MITSUBISHI ESTATE CO., LTD.

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

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Printed in Japan

MITSUBISHI ESTATE CO., LTD. ANNUAL REPORT 2016

MITSUBISHI ESTATE

Realizing Potential, Transforming Tomorrow

ANNUAL REPORT 2016

The passion to lead Marunouchi's never-ending evolution

We began developing Marunouchi 125 years ago.
The role and functions demanded of city centers have changed dramatically over that time.
Marunouchi is much more than an aggregation of office functions essential to economic development; its many other roles include being a dynamic cultural and artistic center and pioneering environmentally-friendly urban spaces.
Our redevelopment focus now is in turning Marunouchi into the world's most interaction-inspiring neighborhood in the world.

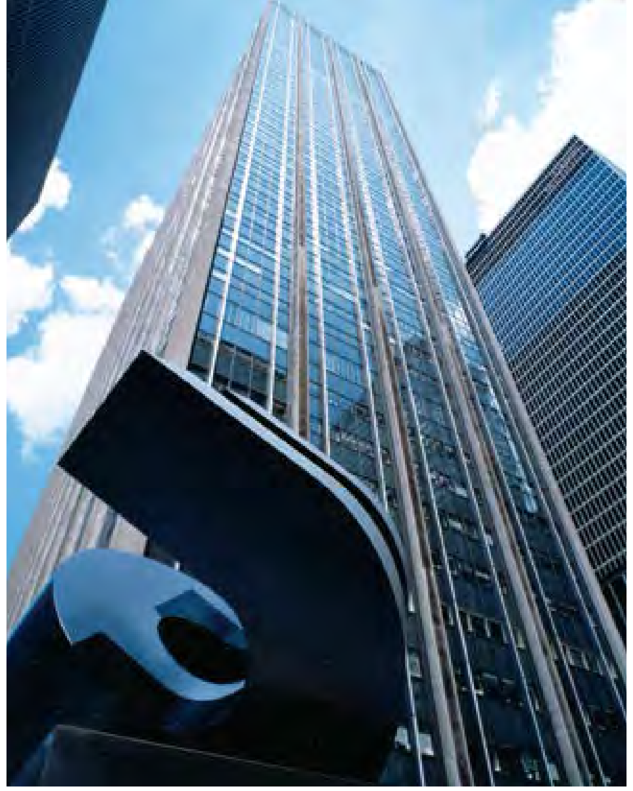
A commitment to Marunouchi's non-stop evolution infuses our approach to development of the district.
The path until now has had its twists and turns, but this passion for sustained evolution inspires our efforts to turn Marunouchi into the world's most interaction-inspiring neighborhood in the world.

Constant challenges creating new value for the future

Mitsubishi Estate faces ever-greater demands accompanying globalization, intensifying competition between international cities, and the need for secure, disaster-resistant working and living environments. In reshaping Marunouchi, we are spearheading the drive to raise Tokyo's international competitiveness as an attractive, can-do business and cultural center.

The concentrated interplay of people and business provides a fertile ground for new value creation. Mitsubishi Estate is promoting a cycle of corporate growth and innovation by offering support structures for growth companies and providing a forum for cross-company interaction and new business creation.

The times change, the world changes, people change. We develop the urban environments that meet the ever-changing needs of society, a never-ending process of creating new value with an eye always on the future. Nothing new comes from maintaining the status quo. We believe in our ability to shape the cities of the future through constant change and forever taking on new challenges.



A Love for People, a Love for the City: from Marunouchi to the Rest of Japan

Mitsubishi Estate, in all its business domains, is reinforcing development and portfolio management effectiveness from a longer-term perspective as it builds the networks and skills to accurately grasp the trends of the times and to provide optimal services that satisfy increasingly diverse customer demands.

We are constantly striving to create new value in people's lives in all we do, whether in our Residential Business—with high-quality housing and lifelong services—or in the development of assets closely intertwined with people's lives, such as commercial and logistic facilities.

Cities of the Future: Creating Comfortable and Innovative Environments Globally

Mitsubishi Estate, leveraging its vast experience and extensive networks, aims to expand real estate development, leasing, and residential development operations in the United States, the United Kingdom, and Asia. We are dedicated to creating urban environments everywhere that offer greater added value and high-quality time and space.

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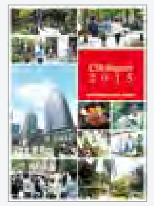
Asset Book
http://www.mec.co.jp/e/investor/irlibrary/annual/index.html

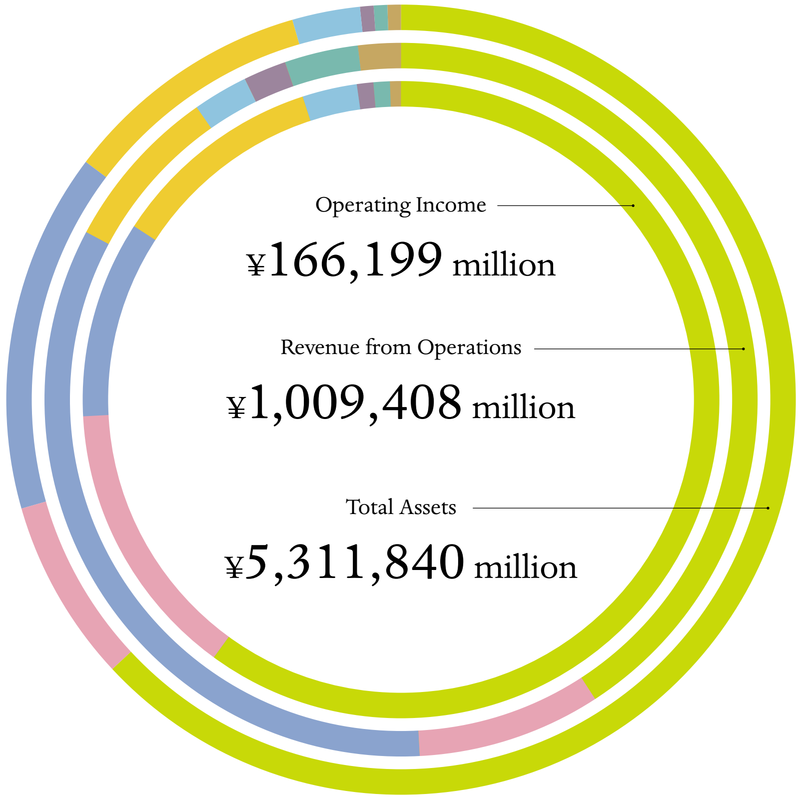


CSR Report
http://www.mec.co.jp/e/csr/csrreport/index.html

A Word about This Report
In addition to discussions on management direction and the business environment, this report includes extensive non-financial information to explain the Mitsubishi Estate Group's business and corporate activities. We hope this helps shareholders, investors, and all other stakeholders gain a good understanding of the position and direction of the Group as a whole.

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.

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."



Millions of yen

Fiscal year ended March 31, 2016 (consolidated)	Revenue from Operations	Operating Income	Total Assets
Office Building Business	422,349	108,940	3,208,271
Lifestyle Property Business	86,569	25,842	372,779
Residential Business	345,226	18,035	748,400
International Business	75,956	19,421	515,844
Investment Management Business	24,994	5,082	141,126
Architectural Design & Engineering Business	21,279	1,754	27,474
Hotel Business	33,089	1,490	28,417
Real Estate Services Business	19,815	602	23,608
Other	3,882	(37)	23,501
Eliminations or Corporate	(23,754)	(14,933)	222,415
Total	1,009,408	166,199	5,311,840

Office 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 for condominiums, custom-built housing, purchase and sales, leasing, brokerage areas, renovations, and management. 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, undertaking real estate leasing and development businesses in the United States and the United Kingdom. In recent years, we have also been actively developing our office building, residential, commercial facility, and other real estate businesses in rapidly expanding Asian markets and advancing into continental Europe.

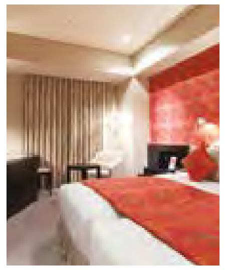
Investment Management Business

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



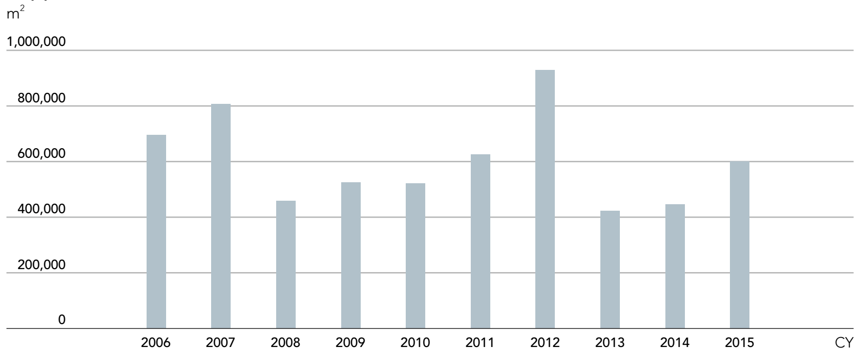
This business maintains a network of eight hotels under the Royal Park Hotels brand in Sendai, Tokyo (Nihonbashi, Shiodome, and Haneda), Yokohama, Nagoya, Kyoto, and Fukuoka. We are promoting the expansion of business and improved brand value with a management foundation focused on customer satisfaction.

Real Estate Services Business

This business offers solutions geared toward optimizing the use of real estate and maximizing its value. It 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

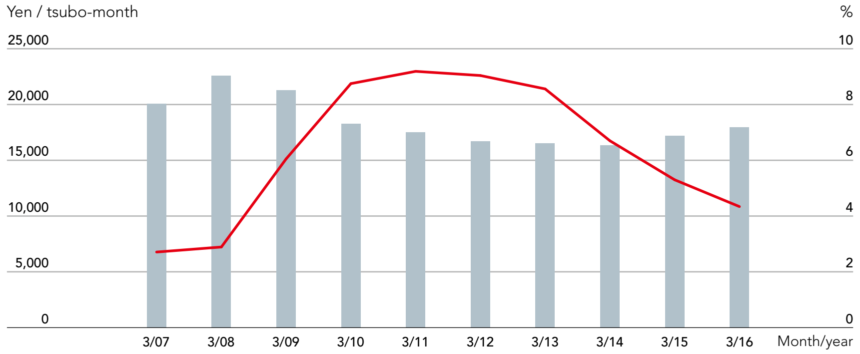


Notes: 1. Buildings with a standard floor area of 200 tsubo and above
2. 1m²=0.3025 tsubo

Source: Sanko Estate Co., Ltd.

Office building development in Tokyo continues, supported by firm demand for office space. In 2015, new supply expanded significantly with the completion of major office buildings in redevelopments in Tokyo's 23 wards concentrated in Chiyoda-ku and Minato-ku. Modest growth in supply is expected in 2016.

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

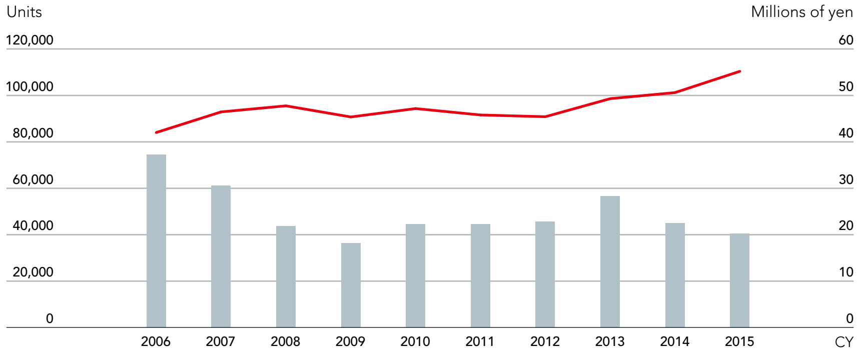


Average Rent (left scale) Vacancy Rate (right scale) Note: 1m²=0.3025 tsubo

Source: Miki Shoji Co., Ltd.

Growing demand for offices supported by recovering corporate earnings has been reflected in improving 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 a steady upward trend, with the average rent per tsubo reaching pre-Lehman levels.

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 2015, the average price of condominiums in the Tokyo metropolitan area rose 9.1% year on year, to ¥55.18 million despite declines in the cost of construction materials as labor expenses in the construction industry remained at a high level. The supply of condominiums in the area declined 9.9% year on year, to 40,449 units.

Tokyo Stock Exchange REIT Index

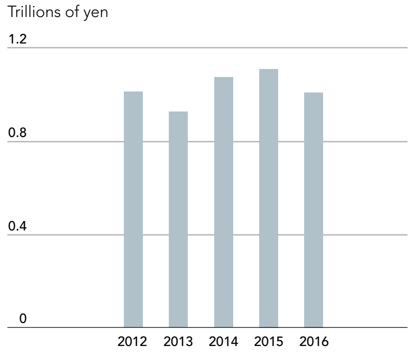
Source: The Association for Real Estate Securitization

The Tokyo Stock Exchange REIT Index continued its upward trend amid expectations for fund inflows into the real estate market and increased investment in J-REITs. These were supported by buoyant real estate markets against a backdrop of increases in office building rents and rising property prices particularly in downtown Tokyo as well as the Bank of Japan's adoption of a negative interest rate policy in January 2016 as part of additional monetary easing measures.

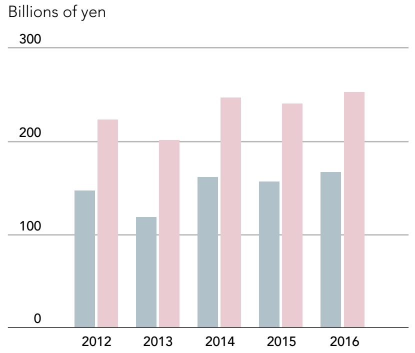
FINANCIAL HIGHLIGHTS

Years ended March 31

Revenue from Operations



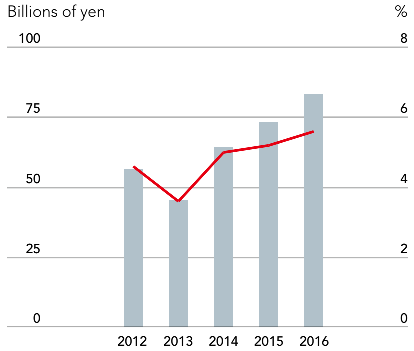
Operating Income / EBITDA



Operating Income EBITDA

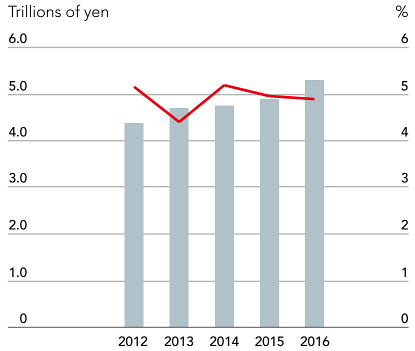
In fiscal 2016, revenue from operations declined 9.1% year on year, to ¥1,009.4 billion, in reaction to the boost in the previous year from the sale of large properties in the Building Business. Operating income rose 6.3%, to ¥166.1 billion, chiefly on growth in rental income in the Building Business and improved profitability in the Residential Business. As a result, EBITDA rose 5.0% year on year, to ¥252.0 billion.

Profit Attributable to Owners of Parent / ROE



Profit Attributable to Owners of Parent (left scale)
ROE (right scale)

Total Assets / EBITDA/Total Assets*

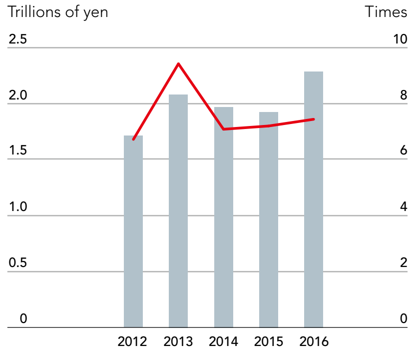


Total Assets (left scale) EBITDA/Total Assets (right scale)

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

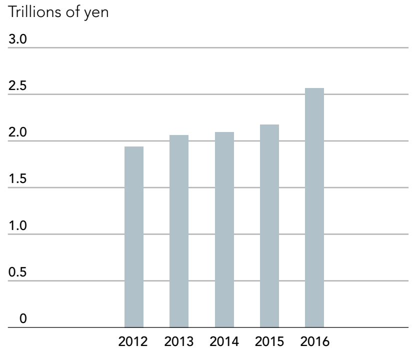
ROE in fiscal 2016 rose 0.4 percentage point year on year to 5.6%, as a result of the increase in profits attributable to owners of parent. As the result of business profits increasing and total assets also rising, ROA was unchanged, at 3.4%. Development of management property office buildings leads to growth on the assets, 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



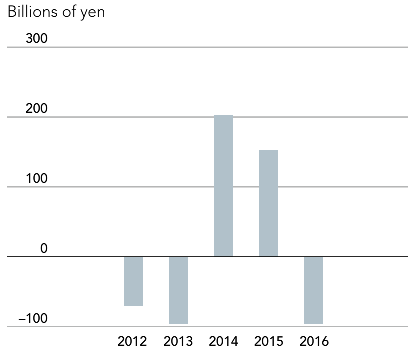
Interest-Bearing Debt (left scale)
Net Interest-Bearing Debt/EBITDA (right scale)

Unrealized Gain on Rental Properties

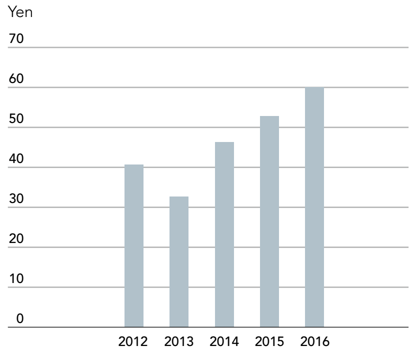


As of March 31, 2016, interest-bearing debt had risen ¥361.6 billion year on year, to ¥2,291.0 billion, as the result of such factors as the issuance of corporate bonds and increased borrowings. Mitsubishi Estate undertakes financial management with a flexible approach to fund-raising methods that takes into account interest rate conditions during the fiscal year and the balance of interest-bearing debt maturities. Unrealized gain on rental properties rose ¥388.3 billion from a year earlier, to ¥2,569.0 billion.

Free Cash Flow



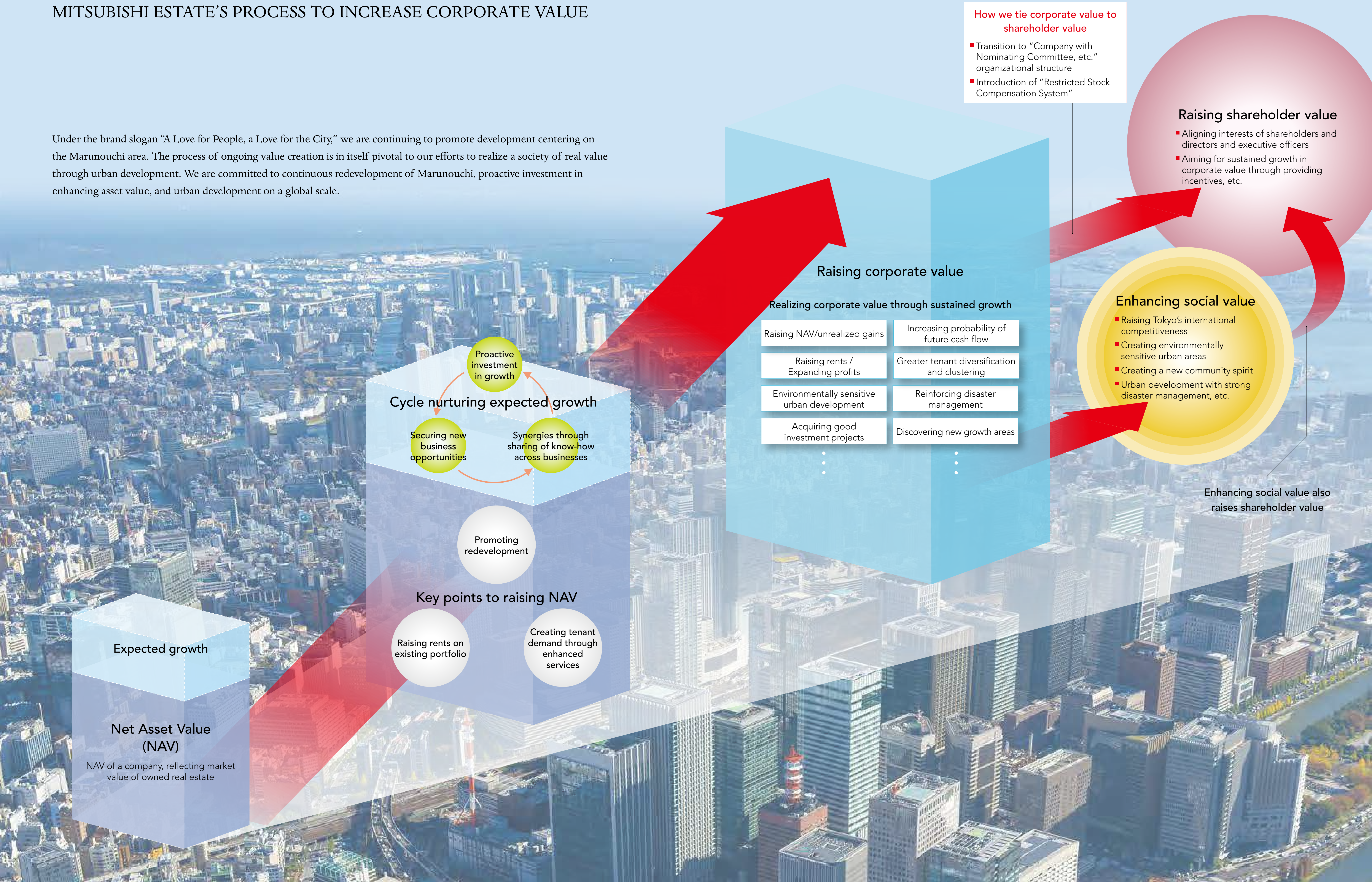
Earnings per Share



In fiscal 2016, free cash flow decreased ¥248.6 billion year on year, to minus ¥95.1 billion. In addition to a decline in cash flows from operating activities, expenditures were made for the purchase of acquisitions of property and equipment. Earnings per share rose for the third consecutive year, by ¥7.28 year on year, to ¥60.13 per share.

MITSUBISHI ESTATE'S PROCESS TO INCREASE CORPORATE VALUE

Under the brand slogan "A Love for People, a Love for the City," we are continuing to promote development centering on the Marunouchi area. The process of ongoing value creation is in itself pivotal to our efforts to realize a society of real value through urban development. We are committed to continuous redevelopment of Marunouchi, proactive investment in enhancing asset value, and urban development on a global scale.



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

Promoting Innovation and Long-Term Growth in Corporate Value by Sharpening Business Competitiveness and Raising Asset Value

Medium-Term Management Plan Targets Attained a Year Ahead of Schedule

The underlying theme of the Medium-Term Management Plan we announced in May 2014 was enhancing corporate value over the three years of the plan (fiscal 2015 to fiscal 2017). Although the scope for profit growth has been limited by slow redevelopment in the Marunouchi area, we have managed to raise NAV* through ongoing redevelopment and increasing office rental income. We have also built solid foundations for future growth by continuing to invest selectively in strategic growth fields while paying close attention to investment efficiency. In fiscal 2016, consolidated operating income rose to ¥166.1 billion, while EBITDA increased to ¥252.0 billion. This performance was underpinned by higher rental income and the Office Building Business as well as improvement in gross margins on condominiums in the Residential Business segment. The upshot was that we attained the final year (fiscal 2017) targets in our Medium-Term Management Plan one year ahead of schedule. Profit attributable to owners of parent rose 13.8% year on year, to ¥83.4 billion, supported by improved profitability. This result enabled us to raise dividends for the second consecutive year, to ¥16.00 per share.

I would like now to take some time to discuss the redevelopment business model for the Marunouchi area and other issues, aiming to gaining a deeper understanding of the direction of the Company and of our determination to achieve even stronger growth.

* 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.

Group Initiatives to Raise Corporate Value

When I became president of the Company in 2011, the Japanese economy, just as it was struggling to recover from the financial crisis following the collapse of Lehman Brothers in late 2008, was rocked by the Great East Japan Earthquake.

The Marunouchi area experienced sustained declines in rents in the wake of the Lehman Shock, and we faced challenging conditions as well, with vacancy rates on our leased properties in the area reaching 6.84% at one point. This situation made the Mitsubishi Estate Group acutely aware of the need to put in place a more robust business structure capable of generating earnings in any operating environment to achieve sustained growth in corporate value.

The period from fiscal 2012 to fiscal 2014 was one in which we marked the completion of the Marunouchi Eiraku Building and OTEMACHI FINANCIAL CITY under the theme of "maximizing the value of the Marunouchi area."

In fiscal 2016, the middle year of our three-year Medium-Term Management Plan that focused on raising corporate value, we continued our drive toward creating cash flow over the medium-to-long term. Our efforts here had two main elements: raising NAV and preparing the ground for future growth.

Marunouchi Area Redevelopment, Raising Asset Value of the Existing Portfolio, and Creation of Value Added from Services

Let's look first at our efforts to raise NAV. I would like to highlight three key points here.

The first point is steady progress with the redevelopment of the Marunouchi area. Pre-redevelopment projects entail various risks, including those related to development (will the volume of buildings in the development match expectations? and so on) and others, such as leasing and changes in management costs. We have been working to eliminate these risks one by one by making full use of our accumulated know-how.

We own about 30 buildings in the Marunouchi area, and in moving forward with their redevelopment we have not only been raising the asset values of individual buildings but also generating synergies that enhance the value of the area as a whole. We completed the Otemon Tower • JX Building in November 2015 and the OTEMACHI FINANCIAL CITY GRAND CUBE in April

2016, both of which opened at almost full occupancy. In January 2017, we are due to complete the Otemachi Park Building. Further ahead, we are carrying out the Marunouchi 3-2 Project, the Marunouchi 1-3 Project, and the Tokiwabashi District Redevelopment Project. Looking ahead, we will continue to pursue sustained redevelopment, raising the asset value of the area as a whole.

