cooperation with our three bases in Japan, the United States, and Europe. Moreover, we are pushing forward with our hybrid model scheme of investment using a combination of our own capital and capital procured from outside investors. "We are confident that the Group is the most active in pursuing business overseas, including its investment management operations, among its domestic competitors. We are pursuing growth by providing attractive investment opportunities to meet the needs of domestic and overseas investors."

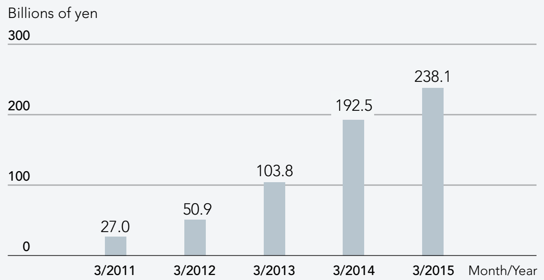
Expansion of Investment Management Business in Japan

In Japan, Mitsubishi Jisho Investment Advisors, Inc. (MJIA), which manages products ranging from private funds to private REITs, and Japan Real Estate Asset Management Co., Ltd. (JREA), which manages listed REITs with a focus on the investment and management of office buildings, are helping to drive the Group's investment management business forward. Assets under management at MJIA's open-ended unlisted REIT, Nippon Open Ended Real Estate Investment Corporation, surpassed ¥230 billion in October 2014 and, in addition to demonstrating the largest growth of any private REIT in Japan, MJIA managed a fund for specific investors inside and outside of Japan, with total assets under management surpassing ¥600 billion. Moreover, we continue to work toward strengthening our asset management business. In November 2014, the Group increased its holdings in JREA to a 90% shareholder ratio. The assets under management at Japan Real Estate Investment Corporation, managed by JREA, surpassed ¥900 billion as of the end of May 2015.

Trend of Assets under Management by Japan Real Estate Investment Corporation



Trend of Assets under Management by Nippon Open Ended Real Estate Investment Corporation



SUMMARY OF MANAGEMENT & SERVICES BUSINESS GROUP

ARCHITECTURAL DESIGN & ENGINEERING BUSINESS

Business Environment

- Total construction investment in Japan for fiscal 2016 is expected to reach ¥46.23 trillion, according to the Research Institute of Construction and Economy (RICE).
- Construction demand is on an upward trend against a backdrop of multiple positive factors. These factors include low interest rates, continued recovery efforts after the Great East Japan Earthquake, the selection of Tokyo as the host of the 2020 Summer Olympics and Paralympics, and the government's designation of National Strategic Special Zones. Conversely, there are negative factors, such as soaring labor costs because of the scarcity of construction workers.

Strategies

- Take steps to strengthen design, technology, and proposal capabilities; expand sales power and win new customers; reinforce competitiveness of core operations; and bolster overseas operations.
- Proactively implement technologies that are environmentally friendly and reduce the impact of property development on the environment.

Fiscal 2015 Topics

The following are the major architectural design and engineering and construction management (CM) projects that Mitsubishi Jisho Sekkei Inc. participated in during the fiscal year under review.
In October 2014, jointly with Tokyo Gas Co., Ltd., and Mitsui Fudosan Co., Ltd., Mitsubishi Estate decided on an urban redevelopment plan for an area in Shibaura, situated in Minato-ku in Tokyo. Provisionally called the TGMM Shibaura Project, plans call for the construction of a multipurpose business center with approximately 300,000 square meters of floor space. Mitsubishi Jisho Sekkei will be responsible for the design and engineering. Mitsubishi Jisho Sekkei will leverage its accumulated experience with developing urban communities in not only constructing high-rise buildings but installing a pedestrian deck for easy access and creating a pleasant environment filled with greenery.

The Chiyoda Campus Redevelopment Project at Otsuma Women's University has been ongoing since 2008. In December 2014, as part of the project, construction got under way on the H Building at the Chiyoda Campus. Mitsubishi Jisho Sekkei is responsible for the architectural design and engineering of the H Building and intends to employ its extensive experience in educational facilities on the project. Also, the Mitsubishi Estate Group is providing overall real estate solutions for other parts of the redevelopment project.

In February 2015, the T.S. Dream Mall—a multipurpose facility for which Mitsubishi Jisho Sekkei was responsible for the basic architectural design and engineering—opened for business in the Taiwanese city of Tainan. The T.S. Dream Mall is the first project completed in Taiwan by Mitsubishi Jisho Sekkei.

In fiscal 2015, Mitsubishi Jisho Sekkei opened its Hiroshima Office to expand its operations in the region. The office will be aiming to win orders in the Chugoku and Shikoku areas of Japan.

Computer graphic illustration of the completed TGMM Shibaura Project

Mitsubishi Estate Group's Roles in the Otsuma Gakuin Educational Institution Chiyoda Campus Redevelopment Project

	Mitsubishi Estate	Mitsubishi Jisho Sekkei	Mitsubishi Jisho Residence
Otsuma Gakuin Educational Institution, Main Building (Construction began in August 2014)	Project management support	Construction management	
Otsuma Women's University, H Building (Construction began in December 2014)	In charge of construction	Architectural design and engineering	
Repair and maintenance of school buildings of Otsuma Women's University and rebuilding of the university's annex		Construction management	
Otsuma Kugayama Dormitory		Architectural design and engineering	Development

HOTEL BUSINESS

Business Environment

- The number of people from other countries visiting Japan is rising sharply. The reasons behind the upswing in visitors include a substantial relaxation in tourist visa requirements, an improved consumption tax exemption system, and the progressive depreciation of the yen. In 2014, the number of foreigners visiting Japan increased 29%, to a record high of more than 13.41 million people, according to the Japan National Tourist Organization (JNTO).
- There has been an increase in plans to build hotels or expand existing facilities to add hotel rooms in preparation for hosting the 2020 Summer Olympics and Paralympics in Tokyo. Further, hotel operating rates continue to rise because of growth in the number of Japanese and foreigners using existing hotel accommodations.

Strategies

- Expand revenues by boosting the overall brand power of the Royal Park Hotels group, pursuing further development of "THE SERIES" brand of hotels, and increasing the degree of customer satisfaction by improving the membership sharing system and other measures.
- Reinforce other business measures, such as those to actively take advantage of rising tourist demand driven by the growing number of overseas tourists.

Fiscal 2015 Topics

In September 2014, ROYAL PARK HOTEL THE HANEDA opened at Haneda Airport, in Tokyo. Underpinned by such factors as the greater number of landing slots allowed at the airport and the increase in foreigners travelling to Japan, the number of users of Haneda Airport exceeded 70 million in 2014. In the past, it had been pointed out that a lack of hotel accommodations existed at the airport. However, now that the hotel has opened, the entrance to ROYAL PARK HOTEL THE HANEDA is conveniently located on the same floor as the third-floor arrival lobby of Haneda Airport's international terminal. The hotel is providing customers from around the world with high quality and refined services unique to the Royal Park Hotels chain.

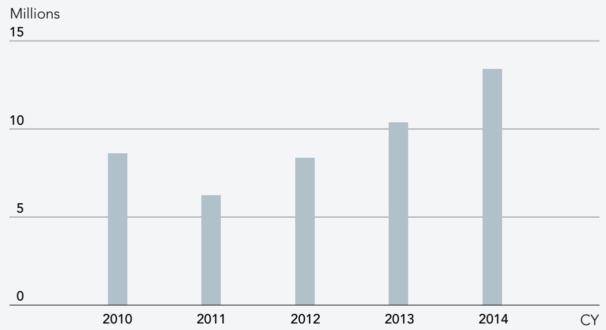
The airport hotel has also set up Japan's first transit hotel, ROYAL PARK HOTEL THE HANEDA Transit, which is situated within the security area* of the airport and contributes to the internationalization of the airport. Like Singapore's Changi International Airport, which is highly rated as a hub for Asia, and Korea's Incheon International Airport, this facility meets the needs of in-transit international passengers who want to stay at a hotel without going through immigration.

The hotel is expanding business opportunities in response to the increase in the number of international passengers. For example, at Royal Park Hotel in Nihonbashi sales of duty-free goods commenced at its delicatessen bar. Moreover, the hotel is constantly working to improve the degree of customer satisfaction.

* The area of the airport where only in-transit and embarking passengers who have checked in and completed the securities inspection and embarkation procedures are allowed.

ROYAL PARK HOTEL THE HANEDA

Trend in the Number of Visitors to Japan



Source: Japan National Tourist Organization (JNTO)

REAL ESTATE SERVICES BUSINESS

Business Environment

- The worldwide deregulation of financial regulations has stimulated active real estate investment by Japanese and international investors. Based on the outlook for a continued robust real estate market, investment real estate transactions are expected to expand.

Strategies

- As a CRE* strategy specialist, supply corporate customers with a wide range of high-quality services utilizing the comprehensive capabilities of the Mitsubishi Estate Group.

Fiscal 2015 Topics

Mitsubishi Real Estate Services Co., Ltd., employs a customer relations management (CRM) system to pursue improvements in the quality of services for customers and to enhance business efficiency.

Mitsubishi Real Estate Services is expanding its corporate solutions sales. In July 2015, part of the residence leasing operations commissioned by corporate customers of Mitsubishi Jisho House Net Co., Ltd., were transferred to the subsidiary.

* Corporate Real Estate: 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.

BUSINESS CREATION DEPARTMENT

Business Environment

- Many external factors have combined to create a variety of new business opportunities. Such factors include the introduction of the private finance initiative (PFI) and other measures being pursued under the Japanese government's growth strategy and the selection of Tokyo as the host of the 2020 Summer Olympics and Paralympics. In addition, there has been an expansion in inbound demand from overseas generated by the increase in the number of foreigners visiting Japan.

Strategies

- Develop new businesses, such as airport operation management, without restricting development to current business domains. Utilize the extensive achievements and know-how accumulated by the Group related to office building and commercial facilities, residences, and hotels in developing these new businesses.

Fiscal 2015 Topics

In October 2014, Mitsubishi Estate established the Business Creation Department within the Corporate Group to accelerate new business development. The department was reorganized from the Business Creation Office that was previously part of the Corporate Planning Department.

The Business Creation Department has set up an Airport Project Promotion Office, which is starting up full-scale activities aimed at winning operating contracts for Sendai Airport and other regional airports. In 2016, we are aiming to be the first in the private sector to be commissioned by the government to operate an airport facility through this project. By entering the airport operations business, Mitsubishi Estate plans to utilize its past record in office building and commercial property management to develop airport building property and other airport-related businesses.

By July 2015, the Mitsubishi Estate Group had already placed its bid for specific operations at Sendai Airport. Going forward, the Group will continue to consider participation in the privatization of other regional airport operations.

BUSINESS DEVELOPMENT, CONSULTING & SOLUTIONS

Value Drivers

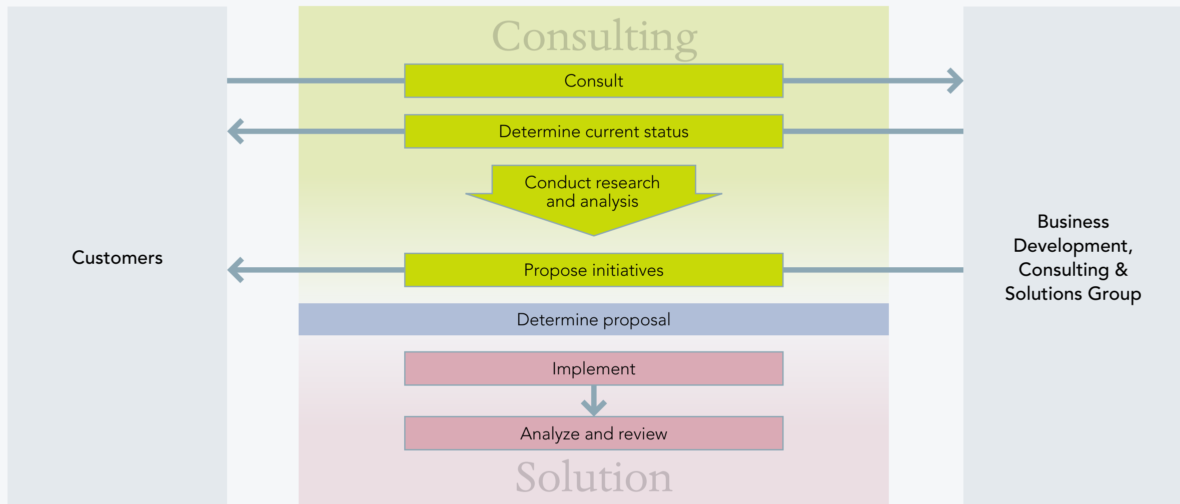
- Strategic sales organization comprising of horizontally integrated segments
- Ability to recognize problems through consulting
- Robust solutions using Groupwide resources

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.

Offering Consulting Services and Solutions



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

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

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

Building operation and management
- Operation and management plan analysis and proposals
- Long-term maintenance plan consulting
- Commissioned operation and management of buildings, retail facilities, and hotels
- Subleasing
- Tenant marketing

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
- Protective measures for buildings and facilities
- Conversion

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

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

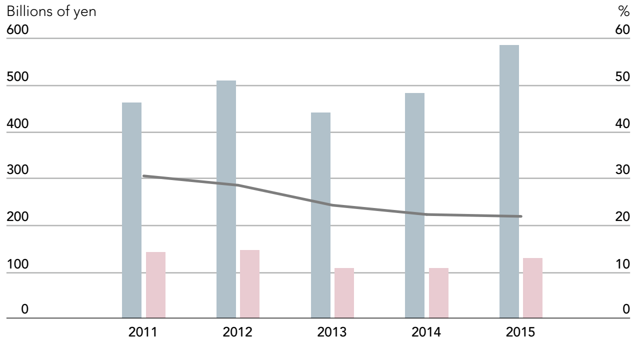
CRE strategy support
- Organization of CRE information
- CRE valuation
- Support for strategy formulation and implementation

FINANCIAL HIGHLIGHTS BY SEGMENT

Years ended March 31

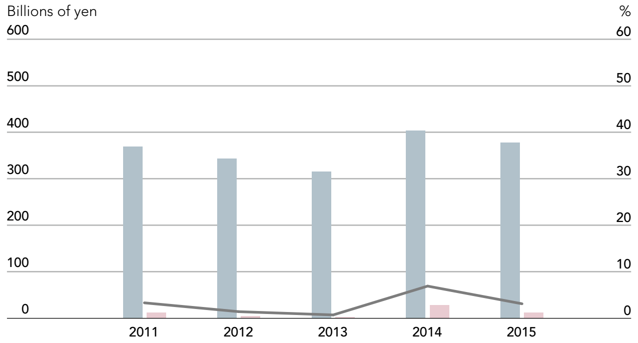
Revenue from Operations (left scale) | Operating Income (Loss) (left scale) | Operating Income Ratio (right scale)

Building Business

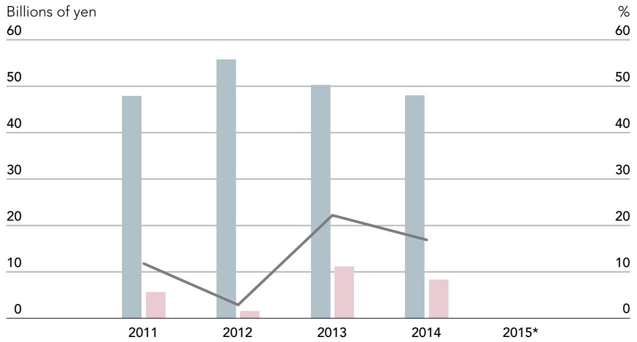


* As of April 2014, the Commercial Property Development & Investment Business has been integrated into the Building Business.

Residential Business

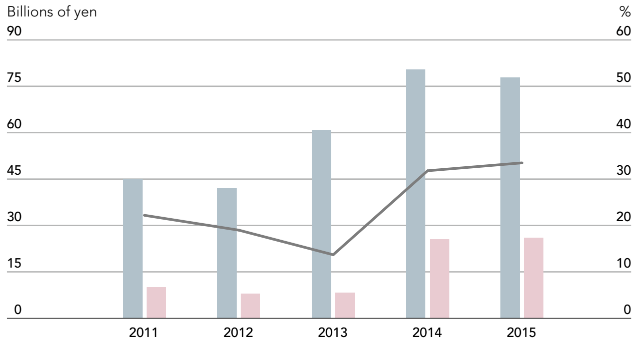


Commercial Property Development & Investment Business

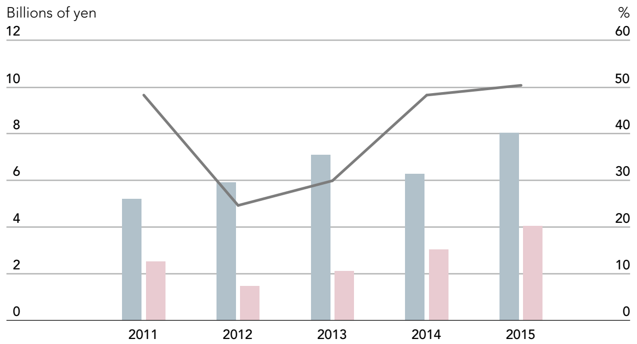


* As of April 2014, the Commercial Property Development & Investment Business has been integrated into the Building Business.

