MITSUBISHI ESTATE

Integrated Report 2018

Pioneering New Value, Pioneering New Possibilities

"A Love for People. A Love for the City"

Forever Taking on New Challenges—The Mitsubishi Estate Group

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 Strive to enrich society, both materially and spiritually, while contributing towards the preservation of the global environment.	**Integrity and Fairness** Maintain principles of transparency and openness, conducting business with integrity and fairness.	**Global Understanding through Business** Expand business, based on an all-encompassing global perspective.

The Mission of the Mitsubishi Estate Group

We contribute to society through urban development

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

The Mitsubishi Estate Group Code of Corporate Conduct

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

1 We will act with integrity

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

2 We will strive to earn the trust of our clients

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

3 We will strive to create a vibrant workplace

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

For details on the Mitsubishi Estate Group Guidelines for Conduct:

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

(Formulated December 1, 1997; revised on August 1, 2002, January 1, 2006, and April 1, 2018)

CONTENTS

A Word about *Integrated Report 2018*

We are adopting this integrated report format starting from fiscal 2018, having published annual reports through to fiscal 2017. With this inaugural integrated report, we have expanded coverage of non-financial information centering on environmental, social, and governance (ESG) compared with prior annual reports. In doing so, we aim to increase readers' awareness of our efforts to raise the corporate value of the Mitsubishi Estate Group from a medium-to-long-term perspective. We hope that this report promotes a deeper understanding of the Group among all our stakeholders, including shareholders and investors.

Definition of Term

"Fiscal 2018" refers to the Group's fiscal year ended March 31, 2018, and other fiscal years are referred to in a corresponding manner.

Caution Concerning Forward-Looking Statements

This integrated 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 at the time of publication. 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.

“Marunouchi Area Development Goes On—As it has in the past, as it will 100 years from now”

1890

Starting from Scratch

Purchase of Marunouchi Land and Vision of a Major Business Center

The history of Tokyo’s Marunouchi area began in 1890 when Yanosuke Iwasaki purchased the area at the request of the Meiji government of Japan.

At the time, the area was an expanse of flat, grassy fields that became known as Mitsubishigahara, or Mitsubishi Fields. Iwasaki’s reasoning behind this acquisition was his belief that for Japan to become a modern nation, the country needed a business center such as that of New York or London. The purchase price was ¥1.28 million, about three times Tokyo’s annual budget at the time—a massive sum that speaks to the boldness and inspiration of Iwasaki’s decision.

1890s–1950s

First Phase of Development

Dawning of a Full-Scale Business Center Development

The construction of the area’s first modern office building, Mitsubishi Ichigokan, was completed in 1894. Soon after, three-story redbrick office buildings began springing up, resulting in the area becoming known as the “London Block.”

Following the opening of Tokyo Station in 1914, the area was further developed as a business center. American-style, large reinforced concrete buildings lined the streets. Along with the more functional look, the area was renamed the “New York Block.”

1960s–1980s

Second Phase of Development

An Abundance of Large-Capacity Office Buildings Reflecting a Period of Rapid Economic Growth

As Japan entered an era of high economic growth, there was a sharp increase in demand for office space. Through the Marunouchi remodeling plan that began in 1959, the area was rebuilt with large-scale office buildings providing a considerable supply of highly integrated office space. Sixteen such buildings were constructed, increasing the total available floor space by more than five times. In addition, Naka-dori Avenue, stretching from north to south through the Marunouchi area, was widened from 13 meters to 21 meters.

The 1980s marked the appearance of high-rise buildings more than 100 meters tall in the area. However, even amid this changing skyline, the Marunouchi area remained a business center with beautiful scenic views of the waters and green woods of the Imperial Palace.