The second point is enhancing the asset value of the existing portfolio by increasing rents. Rent levels are a measure of the value of the district; in a sense, they are the same thing. Such value is affected by various factors, including convenience and comfort, and by gaining the appreciation of tenants we put ourselves in a position to raise rent levels. The Marunouchi area has in recent years been winning a growing reputation as by far the top business district from both physical elements, such as functional office environments and earthquake-resistant buildings, and locations offering excellent transport access and a high concentration of companies. All of this has helped lower the vacancy rate in the Marunouchi area to just 1.37% as of March 2016, which in turn has enabled us to raise rents.

The third point is creating new value added in the Marunouchi area from services. Since establishing EGG JAPAN in 2007, we have been providing business matching and other support for global companies setting up operations in Japan and for start-ups and venture businesses. The recently opened Global Business Hub Tokyo within the OTEMACHI FINANCIAL CITY GRAND CUBE aims to take those support functions to a new level. The facility has a total of 50 furnished sectional office units and an event space that can be used for seminars for up to 200 participants. In these ways, we are stimulating new office demand by promoting growth and job creation at tenant companies, which I expect to feed through to expanded business opportunities for the Mitsubishi Estate Group in the future.

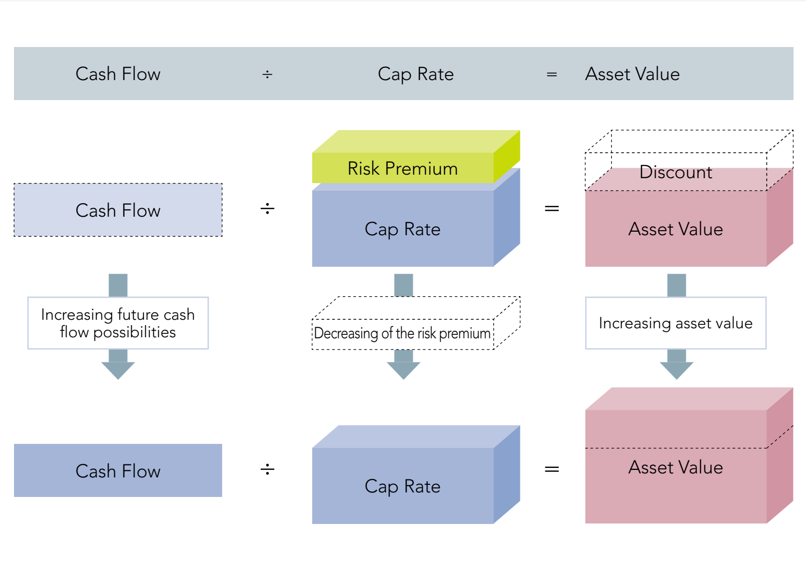
I believe our efforts to make Marunouchi more than just an active office area but also a more relaxing and fun place to be through our longer-term development will also attract growing appreciation from a global audience.

As an example of this longer-term development, the Tokiwabashi District Redevelopment Project was announced in August 2015. This project is due to reach final completion in fiscal 2028 and is an integral part of the Global Financial Center concept promoted by the Tokyo Metropolitan Government to reinforce the financial axis stretching from Otemachi through to Kabutocho and enrich Tokyo's appeal as a tourist destination. This is a project that we expect to stimulate the economy and office demand after the 2020 Tokyo Summer Olympics and Paralympics and to create a global center for lively interchange among people from all around the world.

As all this demonstrates, we have been putting in place a structure to be able to generate cash flow from various sources through the redevelopment of the Marunouchi area. I can promise we will work continuously in this regard as we move forward.

Process of raising asset value with redevelopment

Asset value in the real estate business can be defined as follows: asset value = cash flow ÷ cap rate. Asset value with redevelopment projects is discounted because future cash flow is subject to various uncertainties (risks). By eliminating these uncertainties one by one, uncertain cash flow turns into assured cash flow, and the discounted potential value becomes real value. In this way, we have been raising asset value.



To Set the Stage for Expected Growth

The second main thrust of our Medium-Term Management Plan is to invest proactively to set the stage for expected growth.

In our Office Building Business, we are looking to broaden our horizons outside the Marunouchi area, targeting developments in key points within each area. In central Tokyo, redevelopment plans have already been decided for Ikebukuro and Yotsuya, and we will be actively promoting business as we pinpoint opportunities in different districts.

In April 2015, we established the Lifestyle Property Business Group, bringing under its wing the Retail Properties Business and the Logistics Properties Business that were previously part of the Office Building Business. The Lifestyle Property Business Group aims to develop all asset types excluding office and residential properties. In these operations, we aim to tap into growing inbound demand and expanding e-commerce, thereby further raising asset value.

In the Residential Business, we have been striving to raise profitability, which had become an issue. While cutting costs, we have been focusing on honing our ability to make sound judgments in our real estate solutions business in selecting properties and reading the market in terms of the optimal time to buy and sell. In fiscal 2016, we improved gross margins in our condominium business and greatly increased operating income compared with fiscal 2015. In the Harumi and Nishi-Shinjuku areas of Tokyo and in Osaka's Nakanoshima and elsewhere, we are in the midst of a number of large-scale high-margin projects, which should contribute significantly to profits in the future.

In our International Business and Investment Management Business operations, we have been reaping considerable benefits from the acquisition of TA Realty LLC in fiscal 2015. Participants in competitive auctions in international markets are mainly companies in Europe and the United States with financial capabilities, but, beyond the size of bids, we have been winning a solid reputation for our overall strengths as a developer and our real estate fund management track record. We have been building a powerful network able to access information on properties around the world and making real progress in building a global platform. We aim to expand total assets under management as we offer increasingly diverse fund investment opportunities. The close relationships we have built with local enterprises in the decades since we first ventured overseas in the 1970s are also a powerful weapon that we intend to leverage to the full as we continue actively to develop assets from a global perspective.

In such ways, we are steadily preparing the ground for future growth along the lines set out in our Medium-Term Management Plan. The ability to invest aggressively to tap demand and achieve business expansion in my view also positions us well for growth from the next medium-term plan onwards.

Broadening Business Opportunities and Enhancing Sourcing Effectiveness

We need to make even greater efforts to reinforce earnings to achieve stronger sustainable earnings growth. A top priority here is broadening the scope of our business opportunities.

To this end, Group companies need to join together and pool their expertise in different specialist fields to meet customer needs. This recognition prompted us in April 2016 to reorganize the Business Development, Consulting & Solutions Group, establishing a structure facilitating cooperation between the Real Estate Services Business Group, the Business Development, Consulting & Solutions Group, and the Architectural Design & Engineering Business Group. That this structure includes the Architectural Design & Engineering Business Group, with its design capabilities, gives us capabilities unmatched by other companies. I hope to see us make full use of this strength to offer solutions that only we can provide.

Management System Reforms to Realize Our Full Potential

While we have been making solid progress, we recognize we must strive to do more to release the full potential of the Mitsubishi Estate Group. The key here lies in our front-line effectiveness. The real estate business is about keeping alert to what is going on around us and pinpointing issues and business opportunities. Doing this repeatedly is a vital unseen asset underpinning our growth, and honing that front-line effectiveness will strengthen our business "muscle."

In the past, projects were proposed from the front lines. Decisions on whether or not to invest in those projects were ultimately made in discussions at various internal meetings. While this process had its merits, it was not as effective as it could have been in terms of speed. Recognizing this, we decided to adopt a new structure to ensure quick decision making by executives responsible for operations on the ground and to clarify responsibility for the decisions made.

Accordingly, in June 2016 we shifted to a "Company with Nominating Committee, etc." structure, with each of the committees having a majority of outside directors. This move has helped to clarify the roles and responsibilities of the executive side for business execution and of the Board of Directors for business supervision as well as to speed up decision making.

To reinforce our business strategy and investment decision-making effectiveness, we have established the Asset Management Committee to draw up business strategies for each asset type, assess business progress, and monitor the status of operations. We have also introduced a Group Executive Officer System. To this end, we are looking to speed up decision making and to clarify responsibility for business execution, thereby enhancing the independent management of Group companies and bolstering competitiveness. Through these reforms of internal systems, we aim to strengthen front-line effectiveness and thereby release our true potential; I am sure we will see benefits show through in hard numbers in our earnings results.

We have also reappraised our remuneration system, raising the proportion of directors' remuneration comprising shares, to promote shared value between directors and executive officers and shareholders. The aim of this move is to ensure constantly alert management by aligning interests with shareholders.

Leveraging Prime Capital to Attain Sustained Growth

The outstanding management assets, or capital, of the Group are manifold. Financial strength is one such form of we take pride in, and in January 2016, Mitsubishi Estate issued a hybrid bond (subordinated bond) issue with an exceptionally long term to maturity of 60 years. The Mitsubishi Estate Group plans to use the proceeds for investments in growth over the long term, and the issue was a way of securing funds for that purpose. Beyond finance, though, people are our most important capital. Mitsubishi Estate has an elite corps of people passionate about urban development and with the professional expertise to bring their ideas to fruition. Other components of our capital include creditworthiness and a powerful brand accumulated through developments over the 125 years since Mitsubishi Estate purchased the Marunouchi site from the Meiji Government in 1890, and a corporate culture that led the way in opening up the Marunouchi area. All these different aspects of our capital are essential to building better cities and for realizing growth of the Company over the long term.

Fiscal 2017 is the final year of our Medium-Term Management Plan, with its underlying theme of raising corporate value, but the challenge of creating value and achieving sustainable urban development is one that will never end. We are determined to meet the expectations of all our shareholders by realizing sustained growth in corporate value through urban development.

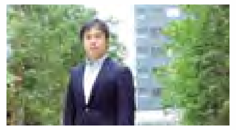
August 2016

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

Hirotaka Sugiyama

BUSINESS REVIEW

The Mitsubishi Estate Group is in the midst of implementing its three-year Medium-Term Management Plan running from the fiscal year ended March 2015 and is focused on raising corporate value. We are determined to raise NAV and are preparing the ground for future growth as we add value and promote change in living and working spaces centering on Marunouchi.



Motoko Kei
Associate
Urban Planning Office
Urban Development Promotion Department
Mitsubishi Estate Co., Ltd.

"Redevelopment of Marunouchi, targeting constantly enhanced appeal and new value creation"

Examples of Our Value Creation

- Raising value of the Marunouchi area through ongoing redevelopment
- Introducing nurturing and support functions for Japanese and overseas growth businesses

Office Building Business 1

Realizing Potential, Transforming Tomorrow

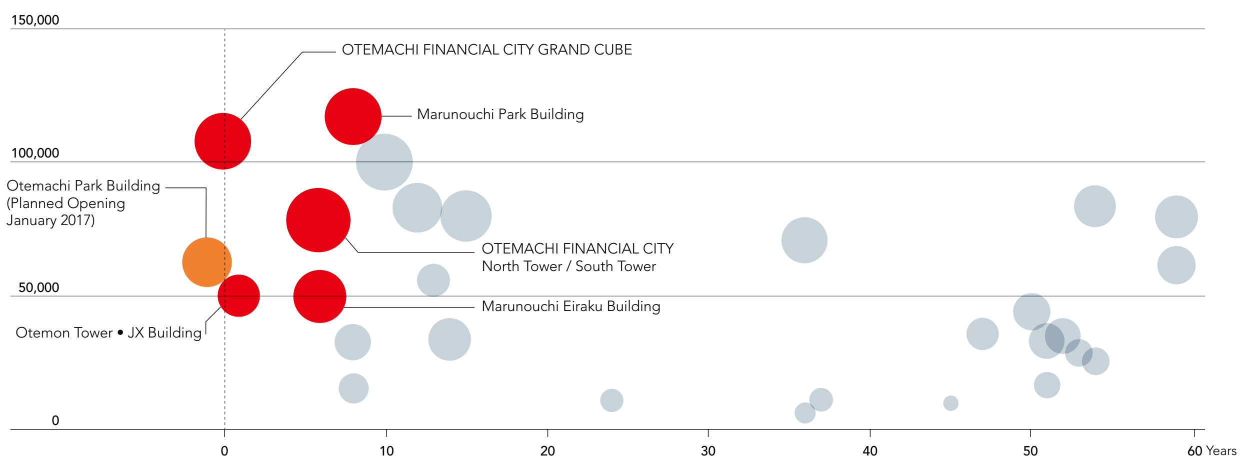
Sustained Development of Japan's Preeminent Business District

Marunouchi Area Offers Many Advantages from a Development Perspective

Distinctive features of the Marunouchi area include its vast scale, at 120 hectares, spanning Marunouchi, Otemachi, and Yurakucho; its excellent transport infrastructure, with 13 train and metro stations including Tokyo Station served by 28 railway lines; and its dense concentration of more than 4,000 companies. Mitsubishi Estate's ownership of many sites within the area allows it to undertake redevelopment continuously in tune with the needs of the times and also opens the way to realizing synergies that raise the value of the entire area through the development of each individual property. In addition, the existence of the Council for Area Development and Management of Otemachi, Marunouchi, and Yurakucho—an organization of landowners and leaseholders—is a boon from the perspective of promoting development in coordination with administrative policy, enabling the efficient planning of construction that takes into account district-specific issues and needs.

Starting with the completion of the Marunouchi Building in 2002, we have to date rebuilt a total of 11 buildings in the area. Leasing of the latest buildings in the collection, the Otemon Tower • JX Building and the OTEMACHI FINANCIAL CITY GRAND CUBE has proceeded smoothly, with both opening their doors to almost full occupancy. We have also been increasing the asset value of the Marunouchi area by steadily and consistently raising rents on the existing portfolio when they come up for review. Such efforts have underpinned the continuing evolution of the Marunouchi area and sustained value enhancement, thereby generating reliable earnings for investors. Development plans are also moving ahead in the Tokiwabashi, Yurakucho, and other areas that have many relatively old buildings offering scope for redevelopment.

Mitsubishi Estate-Owned Buildings in the Marunouchi Area



Vertical Axis: Leasable Office Area
Horizontal Axis: Building Age
Circle Size: Total Area

Devoted to Constantly Enhancing the Area's Appeal

In recent years, global companies have been setting up business operations in Asia, and cities throughout the region have been working diligently to attract them. To win these companies over, it is important to not only offer services tailored to their needs but also enhance the appeal and competitiveness of the city itself.

Besides office spaces, Mitsubishi Estate is providing the services and other support to reinforce the functionality of Tokyo as a global city, including outstanding networking infrastructure and "third spaces." We have also been seeking to create attractive, welcoming living conditions by, for example, providing hospitals with English-language services as well as "runner stations," bicycle parking, and other facilities. To reinforce support for finance innovation, we opened the FINO LAB in February 2016. This is Japan's first industrial base dedicated to encouraging and facilitating the growth of start-ups in the financial technology (FinTech) field.

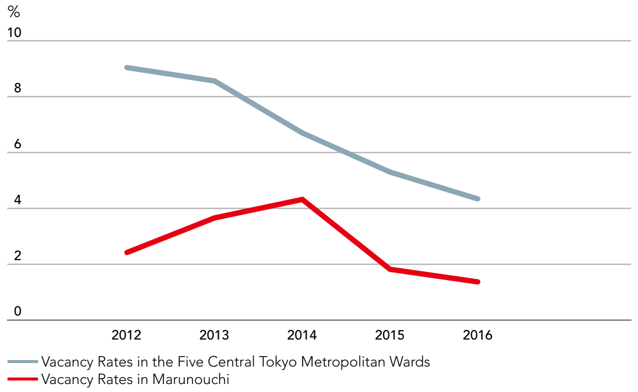
Close cooperation with government authorities is also crucial. Gyoko-dori Avenue, a boulevard developed as a private-public initiative in front of the Imperial Palace grounds, will come into the international spotlight from 2017 as the finish line for the Tokyo Marathon.

FINO LAB

In August 2015, we adopted "Dynamic Harmony" as the catchword for our approach to urban development that encapsulates our determination to create new value in the Marunouchi area through the creative interaction of its diverse resources. All these various efforts are ultimately aimed at enhancing the appeal and the competitiveness of the Marunouchi area.

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. Buildings owned and master-leased by Mitsubishi Estate Co., Ltd.

Dynamic Harmony

Mitsubishi Estate created the concept phrase "Dynamic Harmony" for urban development with focus on the concepts of "Open," "Interactive," "Network," "Diversity," and "Sustainable" for the Marunouchi area. Marunouchi, an area that "dynamically harmonizes everything and creates new value"—This is the vision for urban development that we at Mitsubishi Estate are promoting to the entire world.

Office Building Business 2

Realizing Potential, Transforming Tomorrow

Turning State-of-the-Art Technology into Value for Stakeholders

The Otemon Tower • JX Building succeeded in both raising asset value and seeking to help address social issues

The Otemon Tower • JX Building is a next-generation redevelopment project that both raises project value and seeks to help address social issues. The project, which qualified for an increased plot ratio under the Special Development Areas for Urban Renaissance system, has won plaudits for contributing to urban regeneration on many fronts. One of its distinctive features is a large water storage and high-speed purification facility. The first of its kind to be operated by a private-sector venture, this facility is designed to improve the quality of the water in the Imperial Palace moat. Through cleaning the moat, the project is both improving the environment and enhancing the appeal of the Marunouchi area as a whole.

The entire building is equipped with the latest energy-saving technologies and has been designed to provide an optimal working environment. Sensors detect the external brightness, allowing the intensity and quality of the light within the building to be adjusted using LEDs. Some floors feature rooms with air-conditioning systems with radiation panels that enable the retention of atmospheric temperature, while desk spaces with their own individually adjustable cooling/heating allow the ambient climate to be tailored to personal preferences. These efforts to raise comfort levels and productivity while lowering environmental loads attracted such strong leasing demand that the building opened to full occupancy.

Supporting Business Creation and Next-Generation Working Approaches

The Otemon Tower • JX Building was developed as an integrated project with the Otemachi Park Building with the green space of the Outer Gardens of the Imperial Palace in mind. Approximately 45% of the area is devoted to greenery, providing a tranquil setting for people in the area. By bringing together offices that people find easy to work in and calming green spaces, we are seeking to offer an innovative new work and lifestyle experience.

The first floor of the building houses the 3x3 Lab Future, a business-nurturing space to encourage companies and people from Japan and overseas to interact and share ideas. This facility offers a range of meeting and event spaces and is a proving ground for next-generation office environment and information technologies. The Marunouchi area represents a huge pool of knowledge and information as Japan's preeminent office district. We are looking to tap this resource to provide a fertile ground for business creation with synergies revolving around the three key words of "economy," "society," and "environment."

This building embodies our long-standing commitment to urban development that is sensitive to the surroundings. Environmentally friendly buildings not only help address urban social problems but also raise office-building value through saving energy and offering attractive and stimulating working environments. As a company, we are committed to continuing the provision of high-value-added buildings in Japan and overseas that feature the most advanced environmental and other technologies to meet the aspirations of our tenants from Japan and overseas.

Masanori Suzuki
Associate
Marunouchi Development Department
Mitsubishi Estate Co., Ltd.

"We are raising the appeal of the Marunouchi area as a whole by creating rich natural environments, while providing buildings that help address environmental issues."

New Added Value

- Constructing leading-edge office spaces combining energy saving and comfort
- Introducing equipment to improve the quality of water in the Imperial Palace moat
- Providing bases for next-generation business creation

Dai Nagoya Building Wins Recognition for Environmental Sensitivity

Mitsubishi Estate is extending its drive to create outstanding urban spaces to regional cities throughout Japan. The Dai Nagoya Building, which we completed in October 2015, features environmentally friendly technologies including solar panels incorporated into the building's construction materials and the latest district heating and cooling facilities. The building was given DBJ Green Building certification by the Development Bank of Japan Inc. in recognition of "construction exhibiting outstanding environmental and social awareness." It was the first building to receive highest "Platinum" certification in the Chubu area.

Office Building Business 3

Realizing Potential, Transforming Tomorrow

Creating New Value for Tenants and the Surrounding Area

Hiroshi Onoo
Manager
Marunouchi Development Department
Mitsubishi Estate Co., Ltd.

"Developing buildings with new value and providing the functionality and space needed to turn the Otemachi district into a bustling international business center"

Achievement of Our Value Creation

- Providing safe-haven buildings to ensure readiness at times of natural disasters
- Creating groundbreaking functionality and value with international-standard housing and hot-spring facilities
- Stimulating the Otemachi district by expanding Marunouchi Naka-dori Avenue activities

A Cutting-Edge Building with Functions Embodying Three Key Concepts

Completed in April 2016, the OTEMACHI FINANCIAL CITY GRAND CUBE—the third stage of the Otemachi chain urban renaissance project—embodies three key urban revitalization concepts:

(1) Enhancing international competitiveness: The building houses one of Japan's largest business support facilities, Global Business Hub Tokyo, which acts as a magnet for the aggregation and interaction of overseas companies and Japanese growth businesses, thereby helping reinforce Tokyo's international competitiveness.

(2) Disaster management: A key feature of GRAND CUBE is its ability to independently supply not only electricity but also water at times of natural disasters. The most advanced filtration equipment allows well water to be used as drinking water, while sewage disposal facilities enable the use of toilets. With business continuity planning (BCP), now a vital aspect of corporate disaster-readiness, the disaster-management functions provided by the building have been rated highly by tenant companies.

(3) Providing a top-quality urban environment: We have extended the range of facilities on offer along Marunouchi Naka-dori Avenue, which runs through Marunouchi from the north to the south through to Otemachi, broadening the area's previously business-centric focus to include a variety of retail and other commercial outlets. This is helping bring the excitement of Marunouchi through to Otemachi, stimulating activity throughout the entire area.

Development of Global Business Hub Tokyo

We have long been working to attract global companies planning to expand operations in Japan and leading Japanese venture businesses to Marunouchi through the new EGG JAPAN building in the area and such initiatives at The Premier Floor Marunouchi in the Marunouchi Building. This effort reached new heights with the opening of the GRAND CUBE within the Global Business Hub Tokyo in July 2016. This business support facility features a total of 50 furnished office units with floor space of around 2,726 square meters, event space with a maximum capacity of 200 people, and 14 conference rooms, as well as shared lounge space.

Global Business Hub Tokyo also provides resident companies with introductions to experts, business "matchmaking" services at events, and business opportunities through high-quality business networks. By providing both services and quality office space in the Marunouchi area along with business amenities, this unique facility aims at expanding the businesses of growing enterprises.

We are committed to continuing to support innovation with environments that facilitate business by growth companies.

Creating New Value by Adding Innovative Functions and Capabilities

The Otemachi chain urban renaissance project was launched to promote the rolling redevelopment of the district to address the challenges facing the area in terms of upgrading building functions that had become eroded with age. The first through to the third stages of work involved not only replacing office buildings but also contributing to urban revitalization by creating value by adding new functions to buildings.

One eye-catching addition to the area's functions in the latest round of development is the Marunouchi area's first luxury Japanese inn with natural hot-spring facilities, the HOSHINOYA Tokyo. This facility provides the highest level of *omotenashi* hospitality for business travelers from overseas and within Japan, and it stands ready to open up its hot-spring area to those needing medical treatment and other services in times of natural disasters.

The next stage of the linked urban development initiative moves into the Tokiwabashi District Redevelopment Project. This project, which is to be carried out in stages over more than 10 years while maintaining the vital infrastructure functions of the district—including sewage facilities and electrical substations—will fully draw on the development experience gained from the GRAND CUBE and other projects to support Tokyo's further development.





Kaori Satake
General Manager
Marketing
Mitsubishi Estate•Simon Co., Ltd.

"Actively promoting and developing the PREMIUM OUTLETS® mall business model as familiar shopping facilities for Japan"

The Value of PREMIUM OUTLETS®

- Offering customers a resort-like shopping experience
- Efficient facility management, speedy decision making
- Shared management know-how with the Mitsubishi Estate Group as a whole

Lifestyle Property Business

Realizing Potential, Transforming Tomorrow

Developing New Assets to Enhance Quality of Life

From fiscal 2016, 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 promoting 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.

Extending Nationwide Reach of Logistics Properties Business

Since we established the Logistics Facilities Development Department, we have actively expanded the reach of the Logistics Properties Business throughout Japan, opening new independently developed facilities in Fukuoka (Logicross Fukuoka Hisayama), Atsugi, Kobe, Mita, and elsewhere. We aim to establish the Logicross brand and support the spread of an affluent society through the sustained development of leading-edge logistics facilities offering the best safety and security available to support new modes of distribution.

In addition, affiliated Group company Tokyo Ryutsu Center Inc. owns several large-scale distribution facilities in Heiwajima, Ota-ku, Tokyo. Of these properties, Logistics New Building B is being redeveloped with the support of Mitsubishi Estate's project management team and is due to be completed in summer 2017 as a best-in-class facility to meet the logistics needs of the future.

CG illustration of Logistics New Building B

PREMIUM OUTLETS® Show Strengths Even in Economic Downturns

We now have nine PREMIUM OUTLETS® malls throughout Japan. These suburban facilities, which take their cue from the lively shopping malls seen across the U.S. townscape, seek to offer customers a fun, value-for-money shopping experience. Mitsubishi Estate opened the first of these outlets, the GOTEMBA PREMIUM OUTLETS®, in 2000 after establishing the joint-venture company with Chelsea Property Group, Inc. (now Simon Property Group, Inc.)

To encourage luxury brands to offer their products in outlet malls, these malls had to be located a fair distance from urban centers to avoid close proximity to the brands' own stores. A strength of the outlet mall format in Japan, with its emphasis on offering brand goods at low prices, is that it has been able to generate stable earnings even at times of economic downturns or concerns over the adverse impact on consumer spending of hikes in consumption tax rates. They have also attracted attention from people in Japan for offering a new type of experience that combines shopping with sightseeing.

Outlet malls have been taking active steps to attract inbound visitors to Japan. The number of such overseas visitors to malls has surged in recent years, drawn by multilingual services, improved transport access, and efforts to pay careful attention to religious and cultural differences and provide tax-free services and a range of payment options.