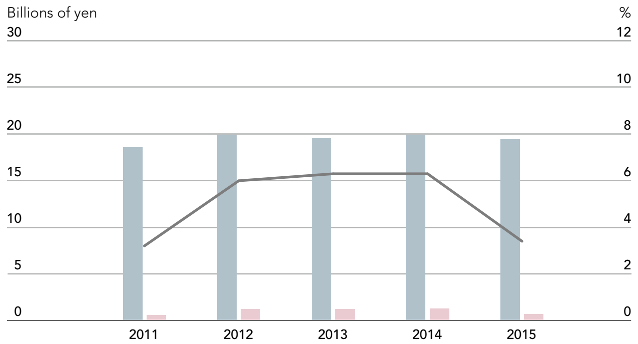
International Business



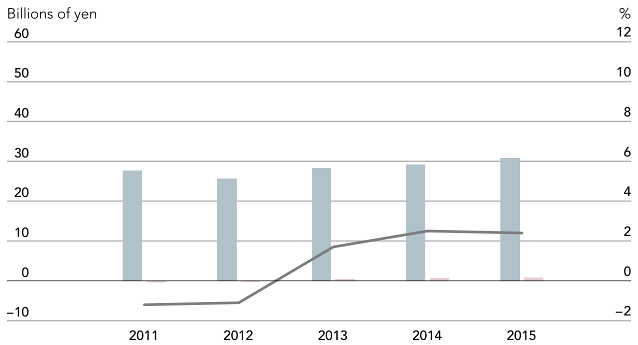
Investment Management Business



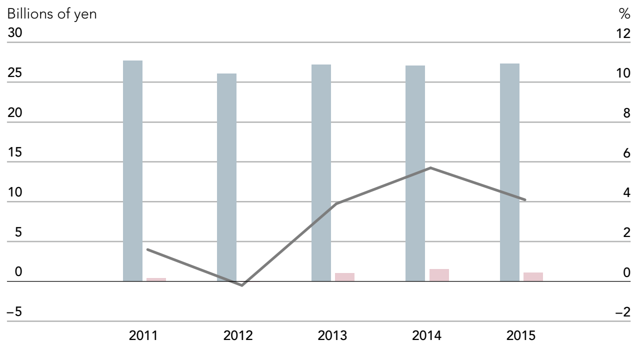
Architectural Design & Engineering Business



Hotel Business



Real Estate Services Business



CORPORATE GOVERNANCE

The role of developers is gradually becoming more important, and we are now expected to build environmentally friendly cities with advanced disaster management functions that cater to global urbanization and an aging demographic. The Mitsubishi Estate Group aims to contribute to the creation of sustainable cities to meet various individual needs. While developing our businesses from a long-term perspective, we are continually engaged in strengthening our operational management system.

Izumi Park Town, Sendai, Miyagi Prefecture

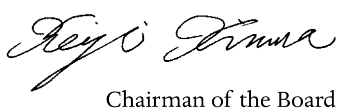
Message from the Chairman of the Board

It is essential to approach urban development from two perspectives: constructing infrastructure, such as buildings and roads and public spaces, and providing support services for the local community. Urban development also must be approached from two time perspectives—one that is contemporary to meet the requirements of today's society and one that is visionary to anticipate the future. The Board of Directors of the Mitsubishi Estate Group has the role of deliberating business strategies and management issues from the perspective of building long-term relationships with a wide range of stakeholders while at the same time increasing corporate value.

To target growth in corporate value by taking these pluralistic perspectives into account, it is indispensable for the Board of Directors to properly perform its governance function. Since 2006, we have appointed multiple outside directors to the Board to aid us in that task. Currently, our 13-member Board has four outside directors. They contribute significantly to the enrichment of the Board's discussions by giving advice or expressing opinions that utilize their extensive individual business and management experience and expertise. In addition, three out of the four statutory auditors participating in the Board meetings are outside statutory auditors, who closely monitor business execution by directors. At the annual meeting of shareholders held in June 2015, some new members were elected to the Board. Of our four outside directors, we have two new outside directors, including one woman. Also, one of the three outside statutory auditors is new. Based on their fresh points of view and proactive participation in discussions, they are contributing substantially to the greater diversity of the Board and to energetic debate.

Through the performance of its governance function with this myriad of perspectives in mind, the Board of Directors is pursuing the Mitsubishi Estate Group's 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."

July 2015



Chairman of the Board
Mitsubishi Estate Co., Ltd.

Outline of Corporate Governance

Basic Philosophy

We are working toward realizing our mission as we aim to foster the growth of true corporate value. We recognize to achieve this goal, we need to establish a healthy balance between corporate growth and satisfying our various stakeholders.

Based on this mission, the Mitsubishi Estate Group strives to implement management initiatives that prioritize shareholder value, and to ensure efficient and sound Group management, it is working to build a management system based on vitality and flexibility. We consider corporate governance to be one of our most important management themes, and we constantly pursue the creation of systems that reflect the philosophy and values of the Group.

Overview of the Corporate Governance System

The Mitsubishi Estate Group aims to strengthen its management, audit, and business execution to increase the efficiency of management and speed up its decision-making processes. To this end, we have a system of statutory auditors in place and have introduced an executive officer system. Moreover, through the appointment of outside directors to the Board of Directors, we are working toward the improvement of business execution, the separation and greater control of supervision and auditing, in addition to ensuring the greater transparency and objectivity of management.

Board of Directors

The Board of Directors, which comprises the chairman and executives of the Board, convenes regularly to report on the state of business operations and internal audit procedures. Moreover, we appoint four outside directors from diverse backgrounds to ensure the transparency and objectivity of management and secure the efficacy of management and supervisory functions. Board meetings serve as a platform to share accurate information and engage in effective discussions to make business decisions.

Further, in cases related to the acquisition of assets through an urgent bidding process, we have introduced a system under which special Board members elected in advance by the Board can pass decisions through a majority vote.

Board of Statutory Auditors

Each statutory auditor is present at meetings of the Board of Directors. In addition to offering their opinions when required, standing statutory auditors attend such important meetings as management meetings, where they carefully inspect drafts and other important documents; assess the state of business execution at related internal departments and Group companies; and share any important information with other auditors of the Board of Statutory Auditors, where they assess the business execution of directors by exchanging opinions and discussing important matters. Moreover, we have established the Office of Statutory Auditors to support the statutory auditors in performing their duties and secure the personnel and structures that are required in the audit process.

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

Directors and Statutory Auditors

Name
Position

Appointment year
Number of shares held
(As reported in *Fiscal 2015 Financial Report*, available only in Japanese)

Directors

Keiji Kimura
Representative Director
Chairman of the Board
2000
27,000 shares

Hirotaka Sugiyama
Representative Director
President & Chief Executive Officer
2007
23,000 shares

Jo Kato
Representative Director
2011
50,213 shares

Toshihiko Kazama
Representative Director
2013
13,000 shares

Masamichi Ono
Representative Director
2010
8,000 shares

Naoto Aiba
Representative Director
2013
19,000 shares

Soichiro Hayashi
Representative Director
2015
14,141 shares

Toru Okusa
Director
2013
19,000 shares

Junichi Tanisawa
Director
2014
4,000 shares

Isao Matsuhashi
Outside Director

2007
– shares
Born on April 16, 1933

- Apr. 1956 Joined Japan Travel Bureau Foundation
- Jun. 1990 President and Representative Director, JTB Corp.
- Jun. 1996 Chairman and Representative Director, JTB Corp.
- Jun. 2002 Director and Adviser, JTB Corp.
- Apr. 2004 Chairman and Director, NARITA INTERNATIONAL AIRPORT CORPORATION
- Jun. 2004 Adviser, JTB Corp. (Current position)
- Jun. 2007 Retired from the position of Chairman and Director, NARITA INTERNATIONAL AIRPORT CORPORATION
- Jun. 2007 Director, Mitsubishi Estate Co., Ltd. (Current position)

Reason for the nomination

The Company expects that he would carry out the supervision and check functions regarding the Company's management from an objective viewpoint independent from management executives in charge of business affairs by leveraging his management experience in a lifestyle-related service company.

Shin Ebihara
Outside Director

2015
– shares
Born on February 16, 1948

- Apr. 1971 Joined the Ministry of Foreign Affairs of Japan
- Jun. 2001 Director-General, Treaties Bureau, the Ministry of Foreign Affairs of Japan
- Sep. 2002 Director-General, North American Affairs Bureau, the Ministry of Foreign Affairs of Japan
- Jan. 2005 Assistant Chief Cabinet Secretary, the Cabinet Secretariat
- Mar. 2006 Ambassador Extraordinary and Plenipotentiary to the Republic of Indonesia
- Apr. 2008 Ambassador Extraordinary and Plenipotentiary to the United Kingdom
- Feb. 2011 Retired from the Ministry of Foreign Affairs of Japan
- Jun. 2015 Director, Mitsubishi Estate Co., Ltd. (Current position)

Reason for the nomination

The Company expects that he would carry out the supervision and check functions regarding the Company's management from an objective viewpoint independent from management executives in charge of business affairs by leveraging his wealth of international experience and knowledge gained through his extensive years as a diplomat.

Shu Tomioka
Outside Director

2006
– shares
Born on April 15, 1948

- Nov. 1975 Joined Morgan Guaranty Trust Company of New York
- Feb. 1991 Branch Manager and Representative in Japan, J.P. Morgan Securities Asia Pte. Limited, Tokyo Branch
- Jul. 1998 Director and Vice Chairman, J.P. Morgan Securities Asia Pte. Limited
- Apr. 1999 Representative in Japan, J.P. Morgan Securities Asia Pte. Limited
- Mar. 2001 Vice Chairman, J.P. Morgan Securities Asia Pte. Limited
- Oct. 2002 Retired from J.P. Morgan Securities Asia Pte. Limited
- Jun. 2006 Director, Mitsubishi Estate Co., Ltd. (Current position)

Reason for the nomination

The Company expects that he would carry out the supervision and check functions regarding the Company's management from an objective viewpoint independent from management executives in charge of business affairs by leveraging his management experience in a foreign-affiliated investment bank.

Setsuko Egami
Outside Director

2015
– shares
Born on July 16, 1950

- Nov. 1983 Editor-in-Chief of "Travaille" magazine, Japan Recruit Center
- Dec. 2001 Director, Frontier Service Development Laboratory, East Japan Railway Company
- Apr. 2009 Professor, Graduate School of Humanities, Musashi University (Current position) Professor, Faculty of Sociology, Musashi University (Current position)
- Apr. 2012 Dean, Faculty of Sociology, Musashi University
- Jun. 2015 Director, Mitsubishi Estate Co., Ltd. (Current position)

Reason for the nomination

The Company expects that he would carry out the supervision and check functions regarding the Company's management from an objective viewpoint independent from management executives in charge of business affairs by leveraging her abundant knowledge of corporate strategy, marketing strategy and human resources development.

Statutory Auditors

Yutaka Yanagisawa
Standing Statutory Auditor
2015
14,000 shares

Kazuhiko Hasegawa
Outside Standing Statutory Auditor

2008
14,000 shares
Born on June 5, 1952

- Apr. 1975 Joined Mitsubishi Bank, Ltd.
- Jun. 2002 Executive Officer, Bank of Tokyo-Mitsubishi, Ltd.
- Jun. 2005 Standing Statutory Auditor, Bank of Tokyo-Mitsubishi, Ltd.
- Jan. 2006 Standing Statutory Auditor, The Bank of Tokyo-Mitsubishi UFJ, Ltd.
- Jun. 2008 Retired from The Bank of Tokyo-Mitsubishi UFJ, Ltd.
- Jun. 2008 Standing Statutory Auditor, Mitsubishi Estate Co., Ltd. (Current position)

Reason for the nomination

The Company expects that he would ensure fairness and appropriateness in the Board of Directors as a Statutory Auditor by leveraging his management experience in a city bank, etc.

Kenji Matsuo
Outside Statutory Auditor

2014
– shares
Born on June 22, 1949

- Apr. 1973 Joined Meiji Life Insurance Company
- Dec. 2005 President and Representative Director, Meiji Yasuda Life Insurance Company
- Jul. 2006 Director, President, Representative Executive Officer
- Jul. 2013 Representative Executive Officer
- Jul. 2013 Special Advisor, Meiji Yasuda Life Insurance Company (Current position)
- Jun. 2014 Standing Statutory Auditor, Mitsubishi Estate Co., Ltd. (Current position)

Reason for the nomination

The Company expects that he would ensure fairness and appropriateness in the Board of Directors by leveraging his management experience in a life insurance company.

Iwao Taka
Outside Statutory Auditor

2015
– shares
Born on March 10, 1956

- Apr. 1994 Full-Time Lecturer, Faculty of International Economics, Reitaku University
- Apr. 2001 Professor, Faculty of International Economics (currently Faculty of Economics and Business Administration), Reitaku University (Current position)
- Apr. 2002 Professor, School of International Economics (currently School of Economics and Business Administration), Chikuro Hiroike School of Graduate Studies, Reitaku University (Current position)
- Apr. 2009 Dean, Faculty of Economics and Business Administration, Reitaku University
- Jun. 2015 Standing Statutory Auditor, Mitsubishi Estate Co., Ltd. (Current position)

Reason for the nomination

The Company expects that he would conduct audit duties for the Company by leveraging his extensive knowledge regarding corporate ethics and compliance.

Corporate Governance Status

Status of Board of Directors Meetings and Other Initiatives in Fiscal 2015

Items	Details			
Number of directors (outside directors)	13 (4)			
Frequency of Board of Directors (BOD) meetings	16			
BOD attendance by outside directors	Isao Matsuhashi 16	Fumikatsu Tokiwa*1 16	Yasumasa Gomi*1 16	Shu Tomioka 16
Number of statutory auditors (outside statutory auditors)	4 (3)			
Frequency of Board of Statutory Auditors (BOSA) meetings	14			
BOSA attendance by statutory auditors (outside statutory auditors)	Kazuhiko Hasegawa 14	Akio Utsumi*1 13	Kenji Matsuo*2 10	
BOD attendance by statutory auditors (outside statutory auditors)	Kazuhiko Hasegawa 16	Akio Utsumi*1 15	Kenji Matsuo*2 11	
Accounting auditors	Ernst & Young ShinNihon LLC			
Annual remuneration paid to independent audit corporation	¥136 million			

*1 Retired as of the closing of the general meeting of shareholders on June 26, 2015.
*2 Outside statutory auditor Kenji Matsuo assumed his position on June 27, 2014. Therefore, the number of times he attended meetings of the Board of Directors and Board of Statutory Auditors differs from that of other outside directors and statutory auditors.

Total Remuneration Paid to Directors and Statutory Auditors in Fiscal 2015

Category	Amount Paid
Total remuneration, etc., paid to directors (outside directors)	¥651 million (¥40 million)
Total remuneration, etc., paid to statutory auditors (outside statutory directors)	¥88 million (¥53 million)

Notes:
1. The above amounts include remuneration payments made to the four directors who retired their positions as of the end of the 115th general meeting of shareholders held on June 27, 2014.
2. The Company has not paid any employee-based compensation to its directors.
3. 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.
4. 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.
5. The above amounts include stock option-based remuneration (¥86 million allotted to nine directors) paid in the fiscal year under review.
6. 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	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. 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. 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. 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. The Board of Directors approves the final decisions regarding remuneration for the Company's corporate officers.

Executive Officers


Hirotaka Sugiyama
President & Chief Executive Officer


Jo Kato
Deputy President


Toshihiko Kazama
Executive Vice President


Masamichi Ono
Executive Vice President


Naoto Aiba
Executive Vice President


Soichiro Hayashi
Executive Vice President


Koji Kiyosawa
Senior Executive Officer


Kenichi Iwata
Senior Executive Officer


Atsuo Kyono
Senior Executive Officer


Toru Okusa
Senior Executive Officer


Yutaka Tajima
Senior Executive Officer


Tetsuji Arimori
Senior Executive Officer


Hidemi Waki
Senior Executive Officer


Junichi Tanisawa
Senior Executive Officer


Junichi Yoshida
Senior Executive Officer


Tetsuo Yuasa
Senior Executive Officer

Executive Officers

Masami Amano
Hiroshi Katayama
Shinichi Takeuchi
Akinori Nakajo
Noboru Nishigai
Futoshi Chiba
Akihiko Watanabe
Hisashi Komada
Kenji Hosokane
Keiji Takano
Ikuo Ono
Masaki Yamagishi
Atsushi Nakajima

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 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.

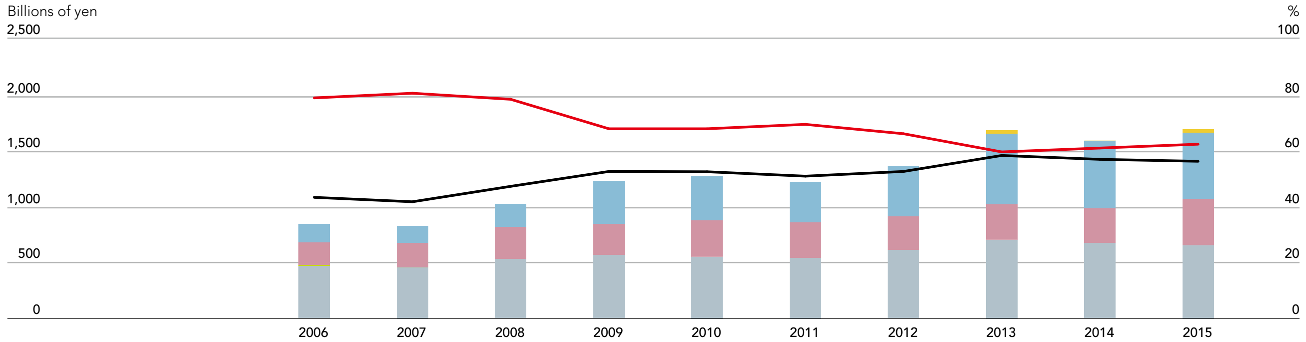
Risks of Fluctuations in Exchange Rates

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, other natural disaster, or climate change 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.