Track Record of Mitsubishi Estate

1998–2007

Third Phase of Development

First Stage of the Marunouchi Redevelopment Project (3-1)

Turning Marunouchi into a Vibrant and Bustling Area

In 1998, Mitsubishi Estate began to redevelop the area around Tokyo Station in the first stage of its Marunouchi Redevelopment Project. Based on the concept of “Pursuing diverse and multifunctional urban development,” the project aimed to create a landscape that would give a new image to the area, which had up until then been purely a business area.

Starting with the completion of the Marunouchi Building in 2002, Mitsubishi Estate rebuilt six buildings in line with the new concept. Moreover, we widened the sidewalks of Naka-dori Avenue from six meters to seven meters, began holding seasonal events, and took other measures to transform the area into a space with a vibrant and bustling atmosphere.

2008–Present Day

Third Phase of Development

Second Stage of the Marunouchi Redevelopment Project (3-2)

Focus Shifted to Make the Marunouchi Redevelopment Project Broader and More Comprehensive

From 2008, the focus shifted to make the Marunouchi Redevelopment Project broader and more comprehensive in its second stage. Redevelopment began with the construction of the Marunouchi Park Building and Mitsubishi Ichigokan. By spreading the vibrant and bustling atmosphere of Marunouchi to Otemachi and Yurakucho, and establishing a financial business center and a greater amenity infrastructure, the project strengthened the international competitiveness of the area. Through the addition of a museum and other art and cultural facilities as well as the pursuit of eco-friendly development, Mitsubishi Estate has aimed to give the area a fresh appeal based on a new sense of values.

2002

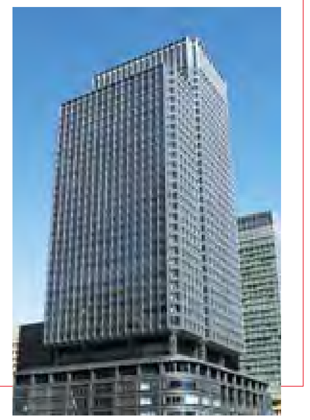
Marunouchi Building

The building that set the stage for the transformation of Marunouchi

2007

Shin-Marunouchi Building

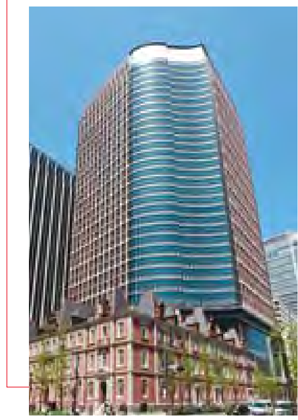
Along with the Marunouchi Building, this symbolic and stately building helps create a fitting urban landscape as a gateway to Tokyo



2009

Marunouchi Park Building and Mitsubishi Ichigokan

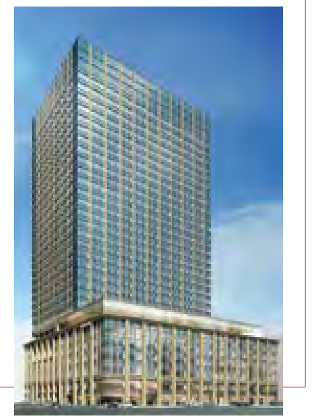
Faithful re-creation of the original Mitsubishi Ichigokan—now an art museum serving as a center of cultural exchange and an office space that sits in the midst of the premium office zone in the Marunouchi area