> Offering domestic and overseas customers an out-of-the-ordinary shopping experience

Offering New Styles and Options for Customer Enjoyment

The success of the PREMIUM OUTLETS® malls lies partly in a business model already tried and tested in the United States but also in the ability to give full play to Mitsubishi Estate's development expertise and comprehensive capabilities from development through to property ownership and management.

Since the opening of the GOTEMBA PREMIUM OUTLETS® mall, the Company has accumulated a string of successes from such perspectives as customer drawing power and earnings. We have been disseminating the know-how gained particularly in the area of inbound demand throughout the Group as a whole. Other distinctive strengths of these operations include efficient facility management, with a streamlined headquarters and facility staff handling operations, and agile decision making.

Although some have suggested that consumer spending in Japan has already reached a saturation point, we expect the PREMIUM OUTLETS® business to continue to grow, since so many people have yet to experience a visit to one of the malls. We are moving to diversify the functions and scope of our outlet mall facilities: we have already pinpointed a further 10 candidate sites* and are constantly looking at options to expand existing facilities and open outlets in new markets, including those with relatively small catchment areas.

With our mall business, we aim to continue to raise the appeal of the regions in which we operate, which in turn is helping attract more people from around the world to our PREMIUM OUTLETS®. In particular, we are working to turn the flagship GOTEMBA PREMIUM OUTLETS® mall into a must-see destination for overseas visitors as a premier international shopping resort in Japan.

* Including an outlet opening in Fukaya City, Saitama Prefecture, scheduled for fiscal 2019

Residential Business

Realizing Potential, Transforming Tomorrow

Creating Beautiful Streets in Harmony with the Local Area

Keiichi Fujita
Manager
The First Development Group
Urban Development Manager Department
Mitsubishi Jisho Residence Co., Ltd.

"We are constantly pursuing redevelopments that raise the value of the entire surrounding area by providing housing for comfortable living throughout people's lives"

Realizing New Value Creation

- Raising value of entire district through waterfront redevelopment
- Winning customer confidence through uncompromising quality
- Pursing safety and security through seismic isolation structure and disaster-management measures

Harumi Redevelopment Project: Stunning Waterfront Area, State-of-the-Art Disaster-Management Features

Situated in Chuo-ku's Harumi area, which is about 3.5 kilometers from Marunouchi and about 2.5 kilometers from Ginza, The Parkhouse Harumi Towers is a large condominium development with a total of 1,744 units, consisting of the Krono Residence, completed in October 2013, and the Tiaro Residence, completed in March 2016. All of the units in the property sold out before completion—a clear measure of its drawing power.

The Parkhouse Harumi Towers has a long history that sets it apart from a typical short-term housing development project. When the site for the first block was acquired, Harumi was an undeveloped area before land planning, and the first requirement was to build seawalls and embankments and to create an area protected from tsunamis and flooding. In its construction, the development features a design that seeks to give full expression to harmony with Harumi's beautiful sea and open sky views while also featuring a seismic isolation structure and other sophisticated disaster-management measures. These measures received much attention and contributed to strong sales, as buyer perceptions in their choice of condominiums evolved and standards changed in the wake of the Great East Japan Earthquake, which occurred just before sales of units in the first block started. Since 2013, when Tokyo was selected to host the 2020 Summer Olympics and Paralympics, work has been moving ahead on an athletes' village in the Harumi area, as will the future prospects in providing infrastructure for the Olympics, further focusing the spotlight on The Parkhouse Harumi Towers.

The ParkRex Toyocho

Responding to Business Needs

Mitsubishi Jisho Residence entered the re-building business in May 2014, renovating older small and medium-sized buildings and subleasing them, and opened The ParkRex Toyocho, in January 2016.

The re-building business leases older small and medium-sized buildings that have waned in competitiveness and raises their value by renovating them; the business had previously handled five office buildings, but this was a first for a residential property.

Demands for making effective use of the existing stock of properties while keeping down costs and minimizing the time needed are expected to grow across the whole spectrum of properties, including offices and residential buildings. We are determined to actively meet such needs, thereby broadening our business opportunities.

A Dedication to Quality That Is Winning Dedicated Customers

The strength of the housing offered by Mitsubishi Jisho Residence is quality. Mitsubishi Jisho Residence operates the "Check Eyes" quality management and performance indication system to give customers greater peace of mind when they purchase homes to live and settle into far into the future. It is testimony to the quality of the homes we build that residents of The Parkhouse properties, when they do relocate, very often choose other The Parkhouse properties. In Harumi and in all of our developments, we are looking to pursue projects with an eye on the issues and needs specific to the areas involved, helping to raise their appeal over the long term.

Besides developments with a clear local focus, it is important to create communities supporting interaction between people living in the area. The popular "Marche" market hosted weekly hold under Gyoko-dori Avenue in Marunouchi was also within the condominium space, and local residents are regularly invited to attend cooking classes given by renowned Marunouchi chefs. This is just one example of the Mitsubishi Estate Group's initiatives to support the development of thriving communities in the Marunouchi area.

As buyers become increasingly demanding in their choice of housing, needs are growing for redevelopments that raise the value added of their entire district. We are continuing to create vibrant housing environments that meet the expectations of customers and upgrade the quality of the areas in which they live.

International Business

Realizing Potential, Transforming Tomorrow

Aiming for Business Expansion by Steadily Establishing a Track Record in the United States

Tetsuya Masuda
Co-President and CEO, Rockefeller Group International, Inc.

"We will strengthen our presence in the United States through our deep commitment to continually invest in the U.S. market."

Daniel L. Rashin
Co-President and CEO, Rockefeller Group International, Inc.

"We are promoting business growth in the United States while enhancing the potential of both Mitsubishi Estate and the RGII Group through deepening cooperation."

Commitment to Value Creation

- Demonstrating synergistic effects by sharing the business know-how that both companies possess in the United States
- Realizing business expansion in various regions of the United States

Proactive Investment in the U.S, the Pillar of Growth in Our International Business

Rockefeller Group International, Inc. (RGII) is a leading real estate developer that deals with large-scale mixed-use development in the United States, beginning with Rockefeller Center. In 1997, RGII became a 100% subsidiary of Mitsubishi Estate. RGII has extensive business experience in the United States, takes the same long-term outlook as Mitsubishi Estate, and shares the same sense of values that attaches great importance to integrity and trust. The business accomplishments, network, know-how, name recognition, and in-depth regional market understanding that RGII has amassed in the United States are an extremely important asset in promoting Mitsubishi Estate's business overseas.

While many other Japanese real estate developers have been gradually pulling out of the United States against a backdrop of a worsening economy and other factors, Mitsubishi Estate has remained committed to continuing its business in the U.S. market through RGII. At the moment, the Company is expanding its business not only in New York but also in other states such as New Jersey, California, and Florida. In the United States, it is nearly impossible to establish a significant presence through one-off development and investment alone. It is becoming more and more important to demonstrate a long-term commitment to the market by making significant investments over time.

Building Up Our U.S. Business through Deepening Intercompany Cooperation

RGII is headed up by Co-President and CEO Tetsuya Masuda, from Japan, who is chiefly responsible for the Corporate Management, which drafts business plans based on the Mitsubishi Estate Group's overall strategy, and the investment management business, and Co-President and CEO Daniel L. Rashin, a U.S. citizen, who is responsible for real estate development and the leasing business as a whole, leveraging local business community networks.

Activity in the U.S. real estate market has been robust against a backdrop of low interest rates and foreign funds inflows attracted by the economy's overall growth potential and strong real estate fundamentals, as demonstrated by continuing demand for office and industrial space. RGII aims to expand its real estate development business by carefully examining target regions and asset types while paying close attention to the market environment. In the real estate leasing business, RGII is looking continuously to enhance the competitiveness of its properties through sustained investment in such major office buildings as 1271 Avenue of the Americas, in Manhattan. In the investment management business, RGII aims to develop businesses across a broad front in close cooperation with Group companies, centering on TA Realty LLC, an affiliate acquired in 2015.

Looking ahead, we aim to deepen cooperation between Mitsubishi Estate, with its powerful financial foundations and extensive networks, and RGII, with its impressive track record in the United States and long experience.

We are planning to further expand our business though open and active cooperation between MEC and RGI by leveraging each company's market knowledge, global relationships, and superior access to capital.

Expanding Our Portfolio in the United States, Europe, and Asia

The Mitsubishi Estate Group established local subsidiaries in the United States in 1972 and the United Kingdom in 1986, and since then these companies have been making investments in properties premised on both earning rental revenues and raising their value and subsequently selling them. In April 2016, we completed the redevelopment of 8 Finsbury Circus, in London.

In Asia, we have been greatly expanding our operations since establishing Mitsubishi Estate Asia Pte. Ltd. in 2008 and Mitsubishi Estate (Shanghai) Ltd. in 2013. Our focus in the region has been mainly on residential and commercial property development, though in recent years we have been undertaking business related to logistics facilities.

8 Finsbury Circus

SUMMARY OF MANAGEMENT & SERVICES BUSINESS GROUP

Investment Management Business

Business Environment

- The J-REIT market has been experiencing lively activity, underpinned by increasing property values, rising office building rents, and the Bank of Japan's monetary easing policies. The market cap of J-REITs has grown to ¥12 trillion as of April 2016, as investment has expanded.
- Japan's real estate market has been attracting growing attention from global investors, with investors ranking Tokyo as the top city in the Asia-Pacific region both in terms of investment prospects and development prospects.*
- REIT indices around the world have been rising, led by those in the United States and the Asia-Pacific region, against a backdrop of stable rental income.

* From "Emerging Trends in Real Estate (Asia Pacific 2015)," published by PricewaterhouseCoopers

Strategies

- In the United States, we acquired TA Realty LLC, an affiliate with more than 30 years of investment and fund management experience, in 2015.
- Looking ahead, we intend to reinforce our global real estate investment support structure for institutional investors around the world through close cooperation among our three main bases of Japan, the United States, and Europe. The Mitsubishi Estate Group is moving ahead with offering investment schemes under a hybrid model for investment management funds, which is composed of Group capital that is pooled with funding from third parties.

Fiscal 2016 Topics

We aim actively to capture expanding investment opportunities in Japan and overseas as we head toward the target in our BreakThrough 2020 long-term business plan of a portfolio scale of ¥5 trillion in 2020. In Japan, we offer comprehensive services to meet all real estate investment needs through Mitsubishi Jisho Investment Advisors, Inc., which provides investment services across a wide range of investment products, including private REITs and private funds, and Japan Real Estate Asset Management Co., Ltd., which manages a listed Japanese REIT (J-REIT) specializing in office buildings. Mitsubishi Jisho Investment Advisors manages Nippon Open Ended Real Estate Investment Corporation, an open-ended non-listed private REIT launched in 2011 that has grown into one of Japan's largest private REITs. It also handles many funds for specific investors in Japan and overseas; it has total assets under management of more than ¥600 billion. Japan Real Estate Investment Corporation, within Japan Real Estate Asset Management, has been steadily expanding assets under management, which had grown to about ¥920 billion at the end of the fiscal year ended March 2016.

Overseas, TA Realty LLC in the United States and Europa Capital LLP in Europe have been expanding asset scale in the United States and Europe, respectively. The acquisition of TA Realty LLC in 2015, in particular, brought into the group a real estate fund management company with more than 30 years of experience in investing in a wide range of real estate in the United States. Through this acquisition, we have not only brought under our wing the company's assets under management of more than ¥1 trillion, but we have also taken a huge step in building a platform to access a wealth of detailed information about properties in local areas of the United States.

Looking ahead, we are determined to use this tri-polar structure based around Japan, the United States, and Europe to open global investment opportunities to investors throughout the world, thereby also supporting further growth in our investment management business.

28 State Street

Architectural Design & Engineering Business

Business Environment

- Total construction investment in Japan for fiscal 2016 is expected to reach ¥49.61 trillion, according to the Research Institute of Construction and Economy (RICE).
- Growing social needs for environmentally sensitive buildings and technologies that lower environmental loads are opening up new business opportunities both in Japan and overseas.

Strategies

- We have been working to strengthen design, technology, and proposal capabilities, enhance sales effectiveness and win new customers, and reinforce competitiveness in core operations while bolstering overseas operations.
- As part of our drive to expand business in ASEAN countries, we established a subsidiary in Singapore in May 2016.
- We are seeking to work hand in hand with the Business Development, Consulting & Solutions Group, unearth customer needs, and give full play to the strengths of the Architectural Design & Engineering Business Group.

Fiscal 2016 Topics

We handled the architectural design and engineering for the Dai Nagoya Building redevelopment in front of Nagoya Station. We were responsible for building exteriors, interiors, landscaping, and signage based on the design concept of "a majestic tree standing on a hill." The high-rise buildings longitudinal fin was placed in a unique pattern with 1/f fluctuations which are widely found in nature (symbolzing lush foliage). We are also meeting BCP needs using the most advanced environmental technologies, seismic resistance of about 1.5 times the legal standard, multiple fuel emergency power sources, and anti-flood measures.

We completed a number of luxury condominium development projects, including The Parkhouse GRAN Chidorigafuchi and the Tekko Building, as well as major commercial properties, including the Shibuya Toyu Building (Kewpie Corporation Head Office Building), contributing to year-on-year profit growth for the Architectural Design & Engineering Business.

Overseas, we handled the design work for the Taipei Nanshan Plaza project in Taipei, Taiwan. A large-scale multifaceted development that comprises an office tower and commercial and cultural facilities, it is due to open during 2017.

Dai Nagoya Building

Taipei Nanshan Plaza project

Hotel Business

Business Environment

- The number of people from other countries visiting Japan has been rising sharply, against a backdrop of a substantial relaxation in tourist visa requirements and large increase in the number of airport landing slots. In 2015, the number of foreigners visiting Japan increased 47.1%, to 19.737 million people, another record high following that of the previous year, according to the Japan National Tourist Organization (JNTO). As a result, the number of inbound visitors exceeded the number of outbound Japanese travelers for the first time in 45 years.
- Rapid growth in the number of visitors to Japan has kept occupancy rates at a high level throughout hotels in Japan as a whole, highlighting issues with a shortage of accommodation facilities.
- Although there are plans to add new hotel rooms and expand capacity at existing hotels in 2016 and beyond, occupancy rates and average room prices are on an uptrend owing to growth in the number of hotel guests from both overseas and within Japan.

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 enhancing customer satisfaction by improving the membership sharing system and other measures
- Actively seek to attract leisure demand accompanying growth in the number of inbound travelers by such means as enhancing hotel stay plans

Fiscal 2016 Topics

During fiscal 2016, the ROYAL PARK HOTEL THE HANEDA, which opened in September 2014, saw revenues and profits rise sharply, backed by full-scale operation throughout the whole year. The hotel's occupancy rate has remained at a high level thanks to growing usage by travelers of Haneda Airport, supported by more landing slots being made available at the airport. The ROYAL PARK HOTEL THE HANEDA operates in conjunction with Japan's first transit hotel, ROYAL PARK HOTEL THE HANEDA Transit, which is situated within the security area* of the airport and meets the needs of in-transit international passengers who want to stay at a hotel without going through immigration procedures.

Hotel occupancy rates have been at a high level against the backdrop of increasing numbers of overseas visitors to Japan. The hotel's sales and profits have also been rising, supported by efforts to raise average room prices by offering improved hotel stay plan options and implementing renovation plans designed to cater to customer needs.

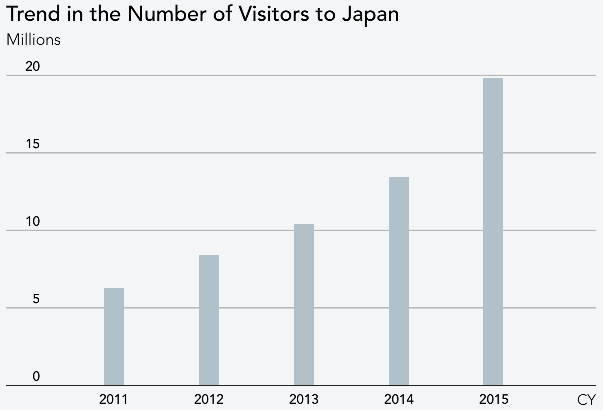
In conjunction with Mitsubishi Estate Group Card, the hotel is promoting the use of the Mitsubishi Estate Group Card's THE Club ROYAL PARK HOTELS, which offers members substantial points for using the hotel.

In Kyoto, a popular destination for visitors from overseas where hotel occupancy rates are high, we are moving forward with plans to build a second hotel under the brand, the ROYAL PARK HOTEL THE KYOTO. Construction began in 2016 and completion is scheduled for spring 2018.

* 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 SHIODOME

Trend in the Number of Visitors to Japan



Source: Japan National Tourist Organization (JNTO)

Real Estate Services Business

Business Environment

- The real estate transaction market for commercial and investment-use properties had been relatively firm, but it decelerated amid a shortage of properties and growing perceptions that it is expensive following an excessive run-up in prices. In addition, caution is needed regarding the impact on the real estate market stemming from the clouded economic outlook.

Strategies

- Aim to be the top company in CRE* strategy support, real estate consulting, and recreational land and recreational facilities management, seeking to maximize the value of real estate owned by customers using our accumulated know-how
- Offer one-stop real estate problem solving by making full use of the Mitsubishi Estate Group's comprehensive strengths and offering a wide service menu spanning CRE strategy support, rental housing management agency business, parking lot management, real estate appraisal business, etc.
- Reinforce our ability to respond quickly at the nationwide level, making use of our bases in leading cities
- Position parking services as a new pillar of earnings, aim to win new contracts by developing and offering new services and exploring new business formats
- Launch the Value Bridge business brand and enhance the appeal of our services

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

Business Creation Department

Business Environment

- A wide range of new business opportunities have been emerging accompanying changes in the external environment, including the Japanese government's growth strategy, with its support for the introduction of the private finance initiative (PFI) and other measures, growing infrastructure demand, and the advance of Internet of Things (IoT) technology.

Strategies

- Develop new businesses without restricting development to current business domains utilizing the extensive achievements and know-how accumulated by the Group.
- Initiate airport-related business including airport governance and consulting through the Business Creation Department's establishment of the Airport Project Promotion Office in 2014.

CG illustration of Shimojishima Airport

Business Development, Consulting & Solutions Group

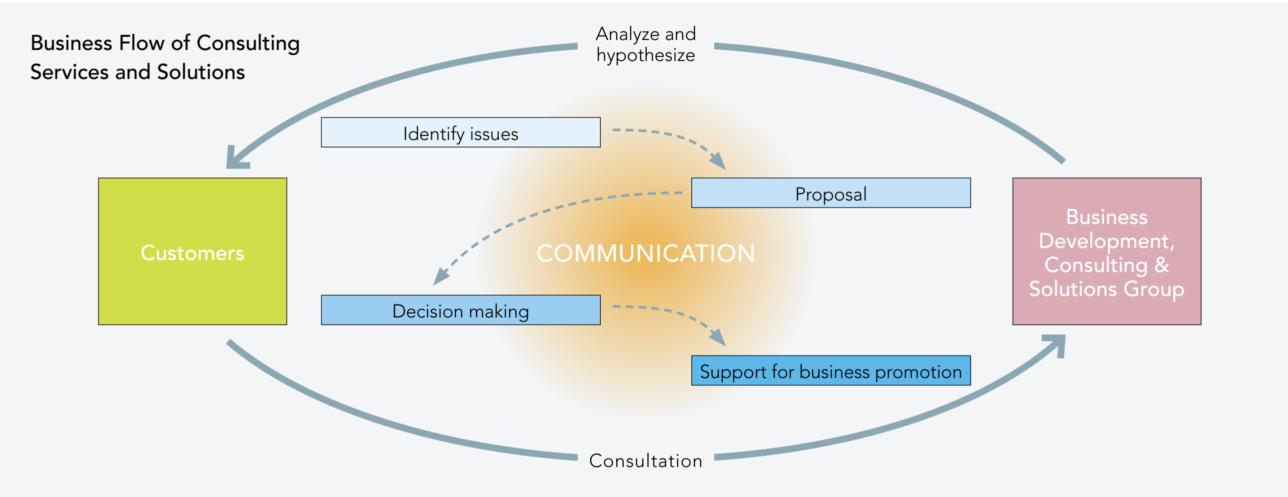
Value Drivers

- Strategic sales organization comprising horizontally integrated segments
- Identify problems through consulting
- Robust solutions using Groupwide resources

Scope of Activities

The Business Development, Consulting & Solutions Group offers a wide range of services that make full use of the Mitsubishi Estate Group's abundant experience and comprehensive capabilities to resolve all types of challenges facing customers, acting as a business contact point for the entire Mitsubishi Estate Group.

Our main efforts involve making comprehensive assessments of real estate related issues concerning customers, whether they are corporations or individuals, and proposing optimal approaches to their resolution that serve to raise corporate value by making use of wide-ranging businesses and resources. We are also actively undertaking development projects from a medium-to-long-term perspective and aiming to create new business opportunities that go beyond the bounds of the real estate field, thereby promoting joint business with customers while maximizing the use of our resources.



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

Design, supervision, and construction
- 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
- Single-unit homes and rental and corporate housing
- Residential and office renovation

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

New business development
- Business partnership
- Investment / M&A

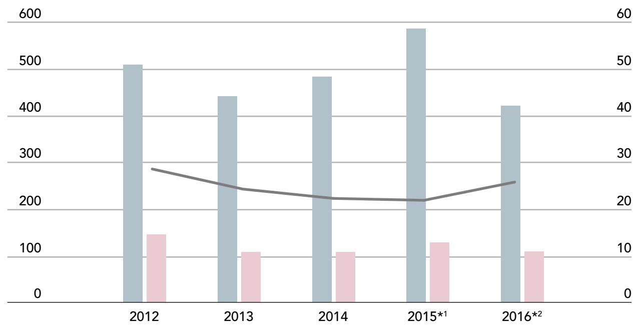
FINANCIAL HIGHLIGHTS BY SEGMENT

Years ended March 31

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

Office Building Business

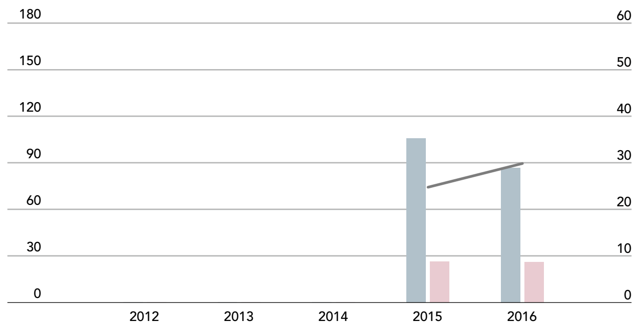
Billions of yen %



*1. As of April 2014, the Commercial Property Development & Investment Business has been integrated into the Building Business.
*2. As of April 2015, 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.

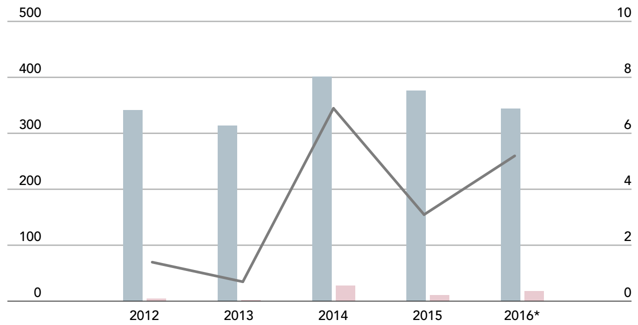
Lifestyle Property Business

Billions of yen %



Residential Business

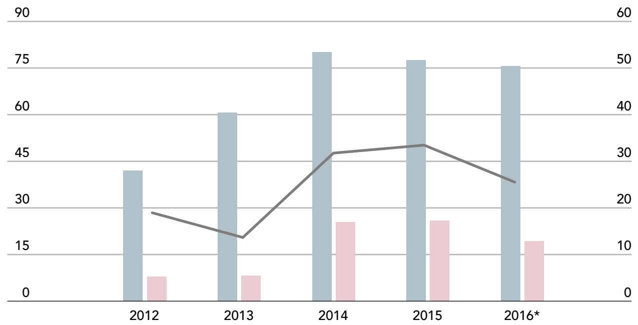
Billions of yen %



* As of July 2015, certain operations of Mitsubishi Jisho House Net Co., Ltd., have been moved from the Real Estate Services Business to the Residential Business.

International Business

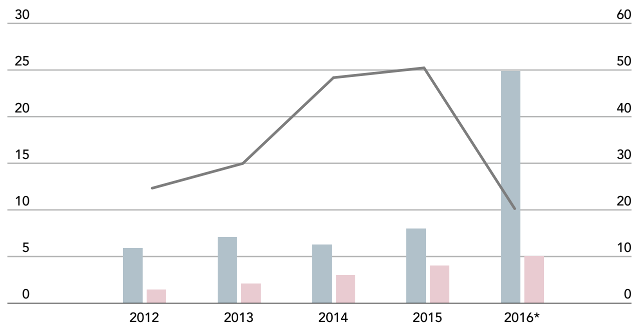
Billions of yen %



* As of April 2015, the Overseas Investment Management Business has been moved from the International Business to the Investment Management Business.

Investment Management Business

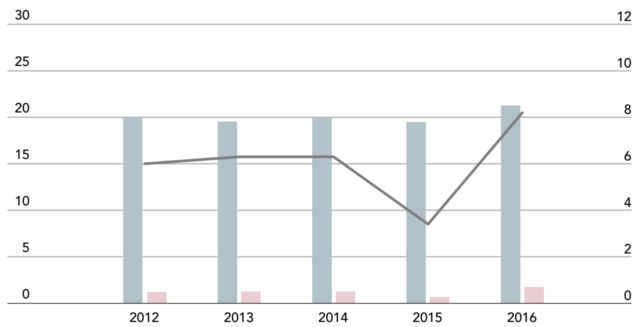
Billions of yen %



* As of April 2015, the Overseas Investment Management Business has been moved from the International Business to the Investment Management Business.