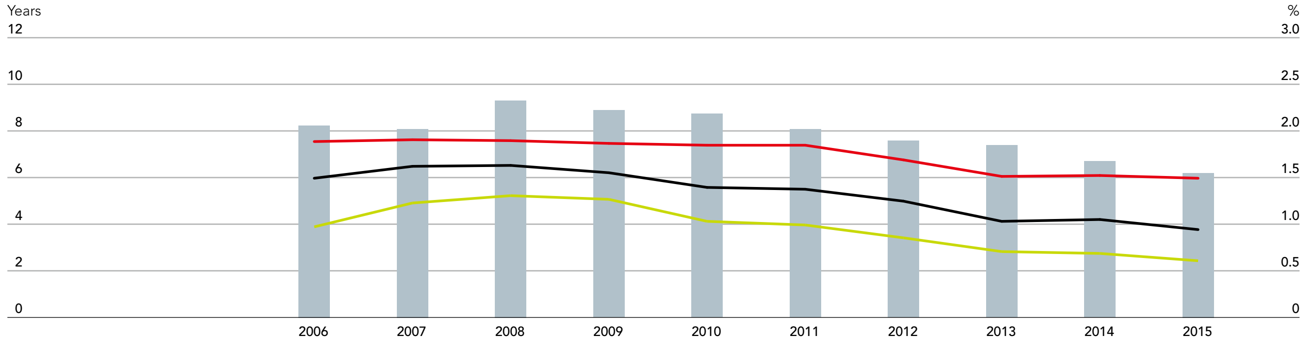
Interest-Bearing Debt (Mitsubishi Estate; Non-Consolidated)



	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Straight Bond	475.0	465.0	540.0	575.0	560.0	550.0	620.0	715.0	685.0	665.0
Convertible Bond	13.5	—	—	—	—	—	—	—	—	—
Bank Loan (fixed interest)	201.2	221.0	290.2	285.6	329.1	324.0	306.8	319.8	314.3	420.1
Bank Loan (adjustable interest)	171.7	152.2	212.2	389.2	401.2	365.7	453.7	640.7	615.7	601.7
Commercial Paper	—	—	—	—	—	—	—	35.0	—	28.0
Fixed Interest Ratio (right scale)	80.0	81.8	79.6	68.9	68.9	70.5	67.1	60.5	61.9	63.3
Interest-Bearing Debt Ratio (right scale)	44.0	42.4	48.0	53.4	53.3	51.7	53.4	59.2	57.8	57.1

Years ended March 31

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



	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Straight Bond / Duration	8.38	8.23	9.47	9.04	8.89	8.22	7.71	7.52	6.82	6.31
Straight Bond / Average Interest (right scale)	1.92	1.94	1.93	1.90	1.88	1.88	1.72	1.54	1.55	1.52
Bank Loans / Average Interest (right scale)	0.99	1.25	1.33	1.29	1.05	1.01	0.87	0.72	0.70	0.62
Total / Average Interest (right scale)	1.52	1.65	1.66	1.58	1.42	1.40	1.27	1.05	1.07	0.96

Years ended March 31

Mitsubishi Estate's Ratings

(As of July 31, 2014)

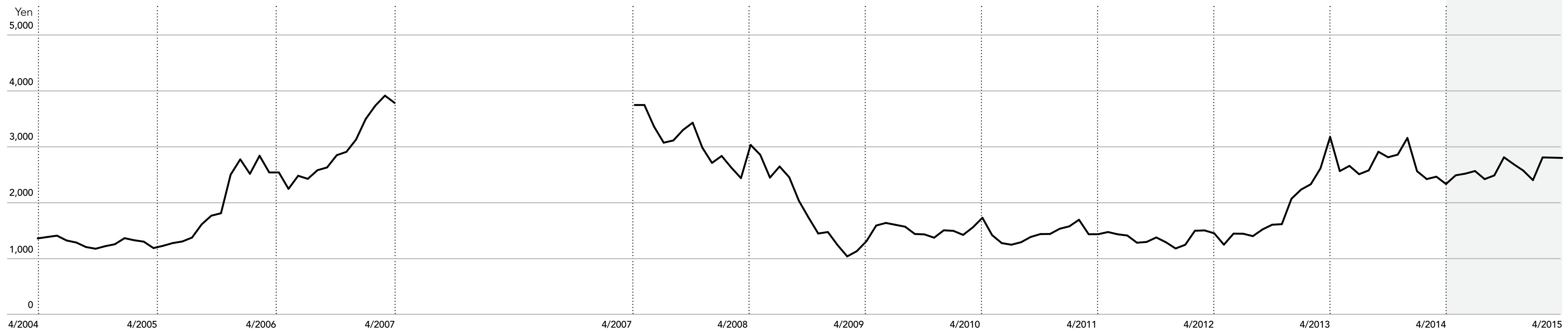
Rating agency	Long-term bonds	Short-term bonds
Moody's	A2	P-1
Standard and Poor's (S&P)	A+	A-1
Rating & Investment Information, Inc. (R&I)	AA–	a-1+

Years ended March 31

Eleven-Year Summary of Selected Financial Data (Consolidated)

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Financial Results (Millions of yen)											
Revenue from operations	¥ 775,381	¥ 844,217	¥ 947,641	¥ 787,652	¥ 942,626	¥1,013,415	¥ 988,447	¥1,013,069	¥ 927,157	¥1,075,285	¥1,110,259
Operating income	118,233	137,614	166,165	177,983	138,567	148,972	158,258	146,299	118,349	161,271	156,332
Ordinary income	93,675	121,236	151,674	162,061	108,624	117,381	130,830	120,665	92,381	139,638	133,113
Net income	36,245	55,825	97,662	86,963	45,423	11,900	64,219	56,512	45,507	64,297	73,338
Financial Position (Millions of yen)											
Total assets	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	4,901,526
Total equity[1]	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	1,495,838
Interest-bearing debt	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	1,929,355
Capital expenditures	79,793	62,204	138,169	270,798	201,088	114,085	76,332	282,171	208,135	159,677	177,331
Depreciation and amortization	55,545	53,655	54,257	56,867	60,364	73,926	70,628	67,465	73,364	74,805	72,696
Cash Flows (Millions of yen)											
Cash flows from operating activities	88,900	169,744	150,710	(16,248)	45,824	212,668	259,263	203,243	122,286	336,489	200,078
Cash flows from investing activities	(92,409)	29,883	(85,389)	(212,207)	(214,500)	(112,639)	(67,223)	(272,009)	(217,992)	(133,537)	(46,568)
Cash flows from financing activities	(33,485)	(132,463)	(34,093)	238,942	141,055	(106,852)	(140,269)	57,189	27,150	(177,514)	(189,109)
Cash and cash equivalents at end of year	97,324	167,090	206,089	219,712	184,552	177,825	229,062	215,771	191,837	224,739	198,489
Per Share Amounts (Yen)											
Net income	¥27.93	¥42.60	¥70.95	¥62.99	¥32.90	¥ 8.58	¥46.27	¥40.72	¥32.79	¥46.34	¥52.85
Cash dividends	8.00	10.00	14.00	16.00	16.00	12.00	12.00	12.00	12.00	12.00	14.00
Principal Financial Indicators											
EBITDA[2] (Millions of yen)	¥178,386	¥200,928	¥233,406	¥245,911	¥209,522	¥230,730	¥237,109	¥222,885	¥200,587	¥246,332	¥239,934
ROA	4.0%	4.6%	5.3%	4.9%	3.3%	3.5%	3.8%	3.5%	2.7%	3.5%	3.4%
Interest coverage ratio[3] (Times)	4.7	7.4	9.5	8.5	4.7	5.2	6.6	6.5	5.0	7.5	7.7
ROE	4.0%	5.4%	8.3%	7.1%	3.8%	1.0%	5.4%	4.6%	3.6%	5.0%	5.2%
Payout ratio	28.6%	23.5%	19.7%	25.4%	48.6%	139.9%	25.9%	29.5%	36.6%	25.9%	26.5%
Stock Information											
Stock price[4] (Yen)	¥1,246	¥2,790	¥3,870	¥2,420	¥1,102	¥1,530	¥1,407	¥1,476	¥2,596	¥2,446	¥2,787
Number of shares issued and outstanding (Thousands of shares)	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	1,390,397

Mitsubishi Estate's Stock Price Changes on the 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 2015, the fiscal year ended March 31, 2015, consolidated revenue from operations amounted to ¥1,110,259 million, increasing ¥34,974 million, or 3.3%, year on year. However, consolidated operating income declined ¥4,938 million, or 3.1%, from the previous fiscal year, to ¥156,332 million. Results for each business segment are as follows.

In line with its business reorganization during the fiscal year under review, Mitsubishi Estate has made changes in its reporting segments. The operations of the former Commercial Property Development & Investment segment were folded into the Building Business segment. In conjunction with that change, the international operations of the Building Business and the Commercial Property Development & Investment Business segments were integrated into the International Business segment. Segment revenue from operations and operating figures have been adjusted to reflect these changes.

In the Building Business segment, various sources contributed to the increase in revenue from operations. In addition to a full year of rental revenue contributed by the buildings completed in the previous fiscal year, rental revenue increased from the existing portfolio, as did revenue from the sale of property. As of March 31, 2015, the vacancy rate for all properties nationwide declined to 2.80%, compared with 5.29% as of the end of the previous fiscal year. The lower vacancy rate resulted from smooth progress with concluding rental agreements with tenants in both redeveloped and existing buildings. Taking these factors into account, revenue from operations rose ¥61,831 million compared with fiscal 2014, to ¥587,660 million. Operating income grew ¥12,705 million, to ¥128,982 million.

In the Residential Business segment, Mitsubishi Estate's revenue in the condominium business decreased year on year because of the decrease in condominium units sold, among other factors. As a result, revenue from operations fell to ¥337,736 million, down ¥25,523 from a year earlier. Operating income in this segment declined ¥16,172 million, to ¥11,605 million compared with the previous fiscal year.

In the International Business segment, revenue from operations decreased ¥2,571 million from fiscal 2014, to ¥77,794 million. However, operating income increased ¥489 million year on year, to ¥26,068 million. This increase can be attributed to revenue from the sales of property at the same level as that recorded in the previous fiscal year and other non-recurring income.

Revenue in the Investment Management Business segment rose based on the sale of an equity investment and other income. Accordingly, revenue from operations increased ¥1,762 million from a year earlier, to ¥8,050 million. Operating income also increased, rising ¥1,017 million year on year, to ¥4,064 million.

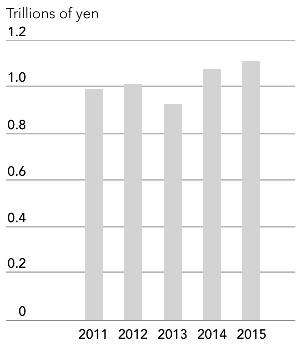
In the Architectural Design & Engineering Business segment, Mitsubishi Estate recorded revenue in connection with such projects as the Marunouchi 3-2 Project (the tentative name for a project in Chiyoda-ku, Tokyo). While the earnings of the architectural design and engineering business were similar to earnings in the previous fiscal year, the earnings of the interior design and construction business fell due to a decline in the average amount received per project and in the number of projects. As a result, segment revenue from operations edged down ¥479 million year on year, to ¥19,467 million. Operating income fell ¥589 million from a year earlier, to ¥663 million.

With a central role played by the 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, with Royal Park Hotel THE Haneda opening on September 30, 2014. In the fiscal year ended March 31, 2015, many factors contributed to growth in the revenue from the accommodations department. These factors included higher revenue from hotel rooms as a result of a greater number of foreigners visiting Japan, a full year of operations by the new Royal Park Hotel THE Nagoya, and the start of operations of Royal Park Hotel THE Haneda. As a result, revenue from operations in the Hotel Business segment climbed ¥1,608 million, to ¥30,827 million. Operating income edged up ¥16 million, to ¥754 million, from a year earlier.

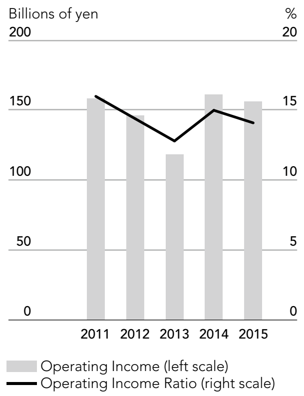
In the Real Estate Services segment, real estate brokerage revenue dropped year on year despite an increase in the commission fee per sale because of a decline in the number of transactions. As a result, revenue from operations rose ¥198 million, to ¥27,295 million. However, operating income decreased ¥433 million from a year earlier, to ¥1,111 million.

Revenue from operations in the Other segment increased ¥72 million year on year, to ¥3,747 million. Consequently, operating loss of the Other segment improved ¥262 million from the previous fiscal year, to operating income of ¥16 million.

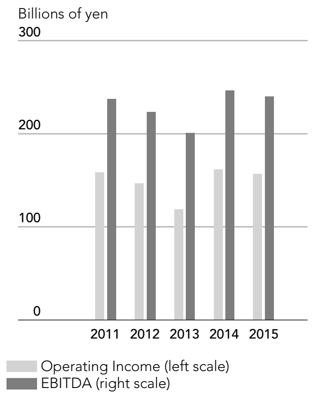
Revenue from Operations



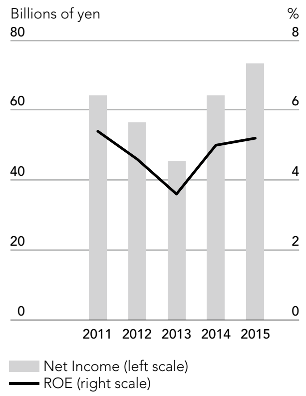
Operating Income / Operating Income Ratio



Operating Income / EBITDA



Net Income / ROE



Years ended March 31

Other Income (Expenses)

Other income decreased ¥235 million year on year, to ¥9,087 million. Despite increases in both interest and dividend income, other income declined overall because of a decrease in equity in earnings of unconsolidated subsidiaries and affiliates and other factors. Other expenses rose ¥1,350 million from fiscal 2014, to ¥32,306 million. Although interest expenses decreased, other expenses increased in total because of greater loss on retirement of fixed assets, among other factors.

Looking at extraordinary items, Mitsubishi Estate booked extraordinary gains of ¥48,807 million, consisting of a gain on sales of fixed assets totaling ¥36,551 million and a gain on negative goodwill amounting to ¥12,256 million.

On the other hand, the Company registered an extraordinary loss of ¥81,719 million. The breakdown consisted of ¥6,190 million in loss related to retirement of fixed assets, ¥73,725 million in impairment loss, and a ¥1,804 million provision for loss on obligations of additional investments.

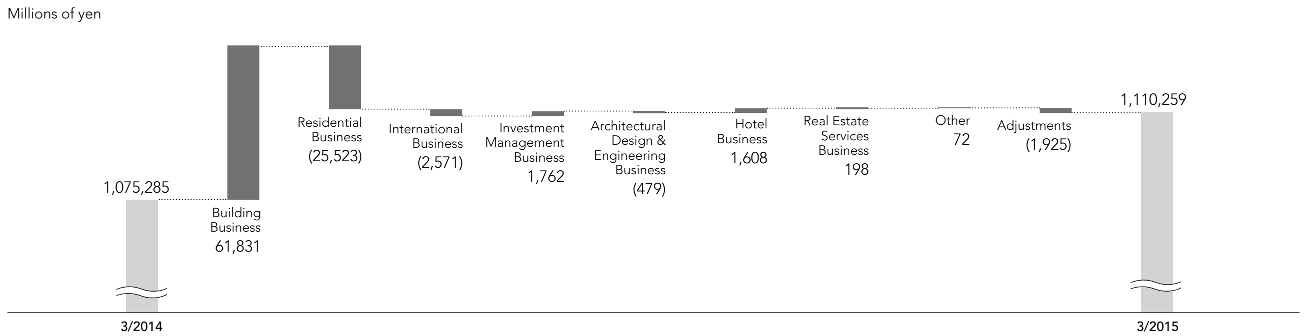
Net Income

Compared with a year earlier, income before income taxes and minority interests declined ¥8,484 million, to ¥100,201 million. However, because income taxes and other deductions decreased ¥27,352 million compared with fiscal 2014, net income increased ¥9,040 million, or 14.1% year on year, to ¥73,338 million. Net income per share amounted to ¥52.85.

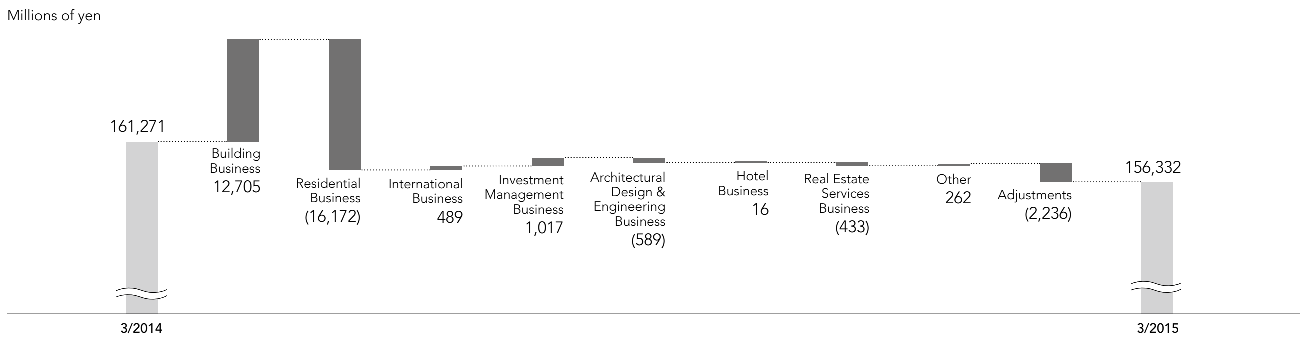
Millions of yen

	3/2015	3/2014	YOY Change
Revenue from Operations	1,110,259	1,075,285	34,974
Building Business	587,660	484,229	61,831
Residential Business	377,736	403,259	(25,523)
International Business	77,794	80,366	(2,571)
Investment Management Business	8,050	6,288	1,762
Architectural Design & Engineering Business	19,467	19,946	(479)
Hotel Business	30,827	29,219	1,608
Real Estate Services Business	27,295	27,097	198
Other	3,747	3,674	72
Adjustments	(22,321)	(26,825)	(1,925)
Operating Income	156,332	161,271	(4,938)
Building Business	128,982	108,172	12,705
Residential Business	11,605	27,778	(16,172)
International Business	26,068	25,579	489
Investment Management Business	4,064	3,046	1,017
Architectural Design & Engineering Business	663	1,252	(589)
Hotel Business	754	737	16
Real Estate Services Business	1,111	1,544	(433)
Other	16	(246)	262
Adjustments	(16,934)	(14,724)	(2,236)

Comparison of Fiscal 2015 and Fiscal 2014 Revenue from Operations



Comparison of Fiscal 2015 and Fiscal 2014 Operating Income



Analysis of Financial Position

(1) Consolidated Cash Flow

On a consolidated basis, cash and cash equivalents at the end of the fiscal year decreased ¥26,249 million compared with the previous fiscal year-end, to ¥198,489 million. Major cash inflows included income before income taxes and minority interests, gain on sales or disposal of property and equipment, and increase in 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 ¥200,078 million, down ¥136,410 million year on year. Income before income taxes and minority interests amounted to ¥100,201 million, while depreciation and amortization—a non-cash item—totaled ¥72,696 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 ¥46,568 million, up from ¥133,537 million recorded in the previous fiscal year. The change in net cash used was primarily due to fewer purchases of property and equipment.