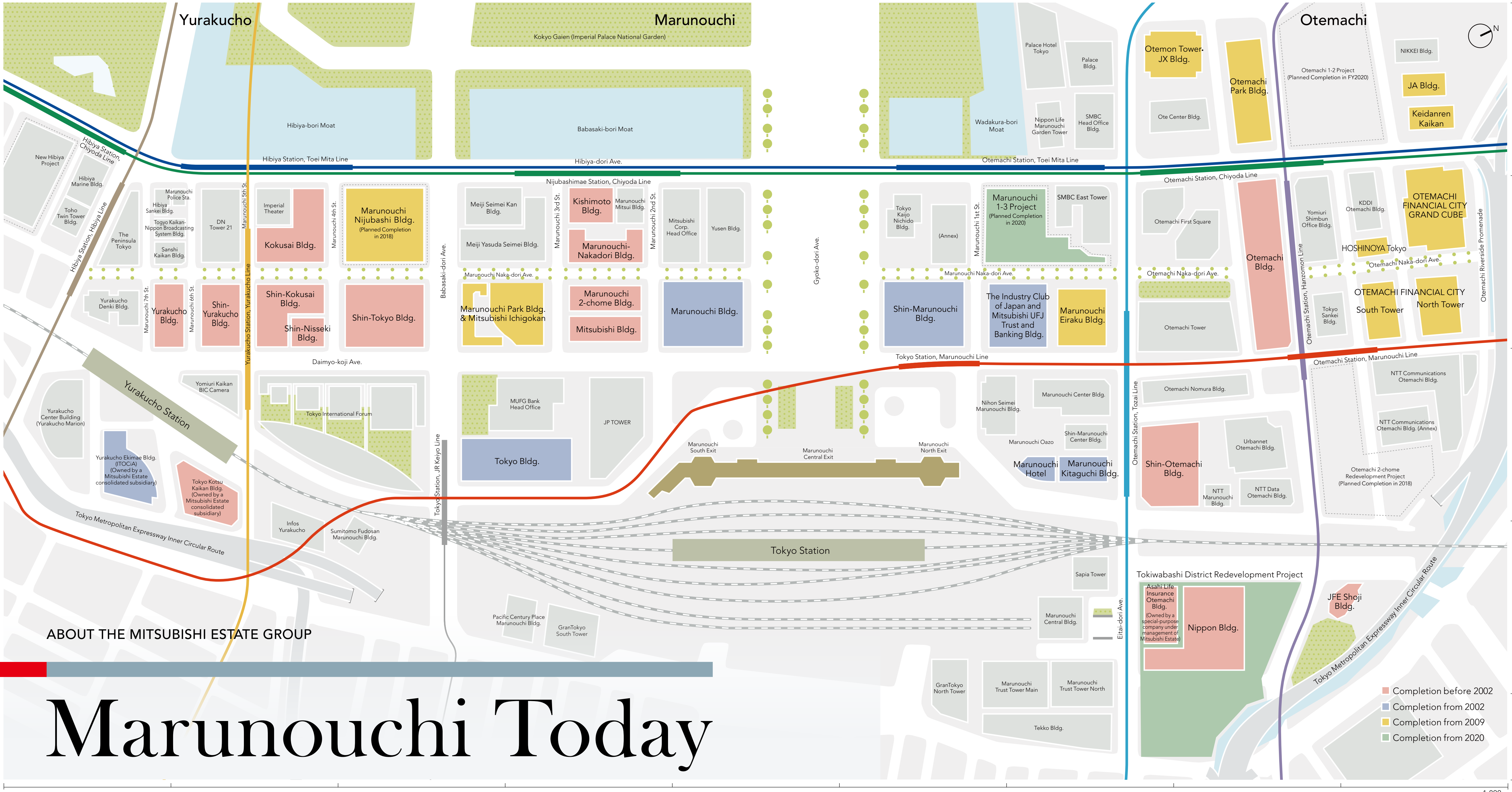


2018

Marunouchi Nijubashi Building

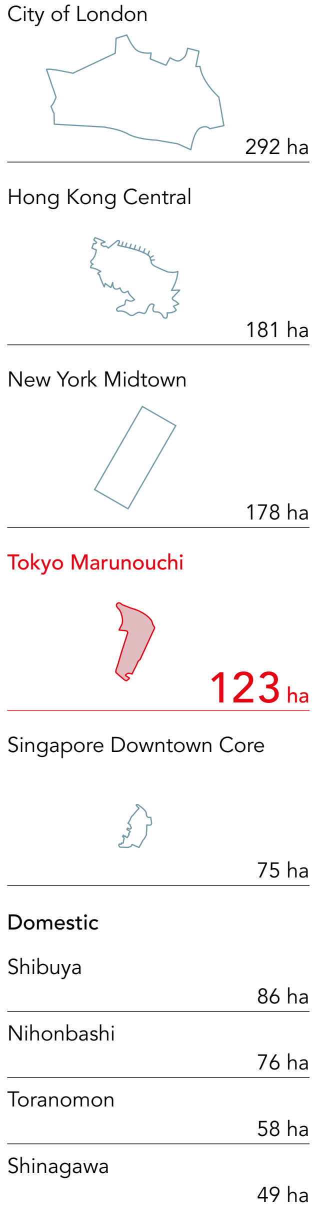
The broader and more comprehensive Marunouchi Redevelopment Project has also spread to Yurakucho





ABOUT THE MITSUBISHI ESTATE GROUP

Marunouchi Today



Marunouchi is an international business center that lies between Tokyo Station and the Imperial Palace. Mitsubishi Estate owns and manages approximately 30 office buildings in the area that is the workplace of some 280,000 office workers.

Marunouchi by the Numbers

Number of Companies Listed on the First Section of the Tokyo Stock Exchange[*1]

97 companies[*2]

Consolidated Net Sales of the 97 Companies in the Marunouchi Area

Approx. ¥129 trillion[*2]

Equivalent to around 8.85% of GDP in Japan

Number of Office Workers

Approx. 280,000[*2]

Number of Buildings
(Including buildings under construction)

101[*2]/4,300 offices[*2]