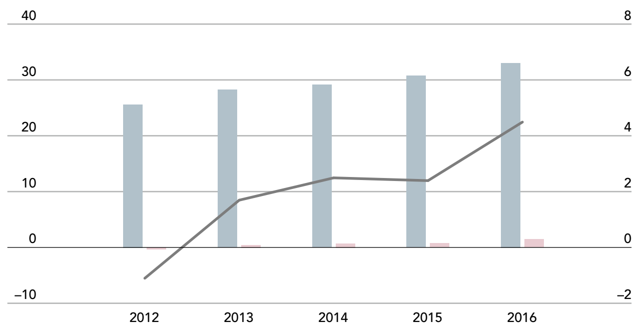
Architectural Design & Engineering Business

Billions of yen %



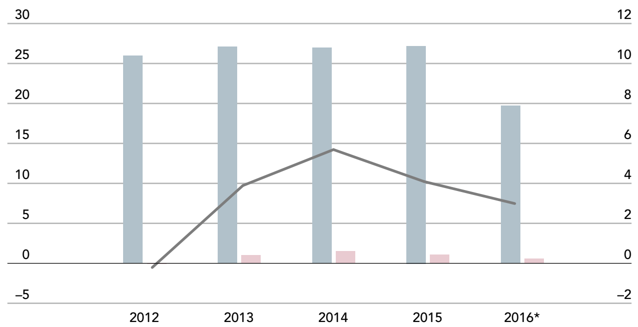
Hotel Business

Billions of yen %



Real Estate Services Business

Billions of yen %



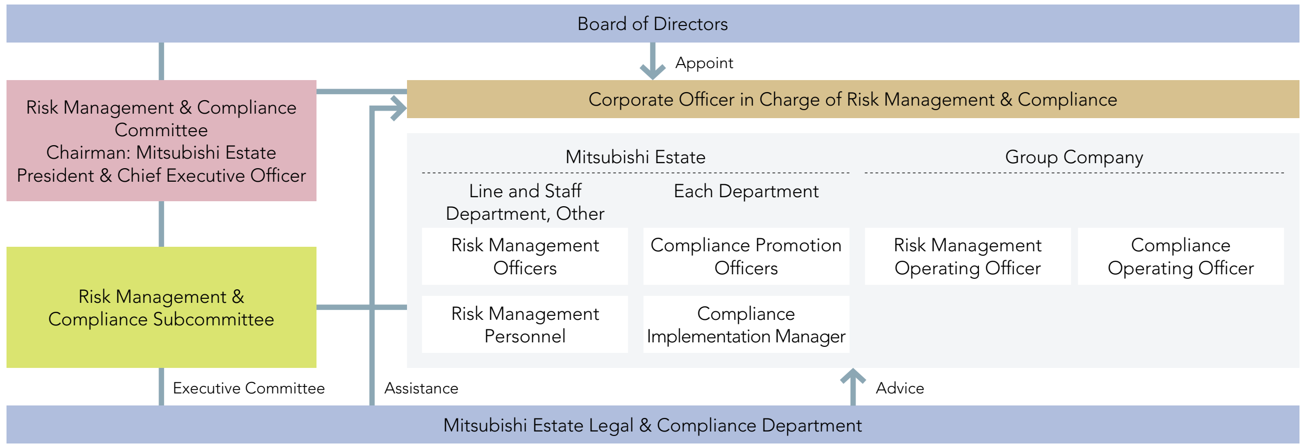
* As of July 2015, certain operations of Mitsubishi Jisho House Net Co., Ltd., have been moved from the Real Estate Services Business to the Residential Business.

RISK MANAGEMENT

The Mitsubishi Estate Group has established the Mitsubishi Estate Group Risk Management rules and has set up a risk management system to manage risk in all its business activities. The Company has reinforced its risk management system by establishing the Risk Management & Compliance Committee, which oversees the implementation of risk management and compliance for the Group and meets four times a year, and the Risk Management & Compliance Subcommittee, a working-level consultative body consisting of department managers, including those from major Group companies, that meets four times a year.

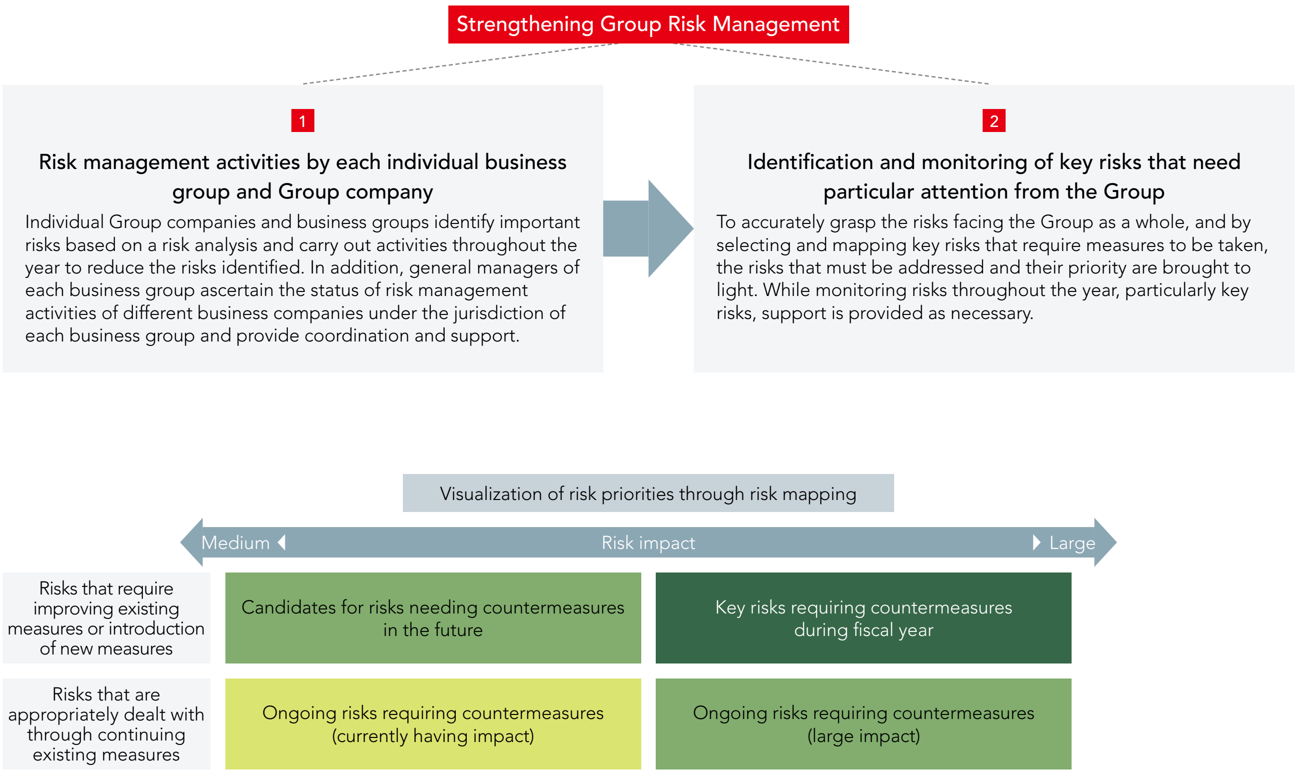
The corporate officer in charge of risk management and compliance is appointed by the Board of Directors to take responsibility for overseeing risk management, and general managers of each business group and general managers from the Corporate Staff departments have been designated as risk management officers. Each Group company also designates its own risk management operating officer. In cooperating with legal and compliance departments and with their support, these officers are responsible for promoting risk management activities.

Risk Management System



As of August 2016

Risk Management Activities



Dealing with major risks

Below are some examples of risks that have come to light in the Group through risk management activities and various business activities and countermeasures that have been taken.

Risks of Information Security

In light of society's growing concerns over the protection of personal information and information management, the Mitsubishi Estate Group has established the Mitsubishi Estate Group's Basic Regulations on Information Management Compliance and the Mitsubishi Group's Policy on Personal Information Protection. We are aiming to further improve information management through continuous monitoring and supervision.

Accompanying the start of the social security and tax number system, Mitsubishi Estate has prepared a basic policy on the treatment of certain personal information and rules on the treatment of personal numbers and specified personal information.

Risks of International Business Expansion

With the expansion of our international business, preventing corruption has become an important theme. In 2013, the Group established a corruption prevention system, and in 2016 we instituted a system of assessing corruption by contract and requiring due diligence with respect to transaction counterparties where risk is assessed as high. In addition, we are seeking to gain a greater understanding of rules relating to the prevention of corruption among staff through training programs and are also constantly monitoring the position. Recognizing the risks staff posted overseas may face in terms of being caught up in incidents and accidents, we have prepared a manual outlining the specific action they should take in an emergency.

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.

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 Fluctuations in the Real Estate Market

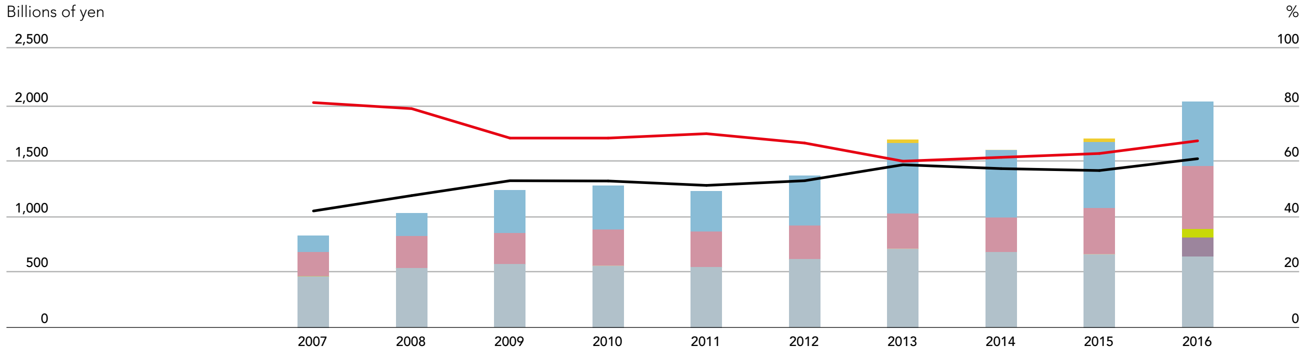
The real estate market is closely correlated with movement in the economy. Deterioration in the economy has a strong impact on declines in real estate prices and rental fees and the increase in vacancy rates. In view of this correlation, the basic policy of the Group is to conclude relatively long-term 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 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.

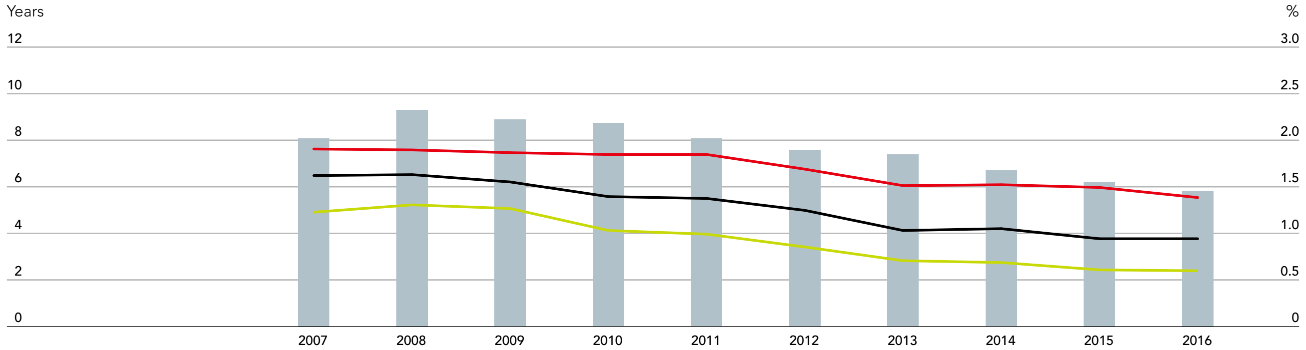
Interest-Bearing Debt (Mitsubishi Estate; Non-Consolidated)



	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Straight Bonds	465.0	540.0	575.0	560.0	550.0	620.0	715.0	685.0	665.0	645.0
Subordinated Bonds (fixed interest)	—	—	—	—	—	—	—	—	—	175.0
Subordinated Bonds (adjustable interest)	—	—	—	—	—	—	—	—	—	75.0
Bank Loans (fixed interest)	221.0	290.2	285.6	329.1	324.0	306.8	319.8	314.3	420.1	573.3
Bank Loans (adjustable interest)	152.2	212.2	389.2	401.2	365.7	453.7	640.7	615.7	601.7	583.8
Commercial Paper	—	—	—	—	—	—	350	—	280	—
Fixed Interest Ratio (right scale)	81.8	79.6	68.9	68.9	70.5	67.1	60.5	61.9	63.3	67.9
Interest-Bearing Debt Ratio (right scale)	42.4	48.0	53.4	53.3	51.7	53.4	59.2	57.8	57.1	61.4

Years ended March 31

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



	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Straight Bonds / Duration	8.23	9.47	9.04	8.89	8.22	7.71	7.52	6.82	6.31	5.94
Straight Bonds / Average Interest (right scale)	1.94	1.93	1.90	1.88	1.88	1.72	1.54	1.55	1.52	1.41
Bank Loans / Average Interest (right scale)	1.25	1.33	1.29	1.05	1.01	0.87	0.72	0.70	0.62	0.61
Total / Average Interest (right scale)	1.65	1.66	1.58	1.42	1.40	1.27	1.05	1.07	0.96	0.96

Years ended March 31

Mitsubishi Estate's Ratings

(As of March 31, 2016)

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+

HUMAN RESOURCE MANAGEMENT

To create truly valuable urban environments, nurturing the people responsible for such environments is indispensable. The Mitsubishi Estate Group is committed to providing the training and educational programs to develop human resources to create new value over the medium-to-long term and to arranging support for working approaches that offer environments that encourage the active participation of all staff while respecting individual lifestyle needs.

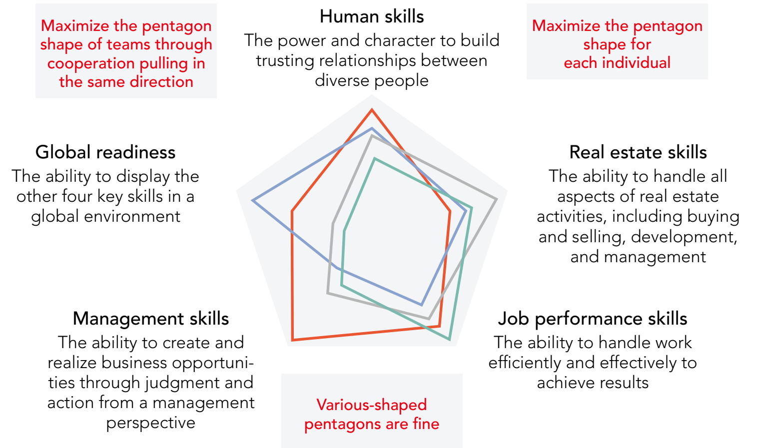
Staff Education and Training Ideology

The Mitsubishi Estate recognizes the vital importance of its people as the key management resource underpinning the entire organization.

We define Mitsubishi Estate's ideal employee as a person with the following five strengths: human skills, real estate skills, job performance skills, management skills, and global readiness.

The human resource programs of the Company aim to raise its performance as a professional organization with a distinctive personality while enabling individuals to make the most of their own strengths.

The five key ideals we value in our staff



The diverse attributes we value as a Group

While we have pinpointed five key ideals essential to the Group, we do not expect all staff to aim to score 100 out of 100. What we do hope is that all staff do their best to exceed the minimum level and in areas they excel, as we aim to be a company providing the organizational springboard to enable staff to give full expression to their individual talents.

Wide-Ranging Staff Education and Training

We have established a wide range of training programs throughout the Group aimed at developing the capabilities of all staff and raising awareness of human rights as well as the need for strict adherence to the Group's compliance policies.

In addition to individual study and training programs offered by each Group company, we are providing a broad range of cross-Group training programs, including those on business skills and those for new employees and newly appointed managers, aiming to create a united sense of purpose throughout the Group.

To nurture human resources with the ability to perform exceptionally in global environments, we are preparing systematic on- and off-the-job training programs in Japan while providing a wide range of short-term and medium-to-long-term study and training programs overseas.

Building a Supportive and Stimulating Work Environment

A good work/life balance that respects individuality and different values is essential to establishing a working environment that encourages the active participation of all staff. We have been introducing various flexible working arrangements and childcare and nursing-care leave systems to give staff multiple options in how they choose to work. Since the childcare leave systems were introduced in fiscal 2014, 100% of employees have returned to work after taking childcare leave, and the retention rate one year after the return to work has also been 100%.

In April 2016, we prepared an action plan in response to the Japanese government's adoption of a law aimed at promoting women's empowerment. We expect our efforts to establish a supportive working environment for all staff, both male and female, to feed through to raising the proportion of female managers as set out in the action plan. We are committed to continuing to promote diversity, including the active role of women, in the workplace.

Message from the Chairman of the Board

The social environment in which companies operate has been changing ever-more rapidly over recent years, and companies are being called on to grasp and respond to the evolving needs of society. Mitsubishi Estate is moving forward to meet such needs through the entire Group's business activities, in full awareness that its business is built on the foundations of relationships with a wide range of stakeholders. The Mitsubishi Estate Group recognizes that appropriate corporate governance is essential to its efforts to raise corporate value by responding appropriately to the constantly changing needs of its diverse stakeholders and earning their confidence.

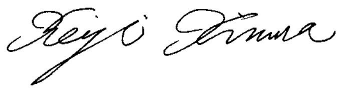
In June 2016, we changed our corporate organizational structure from a Company with Statutory Auditors Board to a "Company with Nominating Committee, etc.," with each of the committees having a majority of outside directors. This is helping outside directors play a greater role in ensuring management transparency and objectivity.

By clearly separating management supervision and business execution functions, giving the executive side much greater authority for business execution—along with the responsibility to explain its decisions—we have put in place a structure facilitating quick decision making in a rapidly changing business environment.

For the Board of Directors, transferring authority to the executive side has enabled more time to be set aside for discussions on how the Group should best tackle the issue of raising corporate value from a medium-to-long-term perspective. Meanwhile, the management supervisory functions of the Board of Directors have, I believe, been greatly enhanced by the Board becoming a forum for lively in-depth discussions on the real issues facing the Company and one that draws on the views and advice of outside directors with diverse backgrounds and expert knowledge.

As members of the Board of Directors, we are dedicated to creating real value for society through the Mitsubishi Estate Group's community development activities, as we pursue growth in well-balanced alignment with the interests of all our stakeholders on the foundations of pluralistic governance.

August 2016
Chairman of the Board
Mitsubishi Estate Co., Ltd.



Outline of Corporate Governance

Basic Philosophy

We are working toward realizing our mission of creating a truly meaningful society by building attractive, environmentally sound communities where people can live, work and relax with contentment as we foster the growth of true corporate value. 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.

Transition to a "Company with Nominating Committee, etc." Organizational Structure

In June 2016, we changed the corporate organizational structure from a Company with Statutory Auditors Board to a Company with Nominating Committee, etc., with all of these three committees having a majority of outside directors. This change was designed to further strengthen the Board of Directors' management supervisory functions, clarify authority and responsibilities in business execution, and speed up decision making while also ensuring management is more transparent and objective.

The Nominating Committee determines the contents of resolutions put to the Meeting of Shareholders regarding the election and dismissal of directors.

The Audit Committee oversees the performance of duties by the directors and executive officers, prepares audit reports, and determines the contents of proposals put to the Meeting of Shareholders regarding the election, dismissal, or non-reelection of accounting auditors.

The Remuneration Committee determines policies related to decisions on the remuneration of directors and executive officers and determines the amount of compensation of each individual.

The Board of Directors

The Board of Directors determines basic management policy and oversees the performance of duties by directors and executive officers. Of the 15 members of the Board of Directors, seven are outside directors with diverse experience and knowledge. Accompanying the transition to a "Company with Nominating Committee, etc." organizational structure, authority for business execution has to a great extent been devolved to executive officers elected by resolutions of the Board of Directors to clearly demarcate the roles of management supervision and business execution. In this way, the Board of Directors' management supervisory functions have been strengthened, and it has been afforded scope for deeper debate with regard to the Group's direction over the medium-to-long term and raising corporate value. Meanwhile, the greater authority and responsibility being delegated to the executive side is supporting agile business execution.

Introduction of Group Executive Officer System

We introduced a Group Executive Officer System in April 2016 to complement the existing Executive Officer System. The aim of the Group Executive Officer System is to speed up decision making in constantly changing business environments and to clarify responsibility for those decisions, thereby enhancing the independent management of Group companies, bolstering competitiveness in each business field, and reinforcing effectiveness at the on-site end of the value chain.

Members of Committees

Nominating Committee		Audit Committee		Remuneration Committee	
Outside Director	Isao Matsuhashi (committee chairman)	Director	Yutaka Yanagisawa (committee chairman)	Outside Director	Shin Ebihara (committee chairman)
Chairman of the Board	Keiji Kimura	Director	Toru Okusa	Director	Junichi Tanisawa
Director	Junichi Yoshida	Outside Director	Shu Tomioka	Director	Junichi Yoshida
Outside Director	Masaaki Shirakawa	Outside Director	Shin Nagase	Outside Director	Masaaki Shirakawa
Outside Director	Setsuko Egami	Outside Director	Iwao Taka	Outside Director	Setsuko Egami

Directors

Name
Position

Appointment year
Number of shares held
(As reported in *Fiscal 2016 Financial Report*, available only in Japanese)

Keiji Kimura
Representative Director

2000
28,000 shares

Hirotaka Sugiyama
Director

2007
25,000 shares

Jo Kato
Director

2011
50,213 shares

Junichi Tanisawa
Director

2014
5,000 shares

Junichi Yoshida
Director

2016
5,000 shares

Hiroshi Katayama
Director

2016
6,000 shares

Yutaka Yanagisawa
Director

2016
14,000 shares

Toru Okusa
Director

2013
21,000 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)

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)

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)

Masaaki Shirakawa
Outside Director

2016
– shares
Born on September 27, 1949

Apr. 1972	Joined Bank of Japan
Jul. 2002	Director, Bank of Japan
Jul. 2007	Professor, Kyoto University School of Government
Mar. 2008	Vice President, Bank of Japan
Apr. 2008	President, Bank of Japan
Mar. 2013	Retired from Bank of Japan
Jun. 2016	Director, Mitsubishi Estate Co., Ltd. (Current position)

Shin Nagase
Outside Director

2016
– shares
Born on March 13, 1950

Apr. 1972	Joined ALL NIPPON AIRWAYS CO., LTD
Apr. 2009	Representative Director and Deputy President, ALL NIPPON AIRWAYS CO., LTD.
Apr. 2012	President, ANA Strategic Research Institute Co., Ltd,
Apr. 2016	Full-Time Advisor, ANA HOLDINGS INC.
Jun. 2016	Director, Mitsubishi Estate Co., Ltd. (Current position)

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)

Iwao Taka
Outside Director

2016
– 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	Statutory Auditor, Mitsubishi Estate Co., Ltd.
Jun. 2016	Director, Mitsubishi Estate Co., Ltd. (Current position)

Corporate Executive Officers, Executive Officers, and Group Executive Officers

Hirotaka Sugiyama
Representative Corporate Executive Officer
President & Chief Executive Officer

Jo Kato
Representative Corporate Executive Officer
Deputy President

Masamichi Ono
Representative Corporate Executive Officer
Executive Vice President

Naoto Aiba
Representative Corporate Executive Officer
Executive Vice President

Soichiro Hayashi
Representative Corporate Executive Officer
Executive Vice President

Kenichi Iwata
Executive Vice President

Atsuo Kyono
Representative Corporate Executive Officer
Executive Vice President

Yutaka Tajima
Senior Executive Officer

Tetsuji Arimori
Senior Executive Officer

Junichi Tanisawa
Senior Executive Officer

Junichi Yoshida
Senior Executive Officer

Tetsuo Yuasa
Senior Executive Officer

Hiroshi Katayama
Senior Executive Officer

Toshihiko Kazama
Group Executive Officer

Hidemi Waki
Group Executive Officer

Futoshi Chiba
Group Executive Officer

Executive Officers

- Noboru Nishigai
- Hisashi Komada
- Kenji Hosokane
- Keiji Takano
- Ikuo Ono
- Masaki Yamagishi
- Atsushi Nakajima
- Bunroku Naganuma
- Toru Kimura

Group Executive Officers

- Toshihiko Kazama
- Hidemi Waki
- Futoshi Chiba
- Shinichi Takeuchi
- Akinori Nakajo
- Akihiko Watanabe
- Yuji Fujioka
- Masaharu Miyajima

Outside Directors

Reason for the nomination

Isao Matsuhashi	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	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	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.
Masaaki Shirakawa	The Company expects that he would carry out the supervision and check functions regarding the Company's management from an objective viewpoint independent from the management in charge of business affairs by making full use of his knowledge relating to finance and the economy gained through his central bank experience.
Shin Nagase	The Company expects that he would carry out the supervision and check functions regarding the Company's management from an objective viewpoint independent from the management in charge of business affairs by making full use of his management experience as a top airline company executive.
Setsuko Egami	The Company expects that she 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.
Iwao Taka	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 extensive knowledge regarding corporate ethics and compliance.

Criteria for Independence of Independent Outside Directors

In seeking candidates for outside director positions, Mitsubishi Estate, besides strict adherence to the duty of care with respect to the Company, selects those with the following qualities: an understanding of the basic mission of the Company; qualifications and ability to contribute to growth in the Group's corporate value over the medium-to-long term; own management experience; knowledge and experience in specialist fields; and the ability to make fair and objective judgments contributing to the common benefit of shareholders without bias toward the interests of any particular stakeholders. In principle, outside directors who do not satisfy the criteria for independence set out by the Tokyo Stock Exchange or the criteria for independence of outside directors set out below will not be appointed.

(1) A major shareholder of Mitsubishi Estate (a person or entity directly or indirectly holding 10% or more of the voting rights).
(2) A member of business personnel of a supplier or a customer of Mitsubishi Estate whose transactions with Mitsubishi Estate exceed 2% of Mitsubishi Estate's consolidated revenues.
(3) A representative or partner of Mitsubishi Estate's accounting auditor.
(4) A provider of professional services, such as a consultant, lawyer, certified public accountant, or tax accountant receiving cash or other financial benefits from Mitsubishi Estate where the amount exceeds ¥10 million per fiscal year.