Cash Flows from Financing Activities

Net cash used in financing activities amounted to ¥189,109 million, compared with net cash used in financing activities of ¥177,514 million recorded in the previous fiscal year . The increase can mainly be attributed to repayment of long-term borrowings and corporate bonds.

(2) Consolidated Balance Sheets

Compared with March 31, 2014, total assets as of March 31, 2015, increased ¥136,158 million, to ¥4,901,526 million, principally as a result of the operating, investing, and financing activities previously identified, which led to movements in assets and liabilities.

Total liabilities declined ¥56,912 million, to ¥3,261,362 million. The balance of interest-bearing debt as of March 31, 2015, contracted ¥43,687 million compared with the year-end balance in fiscal 2014, to ¥1,929,355 million. Deducting cash and cash equivalents, the balance of net interest-bearing debt as of March 31, 2015, decreased ¥17,437 million year on year, to ¥1,730,866 million.

Total net assets expanded ¥193,070 million year on year, to ¥1,640,163 million. The growth in net assets can be attributed to increases in such items as retained earnings, unrealized holding gain on securities, foreign currency translation adjustments, and land revaluation reserve.

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, 2015 (April 1, 2014, to March 31, 2015)	Fiscal Year Ended March 31, 2014 (April 1, 2013, to March 31, 2014)
Rental Properties		
Amounts recorded on consolidated balance sheets		
Balance as of the beginning of the period	3,074,645	2,965,396
Increase during the period	60,767	109,249
Balance as of the end of the period	3,135,413	3,074,645
Market value as of the end of the period	5,220,983	5,060,986
Rental Properties Containing Self-Use Space		
Amounts recorded on consolidated balance sheets		
Balance as of the beginning of the period	224,577	227,564
Decrease during the period	(41,798)	(2,987)
Balance as of the end of the period	182,779	224,577
Market value as of the end of the period	277,955	334,700

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

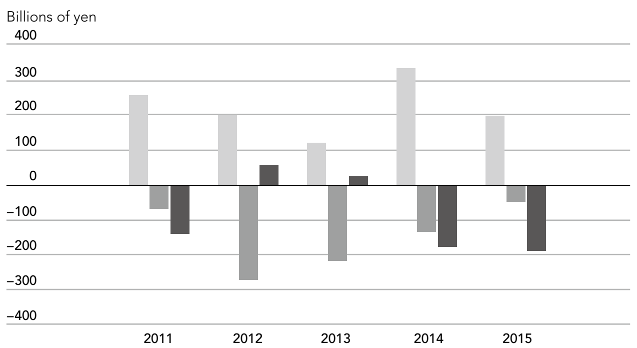
Also, the following table shows profit and loss related to real estate, including the rental properties containing self-use space for each fiscal year.

Millions of yen

	Fiscal Year Ended March 31, 2015 (April 1, 2014, to March 31, 2015)	Fiscal Year Ended March 31, 2014 (April 1, 2013, to March 31, 2014)
Rental Properties		
Rental revenue	395,188	373,047
Rental costs	263,237	256,935
Difference	131,950	116,111
Other income (loss)	(1,525)	(30,873)
Rental Properties Containing Self-Use Space		
Rental revenue	15,166	17,074
Rental costs	15,408	16,227
Difference	(242)	847
Other income (loss)	(44,605)	(1,474)

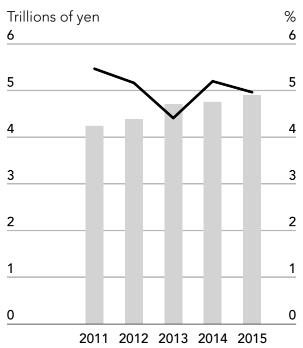
Notes:
1. Real estate that includes portions used as investment and rental properties has portions that are used by Mitsubishi Estate and some of its consolidated subsidiaries for the purpose of providing related services and conducting operation management. Accordingly, rental revenue associated with these portions has been excluded. Costs associated with applicable properties and real estate, such as depreciation costs, building management costs, and taxes, have been included in rental costs.
2. Other losses for the fiscal year under review included gain on sale of fixed assets of ¥36,376 million and impairment losses of ¥71,592 million.

Cash Flow



Cash Flows from Operating Activities | Cash Flows from Investing Activities | Cash Flows from Financing Activities

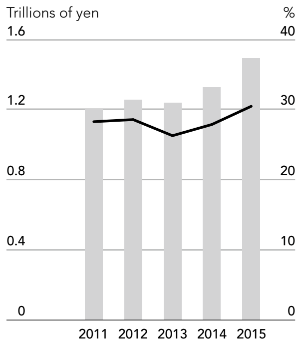
Total Assets / EBITDA/Total Assets*



Total Assets (left scale)
EBITDA/Total Assets (right scale)

* EBITDA/Total assets is calculated based on the average total assets from the beginning to the end of the period

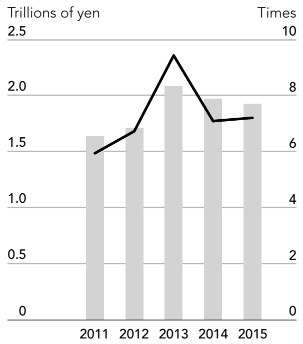
Total Equity / Total Equity Ratio



Total Equity (left scale)
Total Equity Ratio (right scale)

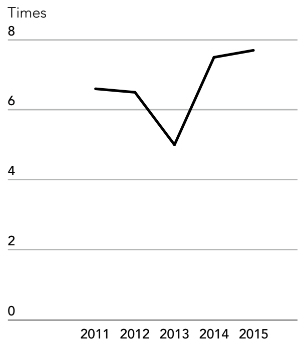
Years ended March 31

Interest-Bearing Debt / Net Interest-Bearing Debt/EBITDA

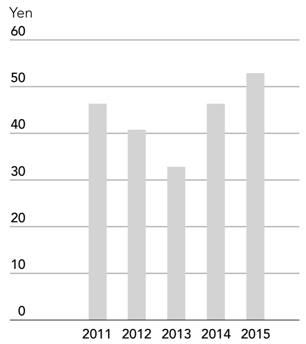


Interest-Bearing Debt (left scale)
Net Interest-Bearing Debt/EBITDA (right scale)

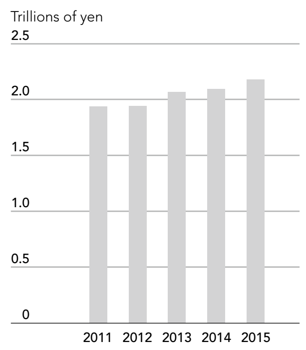
Interest Coverage Ratio



Net Income per Share



Unrealized Gain on Rental Properties



Years ended March 31

Consolidated Balance Sheets

Mitsubishi Estate Co., Ltd. and Consolidated Subsidiaries
March 31, 2015 and 2014

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2015	2014	2015
Assets			
Current assets:			
Cash on hand and in banks (Notes 6, 14 and 16)	¥ 197,169	¥ 224,121	$ 1,640,756
Notes and accounts receivable – trade (Notes 6 and 14)	35,873	28,539	298,520
Marketable securities (Notes 14 and 15)	2,179	1,333	18,135
Allowance for doubtful receivables	(571)	(208)	(4,757)
Inventories (Note 4)	382,651	402,658	3,184,250
Equity investments (Notes 14 and 15)	251,249	223,911	2,090,785
Deferred income taxes (Note 8)	17,010	21,152	141,555
Other current assets	65,244	45,014	542,935
Total current assets	950,806	946,522	7,912,181
Investments:			
Investments in and advances to unconsolidated subsidiaries and affiliates (Note 14)	19,167	17,730	159,501
Investment securities (Notes 6, 14 and 15)	261,792	196,076	2,178,517
Asset for retirement benefits (Note 7)	23,194	6,320	193,011
Other investments (Notes 5 and 14)	169,814	163,909	1,413,122
Total investments	473,968	384,037	3,944,152
Property and equipment (Note 6):			
Land	1,839,707	1,897,116	15,309,211
Land in trust	532,774	440,852	4,433,506
Buildings and structures	2,155,976	2,148,557	17,941,057
Machinery and equipment and other	135,985	140,336	1,131,609
Construction in progress	90,694	53,657	754,720
	4,755,139	4,680,520	39,570,105
Less accumulated depreciation	(1,409,125)	(1,351,915)	(11,726,103)
Property and equipment, net	3,346,013	3,328,605	27,844,002
Intangible and other assets	130,737	106,203	1,087,936
Total assets	¥ 4,901,526	¥ 4,765,368	$ 40,788,272

See accompanying notes to consolidated financial statements.

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2015	2014	2015
Liabilities and net assets			
Current liabilities:			
Short-term borrowings and current portion of long-term debt (Notes 6 and 14)	¥ 232,724	¥ 463,486	$ 1,936,625
Notes and accounts payable – trade (Note 14)	95,632	105,271	795,810
Accrued income taxes (Note 8)	9,934	14,423	82,672
Advances and deposits	105,053	119,160	874,209
Accrued expenses and other current liabilities	76,362	65,406	635,451
Total current liabilities	519,707	767,747	4,324,770
Long-term liabilities:			
Long-term debt (Notes 6 and 14)	1,689,387	1,500,052	14,058,310
Lease deposits received (Note 14)	381,605	383,083	3,175,549
Liability for retirement benefits (Note 7)	23,068	20,380	191,966
Deferred income taxes (Note 8)	486,752	512,028	4,050,529
Negative goodwill	77,172	92,356	642,191
Other non-current liabilities	83,669	42,625	696,258
Total long-term liabilities	2,741,655	2,550,527	22,814,806
Total liabilities	3,261,362	3,318,275	27,139,576
Net assets:			
Shareholders' equity (Note 9):			
Common stock, without par value:			
Authorized – 1,980,000,000 shares;			
Issued – 1,390,397,097 shares in 2015 and 2014	141,373	141,373	1,176,443
Capital surplus (Note 2)	162,638	170,485	1,353,400
Retained earnings	538,687	465,757	4,482,716
Less treasury stock, at cost	(5,259)	(4,811)	(43,763)
Total shareholders' equity	837,440	772,805	6,968,796
Accumulated other comprehensive income:			
Unrealized holding gain on securities	127,609	75,971	1,061,904
Deferred gain (loss) on hedging instruments	(5)	125	(42)
Land revaluation reserve	504,756	493,153	4,200,356
Foreign currency translation adjustments	20,798	(8,249)	173,079
Retirement benefits liability adjustments (Note 7)	5,238	(4,748)	43,592
Total accumulated other comprehensive income	658,398	556,252	5,478,890
Stock acquisition rights	500	494	4,162
Minority interests	143,825	117,540	1,196,846
Contingent liabilities (Note 12)			
Total net assets	1,640,163	1,447,093	13,648,695
Total liabilities and net assets	¥4,901,526	¥4,765,368	$40,788,272

Consolidated Statements of Income

Mitsubishi Estate Co., Ltd. and Consolidated Subsidiaries
Years ended March 31, 2015 and 2014

		Millions of yen	Thousands of U.S. dollars (Note 3)
	2015	2014	2015
Revenue from operations	¥1,110,259	¥1,075,285	$ 9,239,077
Cost of revenue from operations	(869,318)	(836,249)	(7,234,068)
Selling, general and administrative expenses	(84,609)	(77,764)	(704,080)
Operating income	156,332	161,271	1,300,928
Other income (expenses):			
Interest and dividend income	4,865	4,109	40,484
Interest expenses	(21,099)	(22,176)	(175,579)
Equity in earnings of unconsolidated subsidiaries and affiliates	1,372	1,547	11,419
Other, net (Note 13)	(41,269)	(36,065)	(343,423)
	(56,131)	(52,585)	(467,099)
Income before income taxes and minority interests	100,201	108,685	833,828
Income taxes (Note 8):			
Current	(23,190)	(22,403)	(192,976)
Deferred	9,814	2,359	81,670
	(13,375)	(40,728)	(111,306)
Income before minority interests	86,825	67,957	722,522
Minority interests	(13,487)	(3,660)	(112,234)
Net income	¥ 73,338	¥ 64,297	$ 610,287

See accompanying notes to consolidated financial statements.

Consolidated Statements of Comprehensive Income

Mitsubishi Estate Co., Ltd. and Consolidated Subsidiaries
Years ended March 31, 2015 and 2014

		Millions of yen	Thousands of U.S. dollars (Note 3)
	2015	2014	2015
Income before minority interests	¥ 86,825	¥ 67,957	$ 722,522
Other comprehensive income (Note 22):			
Unrealized holding gain (loss) on securities	51,636	5,364	429,692
Deferred gain (loss) on hedging instruments	(46)	426	(384)
Land revaluation reserve	28,832	(79)	239,929
Foreign currency translation adjustments	28,255	41,754	235,132
Retirement benefits liability adjustments	9,866	—	82,106
Share of other comprehensive income of companies accounted for by the equity method	1,279	1,405	10,648
Total other comprehensive income	119,824	48,870	997,126
Comprehensive income (Note 22)	¥206,650	¥116,827	$1,719,648
Total comprehensive income attributable to:			
Shareholders of Mitsubishi Estate Co., Ltd.	¥192,734	¥111,287	$1,603,850
Minority interests	¥ 13,915	¥ 5,540	$ 115,798

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, 2015 and 2014

Millions of yen

	Shareholders' equity					Accumulated other comprehensive income	
	Common stock	Capital surplus (Note 2)	Retained earnings	Treasury stock	Total shareholders' equity	Unrealized holding gain on securities	Deferred gain (loss) on hedging instruments
Balance at April 1, 2013	¥141,373	¥170,485	¥413,392	¥(4,585)	¥720,666	¥70,608	¥(221)
Cumulative effect of changes in accounting policy			—		—		
Restated 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)		
Changes in equity interest		—			—		
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 April 1, 2014	141,373	170,485	465,757	(4,811)	772,805	75,971	125
Cumulative effect of changes in accounting policy			(889)		(889)		
Restated balance at April 1, 2014	141,373	170,485	464,868	(4,811)	771,915	75,971	125
Changes in the year:							
Cash dividends paid			(16,651)		(16,651)		
Net income			73,338		73,338		
Purchase of treasury stock				(556)	(556)		
Disposal of treasury stock		3	—	109	112		
Land revaluation reserve (Note 1-h)			17,272		17,272		
Changes in the scope of consolidation			(139)		(139)		
Changes in equity interest		(7,850)			(7,850)		
Net change in items other than those in shareholders' equity						51,637	(130)
Total of changes in the year	—	(7,847)	73,819	(447)	65,524	51,637	(130)
Balance at March 31, 2015	¥141,373	¥162,638	¥538,687	¥(5,259)	¥837,440	¥127,609	¥ (5)

Millions of yen

	Accumulated other comprehensive income						
	Land revaluation reserve	Foreign currency translation adjustments	Retirement benefits liability adjustments (Note 7)	Total accumulated other comprehensive income	Stock acquisition rights	Minority interests	Total net assets
Balance at April 1, 2013	¥498,103	¥(49,608)	—	¥518,881	¥500	¥125,963	¥1,366,011
Cumulative effect of changes in accounting policy							—
Restated 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)
Changes in equity interest							
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 April 1, 2014	493,153	(8,249)	(4,748)	556,252	494	117,540	1,447,093
Cumulative effect of changes in accounting policy							(889)
Restated balance at April 1, 2014	493,153	(8,249)	(4,748)	556,252	494	117,540	1,446,203
Changes in the year:							
Cash dividends paid							(16,651)
Net income							73,338
Purchase of treasury stock							(556)
Disposal of treasury stock							112
Land revaluation reserve (Note 1-h)							17,272
Changes in the scope of consolidation							(139)
Changes in equity interest							(7,850)
Net change in items other than those in shareholders' equity	11,603	29,048	9,986	102,145	5	26,284	128,435
Total of changes in the year	11,603	29,048	9,986	102,145	5	26,284	193,960
Balance at March 31, 2015	¥504,756	¥20,798	¥ 5,238	¥658,398	¥500	¥143,825	¥1,640,163

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, 2015 and 2014

Thousands of U.S. dollars (Note 3)

	Shareholders' equity					Accumulated other comprehensive income	
	Common stock	Capital surplus (Note 2)	Retained earnings	Treasury stock	Total shareholders' equity	Unrealized holding gain on securities	Deferred gain (loss) on hedging instruments
Balance at April 1, 2013	$1,176,443	$1,418,703	$3,440,067	$(38,156)	$5,997,058	$ 587,568	$(1,844)
Cumulative effect of changes in accounting policy			—		—		
Restated balance at April 1, 2013	1,176,443	1,418,703	3,440,067	(38,156)	5,997,058	587,568	(1,844)
Changes in the year:							
Cash dividends paid			(138,567)		(138,567)		
Net income			535,053		535,053		
Purchase of treasury stock				(3,423)	(3,423)		
Disposal of treasury stock		—	(310)	1,541	1,230		
Land revaluation reserve (Note 1-h)			40,533		40,533		
Changes in the scope of consolidation			(950)		(950)		
Changes in equity interest		—			—		
Net change in items other than those in shareholders' equity						44,633	2,884
Total of changes in the year	—	—	435,757	(1,882)	433,875	44,633	2,884
Balance at April 1, 2014	1,176,443	1,418,703	3,875,825	(40,038)	6,430,933	632,201	1,040
Cumulative effect of changes in accounting policy			(7,405)		(7,405)		
Restated balance at April 1, 2014	1,176,443	1,418,703	3,868,420	(40,038)	6,423,528	632,201	1,040
Changes in the year:							
Cash dividends paid			(138,564)		(138,564)		
Net income			610,287		610,287		
Purchase of treasury stock				(4,634)	(4,634)		
Disposal of treasury stock		26	—	908	935		
Land revaluation reserve (Note 1-h)			143,729		143,729		
Changes in the scope of consolidation			(1,157)		(1,157)		
Changes in equity interest		(65,329)			(65,329)		
Net change in items other than those in shareholders' equity						429,703	(1,082)
Total of changes in the year	—	(65,302)	614,296	(3,725)	545,268	429,703	(1,082)
Balance at March 31, 2015	$1,176,443	$1,353,400	$4,482,716	$(43,763)	$6,968,796	$1,061,904	$ (42)

Thousands of U.S. dollars (Note 3)

	Accumulated other comprehensive income						
	Land revaluation reserve	Foreign currency translation adjustments	Retirement benefits liability adjustments (Note 7)	Total accumulated other comprehensive income	Stock acquisition rights	Minority interests	Total net assets
Balance at April 1, 2013	$4,144,991	$(412,822)	—	$4,317,892	$4,166	$1,048,211	$11,367,328
Cumulative effect of changes in accounting policy							—
Restated balance at April 1, 2013	4,144,991	(412,822)	—	4,317,892	4,166	1,048,211	11,367,328
Changes in the year:							
Cash dividends paid							(138,567)
Net income							535,053
Purchase of treasury stock							(3,423)
Disposal of treasury stock							1,230
Land revaluation reserve (Note 1-h)							40,533
Changes in the scope of consolidation							(950)
Changes in equity interest							—
Net change in items other than those in shareholders' equity	(41,191)	344,172	$(39,512)	310,986	(47)	(70,092)	240,846
Total of changes in the year	(41,191)	344,172	(39,512)	310,986	(47)	(70,092)	674,722
Balance at April 1, 2014	4,103,799	(68,649)	(39,512)	4,628,879	4,118	978,118	12,042,050
Cumulative effect of changes in accounting policy							(7,405)
Restated balance at April 1, 2014	4,103,799	(68,649)	(39,512)	4,628,879	4,118	978,118	12,034,645
Changes in the year:							
Cash dividends paid							(138,564)
Net income							610,287
Purchase of treasury stock							(4,634)
Disposal of treasury stock							935
Land revaluation reserve (Note 1-h)							143,729
Changes in the scope of consolidation							(1,157)
Changes in equity interest							(65,329)
Net change in items other than those in shareholders' equity	96,556	241,728	83,105	850,011	43	218,727	1,068,781
Total of changes in the year	96,556	241,728	83,105	850,011	43	218,727	1,614,149
Balance at March 31, 2015	$4,200,356	$ 173,079	$ 43,592	$5,478,890	$4,162	$1,196,846	$13,648,695

See accompanying notes to consolidated financial statements.