Building Floor Space
(Including buildings under construction)

Approx. 800 hectares[*2]

Railway Lines Servicing the Area

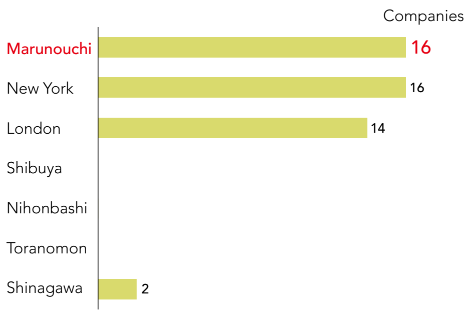
28 lines, 13 stations[*2]

(Stations with the same name on different lines are counted in number of lines)

*1 Number of listed companies on the First and Second sections of the Tokyo Stock Exchange with head offices in the Otemachi, Marunouchi, and Yurakucho areas

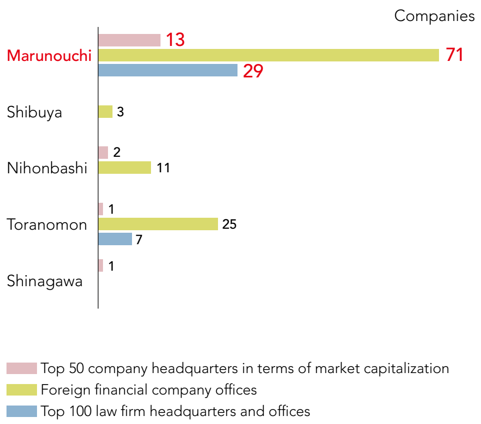
*2 Otemachi-Marunouchi-Yurakucho (OMY) District Redevelopment Project Council, "The Council for Area Development and Management of Otemachi, Marunouchi, and Yurakucho 2017"

Fortune Global Top 500 Companies



Source: Fortune Global Top 500, 2017, and Mitsubishi Estate Co., Ltd.

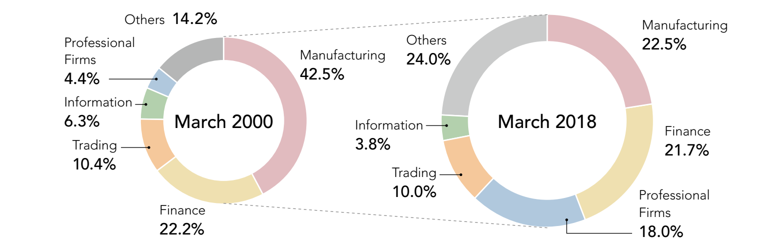
Major Corporate Headquarters, Number of Offices Comparison of Main Tokyo City Areas



As of March, 2018, Source: Mitsubishi Estate Co., Ltd.