Corporate Governance Status

Status of Board of Directors Meetings and Other Initiatives in Fiscal 2016

Items	Details							
Number of directors (outside directors)	13 (4)							
Frequency of Board of Directors (BOD) meetings	15							
BOD attendance by outside directors	Isao Matsuhashi	15	Shin Ebihara*1	11	Shu Tomioka	15	Setsuko Egami*1	10
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*2	14	Kenji Matsuo*2	13	Iwao Taka*3	10		
BOD attendance by statutory auditors (outside statutory auditors)	Kazuhiko Hasegawa*2	15	Kenji Matsuo*2	14	Iwao Taka*3	10		
Accounting auditors	Ernst & Young ShinNihon LLC							
Annual remuneration paid to independent audit corporation	¥137 million							

*1. Outside director Shin Ebihara and Setsuko Egami assumed their positions on June 26, 2015. Therefore, the number of times they attended meetings of the Board of Directors differs from those of other outside directors and statutory auditors.
*2. Retired as of the closing of the general meeting of shareholders on June 29, 2016.
*3. Outside Statutory Auditor Iwao Taka was appointed on June 26, 2015, and as a result the number of meetings of the Board of Directors and of the Board of Statutory Auditors differs from those of other outside directors. In addition, on the conclusion of the 117th Ordinary General Meeting of Shareholders, Mr. Iwao Taka ceased to be an outside statutory auditor and became an outside director.

Remuneration

Total Remuneration Paid to Directors and Statutory Auditors in Fiscal 2016

Category	Amount Paid
Total remuneration, etc., paid to directors (outside directors)	¥677 million (¥40 million)
Total remuneration, etc., paid to statutory auditors (outside statutory directors)	¥90 million (¥55 million)

Notes:
1. The above amounts include remuneration payments made to the three directors (two outside directors) and one statutory auditor (outside statutory auditor) who retired and one statutory auditor who resigned from their positions as of the end of the 116th Ordinary General Meeting of Shareholders held on June 26, 2015.
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 Ordinary 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 ordinary general meeting of shareholders held on June 29, 2006.
5. The above amounts include stock option-based remuneration (¥88 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 Setting Directors' Remuneration

(i) Directors' Remuneration

At the Ordinary General Meeting of Shareholders held on June 29, 2016, it was decided to change the corporate organizational structure to a "Company with Nominating Committee, etc.," with all of these three committees having a majority of outside directors and all chaired by an outside director. The Remuneration Committee determines the remuneration of directors and executive officers.

(ii) Basic Policy on Remuneration

- Realizing Sustained and Long-term Growth in Corporate Value and Shared Value with Shareholders
  The remuneration system aims to achieve continuous growth in corporate value and common value with shareholders by linking remuneration with management strategy and medium-to-long-term earnings targets in medium-term business plans.
- Providing Appropriate Incentives
  The remuneration system aims to provide incentives to management executives to take appropriate risks and challenges in line with strategic objectives and the expectations of shareholders and others.
- Ensuring Exercise of Responsibility to Explain
  The remuneration system aims to ensure the fulfillment of responsibility for a high level of explanation to shareholders through objective discussions and judgments by the Remuneration Committee.

(iii) Remuneration System

Monetary compensation in the remuneration system consists of fixed remuneration and variable remuneration. Variable remuneration is composed of a portion that reflects the Companywide business performance and the director's own business performance over the short term and a portion in the form of stocks and other monetary compensation based on Companywide business performance and the director's own business performance in each area of responsibility over the medium-to-long term. Outside directors are independent of the Company's business execution and are therefore paid only fixed remuneration. The directors' retirement benefit system was abolished by resolution of the fiscal 2006 Ordinary General Meeting of Shareholders.

Introduction of a Restricted Stock Compensation System

Mitsubishi Estate has introduced a Restricted Stock Compensation System to allot restricted shares to the Company's Directors (excluding outside directors), Corporate Executive Officers, Executive Officers, and Group Executive Officers (the "eligible officers") for the purpose of providing an incentive for the eligible officers to consistently increase the Company's enterprise value and further promote shared value between the eligible officers and shareholders.

Overview of the Compensation System

Under the Compensation System, to grant restricted shares to the eligible officers, monetary compensation receivables are provided to them, and they are allowed to make an investment in kind in the Company using such monetary compensation receivables as the invested assets. In this way, the Company issues or disposes of its common shares to the eligible officers and allows them to hold such shares. The Company shall determine the payment amount of the restricted shares at the Remuneration Committee meeting.

For issuing or disposing of the Company's common shares under the Compensation System, the Company shall enter into an agreement on the allotment of restricted shares with the eligible officers.

Conditions and Contents of Agreement on Allotment of Restricted Shares

The agreement on the allotment of restricted shares stipulates that the eligible officers shall not transfer, offer as collateral, nor make any other disposition of the restricted shares allotted for a certain period.

Also, in the case where a certain event occurs, such as failure to achieve the target total shareholder returns for three years, the Company shall acquire all or part of such restricted shares free of charge.

Mitsubishi Estate's Governance: An Outside Director's Perspective

Shu Tomioka
Outside Director

A decade of profound changes at Mitsubishi Estate

During the course of the past ten years since I was first elected as an outside director, Mitsubishi Estate has undergone some profound changes, not just in terms of business strategy, but also in terms of the mind-set of its people. In early years, there seemed to be an overly heavy reliance on Marunouchi in their strategic minds. Consequently, this led to a lukewarm stance toward aggressively seeking new business opportunities elsewhere. This attitude started to change when a sense of urgency took hold throughout the Company, triggered by major redevelopment projects undertaken in Nihonbashi, Yaesu, and Roppongi by its competitors.

In fact, Mitsubishi Estate has become increasingly proactive in recent years on risk-taking, while keeping its cautious approach at the same time. In addition to acquiring properties in Europe and the United States, it has advanced into real estate development business in Asia and expanded investments in businesses in non-asset fields as well. For example, it has taken an equity stake in TA Realty LLC, a real estate investment advisory firm in the United States. I take such developments as an indication that Mitsubishi Estate is now able to apply the experience and know-how it has fostered through various projects in Marunouchi to other fields.

The Company has also taken a lead in tackling environmental issues by, for example, developing office buildings that help reduce environmental loads. It has also focused on the value of catering to public needs, such as the enhancing disaster-management functions of its buildings. There is growing confidence within the Company in the way it has created a shared value for a diverse range of stakeholders, by having successfully converted the Marunouchi area from simply a convenient business district to a vibrant business and commercial center which fosters innovation and entrepreneurship, and offers a new urban cultural experience and relaxation as well.

Independent outside directors from diverse backgrounds

Mitsubishi Estate appointed three directors to the Board from the outside for the first time in 2006. It is not just the number of outside directors that matters, but also the diversity of their professional backgrounds. In addition to former top-level corporate executives, the seven current independent outside directors include a former central bank governor, a former diplomat, and two university professors, one of whom is a woman. I believe that the participation in Board meetings of outside directors with a broad range of experience and perspectives is essential to sound governance.

Independence and objectivity are also fundamental to the Independent Committee established in 2007 under the Company's countermeasure program against possible hostile takeover attempts. This committee consists of three outside directors including myself, and has analyzed and discussed a wide range of themes, such as corporate value theories, examples of hostile takeover bids, M&A trends in Japan and overseas, and various corporate governance-related institutional initiatives. By gathering information and honing our ability to make sound judgments, we aim to ensure that, should a prospective hostile buyer of shares of the Company emerge, we are in a position to provide the Board with objective and independent advice on making appropriate decisions for the shared interest of our shareholders.

Growing importance of dialogue between corporate managers and investors

The revenues from leasing office properties account for the largest proportion of total revenues of Mitsubishi Estate. However, this leasing revenue declines temporarily when leasing properties are being rebuilt. Revenue will start to flow again once the redevelopment project is completed, and investment in the project will be recovered over the long term. A relatively long lead time for recovering investment is also required for the business which sells office and commercial properties developed outside the Marunouchi areas to professional investors. These factors explain the relatively low asset turnover ratio of Mitsubishi Estate and suggest that assessment of its corporate and shareholder value requires a medium-to-long-term analytical time frame.

Japan's Corporate Governance Code and the Stewardship Code were adopted with a view to promoting the development of the economy as a whole by supporting companies' efforts to achieve sustainable corporate growth and the enhancement of corporate value over the medium-to-long term. I believe the constructive and purposeful dialogues between corporate managers and institutional investors along these lines will open the way for a reappraisal of the market's tendency toward "short-termism." The corporate managers need to win the understanding of those institutional investors moving toward engagement as well as the understanding of common shareholders by persuasively explaining the importance of the strategies to increase corporate and shareholder value over the medium-to-long term.

Making a commitment to increasing corporate and shareholder value over the longer term, however, does not mean that either neglecting near-term profit growth targets or allowing a low rate of return on capital is acceptable. Mitsubishi Estate, having booked asset impairment losses many times in the past, is not an exception in this respect.

Toward increasing corporate and shareholder value over the long term

We are aware that there are negative views towards the performance of Mitsubishi Estate among some investors and stock market participants. We as outside directors take these views seriously and believe that the management of the Company needs to show clear determination to increase corporate and shareholder value.

The transition to a "Company with Nominating Committee, etc." in June 2016 was a declaration of intent on the part of management to display leadership with structural reforms to that end. Under the new structure, the executive officers are delegated a broader range of authorities on execution of individual projects, but at the same time, are asked for clear accountability for business results. As a result, we are able to devote more time to reviewing and discussing the strategic issues relevant to increasing corporate and shareholder value at the Board meetings.

The executive compensation system has also been reconfigured. The reforms here seek not only to improve the objectivity and clarity of decisions on performance-linked remuneration through the establishment of the Remuneration Committee, but also to bring the interests of executive officers and shareholders into alignment by setting remuneration partly in the form of Company shares. Within the broad context of corporate governance, it is important not only to emphasize compliance and internal control functions, but also to provide executive officers with incentives in this form for attaining better business results.

The structure of society and the economy are constantly evolving. As Mitsubishi Estate undertakes its business in such an environment, it needs to be agile, proactive, and in some cases bold enough to respond to change. What defines Mitsubishi Estate is its ability to create a shared value for diverse stakeholders through urban development. We hope to see the Company continue to lead the industry as a forerunner, remaining highly attuned to the changes ahead and having the courage and conviction not to fear failures. As outside directors, we see it as our task to help ensure that Mitsubishi Estate realizes this vision and enhances its corporate and shareholder value.

Eleven-Year Summary of Selected Financial Data (Consolidated)

	2006/3	2007/3	2008/3	2009/3	2010/3	2011/3	2012/3	2013/3	2014/3	2015/3	2016/3
Financial Results (Millions of yen)											
Revenue from operations	¥ 844,217	¥ 947,641	¥ 787,652	¥ 942,626	¥1,013,415	¥ 988,447	¥1,013,069	¥ 927,157	¥1,075,285	¥1,110,259	¥1,009,408
Operating income	137,614	166,165	177,983	138,567	148,972	158,258	146,299	118,349	161,271	156,332	166,199
Ordinary income	121,236	151,674	162,061	108,624	117,381	130,830	120,665	92,381	139,638	133,113	144,851
Profit attributable to owners of parent	55,825	97,662	86,963	45,423	11,900	64,219	56,512	45,507	64,297	73,338	83,426
Financial Position (Millions of yen)											
Total assets	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	5,311,840
Total equity*1	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	1,509,680
Interest-bearing debt	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	2,291,038
Capital expenditures	62,204	138,169	270,798	201,088	114,085	76,332	282,171	208,135	159,677	177,331	275,316
Depreciation and amortization	53,655	54,257	56,867	60,364	73,926	70,628	67,465	73,364	74,805	72,696	74,245
Cash Flows (Millions of yen)											
Cash flows from operating activities	169,744	150,710	(16,248)	45,824	212,668	259,263	203,243	122,286	336,489	200,078	135,821
Cash flows from investing activities	29,883	(85,389)	(212,207)	(214,500)	(112,639)	(67,223)	(272,009)	(217,992)	(133,537)	(46,568)	(231,003)
Cash flows from financing activities	(132,463)	(34,093)	238,942	141,055	(106,852)	(140,269)	57,189	27,150	(177,514)	(189,109)	309,237
Cash and cash equivalents at end of year	167,090	206,089	219,712	184,552	177,825	229,062	215,771	191,837	224,739	198,489	412,392
Per Share Amounts (Yen)											
Earnings	¥42.60	¥70.95	¥62.99	¥32.90	¥ 8.58	¥46.27	¥40.72	¥32.79	¥46.34	¥52.85	¥60.13
Cash dividends	10.00	14.00	16.00	16.00	12.00	12.00	12.00	12.00	12.00	14.00	16.00
Principal Financial Indicators											
EBITDA (Millions of yen)*2	¥200,928	¥233,406	¥245,911	¥209,522	¥230,730	¥237,109	¥222,885	¥200,587	¥246,332	¥239,934	¥252,034
ROA	4.6%	5.3%	4.9%	3.3%	3.5%	3.8%	3.5%	2.7%	3.5%	3.4%	3.4%
Interest coverage ratio*3 (Times)	7.4	9.5	8.5	4.7	5.2	6.6	6.5	5.0	7.5	7.7	8.5
ROE	5.4%	8.3%	7.1%	3.8%	1.0%	5.4%	4.6%	3.6%	5.0%	5.2%	5.6%
Payout ratio	23.5%	19.7%	25.4%	48.6%	139.9%	25.9%	29.5%	36.6%	25.9%	26.5%	26.6%
Stock Information											
Stock price (Yen)*4	¥2,790	¥3,870	¥2,420	¥1,102	¥1,530	¥1,407	¥1,476	¥2,596	¥2,446	¥2,787	¥2,090.5
Number of shares issued and outstanding (Thousands of shares)	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	1,390,397

Mitsubishi Estate's Stock Price Changes on the Tokyo Stock Exchange

Notes:
1. Total equity is calculated by deducting non-controlling 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 2016, the fiscal year ended March 31, 2016, consolidated revenue from operations amounted to ¥1,009,408 million, a decrease of ¥100,851 million, or 9.1%, year on year. Regardless, consolidated operating income increased ¥9,866 million, or 6.3%, from the previous fiscal year, to ¥166,199 million. Results for each business segment are as follows.

In tandem with the organizational changes made in fiscal 2016, segmentation changes were made under which the Retail & Logistics Property Businesses previously within the Building Business segment and all asset-time development businesses excluding the domestic Building Business and Residential Business (including new businesses) were brought within the newly created Lifestyle Property Business segment.

At the same time, we brought the investment management business of Rockefeller Group International, Inc., that had been under the International Business segment, to the Investment Management segment, and the Mitsubishi Jisho House Net business, which until the previous fiscal year had been under the Real Estate Services Business segment, to the Residential Business segment.

In the Building Business segment, revenue from operations declined due to the rebound from large-scale property sales recorded in fiscal 2015. However, operating income was up due to higher rental revenue from existing buildings, improved rental profits following lower costs, and increased revenue from the sales of property. As of March 31, 2016, the vacancy rate for all properties nationwide declined to 2.22%, lower than the 2.80% posted at the end of the previous fiscal year and our initial forecast of 2.50%. The lower vacancy rate resulted from smooth progress with regard to leasing in the Marunouchi area and the effects of rent increases. Due to these factors, revenue from operations in this segment declined ¥62,467 million year on year, to ¥422,349 million. Operating income, meanwhile, grew ¥6,120 million, to ¥108,940 million.

In the Lifestyle Property Business segment, revenue from operations decreased ¥19,137 million year on year, to ¥86,569 million, due to the absence of property sales recorded in the previous fiscal year. Operating income was relatively unchanged year on year, at ¥25,842 million, due to an increase in rental profits in the outlet mall business.

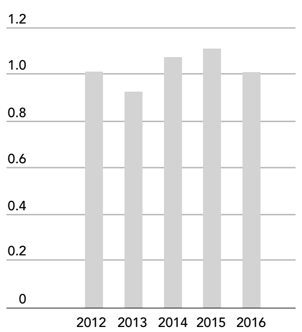
In the Residential Business segment, Mitsubishi Jisho Residence revenue in the condominium business declined year on year because of the decrease in condominium units sold, but profit was up due to a higher gross margin for condominiums as well as the fact that write-downs were recorded in fiscal 2015. As a result, revenue from operations fell to ¥345,226 million, down ¥38,661 million year on year. Meanwhile, operating income in this segment increased ¥6,502 million, to ¥18,035 million.

In the International Business segment, the impacts of the absence of property sales and other non-recurring revenue recorded in fiscal 2015 were counteracted by the benefits of foreign exchange rates, resulting in higher revenue. However, the absence of previously recorded property sales and other non-recurring income drove down profits. As a result, revenue from operations in this segment was up ¥4,779 million, to ¥75,956 million, while operating income decreased ¥6,479 million, to ¥19,421 million.

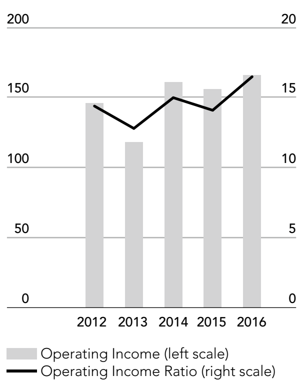
In the Investment Management Business segment, revenue was up following the consolidation of TA Realty LLC. Accordingly, operating revenue rose ¥10,109 million year on year, to ¥24,994 million, and operating income increased ¥800 million, to ¥5,082 million.

In the Architectural Design & Engineering Business segment, Mitsubishi Jisho Sekkei Inc. recorded revenue in connection with architectural design and engineering services related to the Dai Nagoya Building (Nakamura-ku, Nagoya, Aichi Prefecture). In addition, earnings from architectural design and engineering services were up as was the average amount received per interior design and construction project, which contributed to higher revenue. As a result, segment revenue from operations edged up ¥1,812 million year on year, to ¥21,279 million, and operating income rose ¥1,091 million, to ¥1,754 million.

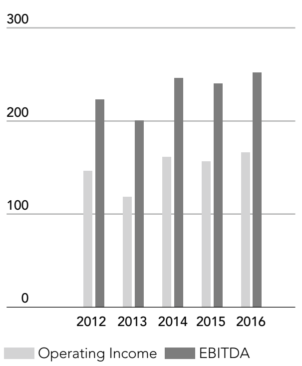
Revenue from Operations



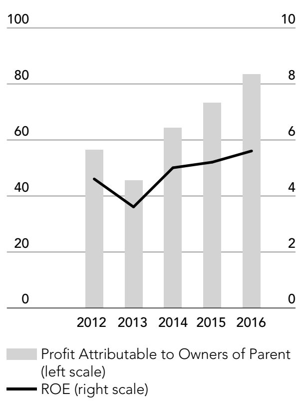
Operating Income / Operating Income Ratio



Operating Income / EBITDA



Profit Attributable to Owners of Parent / ROE



Years ended March 31

In the Hotel Business segment, steps were taken to reinforce the management structure at each hotel under the Royal Park Hotel brand, with a central role being played by Royal Park Hotels and Resorts Co., Ltd., which oversees business activities in this segment. At the same time, effort was devoted to developing a new hotel business under "THE SERIES" brand of ROYAL PARK HOTELS. In fiscal 2016, operations at ROYAL PARK HOTEL THE HANEDA made contributions to performance throughout the full year. As a result, revenue from operations in the Hotel Business segment climbed ¥2,261 million year on year, to ¥33,089 million, while operating income grew ¥736 million, to ¥1,490 million.

In the Real Estate Services segment, real estate brokerage revenue was relatively unchanged year on year, while revenue from operations declined ¥728 million, to ¥19,815 million, and operating income decreased ¥503 million, to ¥602 million. Revenue from operations in the Other segment increased ¥134 million year on year, to ¥3,882 million. However, operating loss of ¥37 million was recorded, compared with operating income of ¥16 million in the previous fiscal year.

Other Income (Expenses)

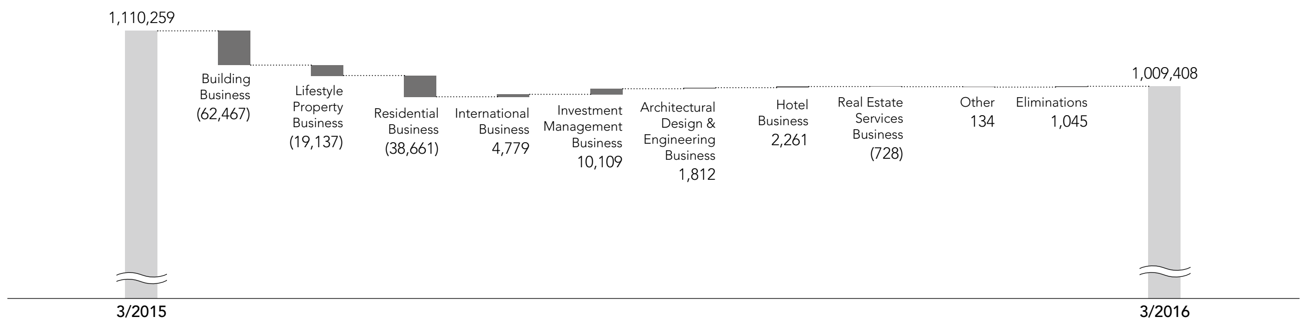
Other income increased ¥1,861 million, to ¥10,949 million, following a rise in non-operating income. Other expenses were relatively unchanged year on year, at ¥32,296 million, as the decrease in interest expenses was counterbalanced by greater loss on retirement of fixed assets.

Millions of yen

	3/2016	3/2015	YOY Changes
Revenue from Operations	1,009,408	1,110,259	(100,851)
Building Business	422,349	484,816	(62,467)
Lifestyle Property Business	86,569	105,706	(19,137)
Residential Business	345,226	383,887	(38,661)
International Business	75,956	71,176	4,779
Investment Management Business	24,994	14,885	10,109
Architectural Design & Engineering Business	21,279	19,467	1,812
Hotel Business	33,089	30,827	2,261
Real Estate Services Business	19,815	20,543	(728)
Other	3,882	3,747	134
Adjustments	(23,754)	(24,799)	1,045
Operating Income	166,199	156,332	9,866
Building Business	108,940	102,820	6,120
Lifestyle Property Business	25,842	26,162	(319)
Residential Business	18,035	11,532	6,502
International Business	19,421	25,901	(6,479)
Investment Management Business	5,082	4,282	800
Architectural Design & Engineering Business	1,754	663	1,091
Hotel Business	1,490	754	736
Real Estate Services Business	602	1,105	(503)
Other	(37)	16	(53)
Adjustments	(14,933)	(16,906)	1,972

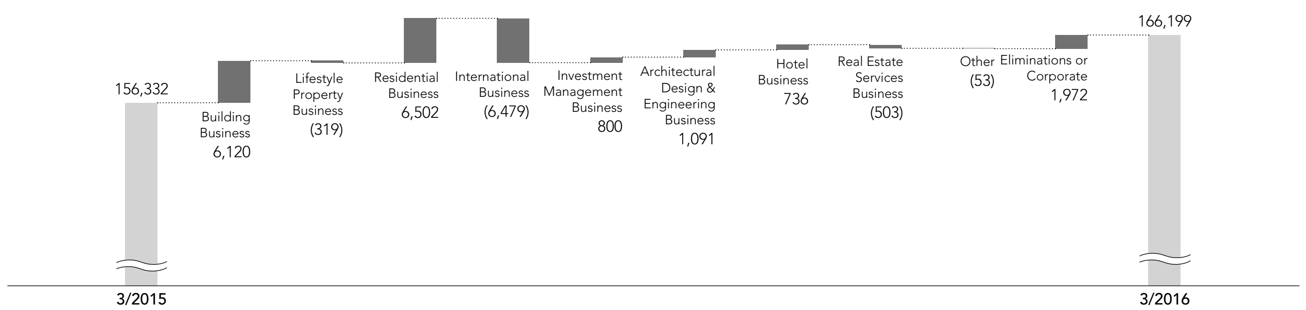
Comparison of Fiscal 2016 and Fiscal 2015 Revenue from Operations

Millions of yen



Comparison of Fiscal 2016 and Fiscal 2015 Operating Income

Millions of yen



Extraordinary gains included gain on sales of investment securities of ¥11,350 million and reversal of accrued payment of ¥4,098 million following the abolition of duties related to unpaid liabilities from prior fiscal years. However, gain on sales of fixed assets decreased ¥33,842 million year on year, to ¥2,709 million. As a result, total extraordinary income was down ¥29,386 million, to ¥19,421 million.

Extraordinary loss decreased ¥59,296 million year on year, to ¥22,423 million, due to a ¥71,163 reduction in impairment loss, to ¥2,561 million.

Profit Attributable to Owners of Parent

Income before income taxes and minority interests increased ¥41,648 million year on year, to ¥141,850 million. In addition, corporate tax, etc., increased ¥30,196 million, to ¥43,571 million. As a result, profit attributable to owners of parent increased ¥10,088 million, or 13.8%, year on year, to ¥83,426 million. Earnings per share amounted to ¥60.13 per share.

Analysis of Financial Position

(1) Consolidated Cash Flows

On a consolidated basis, cash and cash equivalents at the end of the fiscal year amounted to ¥412,392 million, up ¥213,902 million compared with the previous fiscal year-end. Major cash inflows included income before income taxes and minority interests, proceeds from issuance of corporate bonds, and increase in long-term borrowings. Major cash outflows included purchases of property and equipment.

Cash Flows from Operating Activities

Net cash provided by operating activities was ¥135,821 million, down ¥64,257 million year on year. Income before income taxes and minority interests amounted to ¥141,850 million, while depreciation and amortization—a non-cash item—totaled ¥74,245 million. These and other cash inflows were adjusted to reflect movements in notes and accounts payable, inventories, equity investments, and other items.

Cash Flows from Investing Activities

Net cash used in investing activities totaled ¥231,003 million, up ¥184,435 million from the previous fiscal year. The increase in cash used was primarily due to purchases of property and equipment.