Consolidated Statements of Cash Flows

Mitsubishi Estate Co., Ltd. and Consolidated Subsidiaries
Years ended March 31, 2015 and 2014

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2015	2014	2015
Cash flows from operating activities			
Income before income taxes and minority interests	¥ 100,201	¥ 108,685	$ 833,828
Depreciation and amortization	72,696	74,805	604,950
(Gain) loss on sales or disposal of property and equipment	(31,727)	(3,131)	(264,024)
(Gain) loss on sales of securities	(81)	(314)	(682)
Valuation loss on equity investments	—	7,648	—
Impairment loss	73,725	32,644	613,510
Equity in net income of affiliates	(1,372)	(1,547)	(11,419)
Increase (decrease) in allowances	317	(7,180)	2,640
Increase (decrease) in liability for retirement benefits	309	(2,746)	2,572
Interest and dividend income	(4,865)	(4,109)	(40,484)
Interest expense	21,099	22,176	175,579
(Increase) decrease in notes and accounts receivable	(5,957)	(1,143)	(49,579)
(Increase) decrease in inventories	110,219	93,854	917,200
(Increase) decrease in equity investments	(35,973)	(18,180)	(299,355)
Increase (decrease) in notes and accounts payable	(9,708)	49,165	(80,788)
Increase (decrease) in lease deposits received	(1,729)	3,995	(14,390)
Other	(36,567)	28,593	(304,298)
Subtotal	250,585	383,216	2,085,260
Interest and dividends received	5,120	4,530	42,612
Interest paid	(21,267)	(22,154)	(176,976)
Income taxes paid	(34,360)	(29,102)	(285,930)
Net cash provided by (used in) operating activities	200,078	336,489	1,664,965
Cash flows from investing activities			
Proceeds from sales of marketable securities	110	—	915
Proceeds from sales of property and equipment	165,888	32,440	1,380,447
Purchases of property and equipment	(176,877)	(159,366)	(1,471,894)
Proceeds from sales of investment securities	514	1,034	4,278
Purchases of investment securities	(832)	(1,401)	(6,930)
Purchase of investments in subsidiaries resulting in change in scope of consolidation (Note 16)	(34,441)	—	(286,610)
Other	(928)	(6,243)	(7,727)
Net cash used in investing activities	(46,568)	(133,537)	(387,521)
Cash flows from financing activities			
Net increase and decrease in short-term borrowings	10,219	(20,905)	85,043
Net increase and decrease in commercial paper	28,000	(35,000)	233,003
Increase in long-term borrowings	286,762	165,587	2,386,305
Repayment of long-term borrowings	(446,958)	(207,047)	(3,719,384)
Proceeds from issuance of corporate bonds	41,290	15,761	343,602
Repayment of corporate bonds	(58,068)	(68,207)	(483,220)
Purchase of investments in subsidiaries that do not result in change in scope of consolidation	(32,570)	—	(271,036)
Cash dividends paid	(16,656)	(16,658)	(138,605)
Other	(1,128)	(11,044)	(9,388)
Net cash provided by (used in) financing activities	(189,109)	(177,514)	(1,573,681)
Effect of exchange rate changes on cash and cash equivalents	1,235	8,321	10,278
Net increase (decrease) in cash and cash equivalents	(34,363)	33,758	(285,958)
Cash and cash equivalents at beginning of year	224,739	191,837	1,870,181
Increase in cash and cash equivalents arising from newly consolidated subsidiaries	6,658	—	55,408
Cash and cash equivalents of subsidiaries excluded from consolidation	—	(856)	—
Increase in cash and cash equivalents resulting from share transfer	1,455	—	12,112
Cash and cash equivalents at end of year (Note 16)	¥ 198,489	¥ 224,739	$ 1,651,743

See accompanying notes to consolidated financial statements.

Notes to Consolidated Financial Statements

Mitsubishi Estate Co., Ltd. and Consolidated Subsidiaries
Years ended March 31, 2015 and 2014

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, 2015 and 2014 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 exits. If impairment is determined to exist, any related loss on impairment is calculated based on the cash flow analyses.

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

Buildings and structures	2 to 75 years

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 benefit formula method.

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 and 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 the employees.

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

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

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

m. Revenue recognition
The consolidated statements of income reflect revenue from operations in the following manner:

(a) Revenue from the leasing of office space is recognized as rent accrued over the leasing period.
(b) Revenue from sales of condominiums, residential houses and land is recognized when the units are delivered and accepted by the customers. Revenue from consignment commissions for residential sales earned by the real estate service business segment is recognized at the time of contract conclusion for services provided up to the conclusion and at the time of ownership transfer for services provided up to the transfer.
(c) Revenue from real estate brokerage is recognized when an underlying lease agreement goes into force or the underlying units are delivered.
(d) Revenue of construction contracts, of which the percentage of completion can be reliably estimated, is recognized by the percentage-of-completion method. The percentage-of-completion method is calculated at the cost incurred by the end of the consolidated fiscal year as a percentage of estimated total cost. The completed-contract method continues to be applied for other contracts for which the percentage of completion cannot be reliably estimated.
(e) Other operating revenue is recognized on an accrual basis.

n. Appropriation of retained earnings
Under 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.

2 CHANGES IN ACCOUNTING POLICY

("Accounting Standard for Retirement Benefits")
The Company and its domestic subsidiaries adopted Section 35 of "Accounting Standard for Retirement Benefits" (ASBJ Statement No. 26 of May 17, 2012) and Section 67 of "Guidance on Accounting Standard for Retirement Benefits" (ASBJ Guidance No. 25 of March 26, 2015). As a result, the methods for calculating the retirement benefit obligation and service cost have been revised in the following respects: the method for attributing projected benefits to each period has been changed from the straight-line method to the benefit formula method.

The cumulative effect of changing the methods for calculating the retirement benefit obligation and service cost was recognized by adjusting retained earnings at April 1, 2014, in accordance with the transitional treatment provided in Section 37 of Accounting Standard for Retirement Benefits.

The effect of this change on the consolidated financial statements for the year ended March 31, 2015 was immaterial.

("Revised Accounting Standard for Business Combinations")
The Company early adopted "Revised Accounting Standard for Business Combinations" (ASBJ Statement No. 21 of September 13, 2013) and "Revised Accounting Standard for Consolidated Financial Statements" (ASBJ Statement No. 22 of September 13, 2013), "Revised Accounting Standard for Business Divestitures" (ASBJ Statement No. 7 of September 13, 2013) and other related accounting standards from April 1, 2014, except for Section 39 of "Revised Accounting Standard for Consolidated Financial Statements." Under the revised accounting standards, the difference between the fair value of the consideration received or paid and the change in minority interests shall be accounted for as capital surplus as long as the parent retains control over its subsidiary and the corresponding acquisition-related costs shall be accounted for as expenses in the periods in which the costs are incurred. The revised standards also require that the adjustments to provisional amounts for a business combination shall be recognized as if the accounting for the business combination had been completed at the acquisition date. The Company adopted this provisional accounting treatment for business combinations completed on or after April 1, 2014. These revised accounting standards are applied prospectively in accordance with Section 58-2 (4) of "Revised Accounting Standard for Business Combinations," Section 44-5 (4) of "Revised Accounting Standard for Consolidated Financial Statements" and Section 57-4 (4) of "Revised Accounting Standard for Business Divestitures."

As a result of the application of the revised accounting standards, income before income taxes and minority interests increased by ¥6,672 million ($55,525 thousand) and capital surplus decreased by ¥7,850 million ($65,329 thousand) as of and for the year ended March 31, 2015. The impact on operating income was immaterial.

Also, net assets per share as of March 31, 2015 decreased by ¥5.66 ($0.05), while basic and diluted net income per share for the year ended March 31, 2015 increased by ¥4.81 ($0.04), respectively.

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 ¥120.17 = U.S.$1.00, the approximate rate of exchange prevailing on March 31, 2015. 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, 2015 and 2014 are summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2015	2014	2015
Real estate for sale	¥ 52,102	¥ 66,484	$ 433,574
Land and housing projects in progress	314,305	319,355	2,615,508
Land held for development	8,646	8,609	71,952
Other	7,596	8,208	63,215
Total	¥382,651	¥402,658	$3,184,250

5 OTHER INVESTMENTS

Other investments at March 31, 2015 and 2014 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2015	2014	2015
Lease deposits	¥112,397	¥113,015	$ 935,323
Long-term prepaid expenses and other	57,417	50,894	477,799
Total	¥169,814	¥163,909	$1,413,122

6 SHORT-TERM BORROWINGS AND LONG-TERM DEBT

At March 31, 2015 and 2014, short-term borrowings and the current portion of long-term debt consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2015	2014	2015
Loans, principally from banks	¥ 77,881	¥ 63,762	$ 648,093
Commercial paper	28,000	—	233,003
Current portion of long-term debt	126,842	399,723	1,055,529
Total	¥232,724	¥463,486	$1,936,625

The weighted-average interest rates per annum on short-term borrowings outstanding at March 31, 2015 and 2014 were 0.53% and 0.54%, respectively. Short-term borrowings are principally unsecured.

At March 31, 2015 and 2014, long-term debt consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2015	2014	2015
1.65% unsecured bonds due 2014	—	¥ 10,000	—
1.75% unsecured bonds due 2014	—	10,000	—
0.42% secured bonds due 2014	—	4,647	—
1.655% unsecured bonds due 2014	—	10,000	—
1.409% unsecured bonds due 2015	—	10,000	—
1.295% unsecured bonds due 2015	¥ 10,000	10,000	$ 83,215
1.572% unsecured bonds due 2015	10,000	10,000	83,215
1.443% unsecured bonds due 2016	15,000	15,000	124,823
1.985% unsecured bonds due 2016	10,000	10,000	83,215
1.88% unsecured bonds due 2016	10,000	10,000	83,215
0.553% unsecured bonds due 2016	15,000	15,000	124,823
0.459% unsecured bonds due 2016	10,000	10,000	83,215
1.79% unsecured bonds due 2017	10,000	10,000	83,215
0.428% unsecured bonds due 2017	20,000	20,000	166,430
2.045% unsecured bonds due 2017	10,000	10,000	83,215
1.825% unsecured bonds due 2017	10,000	10,000	83,215
3.125% unsecured bonds due 2017	10,000	10,000	83,215
1.77% unsecured bonds due 2017	20,000	20,000	166,430
0.187% unsecured bonds due 2018	15,000	15,000	124,823
1.65% unsecured bonds due 2018	10,000	10,000	83,215
2.005% unsecured bonds due 2018	10,000	10,000	83,215
0.811% unsecured bonds due 2018	10,000	10,000	83,215
3% unsecured bonds due 2018	10,000	10,000	83,215
1.84% unsecured bonds due 2018	15,000	15,000	124,823
1.72% unsecured bonds due 2018	10,000	10,000	83,215
0.631% unsecured bonds due 2019	10,000	10,000	83,215
1.87% unsecured bonds due 2019	15,000	15,000	124,823
1.62% unsecured bonds due 2019	10,000	10,000	83,215
0.571% unsecured bonds due 2019	10,000	10,000	83,215
1.53% unsecured bonds due 2019	10,000	10,000	83,215
1.975% unsecured bonds due 2019	10,000	10,000	83,215
1.805% unsecured bonds due 2019	10,000	10,000	83,215
2.5% unsecured bonds due 2020	10,000	10,000	83,215
1.165% unsecured bonds due 2020	10,000	10,000	83,215
0.577% unsecured bonds due 2020	15,000	15,000	124,823
0.54% unsecured bonds due 2021	15,000	15,000	124,823
1.262% unsecured bonds due 2021	15,000	15,000	124,823
1.103% unsecured bonds due 2021	20,000	20,000	166,430
1.095% unsecured bonds due 2021	10,000	10,000	83,215
1.178% unsecured bonds due 2022	20,000	20,000	166,430
1.087% unsecured bonds due 2022	20,000	20,000	166,430
1.026% unsecured bonds due 2022	30,000	30,000	249,646
2.42% unsecured bonds due 2022	10,000	10,000	83,215
0.929% unsecured bonds due 2022	10,000	10,000	83,215
1.5% unsecured bonds due 2022	10,000	10,000	83,215

	Millions of yen 2015	Millions of yen 2014	Thousands of U.S. dollars 2015
2.075% unsecured bonds due 2023	¥ 10,000	¥ 10,000	$ 83,215
0.643% unsecured bonds due 2024	20,000	—	166,430
2.28% unsecured bonds due 2024	10,000	10,000	83,215
1.067% unsecured bonds due 2024	10,000	10,000	83,215
2.305% unsecured bonds due 2027	10,000	10,000	83,215
2.385% unsecured bonds due 2027	10,000	15,000	83,215
2.52% unsecured bonds due 2027	15,000	10,000	124,823
2.425% unsecured bonds due 2027	10,000	10,000	83,215
2.555% unsecured bonds due 2028	10,000	10,000	83,215
2.9% unsecured bonds due 2032	10,000	10,000	83,215
2.615% unsecured bonds due 2032	10,000	20,000	83,215
2.04% unsecured bonds due 2032	20,000	10,000	166,430
1.72% unsecured bonds due 2033	10,000	—	83,215
Floating rate bonds due 2014 (payable in U.S. dollars)	—	11,948	—
Floating rate bonds due 2015 (payable in U.S. dollars)	20,225	—	168,307
Loans from banks and insurance companies:			
Secured	51,886	221,849	431,779
Unsecured	1,079,117	976,330	8,979,926
	1,816,230	1,899,775	15,113,840
Less current portion	(126,842)	(399,723)	(1,055,529)
	¥1,689,387	¥1,500,052	$14,058,310

The aggregate annual maturities of long-term debt subsequent to March 31, 2015 are summarized as follows:

Year ending March 31,	Millions of yen	Thousands of U.S. dollars
2016	¥ 126,817	$ 1,055,317
2017	243,328	2,024,870
2018	221,473	1,843,000
2019	205,369	1,708,987
2020	228,360	1,900,313
2021 and thereafter	790,855	6,581,137
Total	¥1,816,204	$15,113,627

The assets pledged as collateral for short-term borrowings of ¥100 million ($832 thousand) and long-term debt of ¥51,886 million ($431,779 thousand) at March 31, 2015 were as follows:

	Millions of yen	Thousands of U.S. dollars
Buildings and structures	¥133,660	$1,112,257
Machinery and equipment	1,910	15,901
Land	167,536	1,394,160
Other property and equipment	0	7
Investment securities	68	572
Total	¥303,176	$2,522,899

7 RETIREMENT BENEFIT PLANS

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 the 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 years ended March 31, 2015 and 2014 are as follows:

	Millions of yen 2015	Millions of yen 2014	Thousands of U.S. dollars 2015
Retirement benefit obligation at the beginning of the year	¥109,844	¥108,134	$914,079
Cumulative effect of changes in accounting principle	1,370	—	11,402
Restated balance at the beginning of the year	111,215	108,134	925,481
Service cost	4,627	4,735	38,511
Interest cost	1,742	1,621	14,501
Actuarial gain and loss	2,877	(1,651)	23,943
Retirement benefits paid	(4,704)	(4,387)	(39,146)
Prior service cost	—	30	—
Translation adjustments	2,523	2,902	21,001
Other	1,001	(1,541)	8,336
Retirement benefit obligation at the end of the year	¥119,284	¥109,844	$992,630

The changes in plan assets during the year ended March 31, 2015 and 2014 are as follows:

	Millions of yen 2015	Millions of yen 2014	Thousands of U.S. dollars 2015
Plan assets at the beginning of the year	¥ 95,509	¥80,940	$794,785
Expected return on plan assets	2,560	1,933	21,309
Actuarial gain and loss	17,251	9,966	143,556
Contributions by the Company	4,300	4,489	35,783
Retirement benefits paid	(3,003)	(3,059)	(24,991)
Translation adjustments	1,688	1,801	14,048
Other	793	(563)	6,603
Plan assets at the end of the year	¥119,099	¥95,509	$991,093

The following table sets forth the funded status of the plans and the amounts recognized in the consolidated balance sheet as of March 31, 2015 and 2014 for the Company's and the consolidated subsidiaries' defined benefit plans:

	Millions of yen 2015	Millions of yen 2014	Thousands of U.S. dollars 2015
Funded retirement benefit obligation	¥ 104,451	¥ 96,033	$ 869,197
Plan assets at fair value	(119,099)	(95,509)	(991,093)
	(14,648)	524	(121,895)
Unfunded retirement benefit obligation	14,832	13,810	123,433
Net liability for retirement benefits in the balance sheet	184	14,335	1,537
Liability for retirement benefits	23,068	20,380	191,966
Asset for retirement benefits	(23,194)	(6,320)	(193,011)
Other current liabilities	310	276	2,581
Net liability for retirement benefits in the balance sheet	¥ 184	¥ 14,335	$ 1,537

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

The components of retirement benefit expense for the years ended March 31, 2015 and 2014 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2015	2014	2015
Service cost	¥ 4,627	¥ 4,735	$ 38,511
Interest cost	1,742	1,621	14,501
Expected return on plan assets	(2,560)	(1,933)	(21,309)
Amortization of actuarial loss	712	729	5,932
Amortization of prior service cost	(77)	(61)	(645)
Amortization of net retirement benefit obligation at transition	—	(116)	—
Other	231	442	1,926
Retirement benefit expense	¥ 4,676	¥ 5,417	$ 38,917

(*) Retirement benefit expenses for consolidated subsidiaries adopting the simplified method, which assumes the retirement benefit obligation to be equal to the benefits payable if all eligible employees voluntarily terminated their employment at the fiscal year end, are included in "Service cost."