PICK UP | Contracted area and tenant composition in the Marunouchi area

(Mitsubishi Estate alone)



As of the end of March 2018, the contracted area in the Marunouchi area (Mitsubishi Estate alone) has increased about 1.7 times compared with the end of March 2000. In terms of tenant composition, the ratio of professional firms has been rising.

Concentration of Professional Firms

As of May 2018, all of the four major law firms in Japan and three of the four leading audit companies have their offices in Marunouchi.

Law firms: Anderson Mori & Tomotsune, Nagashima Ohno & Tsunematsu, Nishimura & Asahi, Mori Hamada & Matsumoto

Audit companies: KPMG AZSA LLC, Deloitte Tohmatsu LLC, PricewaterhouseCoopers Aarata LLC

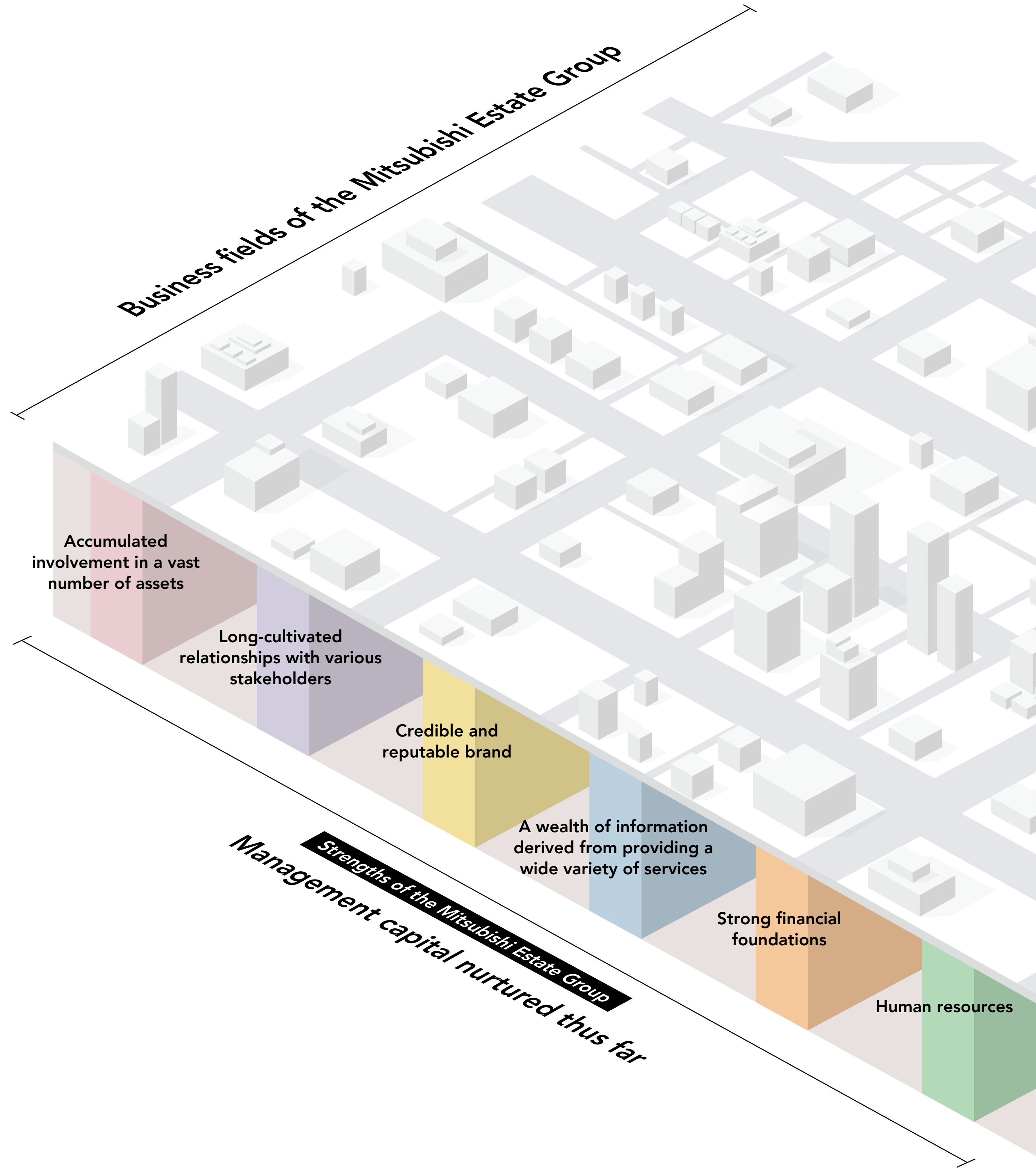
Mitsubishi Estate's Value Creation Model