Cash Flows from Financing Activities

Net cash provided by financing activities totaled ¥309,237 million, compared with net cash used in financing activities of ¥498,346 million in the previous fiscal year. This result can mainly be attributed to proceeds from issuance of corporate bonds and increase in long-term borrowings.

(2) Consolidated Balance Sheets

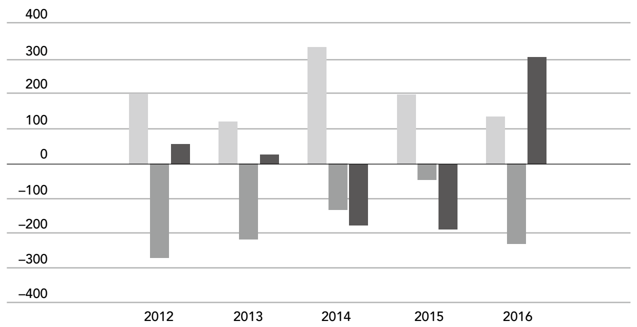
Total assets stood at ¥5,311,840 million on March 31, 2016, up ¥410,313 million from a year earlier, principally as a result of the operating, investing, and financing activities previously identified, which led to movements in assets and liabilities.

Total liabilities increased ¥391,297 million, to ¥3,652,660 million. The balance of interest-bearing debt as of March 31, 2016, rose ¥361,683 million compared with the year-end balance in fiscal 2015, to ¥2,291,038 million. Deducting cash and cash equivalents, the balance of net interest-bearing debt as of March 31, 2016, increased ¥147,779 million year on year, to ¥1,878,645 million.

Total net assets increased ¥19,016 million, to ¥1,659,180 million. The growth in net assets can be attributed to increases in such items as retained earnings, which offset decreases in unrealized holding gain on securities and retirement benefits liability adjustments.

Cash Flow

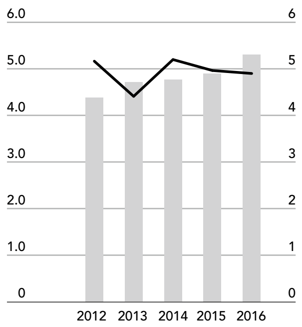
Billions of yen



Cash Flows from Operating Activities / Cash Flows from Investing Activities / Cash Flows from Financing Activities

Total Assets / EBITDA/Total Assets*

Trillions of yen / %

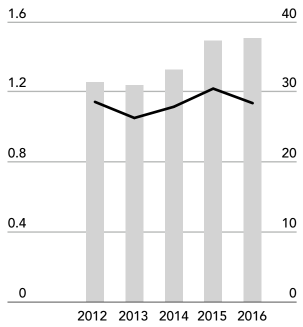


Total Assets (left scale)
EBITDA/Total Assets (right scale)

* 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

Trillions of yen / %



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

Years ended March 31

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, 2016 (April 1, 2015, to March 31, 2016)	Fiscal Year Ended March 31, 2015 (April 1, 2014, to March 31, 2015)
Rental Properties		
Amounts recorded on consolidated balance sheets		
Balance as of the beginning of the period	3,135,413	3,074,645
Increase during the period	191,691	60,767
Balance as of the end of the period	3,327,104	3,135,413
Market value as of the end of the period	5,792,464	5,220,983
Rental Properties Containing Self-Use Space		
Amounts recorded on consolidated balance sheets		
Balance as of the beginning of the period	182,779	224,577
Increase (decrease) during the period	96	(41,798)
Balance as of the end of the period	182,876	182,779
Market value as of the end of the period	286,600	277,955

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.

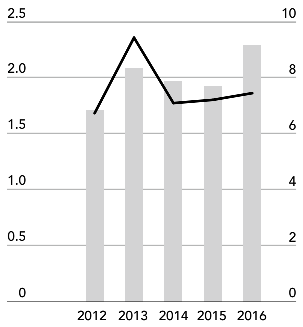
Millions of yen

	Fiscal Year Ended March 31, 2016 (April 1, 2015, to March 31, 2016)	Fiscal Year Ended March 31, 2015 (April 1, 2014, to March 31, 2015)
Rental Properties		
Rental revenue	413,622	395,188
Rental costs	280,688	263,237
Difference	132,934	131,950
Other income (loss)	(9,997)	(1,525)
Rental Properties Containing Self-Use Space		
Rental revenue	15,909	15,166
Rental costs	12,625	15,408
Difference	3,283	(242)
Other income (loss)	(340)	(44,605)

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.

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

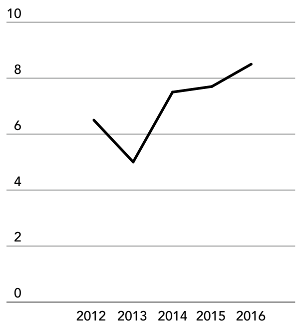
Trillions of yen / Times



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

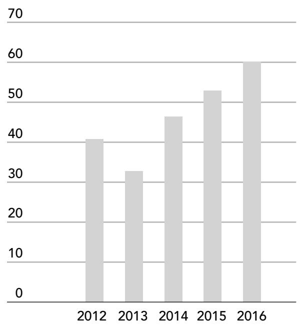
Interest Coverage Ratio

Times



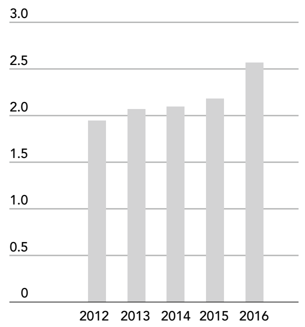
Earnings per Share

Yen



Unrealized Gain on Rental Properties

Trillions of yen



Years ended March 31

Consolidated Balance Sheets

Mitsubishi Estate Co., Ltd. and Consolidated Subsidiaries
March 31, 2016 and 2015

	Millions of yen 2016	Millions of yen 2015	Thousands of U.S. dollars (Note 2) 2016
Assets			
Current assets:			
Cash on hand and in banks (Notes 13 and 15)	¥ 412,983	¥ 197,169	$ 3,665,098
Notes and accounts receivable – trade (Note 13)	35,261	35,873	312,936
Marketable securities (Notes 13 and 14)	14	2,179	126
Allowance for doubtful receivables	(528)	(571)	(4,687)
Inventories (Note 3)	439,044	382,651	3,896,386
Equity investments (Notes 13 and 14)	276,842	251,249	2,456,887
Deferred income taxes (Note 7)	14,552	17,010	129,152
Other current assets	55,764	65,244	494,892
Total current assets	1,233,935	950,806	10,950,792
Investments:			
Investments in and advances to unconsolidated subsidiaries and affiliates (Note 13)	20,688	19,167	183,602
Investment securities (Notes 5, 13 and 14)	196,296	261,792	1,742,074
Asset for retirement benefits (Note 6)	9,810	23,194	87,065
Other investments (Notes 4 and 13)	176,092	169,814	1,562,763
Total investments	402,888	473,968	3,575,506
Property and equipment (Note 5):			
Land	1,955,451	1,839,707	17,354,022
Land in trust	549,811	532,774	4,879,402
Buildings and structures	2,217,339	2,155,976	19,678,197
Machinery and equipment and other	137,754	135,985	1,222,530
Construction in progress	122,261	90,694	1,085,031
	4,982,617	4,755,139	44,219,184
Less accumulated depreciation	(1,431,555)	(1,409,125)	(12,704,607)
Property and equipment, net	3,551,062	3,346,013	31,514,577
Intangible and other assets	123,954	130,737	1,100,055
Total assets	¥ 5,311,840	¥ 4,901,526	$ 47,140,931

See accompanying notes to consolidated financial statements.

	Millions of yen 2016	Millions of yen 2015	Thousands of U.S. dollars (Note 2) 2016
Liabilities and net assets			
Current liabilities:			
Short-term borrowings and current portion of long-term debt (Notes 5 and 13)	¥ 344,800	¥ 232,724	$ 3,059,998
Notes and accounts payable – trade (Note 13)	58,331	95,632	517,671
Accrued income taxes (Note 7)	22,903	9,934	203,261
Advances and deposits	152,660	105,053	1,354,815
Accrued expenses and other current liabilities	92,181	76,362	818,081
Total current liabilities	670,877	519,707	5,953,829
Long-term liabilities:			
Long-term debt (Notes 5 and 13)	1,939,426	1,689,387	17,211,809
Lease deposits received (Note 13)	393,309	381,605	3,490,499
Liability for retirement benefits (Note 6)	32,464	23,068	288,109
Deferred income taxes (Note 7)	446,117	486,752	3,959,157
Negative goodwill	83,827	77,172	743,946
Other non-current liabilities	86,636	83,669	768,870
Total long-term liabilities	2,981,782	2,741,655	26,462,393
Total liabilities	3,652,660	3,261,362	32,416,223
Net assets:			
Shareholders' equity (Note 8):			
Common stock, without par value:			
Authorized – 1,980,000,000 shares;			
Issued – 1,390,397,097 shares in 2016 and 2015	141,373	141,373	1,254,643
Capital surplus	161,188	162,638	1,430,496
Retained earnings	600,116	538,687	5,325,850
Less treasury stock, at cost	(5,385)	(5,259)	(47,793)
Total shareholders' equity	897,293	837,440	7,963,197
Accumulated other comprehensive income:			
Unrealized holding gain on securities	89,945	127,609	798,236
Deferred gain (loss) on hedging instruments	(30)	(5)	(272)
Land revaluation reserve	521,248	504,756	4,625,922
Foreign currency translation adjustments	13,900	20,798	123,359
Retirement benefits liability adjustments (Note 6)	(12,676)	5,238	(112,498)
Total accumulated other comprehensive income	612,387	658,398	5,434,747
Stock acquisition rights	529	500	4,696
Non-controlling interests	148,970	143,825	1,322,067
Contingent liabilities (Note 11)			
Total net assets	1,659,180	1,640,163	14,724,708
Total liabilities and net assets	¥5,311,840	¥4,901,526	$47,140,931

Consolidated Statements of Income

Mitsubishi Estate Co., Ltd. and Consolidated Subsidiaries
Years ended March 31, 2016 and 2015

	Millions of yen		Thousands of U.S. dollars (Note 2)
	2016	2015	2016
Revenue from operations	¥1,009,408	¥1,110,259	$ 8,958,183
Cost of revenue from operations	(756,820)	(869,318)	(6,716,542)
Selling, general and administrative expenses	(86,388)	(84,609)	(766,674)
Operating income	166,199	156,332	1,474,966
Other income (expenses):			
Interest and dividend income	4,840	4,865	42,957
Interest expenses	(20,189)	(21,099)	(179,173)
Equity in earnings of unconsolidated subsidiaries and affiliates	605	1,372	5,371
Other, net (Note 12)	(9,605)	(41,269)	(85,246)
	(24,349)	(56,131)	(216,090)
Income before income taxes	141,850	100,201	1,258,875
Income taxes (Note 7):			
Current	(43,994)	(23,190)	(390,436)
Deferred	422	9,814	3,749
	(43,571)	(13,375)	(386,687)
Profit	98,278	86,825	872,188
Profit attributable to:			
Non-controlling interests	(14,851)	(13,487)	(131,801)
Shareholders of Mitsubishi Estate Co., Ltd.	¥ 83,426	¥ 73,338	$ 740,387

See accompanying notes to consolidated financial statements.

Consolidated Statements of Comprehensive Income

Mitsubishi Estate Co., Ltd. and Consolidated Subsidiaries
Years ended March 31, 2016 and 2015

	Millions of yen		Thousands of U.S. dollars (Note 2)
	2016	2015	2016
Profit	¥ 98,278	¥ 86,825	$ 872,188
Other comprehensive income (Note 21):			
Unrealized holding gain (loss) on securities	(37,665)	51,636	(334,272)
Deferred gain (loss) on hedging instruments	4	(46)	43
Land revaluation reserve	15,320	28,832	135,964
Foreign currency translation adjustments	(5,810)	28,255	(51,563)
Retirement benefits liability adjustments	(17,907)	9,866	(158,926)
Share of other comprehensive income (loss) of companies accounted for by the equity method	(586)	1,279	(5,200)
Total other comprehensive income (loss)	(46,644)	119,824	(413,955)
Comprehensive income (Note 21)	¥ 51,633	¥206,650	$ 458,233
Total comprehensive income attributable to:			
Shareholders of Mitsubishi Estate Co., Ltd.	¥ 36,255	¥192,734	$ 321,755
Non-controlling interests	¥ 15,378	¥ 13,915	$ 136,477

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, 2016 and 2015

Millions of yen

	Shareholders' equity					Accumulated other comprehensive income	
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity	Unrealized holding gain on securities	Deferred gain (loss) on hedging instruments
Balance at April 1, 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)		
Profit attributable to owners of parent			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 related to transactions with non-controlling shareholders		(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 April 1, 2015	141,373	162,638	538,687	(5,259)	837,440	127,609	(5)
Cumulative effect of changes in accounting policy							
Restated balance at April 1, 2015	141,373	162,638	538,687	(5,259)	837,440	127,609	(5)
Changes in the year:							
Cash dividends paid			(20,812)		(20,812)		
Profit attributable to owners of parent			83,426		83,426		
Purchase of treasury stock				(228)	(228)		
Disposal of treasury stock		(3)	(25)	102	73		
Land revaluation reserve (Note 1-h)			(1,160)		(1,160)		
Changes in the scope of consolidation							
Changes in equity related to transactions with non-controlling shareholders		(1,446)			(1,446)		
Net change in items other than those in shareholders' equity						(37,663)	(25)
Total of changes in the year	—	(1,449)	61,428	(126)	59,852	(37,663)	(25)
Balance at March 31, 2016	¥141,373	¥161,188	¥600,116	¥(5,385)	¥897,293	¥ 89,945	¥ (30)

Millions of yen

	Accumulated other comprehensive income						
	Land revaluation reserve	Foreign currency translation adjustments	Retirement benefits liability adjustments (Note 6)	Total accumulated other comprehensive income	Stock acquisition rights	Non-controlling interests	Total net assets
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)
Profit attributable to owners of parent							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 related to transactions with non-controlling shareholders							(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 April 1, 2015	504,756	20,798	5,238	658,398	500	143,825	1,640,163
Cumulative effect of changes in accounting policy							—
Restated balance at April 1, 2015	504,756	20,798	5,238	658,398	500	143,825	1,640,163
Changes in the year:							
Cash dividends paid							(20,812)
Profit attributable to owners of parent							83,426
Purchase of treasury stock							(228)
Disposal of treasury stock							73
Land revaluation reserve (Note 1-h)							(1,160)
Changes in the scope of consolidation							—
Changes in equity related to transactions with non-controlling shareholders							(1,446)
Net change in items other than those in shareholders' equity	16,492	(6,898)	(17,914)	(46,010)	29	5,145	(40,836)
Total of changes in the year	16,492	(6,898)	(17,914)	(46,010)	29	5,145	19,016
Balance at March 31, 2016	¥521,248	¥13,900	¥(12,676)	¥612,387	¥529	¥148,970	¥1,659,180

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, 2016 and 2015

Thousands of U.S. dollars (Note 2)

	Shareholders' equity					Accumulated other comprehensive income	
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity	Unrealized holding gain on securities	Deferred gain (loss) on hedging instruments
Balance at April 1, 2014	$1,254,643	$1,513,006	$4,133,456	$(42,699)	$6,858,406	$ 674,225	$ 1,109
Cumulative effect of changes in accounting policy			(7,897)		(7,897)		
Restated balance at April 1, 2014	1,254,643	1,513,006	4,125,559	(42,699)	6,850,509	674,225	1,109
Changes in the year:							
Cash dividends paid			(147,774)		(147,774)		
Profit attributable to owners of parent			650,854		650,854		
Purchase of treasury stock				(4,942)	(4,942)		
Disposal of treasury stock		28		969	997		
Land revaluation reserve (Note 1-h)			153,283		153,283		
Changes in the scope of consolidation			(1,234)		(1,234)		
Changes in equity related to transactions with non-controlling shareholders		(69,671)			(69,671)		
Net change in items other than those in shareholders' equity						458,265	(1,154)
Total of changes in the year	—	(69,643)	655,129	(3,972)	581,512	458,265	(1,154)
Balance at April 1, 2015	1,254,643	1,443,363	4,780,688	(46,672)	7,432,022	1,132,491	(44)
Cumulative effect of changes in accounting policy							
Restated balance at April 1, 2015	1,254,643	1,443,363	4,780,688	(46,672)	7,432,022	1,132,491	(44)
Changes in the year:							
Cash dividends paid			(184,700)		(184,700)		
Profit attributable to owners of parent			740,387		740,387		
Purchase of treasury stock				(2,028)	(2,028)		
Disposal of treasury stock		(28)	(226)	907	653		
Land revaluation reserve (Note 1-h)			(10,298)		(10,298)		
Changes in the scope of consolidation							
Changes in equity related to transactions with non-controlling shareholders		(12,838)			(12,838)		
Net change in items other than those in shareholders' equity						(334,254)	(227)
Total of changes in the year	—	(12,866)	545,161	(1,120)	531,174	(334,254)	(227)
Balance at March 31, 2016	$1,254,643	$1,430,496	$5,325,850	$(47,793)	$7,963,197	$ 798,236	$ (272)

Thousands of U.S. dollars (Note 2)

	Accumulated other comprehensive income						
	Land revaluation reserve	Foreign currency translation adjustments	Retirement benefits liability adjustments (Note 6)	Total accumulated other compre-hensive income	Stock acquisition rights	Non-controlling interests	Total net assets
Balance at April 1, 2014	$4,376,585	$ (73,212)	$ (42,138)	$4,936,567	$4,392	$1,043,135	$12,842,503
Cumulative effect of changes in accounting policy							(7,897)
Restated balance at April 1, 2014	4,376,585	(73,212)	(42,138)	4,936,567	4,392	1,043,135	12,834,605
Changes in the year:							
Cash dividends paid							(147,774)
Profit attributable to owners of parent							650,854
Purchase of treasury stock							(4,942)
Disposal of treasury stock							997
Land revaluation reserve (Note 1-h)							153,283
Changes in the scope of consolidation							(1,234)
Changes in equity related to transactions with non-controlling shareholders							(69,671)
Net change in items other than those in shareholders' equity	102,974	257,796	88,629	906,512	45	233,266	1,139,825
Total of changes in the year	102,974	257,796	88,629	906,512	45	233,266	1,721,338
Balance at April 1, 2015	4,479,559	184,584	46,490	5,843,080	4,438	1,276,402	14,555,944
Cumulative effect of changes in accounting policy							—
Restated balance at April 1, 2015	4,479,559	184,584	46,490	5,843,080	4,438	1,276,402	14,555,944
Changes in the year:							
Cash dividends paid							(184,700)
Profit attributable to owners of parent							740,387
Purchase of treasury stock							(2,028)
Disposal of treasury stock							653
Land revaluation reserve (Note 1-h)							(10,298)
Changes in the scope of consolidation							—
Changes in equity related to transactions with non-controlling shareholders							(12,838)
Net change in items other than those in shareholders' equity	146,362	(61,224)	(158,988)	(408,332)	257	45,665	(362,410)
Total of changes in the year	146,362	(61,224)	(158,988)	(408,332)	257	45,665	168,764
Balance at March 31, 2016	$4,625,922	$123,359	$(112,498)	$5,434,747	$4,696	$1,322,067	$14,724,708

See accompanying notes to consolidated financial statements.

Consolidated Statements of Cash Flows

Mitsubishi Estate Co., Ltd. and Consolidated Subsidiaries
Years ended March 31, 2016 and 2015

	Millions of yen		Thousands of U.S. dollars (Note 2)
	2016	2015	2016
Cash flows from operating activities			
Income before income taxes and minority interests	¥ 141,850	¥ 100,201	$ 1,258,875
Depreciation and amortization	74,245	72,696	658,904
(Gain) loss on sales or disposal of property and equipment	2,931	(31,727)	26,017
(Gain) loss on sales of securities	(11,350)	(81)	(100,735)
Impairment loss	2,561	73,725	22,734
Equity in net income of affiliates	(605)	(1,372)	(5,371)
Increase (decrease) in allowances	15,525	317	137,784
Increase (decrease) in liability for retirement benefits	(2,780)	309	(24,673)
Interest and dividend income	(4,840)	(4,865)	(42,957)
Interest expense	20,189	21,099	179,173
(Increase) decrease in notes and accounts receivable	(900)	(5,957)	(7,988)
(Increase) decrease in inventories	(33,202)	110,219	(294,658)
(Increase) decrease in equity investments	(32,487)	(35,973)	(288,312)
Increase (decrease) in notes and accounts payable	(41,614)	(9,708)	(369,316)
Increase (decrease) in lease deposits received	11,489	(1,729)	101,964
Other	32,289	(36,567)	286,558
Subtotal	173,301	250,585	1,537,998
Interest and dividends received	5,312	5,120	47,145
Interest paid	(19,210)	(21,267)	(170,483)
Income taxes paid	(23,582)	(34,360)	(209,283)
Net cash provided by (used in) operating activities	135,821	200,078	1,205,376
Cash flows from investing activities			
Proceeds from sales of marketable securities	10	110	88
Proceeds from sales of property and equipment	21,840	165,888	193,825
Purchases of property and equipment	(273,365)	(176,877)	(2,426,035)
Proceeds from sales of investment securities	18,055	514	160,239
Purchases of investment securities	(1,548)	(832)	(13,741)
Proceeds from sales of investments in subsidiaries resulting in change in scope of consolidation	10,978	—	97,427
Purchase of investments in subsidiaries resulting in change in scope of consolidation (Note 15)	(3,040)	(34,441)	(26,986)
Other	(3,932)	(928)	(34,902)
Net cash used in investing activities	(231,003)	(46,568)	(2,050,084)
Cash flows from financing activities			
Net increase and decrease in short-term borrowings	26,262	10,219	233,068
Net increase and decrease in commercial paper	(28,000)	28,000	(248,491)
Increase in long-term borrowings	247,372	286,762	2,195,355
Repayment of long-term borrowings	(115,717)	(446,958)	(1,026,956)
Proceeds from issuance of corporate bonds	255,781	41,290	2,269,981
Repayment of corporate bonds	(39,055)	(58,068)	(346,608)
Purchase of investments in subsidiaries that do not result in change in scope of consolidation	—	(32,570)	—
Cash dividends paid	(20,670)	(16,656)	(183,446)
Other	(16,735)	(1,128)	(148,518)
Net cash provided by (used in) financing activities	309,237	(189,109)	2,744,383
Effect of exchange rate changes on cash and cash equivalents	(153)	1,235	(1,358)
Net increase (decrease) in cash and cash equivalents	213,902	(34,363)	1,898,317
Cash and cash equivalents at beginning of year	198,489	224,739	1,761,536
Increase in cash and cash equivalents arising from newly consolidated subsidiaries	—	6,658	—
Increase in cash and cash equivalents resulting from share transfer	—	1,455	—
Cash and cash equivalents at end of year (Note 15)	¥ 412,392	¥ 198,489	$ 3,659,853

See accompanying notes to consolidated financial statements.

Notes to Consolidated Financial Statements

Mitsubishi Estate Co., Ltd. and Consolidated Subsidiaries
Years ended March 31, 2016 and 2015

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, 2016 and 2015 is presented in Note 15.

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

g. Inventories
Inventories are mainly stated at cost, determined by the identified cost method. Net book value of inventories in the consolidated balance sheets is written down when their net realizable values decline.

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

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

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

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

Buildings and structures	2 to 75 years

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

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

The retirement benefit obligation for employees is attributed to each period by the 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 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 8 for more information.

o. Standards issued but not yet effective
("Implementation Guidance on Recoverability of Deferred Tax Assets")

On March 28, 2016, the Accounting Standards Board of Japan (ASBJ) issued "Revised Implementation Guidance on Recoverability of Deferred Tax Assets" (ASBJ Guidance No. 26).

(1) Overview

Regarding the treatment of the recoverability of deferred tax assets, a review was conducted following the framework of the Japanese Institute of Certified Public Accountants Audit Committee Report No. 66 "Audit Treatment on Determining the Recoverability of Deferred Tax Assets," whereby companies are categorized into five categories and deferred tax assets are calculated based on each of these categories.

(a) Treatment of companies that do not satisfy any of the category requirements for (Category 1) through (Category 5)
(b) Category requirements for (Category 2) and (Category 3)
(c) Treatment related to future deductible temporary differences which cannot be scheduled in companies that qualify as (Category 2).
(d) Treatment related to the reasonable estimable period of future pre-adjusted taxable income in companies that qualify as (Category 3)
(e) Treatment in cases that companies that satisfy the category requirements for (Category 4) but qualify as (Category 2) or (Category 3)

(2) Scheduled date of adoption

The Company expects to adopt the revised implementation guidance from the beginning of the fiscal year ending March 31, 2017.

(3) Impact of adopting revised implementation guidance

The Company is currently evaluating the effect of adopting this revised implementation guidance on its consolidated financial statements.

("Practical Solution on a Change in Depreciation Method Due to Tax Reform 2016")

(ASBJ PITF No. 32, June 17, 2016)

(1) Overview

Under the Tax Reform 2016, "Practical Solution on a change in depreciation method" was published to respond to a review on eliminating the declining-balance method and requiring the straight-line method to be applied for building fixtures and structures acquired on or after April 1, 2016 under the Corporation Tax Law of Japan.

(2) Scheduled date of adoption

The Company expects to adopt the change from the beginning of the fiscal year ending March 31, 2017.

(3) Impact of adopting revised practical solution

The Company is currently evaluating the effect of adopting the change on its consolidated financial statements.

p. Changes in accounting estimates
For the treatment of polychlorinated biphenyl (PCB) wastes under the Law concerning Special Measures for Promotion of Proper Treatment of PCB Wastes, a provision for environmental measures of ¥5,068 million ($44,978 thousand) was recorded as extraordinary loss from the fiscal year ended March 31, 2016, since the materiality of the estimated amount has increased. As a result of this change, income before income taxes decreased by ¥5,068 million ($44,978 thousand).

2 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 ¥112.68 = U.S.$1.00, the approximate rate of exchange prevailing on March 31, 2016. 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.