The components of retirement benefits liability adjustments included in other comprehensive income (before tax effect) for the years ended March 31, 2015 and 2014 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2015	2014	2015
Prior service cost	¥ (77)	—	$ (645)
Actuarial gain and loss	15,086	—	125,545
Total	¥15,009	—	$124,899

The components of retirement benefits liability adjustments included in accumulated other comprehensive income (before tax effect) as of March 31, 2015 and 2014 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2015	2014	2015
Unrecognized prior service cost	¥ 386	¥ 328	$ 3,212
Unrecognized actuarial gain and loss	6,206	(8,097)	51,649
Total	¥6,592	¥(7,768)	$54,862

The fair values of plan assets, by major category, as a percentage of total plan assets as of March 31, 2015 and 2014 are as follows:

	2015	2014
Bonds	20%	20%
Stocks	58%	56%
General accounts	10%	14%
Other	12%	10%
Total	100%	100%

(*) Approximately 44% and 40% of total plan assets are held in the retirement benefit trust as of March 31, 2015 and 2014, respectively.

The expected return on plan assets has been estimated based on the anticipated allocation to each asset class and the expected long-term returns on assets held in each category.

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

	2015	2014
Discount rates	0.7~4.65%	1.0~3.95%
Expected rates of return on plan assets	1.0~7.0%	0.5~7.5%
Rates of salary increase	0.4~4.0%	0.4~5.0%

The required contribution to defined contribution plans by the consolidated subsidiaries for the years ended March 31, 2015 and 2014 are ¥240 million ($1,999 thousand) and ¥237 million, respectively.

8 INCOME TAXES

The effective tax rates reflected in the consolidated statements of income for the years ended March 31, 2015 and 2014 differ from the statutory tax rates for the following reasons:

	2015	2014
Statutory tax rate	35.64%	—
Increase (decrease) in income taxes resulting from:		
Different tax rates applied	(0.23)	—
Expenses not deductible for income tax purposes	0.41	—
Revenues deductible for income tax purposes	(0.63)	—
Change in valuation allowance	2.18	—
Undistributed earnings of affiliates	0.19	—
Equity income	(0.45)	—
Gain on negative goodwill	(4.36)	—
Reversal of temporary differences associated with investment in affiliates	(7.42)	—
Effect of enacted changes in tax laws and rates on Japanese tax	(12.26)	—
Other	0.28	—
Effective tax rate	13.35%	—

(*) Disclosure of the reconciliation between 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, 2015 and 2014 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2015	2014	2015
Deferred tax assets:			
Net operating loss carry forwards	¥ 2,400	¥ 3,111	$ 19,972
Liability for retirement benefits	10,122	15,952	84,233
Valuation loss on inventories	15,422	14,362	128,342
Unrealized loss on property and equipment	93,272	86,280	776,172
Unrealized loss on property and equipment by consolidation	11,326	11,568	94,249
Land revaluation reserve	27,005	29,755	224,724
Loss on valuation of equity investments	5,155	8,031	42,902
Other	43,462	29,553	361,678
Total gross deferred tax assets	208,167	198,614	1,732,278
Valuation allowance	(73,652)	(77,589)	(612,900)
Total deferred tax assets	134,515	121,025	1,119,377
Deferred tax liabilities:			
Reserves under Special Taxation Measures Law	(66,084)	(51,707)	(549,920)
Land revaluation reserve	(280,866)	(319,090)	(2,337,242)
Unrealized gain on property and equipment by consolidation	(116,852)	(123,472)	(972,394)
Unrealized gain on property and equipment	(38,727)	(42,679)	(322,276)
Unrealized gain on securities	(56,481)	(39,307)	(470,010)
Other	(34,946)	(26,439)	(290,806)
Total deferred tax liabilities	(593,958)	(602,697)	(4,942,651)
Net deferred tax liabilities	¥(459,442)	¥(481,672)	$(3,823,273)

The "Act for Partial Amendment of the Income Tax Act, etc." (Act No. 9 of 2015) and the "Act for Partial Amendment of the Local Tax Act, etc." (Act No. 2 of 2015) were promulgated on March 31, 2015. As a result, the effective statutory tax rate used to measure the Company's deferred tax assets and liabilities was changed from 35.64% to 33.10% for the temporary differences expected to be realized or settled in the fiscal year beginning April 1, 2015, and to 32.34% for the temporary differences expected to be realized or settled from the fiscal year beginning April 1, 2016.

The effect of the announced reduction of the effective statutory tax rate was to decrease deferred tax liabilities, after offsetting deferred tax assets, and deferred income tax expense by ¥12,282 million ($102,206 thousand) and increase minority interests by ¥2,888 million ($24,038 thousand) as of March 31, 2015.

Furthermore, deferred tax liabilities for land revaluation reserve, unrealized gain on securities and retirement benefits liability adjustments decreased by ¥28,644 million ($238,366 thousand), ¥5,762 million ($47,956 thousand) and ¥403 million ($3,358 thousand), respectively, while land revaluation reserve, unrealized gain on securities and retirement benefits liability adjustments in net assets increased by same amount, respectively.

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 ¥162,638 million ($1,353,400 thousand), and the legal reserve amounted to ¥21,663 million ($180,276 thousand) at March 31, 2015. Such distributions can be made at any time by resolution of the shareholders or by the Board of Directors if certain conditions are met, but neither the capital reserve nor the legal reserve is available for distributions.

10 AMOUNTS PER SHARE

	Yen		U.S. dollars
Year ended March 31,	2015	2014	2015
Net income:			
Basic	¥52.85	¥46.34	$0.43
Diluted	52.84	46.32	0.43
Cash dividends applicable to the year	14.00	12.00	0.11

	Yen		U.S. dollars
As of March 31,	2015	2014	2015
Net assets	¥1,078.11	¥957.80	$8.97

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, 2015 on noncancelable operating leases are summarized as follows:

Year ending March 31,	Millions of yen	Thousands of U.S. dollars
2016	¥ 5,058	$ 42,097
2017 and thereafter	51,449	428,142
Total	¥56,508	$470,240

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, 2015 from noncancelable operating leases is summarized as follows:

Year ending March 31,	Millions of yen	Thousands of U.S. dollars
2016	¥ 244,839	$2,037,440
2017 and thereafter	863,259	7,183,649
Total	¥1,108,098	$9,221,090

12 CONTINGENT LIABILITIES

At March 31, 2015, 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	¥ 120	$ 998
Guarantees of house purchasers' loans from banks	55,861	464,853
Other	30	252
Total	¥56,011	$466,105

(2) Guarantee for business undertakings

	Millions of yen	Thousands of U.S. dollars
Business undertaking guarantees	¥22,408	$186,475

Rockefeller Group International Inc. provides business undertaking guarantees for property development projects in proportion to its share. 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	¥27,691	$230,438

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 the years ended March 31, 2015 and 2014 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2015	2014	2015
Gain on sales of fixed assets	¥ 36,551	¥ 6,702	$ 304,165
Gain on negative goodwill	12,256	4,942	101,991
Loss on disposal of fixed assets	(4,780)	(4,029)	(39,782)
Loss related to retirement of fixed assets	(6,190)	(2,303)	(51,512)
Impairment loss (*1)	(73,725)	(32,644)	(613,510)
Loss on valuation of investment securities	(173)	—	(1,445)
Loss on valuation of equity investments	(381)	(7,648)	(3,170)
Provision for additional investment obligation	(1,804)	—	(15,012)
Other, net	(3,021)	(1,083)	(25,145)
	¥(41,269)	¥(36,065)	$(343,423)

(*1) Impairment loss

The Company recorded consolidated impairment losses for the following asset groups for the fiscal year ended March 31, 2015:

Major Application	Category	Location
Leased assets, etc. (total 23 groups)	Land, Buildings, etc.	Yokohama, Kanagawa Prefecture, New York, U.S.A, 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, 2015, the book values of 23 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 reductions were recorded as impairment losses in the amount of ¥73,725 million ($613,510 thousand).

The breakdown of such impairment losses was ¥14,084 million ($117,203 thousand) in land and, ¥59,641 million ($496,307 thousand) in buildings and structures.

The collectible amounts of asset groups are measured using 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, 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.

The breakdown of such impairment losses was ¥18,418 million in land and, ¥14,226 million in buildings and structures.

The collectible amounts of asset groups are measured using 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 real estate investment trust and investments in silent partnerships 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 deposits 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 swaps) as hedging instruments.

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, 2015 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 B below).

	Millions of yen			Thousands of U.S. dollars		
						2015
	Carrying Value	Estimated Fair Value	Difference	Carrying Value	Estimated Fair Value	Difference
1) Cash on hand and in banks	¥ 197,169	¥ 197,169	—	$ 1,640,756	$ 1,640,756	—
2) Notes and accounts receivable – trade	35,873			298,520		
Allowance for doubtful receivables(*1)	(571)			(4,757)		
	35,301	35,301	—	293,762	293,762	—
3) Securities and Investment securities						
(i) Held-to-maturity debt securities	624	636	¥ 12	5,192	5,294	$ 101
(ii) Other securities	257,502	257,502	—	2,142,815	2,142,815	—
(iii) Investments in subsidiaries and affiliates	60	665	604	507	5,541	5,034
4) Equity investments	9,673	9,673	—	80,502	80,502	—
Total assets	¥ 500,332	¥ 500,949	¥ 617	$ 4,163,536	$ 4,168,672	$ 5,135
1) Notes and accounts payable – trade	¥ 95,632	¥ 95,632	—	$ 795,810	$ 795,810	—
2) Short-term borrowings	77,881	77,881	—	648,093	648,093	—
3) Current portion of long-term borrowings	86,617	86,617	—	720,791	720,791	—
4) Commercial paper	28,000	28,000	—	233,003	233,003	—
5) Current portion of long-term bonds	40,225	40,225	—	334,738	334,738	—
6) Long-term bonds	645,000	675,272	¥30,272	5,367,396	5,619,308	$251,912
7) Long-term borrowings	1,044,387	1,054,830	10,443	8,690,914	8,777,819	86,905
Total liabilities	¥2,017,744	¥2,058,459	¥40,715	$16,790,747	$17,129,565	$338,817

	Millions of yen		
			2014
	Carrying Value	Estimated Fair Value	Difference
1) Cash on hand and in banks	¥ 224,121	¥ 224,121	—
2) Notes and accounts receivable – trade	28,539		
Allowance for doubtful receivables(*1)	(208)		
	28,331	28,331	—
3) Securities and Investment securities			
(i) Held-to-maturity debt securities	622	635	¥ 12
(ii) Other securities	190,914	190,914	—
(iii) Investments in subsidiaries and affiliates	60	226	165
4) Equity investments	10,526	10,526	—
Total assets	¥ 454,578	¥ 454,756	¥ 178
1) Notes and accounts payable – trade	¥ 105,271	¥ 105,271	—
2) Short-term borrowings	63,762	63,762	—
3) Current portion of long-term borrowings	343,127	343,127	—
4) Commercial paper	—	—	—
5) Current portion of long-term bonds	56,595	56,595	—
6) Long-term bonds	645,000	685,169	40,169
7) Long-term borrowings	855,052	865,951	10,898
Total liabilities	¥2,068,810	¥2,119,879	¥51,068

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

Note A: 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 rates 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 B: Financial instruments for which it is extremely difficult to determine the fair value

	Millions of yen	Thousands of U.S. dollars
	2015	2015
(i) Unlisted stocks (*1)	¥ 24,801	$ 206,390
(ii) Equity investments (*2)	241,575	2,010,283
(iii) Lease and guarantee deposit receivables (*3)	112,397	935,323
(iv) Lease and guarantee deposit payables (*4)	381,605	3,175,549

	Millions of yen
	2014
(i) Unlisted stocks (*1)	¥ 23,391
(ii) Equity investments (*2)	213,384
(iii) Lease and guarantee deposit receivables (*3)	113,015
(iv) Lease and guarantee deposit payables (*4)	383,083

(*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 C: Redemption schedule for receivables and marketable securities with maturities

	Millions of yen				Thousands of U.S. dollars			
As of March 31, 2015	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	¥197,169	—	—	—	$1,640,756	—	—	—
Notes and accounts receivable – trade	35,873	—	—	—	298,520	—	—	—
Marketable securities and investment securities:								
Held-to-maturity debt securities								
National and local government bonds	25	¥170	¥184	—	208	$1,414	$1,531	—
Corporate bonds	—	243	—	—	—	2,029	—	—
Other	—	—	—	—	—	—	—	—
Other marketable securities with maturities:								
Other	—	54	41	—	—	454	343	—
Total	¥233,067	¥468	¥225	—	$1,939,484	$3,898	$1,874	—

	Millions of yen			
As of March 31, 2014	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	—	—	—
Notes and accounts receivable – trade	28,539	—	—	—
Marketable securities and investment securities:				
Held-to-maturity debt securities				
National and local government bonds	110	¥ 35	¥234	—
Corporate bonds	—	223	—	—
Other	25	—	—	—
Other marketable securities with maturities:				
Other	1,200	—	119	—
Total	¥253,995	¥258	¥353	—

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

	Millions of yen						Thousands of U.S. dollars					
As of March 31, 2015	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
Corporate bonds	¥ 40,200	¥ 70,000	¥ 85,000	¥ 65,000	¥ 75,000	¥350,000	$ 334,526	$ 582,508	$ 707,331	$ 540,900	$ 624,115	$2,912,540
Long-term borrowings	86,617	173,328	136,473	140,369	153,360	440,855	720,791	1,442,362	1,135,669	1,168,086	1,276,197	3,668,597
Total	¥126,817	¥243,328	¥221,473	¥205,369	¥228,360	¥790,855	$1,055,317	$2,024,870	$1,843,000	$1,708,987	$1,900,313	$6,581,137

	Millions of yen					
As of March 31, 2014	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	¥ 56,647	¥ 20,000	¥ 70,000	¥ 85,000	¥ 65,000	¥405,000
Long-term borrowings	343,127	109,681	171,574	133,459	128,818	311,517
Total	¥399,774	¥129,681	¥241,574	¥218,459	¥193,818	¥716,517

15 MARKETABLE SECURITIES AND INVESTMENT SECURITIES

Marketable and investment securities classified as other securities at March 31, 2015 and 2014 are summarized as follows:

	Millions of yen			Thousands of U.S. dollars		
	2015			2015		
	Cost	Fair Value	Unrealized Gain (Loss)	Cost	Fair Value	Unrealized Gain (Loss)
Securities whose fair value exceeds their cost:						
Equity securities	¥80,318	¥255,360	¥175,042	$668,372	$2,124,997	$1,456,625
Other	4,491	9,675	5,183	37,379	80,512	43,132
Subtotal	84,810	265,036	180,225	705,751	2,205,509	1,499,757
Securities whose cost exceeds their fair value:						
Equity securities	268	220	(48)	2,236	1,836	(400)
Corporate bonds	10	10	—	83	83	—
Other	2,042	1,909	(133)	16,999	15,887	(1,111)
Subtotal	2,321	2,139	(181)	19,319	17,807	(1,511)
Total	¥87,131	¥267,176	¥180,044	$725,071	$2,223,317	$1,498,246

	Millions of yen		
	2014		
	Cost	Fair Value	Unrealized Gain (Loss)
Securities whose fair value exceeds their cost:			
Equity securities	¥72,565	¥182,304	¥109,739
Other	5,331	10,527	5,196
Subtotal	77,896	192,832	114,935
Securities whose cost exceeds their fair value:			
Equity securities	8,004	7,389	(614)
Corporate bonds	10	10	—
Other	1,342	1,209	(133)
Subtotal	9,357	8,609	(748)
Total	¥87,254	¥201,441	¥114,187

Proceeds from sales of securities classified as other securities totaled ¥89 million ($742 thousand) and ¥377 million for the years ended March 31, 2015 and 2014, respectively. Gross realized gains were ¥82 million ($689 thousand) and ¥345 million for the years ended March 31, 2015 and 2014, respectively.