"A Love for People. A Love for the City"

The Mitsubishi Estate Group is engaged in the development of wide-ranging real estate, with a special focus on the redevelopment of the Marunouchi area.

The management capital we have cultivated as a diversified developer are a great strength for further promoting town planning in the future.

The roles and functions demanded of urban development have altered greatly as the times have moved forward. Factors driving changes include growing demand for high-level disaster readiness and increasing competition among international cities accompanying the advancement of globalization. We are committed to sustainably enhancing corporate value by constantly creating attractive urban environments that anticipate how the times will evolve and enrich the lives of people living and working in such environments.



Model for Value Creation

OPEN

For Detail

Mitsubishi Estate's
Value Creation Model

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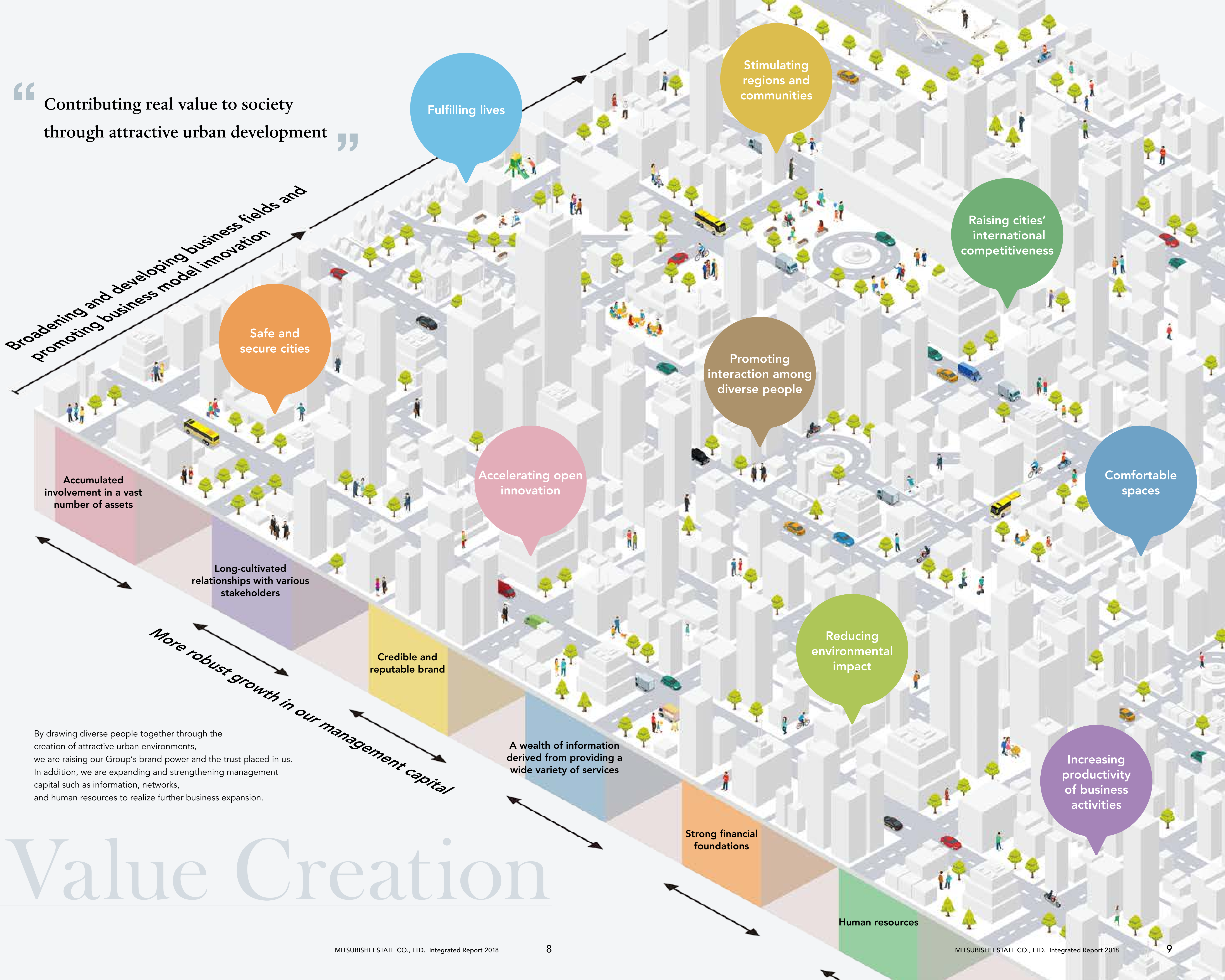
"Contributing real value to society through attractive urban development"