3 INVENTORIES

Inventories at March 31, 2016 and 2015 are summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2016	2015	2016
Real estate for sale	¥ 54,827	¥ 52,102	$ 486,578
Land and housing projects in progress	366,354	314,305	3,251,284
Land held for development	8,905	8,646	79,033
Other	8,956	7,596	79,489
Total	¥439,044	¥382,651	$3,896,386

4 OTHER INVESTMENTS

Other investments at March 31, 2016 and 2015 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2016	2015	2016
Lease deposits	¥115,382	¥112,397	$1,023,982
Long-term prepaid expenses and other	60,709	57,417	538,781
Total	¥176,092	¥169,814	$1,562,763

5 SHORT-TERM BORROWINGS AND LONG-TERM DEBT

At March 31, 2016 and 2015, short-term borrowings and the current portion of long-term debt consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2016	2015	2016
Loans, principally from banks	¥103,125	¥ 77,881	$ 915,205
Commercial paper	—	28,000	—
Current portion of long-term debt	241,675	126,842	2,144,793
Total	¥344,800	¥232,724	$3,059,998

The weighted-average interest rates per annum on short-term borrowings outstanding at March 31, 2016 and 2015 were 0.37% and 0.53%, respectively. Short-term borrowings are principally unsecured.

At March 31, 2016 and 2015, long-term debt consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2016	2015	2016
1.295% unsecured bonds due 2015	—	¥ 10,000	—
1.572% unsecured bonds due 2015	—	10,000	—
1.443% unsecured bonds due 2016	¥ 15,000	15,000	$ 133,120
1.985% unsecured bonds due 2016	10,000	10,000	88,746
1.88% unsecured bonds due 2016	10,000	10,000	88,746
0.553% unsecured bonds due 2016	15,000	15,000	133,120
0.459% unsecured bonds due 2016	10,000	10,000	88,746
1.79% unsecured bonds due 2017	10,000	10,000	88,746
0.428% unsecured bonds due 2017	20,000	20,000	177,493
2.045% unsecured bonds due 2017	10,000	10,000	88,746
1.825% unsecured bonds due 2017	10,000	10,000	88,746
3.125% unsecured bonds due 2017	10,000	10,000	88,746
1.77% unsecured bonds due 2017	20,000	20,000	177,493
0.187% unsecured bonds due 2018	15,000	15,000	133,120
1.65% unsecured bonds due 2018	10,000	10,000	88,746
2.005% unsecured bonds due 2018	10,000	10,000	88,746
0.811% unsecured bonds due 2018	10,000	10,000	88,746
3% unsecured bonds due 2018	10,000	10,000	88,746
1.84% unsecured bonds due 2018	15,000	15,000	133,120
1.72% unsecured bonds due 2018	10,000	10,000	88,746
0.631% unsecured bonds due 2019	10,000	10,000	88,746
1.87% unsecured bonds due 2019	15,000	15,000	133,120
1.62% unsecured bonds due 2019	10,000	10,000	88,746
0.571% unsecured bonds due 2019	10,000	10,000	88,746
1.53% unsecured bonds due 2019	10,000	10,000	88,746
1.975% unsecured bonds due 2019	10,000	10,000	88,746
1.805% unsecured bonds due 2019	10,000	10,000	88,746
2.5% unsecured bonds due 2020	10,000	10,000	88,746
1.165% unsecured bonds due 2020	10,000	10,000	88,746
0.577% unsecured bonds due 2020	15,000	15,000	133,120
0.54% unsecured bonds due 2021	15,000	15,000	133,120
1.262% unsecured bonds due 2021	15,000	15,000	133,120
1.103% unsecured bonds due 2021	20,000	20,000	177,493
1.095% unsecured bonds due 2021	10,000	10,000	88,746
1.178% unsecured bonds due 2022	20,000	20,000	177,493
1.087% unsecured bonds due 2022	20,000	20,000	177,493
1.026% unsecured bonds due 2022	30,000	30,000	266,240
2.42% unsecured bonds due 2022	10,000	10,000	88,746
0.929% unsecured bonds due 2022	10,000	10,000	88,746
1.5% unsecured bonds due 2022	10,000	10,000	88,746
2.075% unsecured bonds due 2023	10,000	10,000	88,746
2.28% unsecured bonds due 2024	10,000	10,000	88,746
1.067% unsecured bonds due 2024	10,000	10,000	88,746
0.643% unsecured bonds due 2024	20,000	20,000	177,493
2.305% unsecured bonds due 2027	10,000	10,000	88,746

		Millions of yen	Thousands of U.S. dollars
	2016	2015	2016
2.385% unsecured bonds due 2027	10,000	10,000	88,746
2.52% unsecured bonds due 2027	15,000	15,000	133,120
2.425% unsecured bonds due 2027	10,000	10,000	88,746
2.555% unsecured bonds due 2028	10,000	10,000	88,746
2.9% unsecured bonds due 2032	10,000	10,000	88,746
2.615% unsecured bonds due 2032	10,000	10,000	88,746
2.04% unsecured bonds due 2032	20,000	20,000	177,493
1.72% unsecured bonds due 2033	10,000	10,000	88,746
1.02% interest deferrable and early redeemable subordinated unsecured bonds due 2076	75,000	—	665,601
3ML+88bp interest deferrable and early redeemable subordinated unsecured bonds due 2076	75,000	—	665,601
1.33% interest deferrable and early redeemable subordinated unsecured bonds due 2076	70,000	—	621,228
1.48% interest deferrable and early redeemable subordinated unsecured bonds due 2076	30,000	—	266,240
Floating rate bonds due 2015 (payable in U.S. dollars)	—	20,225	—
Floating rate bonds due 2016 (payable in U.S. dollars)	8,023	—	71,206
Loans from banks and insurance companies:			
Secured	46,369	51,886	411,510
Unsecured	1,231,709	1,079,117	10,931,038
	2,181,102	1,816,230	19,356,602
Less current portion	(241,675)	(126,842)	(2,144,793)
	¥1,939,426	¥1,689,387	$17,211,809

The aggregate annual maturities of long-term debt subsequent to March 31, 2016 are summarized as follows:

Year ending March 31,	Millions of yen	Thousands of U.S. dollars
2017	¥ 241,651	$ 2,144,584
2018	227,678	2,020,578
2019	206,166	1,829,659
2020	232,002	2,058,951
2021	165,642	1,470,023
2022 and thereafter	1,107,936	9,832,596
Total	¥2,181,078	$19,356,393

The assets pledged as collateral for short-term borrowings of ¥100 million ($887 thousand), long-term debt of ¥46,369 million ($411,510 thousand) and other non-current liabilities of ¥5,106 million ($45,321 thousand) at March 31, 2016 were as follows:

	Millions of yen	Thousands of U.S. dollars
Buildings and structures	¥112,625	$ 999,519
Machinery and equipment	1,658	14,715
Land	178,669	1,585,638
Other property and equipment	0	6
Investment securities	68	610
Total	¥293,023	$2,600,490

6 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, 2016 and 2015 are as follows:

		Millions of yen	Thousands of U.S. dollars
	2016	2015	2016
Retirement benefit obligation at the beginning of the year	¥119,284	¥109,844	$1,058,612
Cumulative effect of changes in accounting principle	—	1,370	—
Restated balance at the beginning of the year	119,284	111,215	1,058,612
Service cost	4,603	4,627	40,858
Interest cost	1,811	1,742	16,075
Actuarial gain and loss	13,966	2,877	123,945
Retirement benefits paid	(5,293)	(4,704)	(46,981)
Translation adjustments	12	2,523	111
Other	(120)	1,001	(1,073)
Retirement benefit obligation at the end of the year	¥134,263	¥119,284	$1,191,548

The changes in plan assets during the years ended March 31, 2016 and 2015 are as follows:

		Millions of yen	Thousands of U.S. dollars
	2016	2015	2016
Plan assets at the beginning of the year	¥119,099	¥ 95,509	$1,056,972
Expected return on plan assets	3,089	2,560	27,416
Actuarial gain and loss	(11,207)	17,251	(99,461)
Contributions by the Company	4,168	4,300	36,993
Retirement benefits paid	(3,879)	(3,003)	(34,433)
Translation adjustments	9	1,688	84
Other	25	793	223
Plan assets at the end of the year	¥111,304	¥119,099	$ 987,794

The following table sets forth the funded status of the plans and the amounts recognized in the consolidated balance sheet as of March 31, 2016 and 2015 for the Company's and the consolidated subsidiaries' defined benefit plans:

		Millions of yen	Thousands of U.S. dollars
	2016	2015	2016
Funded retirement benefit obligation	¥ 118,193	¥ 104,451	$1,048,930
Plan assets at fair value	(111,304)	(119,099)	(987,794)
	6,888	(14,648)	61,136
Unfunded retirement benefit obligation	16,070	14,832	142,617
Net liability for retirement benefits in the balance sheet	22,959	184	203,754
Liability for retirement benefits	32,464	23,068	288,109
Asset for retirement benefits	(9,810)	(23,194)	(87,065)
Other current liabilities	305	310	2,710
Net liability for retirement benefits in the balance sheet	¥ 22,959	¥ 184	$ 203,754

(*) 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, 2016 and 2015 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2016	2015	2016
Service cost	¥ 4,603	¥ 4,627	$ 40,858
Interest cost	1,811	1,742	16,075
Expected return on plan assets	(3,089)	(2,560)	(27,416)
Amortization of actuarial loss	(690)	712	(6,132)
Amortization of prior service cost	(107)	(77)	(956)
Other	135	231	1,205
Retirement benefit expense	¥ 2,663	¥ 4,676	$ 23,633

(*) 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, 2016 and 2015 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2016	2015	2016
Prior service cost	¥ (107)	¥ (77)	$ (956)
Actuarial gain and loss	(25,864)	15,086	(229,539)
Total	¥(25,972)	¥15,009	$(230,496)

The components of retirement benefits liability adjustments included in accumulated other comprehensive income (before tax effect) as of March 31, 2016 and 2015 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2016	2015	2016
Unrecognized prior service cost	¥ 225	¥ 386	$ 2,003
Unrecognized actuarial gain and loss	(19,599)	6,206	(173,936)
Total	¥(19,373)	¥6,592	$(171,933)

The fair values of plan assets, by major category, as a percentage of total plan assets as of March 31, 2016 and 2015 are as follows:

	2016	2015
Bonds	22%	20%
Stocks	54%	58%
General accounts	11%	10%
Other	13%	12%
Total	100%	100%

(*) Approximately 40% and 44% of total plan assets were held in the retirement benefit trust as of March 31, 2016 and 2015, 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:

	2016	2015
Discount rates	0.0~3.85%	0.7~4.65%
Expected rates of return on plan assets	1.0~6.75%	1.0~7.0%
Rates of salary increase	0.4~4.0%	0.4~4.0%

The required contribution to defined contribution plans by the consolidated subsidiaries for the years ended March 31, 2016 and 2015 were ¥160 million ($1,424 thousand) and ¥240 million, respectively.

7 INCOME TAXES

The effective tax rates reflected in the consolidated statements of income for the years ended March 31, 2016 and 2015 differ from the statutory tax rates for the following reasons:

	2016	2015
Statutory tax rate	33.06%	35.64%
Increase (decrease) in income taxes resulting from:		
Different tax rates applied	1.04	(0.23)
Expenses not deductible for income tax purposes	0.27	0.41
Revenues deductible for income tax purposes	(5.54)	(0.63)
Change in valuation allowance	10.68	2.18
Undistributed earnings of affiliates	0.11	0.19
Equity income	(0.10)	(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	(4.76)	(12.26)
Other	(4.04)	0.28
Effective tax rate	30.72%	13.35%

The significant components of deferred tax assets and liabilities as of March 31, 2016 and 2015 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2016	2015	2016
Deferred tax assets:			
Net operating loss carry forwards	¥ 1,646	¥ 2,400	$ 14,615
Liability for retirement benefits	16,567	10,122	147,032
Valuation loss on inventories	12,969	15,422	115,099
Unrealized loss on property and equipment	88,898	93,272	788,943
Unrealized loss on property and equipment by consolidation	11,144	11,326	98,904
Loss on valuation of investment securities	6,250	2,592	55,471
Loss on valuation of equity investments	7,437	5,155	66,002
Land revaluation reserve	26,361	27,005	233,945
Accrued bonuses	2,681	2,618	23,796
Other	50,151	38,251	445,077
Total gross deferred tax assets	224,108	208,167	1,988,889
Valuation allowance	(93,370)	(73,652)	(828,634)
Total deferred tax assets	130,737	134,515	1,160,255
Deferred tax liabilities:			
Reserves under Special Taxation Measures Law	(62,271)	(66,084)	(552,642)
Land revaluation reserve	(265,912)	(280,866)	(2,359,887)
Unrealized gain on property and equipment by consolidation	(113,392)	(116,852)	(1,006,326)
Unrealized gain on property and equipment	(36,668)	(38,727)	(325,418)
Unrealized gain on securities	(36,496)	(56,481)	(323,892)
Other	(31,391)	(34,946)	(278,587)
Total deferred tax liabilities	(546,132)	(593,958)	(4,846,754)
Net deferred tax liabilities	¥(415,394)	¥(459,442)	$(3,686,499)

The "Act for Partial Amendment of the Income Tax Act, etc." (Act No. 15 of 2016) and the "Act for Partial Amendment of the Local Tax Act, etc." (Act No. 13 of 2016) were promulgated on March 31, 2016. As a result, the effective statutory tax rate used to measure the Company's deferred tax assets and liabilities was changed from 32.26% to 30.86% for the temporary differences expected to be realized or settled in the fiscal years beginning April 1, 2016 and 2017, and to 30.62% for the temporary differences expected to be realized or settled from the fiscal year beginning April 1, 2018.

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 ¥6,707 million ($59,524 thousand) as of March 31, 2016.

Furthermore, deferred tax liabilities for land revaluation reserve and unrealized gain on securities decreased by ¥14,936 million ($132,560 thousand) and ¥2,040 million ($18,106 thousand), respectively, while retirement benefits liability adjustments increased by ¥223 million ($1,986 thousand). Also, land revaluation reserve and unrealized gain on securities in net assets increased by the same amounts, respectively, while retirement benefits liability adjustments decreased by the same amounts.

8 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 ¥161,188 million ($1,430,496 thousand), and the legal reserve amounted to ¥21,663 million ($192,259 thousand) at March 31, 2016. 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.

9 AMOUNTS PER SHARE

	Yen		U.S. dollars
Year ended March 31,	2016	2015	2016
Net income:			
Basic	¥60.13	¥52.85	$0.53
Diluted	60.12	52.84	0.53
Cash dividends applicable to the year	16.00	14.00	0.14

	Yen		U.S. dollars
As of March 31,	2016	2015	2016
Net assets	¥1,088.11	¥1,078.11	$9.65

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.

10 LEASES

Future minimum lease payments subsequent to March 31, 2016 on noncancelable operating leases are summarized as follows:

Year ending March 31,	Millions of yen	Thousands of U.S. dollars
2017	¥ 6,489	$ 57,591
2018 and thereafter	177,078	1,571,512
Total	¥183,567	$1,629,103

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, 2016 from noncancelable operating leases is summarized as follows::

Year ending March 31,	Millions of yen	Thousands of U.S. dollars
2017	¥ 243,282	$2,159,055
2018 and thereafter	865,525	7,681,270
Total	¥1,108,807	$9,840,325

11 CONTINGENT LIABILITIES

At March 31, 2016, 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 house purchasers' loans from banks	¥46,812	$415,445
Other	18	163
Total	¥46,830	$415,608

(2) Guarantee for business undertakings

	Millions of yen	Thousands of U.S. dollars
Business undertaking guarantees	¥17,773	$157,735

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	¥34,216	$303,664

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

12 OTHER INCOME (EXPENSES)

The components of "Other, net" in "Other income (expenses)" for the years ended March 31, 2016 and 2015 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2016	2015	2016
Gain on sales of fixed assets	¥ 2,709	¥ 36,551	$ 24,045
Gain on negative goodwill	—	12,256	—
Gain on sales of investment securities	11,350	—	100,735
Reversal of accrued payment	4,098	—	36,377
Reversal of provision for loss on obligation of additional investment	1,262	—	11,204
Loss on disposal of fixed assets	(6,064)	(4,780)	(53,819)
Loss related to retirement of fixed assets	(4,223)	(6,190)	(37,478)
Impairment loss (*1)	(2,561)	(73,725)	(22,734)
Loss on valuation of equity investments	—	(381)	—
Provision for environmental measures	(5,068)	—	(44,978)
Provision for additional investment obligation	—	(1,804)	—
Provision for business transfer	(10,570)	—	(93,808)
Other, net	(539)	(3,195)	(4,788)
	¥ (9,605)	¥(41,269)	$ (85,246)

(*1) Impairment loss
The Company recorded consolidated impairment losses for the following asset groups for the fiscal year ended March 31, 2016:

Major Application	Category	Location
Leased assets, etc. (total 5 groups)	Land, Buildings, etc.	Chiba, Chiba 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, 2016, the book values of 5 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 ¥2,561 million ($22,734 thousand).

The breakdown of such impairment losses was ¥1,665 million ($14,783 thousand) in land and ¥895 million ($7,951 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, 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 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.

The breakdown of such impairment losses was ¥14,084 million in land and ¥59,641 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.

13 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 rates, reducing interest expenses, and hedging the risk of fluctuations in foreign exchange rates and does not enter into derivatives for speculative purposes.

(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 trusts 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 60 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 sheet as of March 31, 2016 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		
						2016
	Carrying Value	Estimated Fair Value	Difference	Carrying Value	Estimated Fair Value	Difference
1) Cash on hand and in banks	¥ 412,983	¥ 412,983	—	$ 3,665,098	$ 3,665,098	—
2) Notes and accounts receivable – trade	35,261			312,936		
Allowance for doubtful receivables(*1)	(528)			(4,687)		
	34,733	34,733	—	308,249	308,249	—
3) Securities and Investment securities						
(i) Held-to-maturity debt securities	405	425	¥ 19	3,601	3,776	$ 174
(ii) Other securities	189,926	189,926	–	1,685,542	1,685,542	—
(iii) Investments in subsidiaries and affiliates	60	587	527	541	5,218	4,677
4) Equity investments	11,129	11,129	—	98,769	98,769	—
Total assets	¥ 649,239	¥ 649,786	¥ 546	$ 5,761,802	$ 5,766,653	$ 4,851
1) Notes and accounts payable – trade	¥ 58,331	¥ 58,331	—	$ 517,671	$ 517,671	—
2) Short-term borrowings	103,125	103,125	—	915,205	915,205	—
3) Current portion of long-term borrowings	163,651	163,651	—	1,452,358	1,452,358	—
4) Current portion of long-term bonds	78,023	78,023	—	692,435	692,435	—
5) Long-term bonds	825,000	874,718	¥49,718	7,321,618	7,762,853	$441,234
6) Long-term borrowings	1,114,426	1,146,046	31,619	9,890,190	10,170,805	280,615
Total liabilities	¥2,342,558	¥2,423,896	¥81,338	$20,789,480	$21,511,330	$721,849

	Millions of yen		
			2015
	Carrying Value	Estimated Fair Value	Difference
1) Cash on hand and in banks	¥ 197,169	¥ 197,169	—
2) Notes and accounts receivable – trade	35,873		
Allowance for doubtful receivables(*1)	(571)		
	35,301	35,301	—
3) Securities and investment securities			
(i) Held-to-maturity debt securities	624	636	¥ 12
(ii) Other securities	257,502	257,502	—
(iii) Investments in subsidiaries and affiliates	60	665	604
4) Equity investments	9,673	9,673	—
Total assets	¥ 500,332	¥ 500,949	¥ 617
1) Notes and accounts payable – trade	¥ 95,632	¥ 95,632	—
2) Short-term borrowings	77,881	77,881	—
3) Current portion of long-term borrowings	86,617	86,617	—
4) Commercial paper	28,000	28,000	—
5) Current portion of long-term bonds	40,225	40,225	—
6) Long-term bonds	645,000	675,272	¥30,272
7) Long-term borrowings	1,044,387	1,054,830	10,443
Total liabilities	¥2,017,744	¥2,058,459	¥40,715

(*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 14. "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 rates 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 16. "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
	2016	2016
(i) Unlisted stocks (*1)	¥ 25,954	$ 230,341
(ii) Equity investments (*2)	265,712	2,358,117
(iii) Lease and guarantee deposit receivables (*3)	115,382	1,023,982
(iv) Lease and guarantee deposit payables (*4)	393,309	3,490,499

	Millions of yen
	2015
(i) Unlisted stocks (*1)	¥ 24,801
(ii) Equity investments (*2)	241,575
(iii) Lease and guarantee deposit receivables (*3)	112,397
(iv) Lease and guarantee deposit payables (*4)	381,605

(*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, 2016	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	¥412,983	—	—	—	$3,665,098	—	—	—
Notes and accounts receivable – trade	35,261	—	—	—	312,936	—	—	—
Marketable securities and investment securities:								
Held-to-maturity debt securities								
National and local government bonds	5	¥195	¥204	—	44	$1,730	$1,810	—
Corporate bonds	—	—	—	—	—	—	—	—
Other	—	—	—	—	—	—	—	—
Other marketable securities with maturities:								
Other	—	108	9	—	—	967	79	—
Total	¥448,249	¥303	¥213	—	$3,978,078	$2,697	$1,890	—

	Millions of yen			
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
Cash on hand and in banks	¥197,169	—	—	—
Notes and accounts receivable – trade	35,873	—	—	—
Marketable securities and investment securities:				
Held-to-maturity debt securities				
National and local government bonds	25	¥170	¥184	—
Corporate bonds	—	243	—	—
Other	—	—	—	—
Other marketable securities with maturities:				
Other	—	54	41	—
Total	¥233,067	¥468	¥225	—

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

	Millions of yen						Thousands of U.S. dollars					
As of March 31, 2016	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	¥ 78,000	¥ 85,000	¥ 65,000	¥ 75,000	¥ 50,000	¥ 550,000	$ 692,225	$ 754,348	$ 576,854	$ 665,601	$ 443,734	$4,881,079
Long-term borrowings	163,651	142,678	141,166	157,002	115,642	557,936	1,452,358	1,266,230	1,252,804	1,393,350	1,026,288	4,951,517
Total	¥241,651	¥227,678	¥206,166	¥232,002	¥165,642	¥1,107,936	$2,144,584	$2,020,578	$1,829,659	$2,058,951	$1,470,023	$9,832,596

	Millions of yen					
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
Corporate bonds	¥ 40,200	¥ 70,000	¥ 85,000	¥ 65,000	¥ 75,000	¥350,000
Long-term borrowings	86,617	173,328	136,473	140,369	153,360	440,855
Total	¥126,817	¥243,328	¥221,473	¥205,369	¥228,360	¥790,855

14 MARKETABLE SECURITIES AND INVESTMENT SECURITIES

Marketable and investment securities classified as other securities at March 31, 2016 and 2015 are summarized as follows:

	Millions of yen			Thousands of U.S. dollars		
	2016			2016		
	Cost	Fair Value	Unrealized Gain (Loss)	Cost	Fair Value	Unrealized Gain (Loss)
Securities whose fair value exceeds their cost:						
Equity securities	¥71,594	¥188,127	¥116,532	$635,376	$1,669,569	$1,034,193
Other	4,491	11,130	6,638	39,864	98,781	58,917
Subtotal	76,086	199,257	123,171	675,240	1,768,350	1,093,110
Securities whose cost exceeds their fair value:						
Equity securities	2,218	1,789	(429)	19,687	15,879	(3,807)
Corporate bonds	—	—	—	—	—	—
Other	142	9	(133)	1,267	82	(1,185)
Subtotal	2,361	1,798	(562)	20,954	15,961	(4,993)
Total	¥78,447	¥201,056	¥122,609	$696,195	$1,784,312	$1,088,117

	Millions of yen		
	2015		
	Cost	Fair Value	Unrealized Gain (Loss)
Securities whose fair value exceeds their cost:			
Equity securities	¥80,318	¥255,360	¥175,042
Other	4,491	9,675	5,183
Subtotal	84,810	265,036	180,225
Securities whose cost exceeds their fair value:			
Equity securities	268	220	(48)
Corporate bonds	10	10	—
Other	2,042	1,909	(133)
Subtotal	2,321	2,139	(181)
Total	¥87,131	¥267,176	¥180,044

Proceeds from sales of securities classified as other securities totaled ¥17,937 million ($159,191 thousand) and ¥89 million for the years ended March 31, 2016 and 2015, respectively. Gross realized gains were ¥11,350 million ($100,735 thousand) and ¥82 million for the years ended March 31, 2016 and 2015, respectively. Gross realized loss was ¥16 million ($150 thousand) for the year ended March 31, 2016.

Marketable debt securities classified as held-to-maturity securities at March 31, 2016 and 2015 are summarized as follows:

	Millions of yen			Thousands of U.S. dollars		
	2016			2016		
	Amortized Cost	Fair Value	Unrealized Gain (Loss)	Amortized Cost	Fair Value	Unrealized Gain (Loss)
Debt securities whose fair value exceeds their cost:						
Government bonds	¥405	¥425	¥19	$3,601	$3,776	$174
Corporate bonds	—	—	—	—	—	—
Subtotal	405	425	19	3,601	3,776	174
Debt securities whose cost exceeds their fair value:						
Government bonds	—	—	—	—	—	—
Corporate bonds	—	—	—	—	—	—
Other	—	—	—	—	—	—
Subtotal	—	—	—	—	—	—
Total	¥405	¥425	¥19	$3,601	$3,776	$174

	Millions of yen		
	2015		
	Amortized Cost	Fair Value	Unrealized Gain (Loss)
Debt securities whose fair value exceeds their cost:			
Government bonds	¥320	¥333	¥12
Corporate bonds	—	—	—
Subtotal	320	333	12
Debt securities whose cost exceeds their fair value:			
Government bonds	59	59	—
Corporate bonds	243	243	(0)
Other	—	—	—
Subtotal	303	303	(0)
Total	¥624	¥636	¥12

15 SUPPLEMENTAL CASH FLOW INFORMATION

The following table represents a reconciliation of cash and cash equivalents as of March 31, 2016 and 2015:

	Millions of yen		Thousands of U.S. dollars
	2016	2015	2016
Cash on hand and in banks	¥412,983	¥197,169	$3,665,098
Time deposits with maturities of more than three months	(605)	(605)	(5,370)
Marketable securities with maturities of three months or less	14	1,925	126
Cash and cash equivalents	¥412,392	¥198,489	$3,659,853

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
	2016	2015	2016
Current assets	¥ 1,169	¥ 948	$ 10,378
Fixed assets	22,974	36,338	203,893
Goodwill	248	14,459	2,209
Current liabilities	(147)	(781)	(1,306)
Fixed liabilities	(19,398)	(4,127)	(172,158)
Non-controlling interests	—	(7,486)	—
Translation adjustments	—	(1,129)	—
Acquisition cost	4,846	38,221	43,015
Unpaid amount	—	(3,628)	—
Acquisition cost before obtaining control	(703)	—	(6,246)
Gain on step acquisition	(95)	—	(849)
Cash and cash equivalents of subsidiary	(1,006)	(151)	(8,933)
Payments for acquisition	¥ 3,040	¥34,441	$ 26,986

16 DERIVATIVES AND HEDGING ACTIVITIES

1. Derivatives to which hedge accounting has not been applied

(1) Currency related transactions

There was no applicable transaction for the fiscal year ended March 31, 2016.