Marketable debt securities classified as held-to-maturity securities at March 31, 2015 and 2014 are summarized as follows:

	Millions of yen			Thousands of U.S. dollars		
	2015			2015		
	Amortized Cost	Fair Value	Unrealized Gain (Loss)	Amortized Cost	Fair Value	Unrealized Gain (Loss)
Debt securities whose fair value exceeds their cost:						
Government bonds	¥320	¥333	¥12	$2,666	$2,772	$106
Corporate bonds	—	—	—	—	—	—
Subtotal	320	333	12	2,666	2,772	106
Debt securities whose cost exceeds their fair value:						
Government bonds	59	59	—	497	497	—
Corporate bonds	243	243	(0)	2,029	2,024	(5)
Other	—	—	—	—	—	—
Subtotal	303	303	(0)	2,526	2,521	(5)
Total	¥624	¥636	¥12	$5,192	$5,294	$101

	Millions of yen		
	2014		
	Amortized Cost	Fair Value	Unrealized Gain (Loss)
Debt securities whose fair value exceeds their cost:			
Government bonds	¥399	¥413	¥13
Corporate bonds	—	—	—
Subtotal	399	413	13
Debt securities whose cost exceeds their fair value:			
Government bonds	—	—	—
Corporate bonds	223	222	(0)
Other	—	—	—
Subtotal	223	223	(0)
Total	¥622	¥635	¥12

16 SUPPLEMENTAL CASH FLOW INFORMATION

The following table represents a reconciliation of cash and cash equivalents as of March 31, 2015 and 2014:

	Millions of yen		Thousands of U.S. dollars
	2015	2014	2015
Cash on hand and in banks	¥197,169	¥224,121	$1,640,756
Time deposits with maturities of more than three months	(605)	(605)	(5,035)
Marketable securities with maturities of three months or less	1,925	1,223	16,022
Cash and cash equivalents	¥198,489	¥224,739	$1,651,743

The major components of assets acquired and liabilities assumed of a consolidated subsidiary, which was acquired through a stock purchase, as well as a reconciliation of the difference between the acquisition cost and the payment for the acquisition are as follows:

	Millions of yen	Thousands of U.S. dollars
		2015
Current assets	¥ 948	$ 7,896
Fixed assets	36,338	302,392
Goodwill	14,459	120,329
Current liabilities	(781)	(6,506)
Fixed liabilities	(4,127)	(34,348)
Minority interests	(7,486)	(62,300)
Translation adjustments	(1,129)	(9,397)
Acquisition cost	38,221	318,065
Unpaid	(3,628)	(30,195)
Cash and cash equivalents of subsidiary	(151)	(1,259)
Payment for acquisition	¥34,441	$286,610

17 DERIVATIVES AND HEDGING ACTIVITIES

1. Derivatives to which hedge accounting has not been applied

(1) Currency related transactions

	Millions of yen				Thousands of U.S. dollars			
								2015
Class of Transactions	Notional Amount	Due after One Year	Fair Value	Unrealized Gain (Loss)	Notional Amount	Due after One Year	Fair Value	Unrealized Gain (Loss)
Forward foreign exchange contracts	¥16,311	—	¥245	¥245	$135,740	—	$2,045	$2,045
Total	¥16,311	—	¥245	¥245	$135,740	—	$2,045	$2,045

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

2. Derivatives to which hedge accounting has been applied

(1) Interest related transactions

		Millions of yen			Thousands of U.S. dollars		
							2015
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	¥ 27,244	¥ 27,244	¥(53)	$ 226,714	$ 226,714	$(444)
Interest rate swap contracts by short-cut method Fixed rate payment and floating rate receipt	Long-term borrowings	168,390	163,900	(*)	1,401,268	1,363,906	(*)
Total		¥195,634	¥191,145	¥(53)	$1,627,982	$1,590,621	$(444)

		Millions of yen		
				2014
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	¥ 23,818	¥23,818	¥52
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	(*)
Total		¥165,917	¥98,220	¥52

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.

(2) Interest and currency related transactions

		Millions of yen			Thousands of U.S. dollars		
							2015
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 JPY and receipt in USD Floating rate payment and fixed rate receipt	Long-term borrowings	¥25,000	¥25,000	¥ 1,985	$208,038	$208,038	$ 16,520
Interest rate and currency swap contracts Payment in USD and receipt in JPY Floating rate payment and fixed rate receipt	Corporate bonds	7,600	—	(1,370)	63,243	—	(11,405)
Interest rate and currency swap contracts Payment in GBP and receipt in JPY Floating rate payment and fixed rate receipt	Corporate bonds	12,600	—	(1,105)	104,851	—	(9,196)
Total		¥45,200	¥25,000	¥ (490)	$376,133	$208,038	$ (4,080)

		Millions of yen		
				2014
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	¥12,000	—	¥(719)
Total		¥12,000	—	¥(719)

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) International Business; (4) Investment Management; (5) Architectural Design and Engineering; (6) Hotel Business; (7) Real Estate Services; and (8) Other businesses.

The Group's reportable segments were changed due to a structural reorganization from the year ended March 31, 2015 as follows: the Commercial Property Development and Investment segment has been consolidated into the Building Business segment. In addition, overseas operations of the Commercial Property Development and Investment segment and the Building Business segment have been consolidated into the International Business segment.

Segment information for the year ended March 31, 2014 has been restated to reflect these changes.

The reportable segment information of the Company and its consolidated subsidiaries for the years ended March 31, 2015 and 2014 is summarized as follows:

Millions of yen

2015

	Reportable Segments											
	Building Business	Residential Business	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	¥ 580,177	¥375,520	¥ 77,752	¥ 8,024	¥11,628	¥30,341	¥25,877	¥1,109,322	¥ 937	¥1,110,259	—	¥1,110,259
Intersegment or transfers	7,483	2,215	42	26	7,839	486	1,418	19,511	2,809	22,321	¥(22,321)	—
Total revenue	587,660	377,736	77,794	8,050	19,467	30,827	27,295	1,128,833	3,747	1,132,581	(22,321)	1,110,259
Segment income (loss)	128,982	11,605	26,068	4,064	663	754	1,111	173,250	16	173,266	(16,934)	156,332
Segment assets	¥3,416,285	¥597,587	¥595,293	¥31,030	¥24,985	¥28,034	¥27,505	¥4,720,723	¥27,696	¥4,748,419	¥153,106	¥4,901,526
Other items												
Depreciation and amortization	59,960	2,728	7,378	55	103	1,322	333	71,883	159	72,042	654	72,696
Capital expenditures	¥ 120,704	¥ 22,108	¥ 45,947	¥ 242	¥ 677	¥ 3,290	¥ 408	¥ 193,379	¥ 382	¥ 193,762	¥ (2,304)	¥ 191,457

Thousands of U.S. dollars

2015

	Reportable Segments											
	Building Business	Residential Business	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	$ 4,827,973	$3,124,913	$ 647,019	$ 66,777	$ 96,764	$252,485	$215,340	$ 9,231,274	$ 7,803	$ 9,239,077	—	$ 9,239,077
Intersegment or transfers	62,273	18,435	353	219	65,232	4,050	11,802	162,367	23,382	185,750	$ (185,750)	—
Total revenue	4,890,246	3,143,349	647,373	66,996	161,996	256,536	227,142	9,393,642	31,185	9,424,827	(185,750)	9,239,077
Segment income (loss)	1,073,334	96,573	216,934	33,824	5,519	6,276	9,249	1,441,711	136	1,441,848	(140,920)	1,300,928
Segment assets	$28,428,773	$4,972,851	$4,953,757	$258,225	$207,922	$233,292	$228,888	$39,283,710	$230,475	$39,514,186	$1,274,086	$40,788,272
Other items												
Depreciation and amortization	498,961	22,706	61,399	463	862	11,007	2,778	598,178	1,326	599,505	5,445	604,950
Capital expenditures	$ 1,004,450	$ 183,977	$ 382,350	$ 2,018	$ 5,638	$ 27,381	$ 3,398	$ 1,609,216	$ 3,186	$ 1,612,402	$ (19,180)	$ 1,593,221

Millions of yen

2014

	Reportable Segments											
	Building Business	Residential Business	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	¥ 519,252	¥401,037	¥ 80,366	¥ 6,264	¥12,981	¥28,772	¥25,956	¥1,074,630	¥ 654	¥1,075,285	—	¥1,075,285
Intersegment or transfers	6,576	2,222	—	24	6,964	447	1,140	17,375	3,020	20,396	¥(20,396)	—
Total revenue	525,829	403,259	80,366	6,288	19,946	29,219	27,097	1,092,006	3,674	1,095,681	(20,396)	1,075,285
Segment income (loss)	116,277	27,778	25,579	3,046	1,252	737	1,544	176,215	-246	175,969	(14,698)	161,271
Segment assets	¥3,433,585	¥662,350	¥455,358	¥30,035	¥24,246	¥24,636	¥24,781	¥4,654,995	¥28,025	¥4,683,020	¥ 82,347	¥4,765,368
Other items												
Depreciation and amortization	62,485	3,032	6,748	43	72	1,162	407	73,953	223	74,176	629	74,805
Capital expenditures	¥ 96,149	¥ 18,380	¥ 48,394	¥ 35	¥ 53	¥ 2,040	¥ 294	¥ 165,349	¥ 869	¥ 166,218	¥ 6,360	¥ 172,579

Impairment losses of the Company and its consolidated subsidiaries on fixed assets by reportable segments for the years ended March 31, 2015 and 2014 are summarized as follows:

Millions of yen

2015

	Reportable Segments											
	Building Business	Residential Business	International Business	Investment Management	Architectural Design and Engineering	Hotel Business	Real Estate Services	Subtotal	Other	Total	Eliminations or Corporate	Consolidated
Impairment loss	¥49,973	¥571	¥22,663	—	—	—	—	¥73,207	¥517	¥73,725	—	¥73,725

Thousands of U.S. dollars

Impairment loss	$415,855	$4,752	$188,593	—	—	—	—	$609,201	$4,309	$613,510	—	$613,510

Millions of yen

2014

	Reportable Segments											
	Building Business	Residential Business	International Business	Investment Management	Architectural Design and Engineering	Hotel Business	Real Estate Services	Subtotal	Other	Total	Eliminations or Corporate	Consolidated
Impairment loss	¥24,613	¥5,507	¥2,430	—	—	—	—	¥32,552	—	¥32,552	¥92	¥32,644

The following table presents the amortization and balance of goodwill as of and for the years ended March 31, 2015 and 2014 by reportable segment:

Millions of yen

2015

	Reportable Segments											
	Building Business	Residential Business	International Business	Investment Management	Architectural Design and Engineering	Hotel Business	Real Estate Services	Subtotal	Other	Total	Eliminations or Corporate	Consolidated
Amortization of goodwill	¥ 479	¥ 3,312	¥ 875	—	—	—	—	¥ 4,667	—	¥ 4,667	—	¥ 4,667
Balance of goodwill	—	¥13,125	¥20,003	—	—	—	—	¥ 33,128	0	¥ 33,128	—	¥ 33,128
Amortization of negative goodwill	—	—	—	—	—	—	—	—	—	—	—	—
Balance of negative goodwill	¥110,301	—	—	—	—	—	—	¥110,301	—	¥110,301	—	¥110,301

Thousands of U.S. dollars

2015

	Reportable Segments											
	Building Business	Residential Business	International Business	Investment Management	Architectural Design and Engineering	Hotel Business	Real Estate Services	Subtotal	Other	Total	Eliminations or Corporate	Consolidated
Amortization of goodwill	$ 3,987	$ 27,563	$ 7,286	—	—	—	—	$ 38,836	—	$ 38,836	—	$ 38,836
Balance of goodwill	—	$109,211	$166,462	—	—	—	—	$275,684	$ 0	$275,684	—	$275,684
Amortization of negative goodwill	—	—	—	—	—	—	—	—	—	—	—	—
Balance of negative goodwill	$917,875	—	—	—	—	—	—	$917,875	—	$917,875	—	$917,875

Millions of yen

2014

	Reportable Segments											
	Building Business	Residential Business	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

Gain on Negative Goodwill

The Company recorded a gain on negative goodwill of ¥12,256 million ($101,991 thousand) in the Building Business segment for the year ended March 31, 2015.

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 carrying value on the consolidated balance sheet as of March 31, 2015 and the fair value of these rental properties and real estate including space used as rental properties are as follows:

	Millions of yen				Thousands of U.S. dollars			
					2015			
	Carrying Value			Fair Value	Carrying Value			Fair Value
	As of April 1, 2014	Net Change	As of March 31, 2015	As of March 31, 2015	As of April 1, 2014	Net Change	As of March 31, 2015	As of March 31, 2015
Rental properties	¥3,074,645	¥60,767	¥3,135,413	¥5,220,983	$25,585,799	$505,681	$26,091,481	$43,446,646
Real estate including spaces used as rental properties	224,577	(41,798)	182,779	277,955	1,868,833	(347,826)	1,521,006	2,313,018

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 carrying value on the consolidated balance sheet as of March 31, 2014 and the fair value of these rental properties and real estate including space used as rental properties are as follows:

	Millions of yen			
	2014			
	Carrying Value			Fair Value
	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
Real estate including spaces used as rental properties	227,564	(2,987)	224,577	334,700

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

The income or loss from rental properties and real estate including space used as rental properties for the years ended March 31, 2015 and 2014 were as follows:

	Millions of yen								Thousands of U.S. dollars			
	2015				2014				2015			
	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	¥395,188	¥263,237	¥131,950	¥(1,525)	¥373,047	¥256,935	¥116,111	¥(30,873)	$3,288,579	$2,190,544	$1,098,034	$(12,694)
Real estate including space used as rental properties	15,166	15,408	(242)	(44,605)	17,074	16,227	847	(1,474)	126,207	128,224	(2,017)	(371,184)

(*1) Lease income excludes that from real estate including space used as rental properties that was used by the Company and some of its consolidated subsidiaries for leasing service and operating management.
(*2) Other, net includes gain on sales of fixed assets, in the amount of ¥36,376 million ($302,709 thousand), and impairment loss, in the amount of ¥71,592 million ($595,758 thousand) for the year ended March 31, 2015, and impairment loss, in the amount of ¥32,365 million for the year ended March 31, 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. Changes in asset retirement obligations during the years ended March 31, 2015 and 2014 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2015	2014	2015
Balance at the beginning of the year	¥1,316	¥ 490	$10,955
Increase due to the acquisition of property and equipment	279	819	2,322
Adjustments due to the elapse of time	22	10	187
Decrease due to the fulfillment of asset retirement obligations	(175)	(3)	(1,456)
Other	(320)	—	(2,665)
Balance at the end of the year	¥1,122	¥1,316	$ 9,343

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

As stated below, 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, 2015, 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, 2015, these obligations are excluded from recognition of asset retirement obligations since the probability of the obligations in terms of scope and amount could not be reasonably estimated.

21 RELATED PARTY TRANSACTIONS

The Company has related party transactions with key management personnel of the Company and major individual shareholders.

The corresponding balances as of March 31, 2015 and 2014 and the amounts of these transactions for the years then ended are summarized as follows:

						Millions of yen		Thousands of U.S. dollars	
								2015	
Type	Name	Occupation	Ownership ratio of voting shares	Relationship with the related party	Nature of transaction	Transaction amount	Balance outstanding at year end	Transaction amount	Balance outstanding at year end
Officer's close relatives	Father-in-law of Tetsuji Arimori, Senior Executive Officer	—	0.00%	Contract for construction of house building and other	Construction of house building	¥26	—	$220	—

						Millions of yen	
						2014	
Type	Name	Occupation	Ownership ratio of voting shares	Relationship with the related party	Nature of transaction	Transaction amount	Balance outstanding at year end
Officer	Yutaka Yanagisawa	Executive Officer	0.00%	Sales of condominium and other	Sales of condominium	¥26	—

Transaction amounts do not include consumption tax.
Transaction amounts are determined in consideration with market prices, the same as general transactions.

22 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, 2015 and 2014:

	Millions of yen		Thousands of U.S. dollars
	2015	2014	2015
Unrealized holding gain (loss) on securities:			
Amount arising during the year	¥ 68,920	¥ 8,042	$ 573,525
Reclassification adjustments for gains and losses included in net income	(27)	—	(231)
Amount before tax effects	68,892	8,042	573,293
Tax effects	(17,256)	(2,678)	(143,601)
Unrealized holding gain (loss) on securities	51,636	5,364	429,692
Deferred gain (loss) on hedging instruments:			
Amount arising during the year	(286)	929	(2,382)
Reclassification adjustments for gains and losses included in net income	133	(237)	1,109
Amount before tax effects	(152)	692	(1,272)
Tax effects	106	(266)	888
Deferred gain (loss) on hedging instruments	(46)	426	(384)
Revaluation reserve for land:			
Tax effects	28,832	(79)	239,929
Foreign currency translation adjustments:			
Amount arising during the year	27,988	41,806	232,908
Amount before tax effects	27,988	41,806	232,908
Tax effects	267	(52)	2,224
Foreign currency translation adjustments	28,255	41,754	235,132
Retirement benefits liability adjustments:			
Amount arising during the year	14,373	—	119,612
Reclassification adjustments for gains and losses included in net income	635	—	5,286
Amount before tax effects	15,009	—	124,899
Tax effects	(5,142)	—	(42,792)
Retirement benefits liability adjustments	9,866	—	82,106
Share of other comprehensive income of companies accounted for by the equity method:			
Amount arising during the year	1,279	1,405	10,648
Total other comprehensive income	¥119,824	¥48,870	$ 997,126

23 BUSINESS COMBINATION

1. ACQUISITION

Consolidation of Tokumei Kumiai First M

(1) Outline of the acquisition

i. Name and business of acquired entity
Name: Tokumei Kumiai First M
Business: Holding and operation of Former Mizuho Bank Head Office Building

ii. Objective of acquisition
Decisions by management on implementing an operational strategy for the rental office building owned by Tokumei Kumiai First M are necessary since the sole lessee will vacate the property.

iii. Date of acquisition
April 7, 2014

iv. Legal form of acquisition
—

v. Name of acquired entity subsequent to acquisition
Tokumei Kumiai First M

vi. Change in ownership ratio
No change from the existing 51%

vii. Determination of acquirer
In the course of undertaking managerial decision making on the implementation of an operational strategy for the rental office building owned by Tokumei Kumiai First M, the Company obtained substantial control of the acquired entity.

(2) Period for which operating results of acquiree were included in consolidated financial statements of the Company
From February 1, 2014 to November 13, 2014

(3) Breakdown of cost and consideration transferred for acquisition
Cash on hand and in banks of ¥1,883 million ($15,673 thousand).

(4) Major acquisition related cost
Omitted due to immateriality

(5) Amount of gain on negative goodwill and its cause
Amount: ¥12,256 million ($101,991 thousand)
Cause: The consideration transferred was less than the fair value of the net assets acquired.