	Millions of yen			
	2015			
Class of transactions	Notional Amount	Due after One Year	Fair Value	Unrealized Gain (Loss)
Forward foreign exchange contracts	¥16,311	—	¥245	¥245
Total	¥16,311	—	¥245	¥245

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		
		2016					
Class of transactions	Subject to hedge 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	¥ 30,634	¥ 30,634	¥(70)	$ 271,875	$ 271,875	$(622)
Interest rate swap contracts by short-cut method Fixed rate payment and floating rate receipt	Long-term borrowings	193,903	189,757	(*)	1,720,828	1,684,038	(*)
Total		¥224,537	¥220,392	¥(70)	$1,992,704	$1,955,914	$(622)

		Millions of yen		
		2015		
Class of transactions	Subject to hedge accounting	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)
Interest rate swap contracts by short-cut method Fixed rate payment and floating rate receipt	Long-term borrowings and Corporate bonds	168,390	163,900	(*)
Total		¥195,634	¥191,145	¥(53)

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 by the short-cut method are handled together with long-term borrowings and corporate bonds that are subject to hedge accounting.

(2) Interest and currency related transactions

		Millions of yen			Thousands of U.S. dollars		
		2016					
Class of transactions	Subject to hedge 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	¥49,400	¥49,400	¥(6,796)	$438,412	$438,412	$(60,319)
Interest rate and currency swap contracts Payment in GBP and receipt in JPY Floating rate payment and fixed rate receipt	Corporate bonds	8,000	—	(611)	70,997	—	(5,428)
Total		¥57,400	¥49,400	¥(7,408)	$509,410	$438,412	$(65,747)

		Millions of yen		
		2015		
Class of transactions	Subject to hedge accounting	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
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)
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)
Total		¥45,200	¥25,000	¥ (490)

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

17 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) Lifestyle Property Business; (3) Residential Business; (4) International Business; (5) Investment Management; (6) Architectural Design and Engineering; (7) Hotel Business; (8) Real Estate Services; and (9) Other businesses.

The Group's reportable segments were changed due to a structural reorganization from the year ended March 31, 2016 as follows: domestic retail and logistics property businesses, which were included in the Building Business segment up to the year ended March 31, 2015, have been included in the newly created Lifestyle Property Business segment, along with development business involving diversified asset types, excluding offices and residential properties. Also, Rockefeller Group International, Inc.'s investment management business, which was included in the International Business segment up to the year ended March 31, 2015, has been included in the Investment Management Business segment. In addition, Mitsubishi Jisho House Net Co., Ltd. has been included in the Residential Business segment instead of the Real Estate Service Business segment.

Segment information for the year ended March 31, 2015 has been restated to reflect these changes.

The reportable segment information of the Company and its consolidated subsidiaries for the years ended March 31, 2016 and 2015 is summarized as follows:

Millions of yen

2016

	Reportable Segments												
	Building Business	Lifestyle Property 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	¥ 415,050	¥ 84,130	¥344,064	¥ 75,578	¥ 24,851	¥13,020	¥32,681	¥19,354	¥1,008,732	¥ 675	¥1,009,408	—	¥1,009,408
Intersegment or transfers	7,298	2,438	1,161	377	143	8,259	407	461	20,547	3,206	23,754	¥ (23,754)	—
Total revenue	422,349	86,569	345,226	75,956	24,994	21,279	33,089	19,815	1,029,280	3,882	1,033,162	(23,754)	1,009,408
Segment income (loss)	108,940	25,842	18,035	19,421	5,082	1,754	1,490	602	181,170	(37)	181,133	(14,933)	166,199
Segment assets	¥3,208,271	¥372,779	¥748,400	¥515,844	¥141,126	¥27,474	¥28,417	¥23,608	¥5,065,923	¥23,501	¥5,089,424	¥222,415	¥5,311,840
Other items													
Depreciation and amortization	43,752	12,288	3,085	7,033	5,413	126	1,527	284	73,512	90	73,602	642	74,245
Capital expenditures	¥ 175,904	¥ 40,272	¥ 29,144	¥ 35,472	¥ 378	¥ 116	¥ 1,295	¥ 433	¥ 283,017	¥ 29	¥ 283,046	¥ 369	¥ 283,416

Thousands of U.S. dollars

2016

	Reportable Segments												
	Building Business	Lifestyle Property 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	$ 3,683,442	$ 746,634	$3,053,468	$ 670,739	$ 220,551	$115,553	$290,036	$171,760	$ 8,952,186	$ 5,997	$ 8,958,183	—	$ 8,958,183
Intersegment or transfers	64,775	21,638	10,309	3,348	1,270	73,297	3,620	4,094	182,354	28,456	210,810	$ (210,810)	—
Total revenue	3,748,217	768,273	3,063,777	674,087	221,822	188,850	293,657	175,855	9,134,541	34,453	9,168,994	(210,810)	8,958,183
Segment income (loss)	966,817	229,344	160,057	172,360	45,108	15,574	13,226	5,344	1,607,832	(332)	1,607,500	(132,533)	1,474,966
Segment assets	$28,472,416	$3,308,306	$6,641,820	$4,577,960	$1,252,450	$243,825	$252,194	$209,520	$44,958,495	$208,567	$45,167,062	$1,973,869	$47,140,931
Other items													
Depreciation and amortization	388,293	109,058	27,384	62,416	48,040	1,125	13,556	2,522	652,396	806	653,203	5,700	658,904
Capital expenditures	$ 1,561,101	$ 357,405	$ 258,646	$ 314,810	$ 3,355	$ 1,030	$ 11,492	$ 3,848	$ 2,511,690	$ 258	$ 2,511,948	$ 3,283	$ 2,515,232

Millions of yen

2015

	Reportable Segments												
	Building Business	Lifestyle Property 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	¥ 477,028	¥103,149	¥381,799	¥ 71,007	¥ 14,769	¥11,628	¥30,341	¥19,599	¥1,109,322	¥ 937	¥1,110,259	—	¥1,110,259
Intersegment or transfers	7,788	2,557	2,088	169	115	7,839	486	944	21,989	2,809	24,799	¥ (24,799)	—
Total revenue	484,816	105,706	383,887	71,176	14,885	19,467	30,827	20,543	1,131,311	3,747	1,135,059	(24,799)	1,110,259
Segment income (loss)	102,820	26,162	11,532	25,901	4,282	663	754	1,105	173,222	16	173,238	(16,906)	156,332
Segment assets	¥3,094,967	¥321,405	¥602,263	¥479,785	¥146,538	¥24,985	¥28,034	¥23,972	¥4,721,954	¥27,696	¥4,749,650	¥151,876	¥4,901,526
Other items													
Depreciation and amortization	48,665	11,294	2,762	6,404	1,029	103	1,322	300	71,883	159	72,042	654	72,696
Capital expenditures	¥ 87,536	¥ 33,168	¥ 22,167	¥ 21,261	¥ 24,927	¥ 677	¥ 3,290	¥ 349	¥ 193,379	¥ 382	¥ 193,762	¥ (2,304)	¥ 191,457

Impairment losses of the Company and its consolidated subsidiaries on fixed assets by reportable segments for the years ended March 31, 2016 and 2015 are summarized as follows:

Millions of yen

2016

	Reportable Segments												
	Building Business	Lifestyle Property 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	—	—	¥451	—	¥860	—	¥35	—	¥1,347	¥1,214	¥2,561	—	¥2,561
													Thousands of U.S. dollars
Impairment loss	—	—	$4,008	—	$7,635	—	$316	—	$11,959	$10,775	$22,734	—	$22,734

Millions of yen

2015

	Reportable Segments												
	Building Business	Lifestyle Property 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

The following table presents the amortization and balance of goodwill as of and for the years ended March 31, 2016 and 2015 by reportable segment:

Millions of yen

2016

	Reportable Segments												
	Building Business	Lifestyle Property 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	¥ 409	¥ 318	¥ 3,030	—	¥ 2,386	—	—	—	¥ 6,144	—	¥ 6,144	—	¥ 6,144
Balance of goodwill	—	—	¥10,094	—	¥16,857	—	—	—	¥ 26,952	—	¥ 26,952	—	¥ 26,952
Amortization of negative goodwill	—	—	—	—	—	—	—	—	—	—	—	—	—
Balance of negative goodwill	¥98,238	¥12,542	—	—	—	—	—	—	¥110,780	—	¥110,780	—	¥110,780

Thousands of U.S. dollars

2016

	Reportable Segments												
	Building Business	Lifestyle Property 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	$ 3,633	$ 2,827	$26,891	—	$ 21,175	—	—	—	$ 54,528	—	$ 54,528	—	$ 54,528
Balance of goodwill	—	—	$89,589	—	$149,603	—	—	—	$239,193	—	$239,193	—	$239,193
Amortization of negative goodwill	—	—	—	—	—	—	—	—	—	—	—	—	—
Balance of negative goodwill	$871,832	$111,308	—	—	—	—	—	—	$983,140	—	$983,140	—	$983,140

Millions of yen

2015

	Reportable Segments												
	Building Business	Lifestyle Property 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	¥ 409	¥ 69	¥ 3,312	—	¥ 875	—	—	—	¥ 4,667	—	¥ 4,667	—	¥ 4,667
Balance of goodwill	—	—	¥13,125	—	¥20,003	—	—	—	¥ 33,128	—	¥ 33,128	—	¥ 33,128
Amortization of negative goodwill	—	—	—	—	—	—	—	—	—	—	—	—	—
Balance of negative goodwill	¥97,828	¥12,472	—	—	—	—	—	—	¥110,301	—	¥110,301	—	¥110,301

Gain on Negative Goodwill

The Company recorded a gain on negative goodwill of ¥12,256 million 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.

18 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, etc.) 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, 2016 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			
	2016							
			Carrying Value	Fair Value			Carrying Value	Fair Value
	As of April 1, 2015	Net Change	As of March 31, 2016	As of March 31, 2016	As of April 1, 2015	Net Change	As of March 31, 2016	As of March 31, 2016
Rental properties	¥3,135,413	¥191,691	¥3,327,104	¥5,792,464	$27,825,818	$1,701,200	$29,527,019	$51,406,326
Real estate including space used as rental properties	182,779	96	182,876	286,600	1,622,110	858	1,622,968	2,543,485

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, 2015 and the fair value of these rental properties and real estate including space used as rental properties are as follows:

	Millions of yen			
	2015			
			Carrying Value	Fair Value
	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
Real estate including space used as rental properties	224,577	(41,798)	182,779	277,955

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, 2016 and 2015 were as follows::

	Millions of yen								Thousands of U.S. dollars			
	2016				2015				2016			
	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	¥413,622	¥280,688	¥132,934	¥(9,997)	¥395,188	¥263,237	¥131,950	¥(1,525)	$3,670,774	$2,491,022	$1,179,752	$(88,729)
Real estate including space used as rental properties	15,909	12,625	3,283	(340)	15,166	15,408	(242)	(44,605)	141,187	112,046	29,141	(3,025)

(*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, and impairment loss, in the amount of ¥71,592 million for the year ended March 31, 2015.

19 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 0.0% and 2.3%.

3. Change in asset retirement obligations during the years ended March 31, 2016 and 2015 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2016	2015	2016
Balance at the beginning of the year	¥1,122	¥1,316	$ 9,964
Increase due to the acquisition of property and equipment	1,586	279	14,075
Adjustments due to the elapse of time	24	22	219
Decrease due to the fulfillment of asset retirement obligations	(43)	(175)	(388)
Other	—	(320)	—
Balance at the end of the year	¥2,689	¥1,122	$23,870

(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 was 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, 2016, 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, 2016, 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.

20 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, 2016 and 2015 and the amounts of these transactions for the years then ended are summarized as follows:

						Millions of yen		Thousands of U.S. dollars	
						2016			
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
Director	Hirotaka Sugiyama	Representative Director of the Company	0.00%	Contract for construction of housing and other	Construction of housing	¥17	—	$154	—

						Millions of yen	
						2015	
Type	Name	Occupation	Ownership ratio of voting shares	Relationship with the related party	Nature of transaction	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	—

Transaction amounts do not include consumption tax.

Transaction amounts are determined in consideration with market prices, the same as general transactions.

21 OTHER COMPREHENSIVE INCOME

The following table presents reclassification and tax effects allocated to each component of other comprehensive income for the years ended March 31, 2016 and 2015:

	Millions of yen		Thousands of U.S. dollars
	2016	2015	2016
Unrealized holding gain (loss) on securities:			
Amount arising during the year	¥(46,472)	¥ 68,920	$(412,430)
Reclassification adjustments for gains and losses included in net income	(11,315)	(27)	(100,424)
Amount before tax effects	(57,788)	68,892	(512,854)
Tax effects	20,122	(17,256)	178,581
Unrealized holding gain (loss) on securities	(37,665)	51,636	(334,272)
Deferred gain (loss) on hedging instruments:			
Amount arising during the year	(416)	(286)	(3,697)
Reclassification adjustments for gains and losses included in net income	399	133	3,549
Amount before tax effects	(16)	(152)	(147)
Tax effects	21	106	191
Deferred gain (loss) on hedging instruments	4	(46)	43
Revaluation reserve for land:			
Tax effects	15,320	28,832	135,964
Foreign currency translation adjustments:			
Amount arising during the year	(5,904)	27,988	(52,401)
Amount before tax effects	(5,904)	27,988	(52,401)
Tax effects	94	267	838
Foreign currency translation adjustments	(5,810)	28,255	(51,563)
Retirement benefits liability adjustments:			
Amount arising during the year	(25,173)	14,373	(223,407)
Reclassification adjustments for gains and losses included in net income	(798)	635	(7,089)
Amount before tax effects	(25,972)	15,009	(230,496)
Tax effects	8,064	(5,142)	71,570
Retirement benefits liability adjustments	(17,907)	9,866	(158,926)
Share of other comprehensive income of companies accounted for by the equity method:			
Amount arising during the year	(586)	1,279	(5,200)
Total other comprehensive income	¥(46,644)	¥119,824	$(413,955)

22 BUSINESS COMBINATION

1. ACQUISITION

Consolidation of Aqua City Investment Tokutei Mokuteki Kaisya

(1) Outline of business combination

i. Name and business of acquired entity
Name: Aqua City Investment Tokutei Mokuteki Kaisya
Business: Holding, developing and disposing of real estate

ii. Objective of acquisition
To increase the flexibility and the swiftness of managerial decision making by purchasing the preferred stocks owned by non-controlling shareholders

iii. Date of acquisition
November 2, 2015

iv. Legal form of acquisition
Purchase of preferred stocks

v. Name of acquired entity subsequent to acquisition
Aqua City Investment Tokutei Mokuteki Kaisya

vi. Change in ownership ratio
Before the acquisition: 16.7%
After the acquisition: 100.0%

vii. Determination of acquirer
As a result of the purchase of the preferred stocks, the Company obtained the substantial control of Aqua City Investment Tokutei Mokuteki Kaisya.

(2) Period for which operating results of acquiree were included in consolidated financial statements of the Company
From November 1, 2015 to January 31, 2016

(3) Consideration transferred for the acquisition

	Millions of yen	Thousands of U.S. dollars
Fair value of preferred stocks already held before the acquisition date	¥ 799	$ 7,095
Cash on hand and in banks	4,047	35,920
Acquisition cost	¥4,846	$43,015

(4) Major acquisition related cost
Omitted due to immateriality

(5) Differences between acquisition cost and total amount of acquisition cost for each transaction during acquisition
¥95 million ($849 thousand)

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

i. Amount: ¥248 million ($2,209 thousand)

ii. Cause: The consideration transferred exceeded the fair value of the net assets acquired.

iii. Method and period of amortization: Expensed in full in the fiscal year ended March 31, 2016

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

	Millions of yen	Thousands of U.S. dollars
Current assets	¥ 1,169	$ 10,378
Fixed assets	22,974	203,893
Total	¥24,144	$214,271

	Millions of yen	Thousands of U.S. dollars
Current liabilities	¥ 147	$ 1,306
Fixed liabilities	19,398	172,158
Total liabilities	¥19,546	$173,465

(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.

23 SIGNIFICANT SUBSEQUENT EVENTS

1. ACQUISITION

(1) Outline of business combination

i. Name and business of acquired entity
Name: DAINIPPON ENTERPRISE INC.
Business: Holding of real estate

ii. Objective of acquisition
To enhance the Company's portfolio value by purchasing the common stocks of the real estate firm

iii. Date of acquisition
July 1, 2016

iv. Legal form of acquisition
Purchase of common stocks

v. Name of acquired entity subsequent to acquisition
DAINIPPON ENTERPRISE INC.

vi. Ratio of voting rights acquired
100.0%

vii. Determination of acquirer
As a result of the purchase of common stocks, the Company obtained the substantial control of DAINIPPON ENTERPRISE INC.

(2) Breakdown of cost and consideration transferred for acquisition
Cash on hand and in banks of ¥56,000 million ($496,982 thousand)

(3) Major acquisition related cost
Omitted due to immateriality

(4) Amount of the recognized goodwill and its cause
The amount is currently being determined.

(5) Assets acquired and liabilities assumed at the acquisition date
The amounts are currently being determined.

Independent Auditor's Report

EY
Building a better working world
Ernst & Young ShinNihon LLC
Hibiya Kokusai Bldg.
2-2-3 Uchisaiwai-cho, Chiyoda-ku
Tokyo 100-0011, Japan
Tel:+81 3 3503 1100
Fax:+81 3 3503 1197
www.shinnihon.or.jp

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, 2016, 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, 2016, 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 2.

Ernst & Young ShinNihon LLC

June 29, 2016
Tokyo, Japan

Principal Mitsubishi Estate Group Companies

■Consolidated Subsidiary □Affiliate Accounted for by the Equity Method

BUILDING BUSINESS

	Company	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				
■	Tokyo Garage Co., Ltd.	Sanno Grand Building, 14-2, Nagatacho 2-chome, Chiyoda-ku, Tokyo 100-0014	+81-3-3504-0610	Operation and management of building garages and sale of various gasoline products	54.9
	District Heating and Cooling Business				
■	Marunouchi Heat Supply Co., Ltd.	Kishimoto Building, 2-1, Marunouchi 2-chome, Chiyoda-ku, Tokyo 100-0005	+81-3-3287-2288	Cooling and heating supply business in the Marunouchi, Otemachi, Yurakucho, and other districts	64.2
■	Ikebukuro District Heating and Cooling Co., Ltd.	World Import Mart Building, Sunshine City, 1 Higashi-Ikebukuro 3-chome, Toshima-ku, Tokyo 170-8630	+81-3-3988-6771	Cooling and heating supply business in the Higashi-Ikebukuro district	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

	Company	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

	Company	Address	Phone	Business activities	Share of voting rights (%)
	Residental Development and Sales Business				
■	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.	6-1, Sanban-cho, Chiyoda-ku, Tokyo 102-0075	+81-3-3556-3888	Business management and operations related to the condominium management business	71.5
■	Mitsubishi Jisho Community Co., Ltd.	6-1, Sanban-cho, Chiyoda-ku, Tokyo 102-0075	+81-3-5213-6100	Overall condominium and building management, renovations, and related 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, and related business	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

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

	Company	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	5 Golden Square London, W1F 9HT, U.K.	+44-20-7292-3180	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

	Company	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

	Company	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

	Company	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

	Company	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	Real estate brokerage, leasing management, parking management, and state appraisal	100.0

OTHERS

	Company	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	37.4

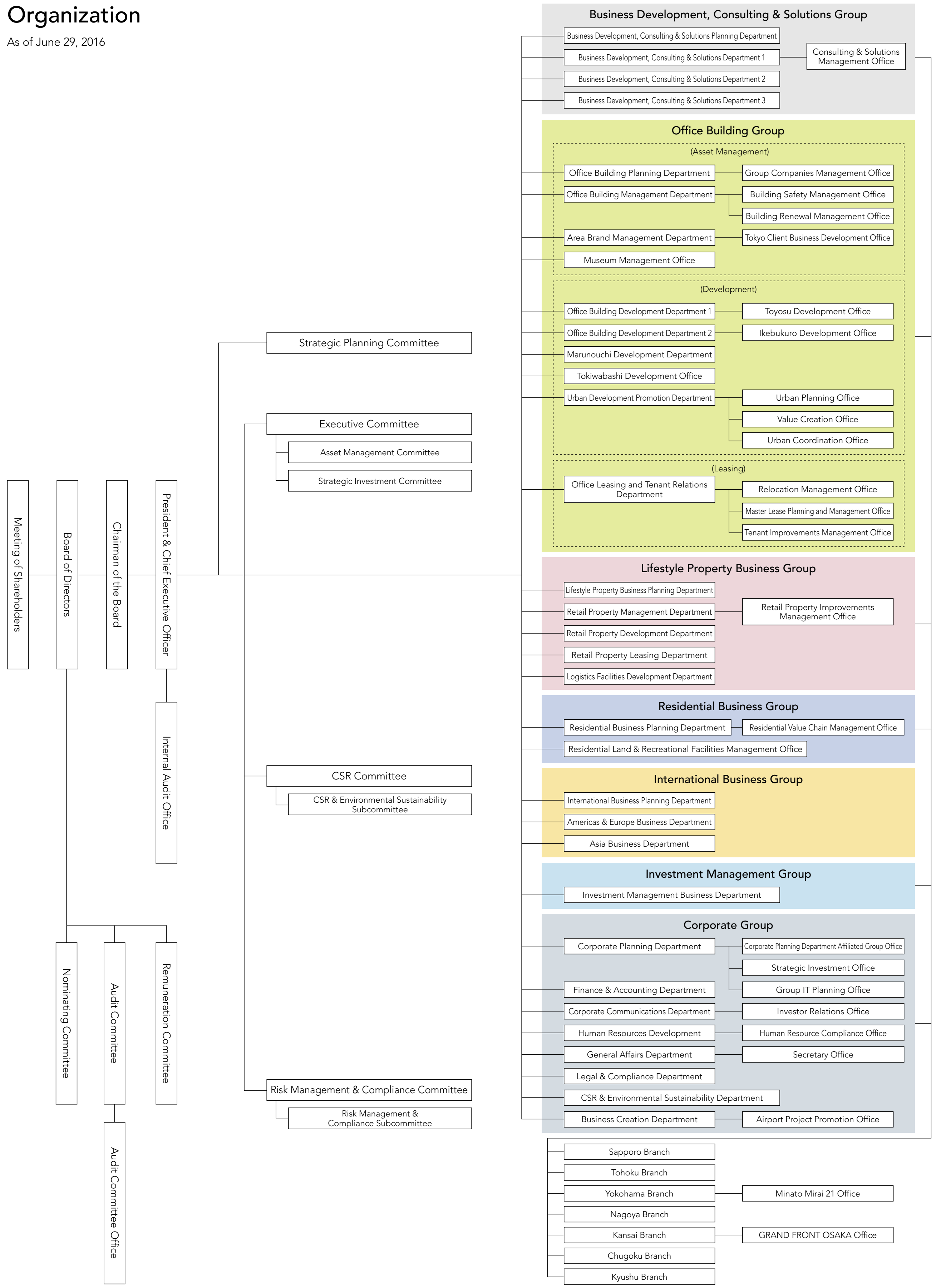
Note: Percentage of voting rights held is as of March 31, 2016

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 completed. Otemon Tower • JX Building completed.
Transitioned to a "Company with Nominating Committee, etc." organizational structure.	2016	OTEMACHI FINANCIAL CITY GRAND CUBE completed.

Organization

As of June 29, 2016



Corporate Information

As of June 29, 2016

Stock Information

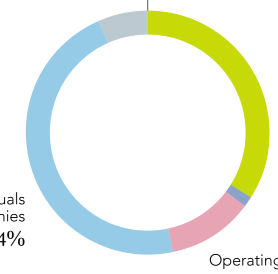
Stock Details

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: 57,967
(Decrease of 1,467 shareholders compared with the end of the previous fiscal year)

Shareholder Composition (Shareholding Percentage)



Major Shareholders	Number of shares held (Thousands of shares)	Shareholding percentage (%)
The Master Trust Bank of Japan, Ltd. (Trust Account)	81,876	5.88
Japan Trustee Services Bank, Ltd. (Trust account)	54,313	3.90
Meiji Yasuda Life Insurance Company	46,882	3.37
CBNY-GOVERNMENT OF NORWAY	37,374	2.68
STATE STREET BANK AND TRUST COMPANY	35,158	2.52
THE BANK OF NEW YORK MELLON SA/NV 10	31,135	2.23
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	25,963	1.86
Asahi Glass Co., Ltd.	22,714	1.63
STATE STREET BANK - WEST PENSION FUND CLIENTS - EXEMPT 505233	21,248	1.52
STATE STREET BANK WEST CLIENT - TREATY 505234	21,072	1.51

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: 700
Consolidated: 8,474

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

Kansai 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.