(6) Assets acquired and the liabilities assumed at the acquisition date

	Millions of yen	Thousands of U.S. dollars
Current assets	¥ 7,317	$ 60,888
Fixed assets	118,403	985,295
Total	¥125,720	$1,046,184

	Millions of yen	Thousands of U.S. dollars
Current liabilities	¥ 698	$ 5,808
Fixed liabilities	84,000	699,009
Total liabilities	¥84,698	$704,818

Integration of residence management business

Effective March 28, 2014, the Company and Marubeni Corporation (hereinafter, "Marubeni") entered into an agreement on the integration of their respective residence management businesses whereby a holding parent company was newly established by means of joint stock transfer involving Mitsubishi Jisho Community Co., Ltd. (hereinafter, "Mitsubishi Jisho Community"), a subsidiary of the Company, and Marubeni Community Co., Ltd. (hereinafter, "Marubeni Community"), a subsidiary of Marubeni. The Company and Marubeni established a holding company on July 1, 2014, which holds all shares of Mitsubishi Jisho Community and Marubeni Community.

(1) Outline of business combination

i. Name and business of acquired entity
Name: Marubeni Community (*)
Business: Management of residence and other real estate
(*) Effective July 1, 2014, the name of the acquired entity has been changed to Mitsubishi Jisho Marubeni Residence Services.

ii. Objective of business combination
The objective is to increase value of the services to customers by (i) effectively integrating the systems and expertise of Mitsubishi Jisho Community and Marubeni Community; (ii) cutting the operating costs by leveraging the benefits of scale of more than 300,000 units when combined; and (iii) developing alliances with residential-related companies under the Mitsubishi group and the Marubeni group.

iii. Date of business combination
July 1, 2014

iv. Legal form of business combination
Establishment of a holding company by means of joint stock transfer

v. Name of the acquiring entity after the acquisition
Mitsubishi Jisho Community Holdings Co., Ltd. (hereinafter "Mitsubishi Jisho Community Holdings")

vi. Change in ownership ratio
The ownership ratio of Mitsubishi Jisho Community Holdings is as follows:
The Company: 60.4%
Mitsubishi Real Estate Services: 11.1%
Marubeni: 28.5%

vii. Major rationale for determining the acquirer
The Company, the former parent company of Mitsubishi Jisho Community, acquired more than half of the voting rights of Mitsubishi Jisho Community Holdings.

(2) Period for which operating results of acquiree were included in consolidated financial statements of the Company
From July 1, 2014 through March 31, 2015

(3) Consideration transferred for the acquisition

	Millions of yen	Thousands of U.S. dollars
Fair value of Marubeni Community's common stock on the business combination date	¥8,760	$72,896
Acquisition cost	¥8,760	$72,896

(4) Stock transfer ratio by stock type, calculation method and number of stocks allotted

i. Stock transfer ratio by stock type
One share of common stock of Mitsubishi Jisho Community Holdings was allotted for one share of common stock of Mitsubishi Jisho Community, and 3.3 shares of common stock of Mitsubishi Jisho Community Holdings were allotted for one share of common stock of Marubeni Community.

ii. Calculation method of stock transfer ratio
Discounted cash flow method was used to calculate stock transfer ratio.

iii. Number of stocks allotted
1,320,000 shares

(5) Major acquisition related cost
Omitted due to immateriality

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

i. Amount: ¥4,965 million ($41,323 thousand)
ii. Cause: The consideration transferred exceeded the fair value of the net assets acquired.
iii. Method and period of amortization: Straight-line method over 20 years

(7) Assets acquired and liabilities assumed at acquisition date

	Millions of yen	Thousands of U.S. dollars
Current assets	¥3,307	$27,519
Fixed assets	1,144	9,519
Total	¥4,452	$37,047

	Millions of yen	Thousands of U.S. dollars
Current liabilities	¥2,407	$20,029
Fixed liabilities	232	1,930
Total liabilities	¥2,640	$21,968

(8) Pro forma impact on consolidated statement of income assuming the business combination was completed at the beginning of the fiscal year
Omitted due to immateriality. The pro forma impact was not subject to audit certification.

Consolidation of TA Realty LLC

(1) Outline of business combination

i. Name and business of acquired entity
Name: TA Realty LLC
Business: Real estate fund management

ii. Objective of business combination
The Group aspires to leverage its real estate investment expertise, hand in hand with that of TA Realty's 30 plus years of experience, to solidify and to further enhance TA Realty's reputation in both its flagship value-add funds and core separate accounts. In addition, the Group strives to strengthen its fund management business in the United States by pursuing further synergies with its principal investment arm in order to ultimately provide optimum real estate investment opportunities on a global scale to its current and future international client base.

iii. Date of business combination
January 2, 2015

iv. Legal form of business combination
Purchase of equity interests for cash consideration.

v. Name of acquired entity subsequent to acquisition
TA Realty LLC

vi. Acquired ownership ratio
70%

vii. Major rationale for determining acquirer
As a result of the purchase of the equity interests in return for a cash consideration from consolidated subsidiary, Rockefeller Group International Inc.

(2) Period for which operating results of acquiree were included in consolidated financial statements of the Company
The accounting closing date of the acquiree is December 31, which is three months prior to that of the Company. Since the acquisition was completed on January 2, 2015, only the balance sheet of the acquiree has been consolidated in the consolidated balance sheet as of March 31, 2015.

(3) Breakdown of cost and consideration transferred for the acquisition
Cash on hand and in banks of ¥38,221 million ($318,065 thousand)

(4) Major acquisition related cost
Advisory fees, etc.: ¥831 million ($6,915 thousand)

(5) Amount of goodwill recorded, its cause and method and period of amortization
i. Amount: ¥14,485 million ($120,539 thousand)
ii. Cause: The consideration transferred was greater than the fair value of the net assets acquired.
iii. Method and period of amortization: Straight-line method over 10 years

(6) Assets acquired and the liabilities assumed at acquisition date

	Millions of yen	Thousands of U.S. dollars
Current assets	¥ 950	$ 7,910
Fixed assets	36,401	302,919
Total	¥37,352	$310,830

	Millions of yen	Thousands of U.S. dollars
Current liabilities	¥ 783	$ 6,517
Fixed liabilities	4,134	34,408
Total liabilities	¥4,918	$40,926

(7) Amount and weighted-average amortization period of intangible assets other than goodwill recognized by purchase price allocation and their major categories
Investment contracts: ¥9,969 million ($82,957 thousand), amortized over 4 years
Customer related assets: ¥13,730 million ($114,254 thousand), amortized over 11 years
Trademark right: ¥1,109 million ($9,228 thousand), not amortized
Total: ¥24,809 million ($206,449 thousand), weighted-average amortization period of 8 years

(8) Pro forma impact on consolidated statement of income assuming the business combination was completed at the beginning of the fiscal year
Omitted due to immateriality. The pro forma impact was not subject to audit certification.

2. Common control transactions

Additional acquisition of equity in Tokumei Kumiai First M

(1) Outline of transaction
i. Name and business of combined entity
Name: Tokumei Kumiai First M
Business: Holding and operation of Former Mizuho Bank Head Office Building
ii. Date of transaction
September 26, 2014
iii. Legal form of transaction
Stock purchase from minority stockholders
iv. Name of combined entity subsequent to business combination
Tokumei Kumiai First M
v. Other matters with regard to the transaction
The transaction is intended to increase the flexibility and the swiftness of managerial decision making by purchasing all stocks owned by minority stockholders

(2) Outline of accounting treatment
The transaction was treated as a transaction under common control in accordance with the "Revised Accounting Standard for Business Combinations" (ASBJ Statement No. 21 of September 13, 2013) and the "Revised Implementation Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures" (ASBJ Guidance No. 10 of September 13, 2013).

(3) Information relating to additional acquisition
Consideration transferred for the acquisition
Cash on hand and in banks of ¥30,875 million ($256,927 thousand)

(4) Information relating to change in equity interest
i. Major cause of changes in capital surplus
Additional acquisition
ii. Decrease in capital surplus due to transaction with minority stockholders ¥11,974 million ($ 99,648 thousand)

Absorption of First M, Ltd.

(1) Outline of merger
i. Name and business
(Surviving company)
Name: Mitsubishi Estate Co., Ltd.
Business: Development and leasing of offices and commercial complex, etc.
(Absorbed company)
Name: First M, Ltd.
Business: Holding and operation of Former Mizuho Bank Head Office Building
ii. Date of merger
November 14, 2014
iii. Legal form of merger
Absorption-type merger, with the Company as the surviving company
iv. Name of the company subsequent to merger
Mitsubishi Estate Co., Ltd.
v. Additional information relating to merger
First M, Ltd. had held trust beneficiary rights in Former Mizuho Bank Head Office Building, and managed the building as the management company of the silent partnership Tokumei Kumiai First M. Mitsubishi Estate Co., Ltd. merged with First M, Ltd. for the purpose of redeveloping the building.

(2) Outline of accounting treatment
The transaction was treated as a transaction under common control in accordance with the "Revised Accounting Standard for Business Combinations" (ASBJ Statement No. 21 of September 13, 2013) and the "Revised Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures" (ASBJ Guidance No. 10 of September 13, 2013).

Independent Auditor's Report

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Building a better working world

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, 2015, 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, 2015, 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 26, 2015
Tokyo, Japan

Principal Mitsubishi Estate Group Companies New Segment since April 1, 2015

■ Consolidated Subsidiary □ Affiliate Accounted for by the Equity Method

BUILDING BUSINESS

	Address	Phone	Business activities	Share of voting rights (%)
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
■ 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
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
■ 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
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, 1-1 Higashi-Ikebukuro 3-chome, Toshima-ku, Tokyo 170-8630	+81-3-3988-6771	Cooling and heating supply business in the Higashi-Ikebukuro district	68.0
□ 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

LIFESTYLE PROPERTY BUSINESS

	Address	Phone	Business activities	Share of voting rights (%)
■ 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
■ 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 Shintoshi Building	54.4

RESIDENTIAL BUSINESS

	Address	Phone	Business activities	Share of voting rights (%)
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	20.0
Residence Management Business				
■ 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	100.0
■ 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	100.0
■ 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	100.0
■ 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

	Address	Phone	Business activities	Share of voting rights (%)
Recreational Facilities				
■ 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
■ 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
■ 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
□ 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
■ 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
■ 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

	Address	Phone	Business activities	Share of voting rights (%)
■ Rockefeller Group Inc.	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 Europe	100.0
■ Mitsubishi Estate Asia Pte. Ltd.	138 Market Street, #27-03 CapitaGreen, Singapore 048946	+65-6576-5790	Real estate operations in Asia	100.0
Mitsubishi Estate (Shanghai) Ltd. (Outside the scope of consolidation)	1805 Room Raffles City, 268 Xizang Middle Road, Shanghai 200001, P.R.C.	+86-21-6340-3000	Real estate business in China	100.0

INVESTMENT MANAGEMENT BUSINESS

	Address	Phone	Business activities	Share of voting rights (%)
■ 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	90.0
■ TA Realty LLC	28 State Street, Boston, MA 02109, U.S.A.	+1-617-476-2700	Investment management business in the United States	70.0
■ Europa Capital LLP	15 Sloane Square, London SW1W 8ER, U.K.	+44-0-20-7881-6800	Investment management business in Europe	75.0

ARCHITECTURAL DESIGN & ENGINEERING BUSINESS

	Address	Phone	Business activities	Share of voting rights (%)
■ 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

	Address	Phone	Business activities	Share of voting rights (%)
■ 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

	Address	Phone	Business activities	Share of voting rights (%)
■ 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

OTHERS

	Address	Phone	Business activities	Share of voting rights (%)
■ 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	66.7
□ 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	33.3

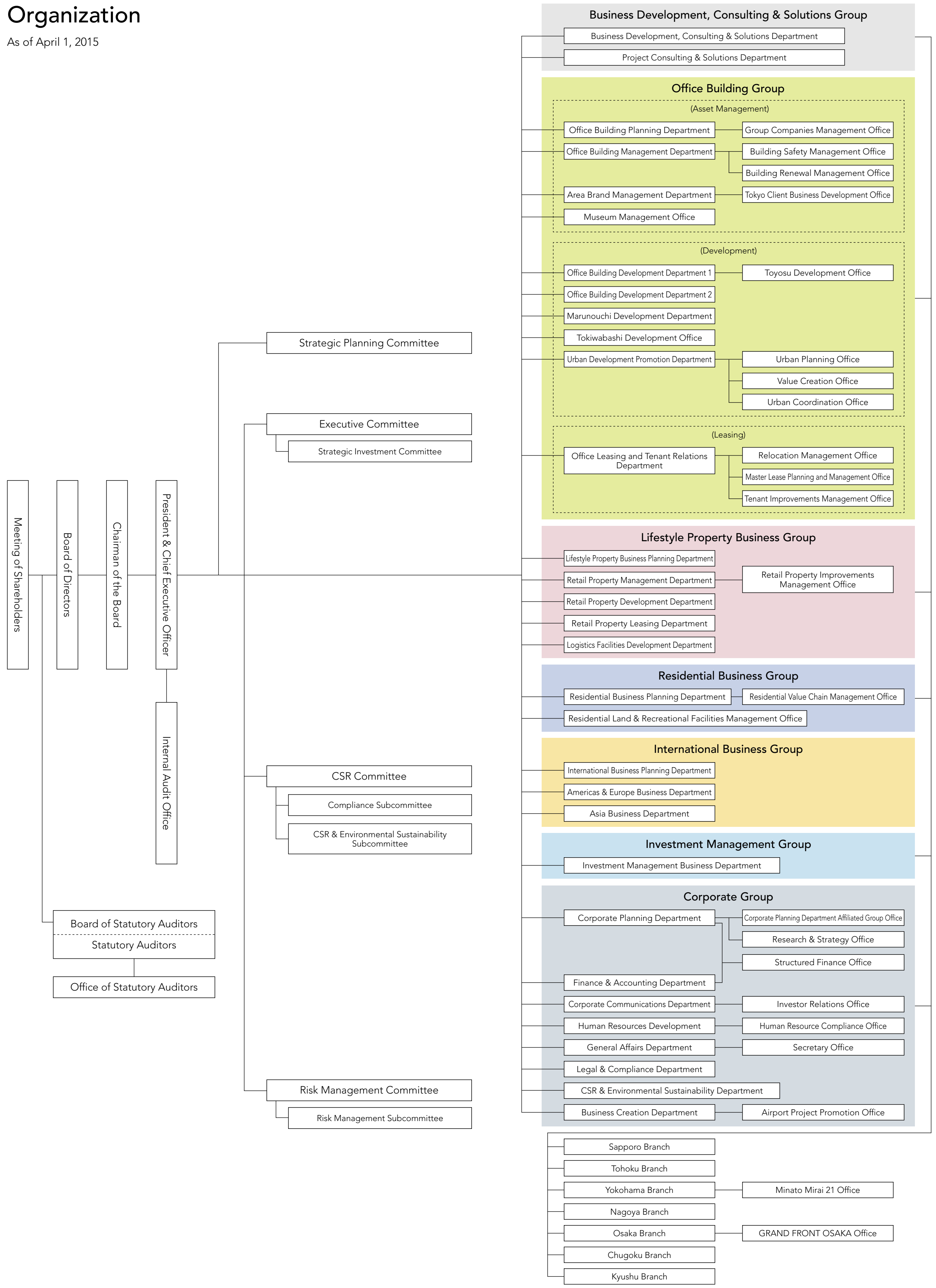
Note: Percentage of voting rights held is as of March 31, 2015

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, offering 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.
Akasaka Park House offered for sale in lots, marking the launch of the Condominium Business.	1969	
Mitsubishi Estate New York Inc. established. Began expansion of business overseas. Mitsubishi Real Estate Services Co., Ltd., established.	1972	The first phase of the Izumi Park Town Project launched.
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. Yokohama Office established (reorganized as Yokohama Branch in April 2000).	1986	
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. Keiji Kimura and Hirotaka Sugiyama appointed chairman and president, respectively.	2011	
	2012	Marunouchi Eiraku Building completed. OTEMACHI FINANCIAL CITY opened.
Mitsubishi Estate (Shanghai) Ltd. established.	2013	MARK IS shizuoka and MARK IS minatomirai opened. Grand Front Osaka opened.
Mitsubishi Estate Building Management and Mitsubishi Estate Property Management integrated. TA Realty LLC acquired.	2014	
	2015	Singapore CapitaGreen completed. Dai Nagoya Building scheduled for completion Otemon Tower • JX Building scheduled for completion

Organization

As of April 1, 2015



Corporate Information

As of March 31, 2015

Stock Information

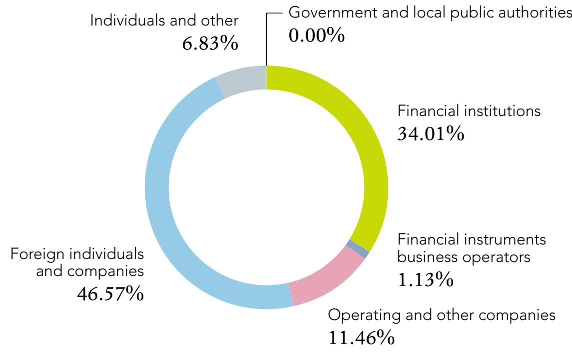
Stock Details

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: 59,434
(Decrease of 4,983 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)	85,011	6.11
Meiji Yasuda Life Insurance Company	46,882	3.37
Japan Trustee Service Bank, Ltd. (Trust Account)	46,286	3.32
THE BANK OF NEW YORK MELLON SA/NV 10	35,405	2.54
STATE STREET BANK AND TRUST COMPANY	31,948	2.29
Tokio Marine & Nichido Fire Insurance Co., Ltd.	26,865	1.93
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	25,963	1.86
Asahi Glass Co., Ltd.	22,714	1.63
CBLDN-STICHTING PGGM DEPOSITARY - LISTED REAL ESTATE PF FUND	22,528	1.62
STATE STREET BANK WEST CLIENT - TREATY 505234	19,391	1.39

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: 711
Consolidated: 8,388

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

The Spirit of Mitsubishi: Three Principles

"Shoki Hoko" 所期奉公	"Shoji Komei" 処事光明	"Ritsugyo Boeki" 立業貿易
Corporate Responsibility to Society	Integrity and Fairness	Global Understanding through Business
Strive to enrich society, both materially and spiritually, while contributing towards the preservation of the global environment.	Maintain principles of transparency and openness, conducting business with integrity and fairness.	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.