By drawing diverse people together through the creation of attractive urban environments, we are raising our Group's brand power and the trust placed in us. In addition, we are expanding and strengthening management capital such as information, networks, and human resources to realize further business expansion.

Model for Value Creation

BUSINESS SEGMENT OVERVIEW

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 the increased appeal of cities while maintaining a balance between property for lease and property for sale in our asset portfolio.

Lifestyle Property Business

The Mitsubishi Estate Group operates the PREMIUM OUTLETS®, MARK IS, and other retail facilities using a comprehensive system whereby it remains continuously involved with the retail property from the planning stage to ongoing operations. Under the Logicross brand, Mitsubishi Estate is pursuing logistics facility 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.

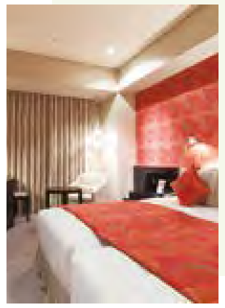
International Business

The Mitsubishi Estate Group 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, Europe, and Asia excluding Japan. 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.

Hotel & Airport Business



Against the backdrop of strong demand for accommodations, we are conducting hotel development projects across a wide range of categories matching hotel market trends and the characteristics of different locations. Under the Royal Park Hotels brand, we are undertaking hotel management nationwide. In our airport management business, meanwhile, we are working to raise the value of airports where we have already begun private management while also seeking to secure new business opportunities.

Architectural Design & Engineering Business

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

Real Estate Services Business

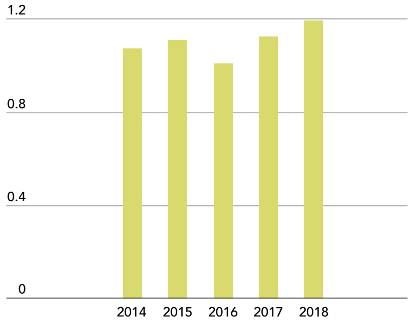
This business provides one-stop, real estate problem-solving solutions for corporations and high net worth individuals to maximize the value of real estate and optimize its use. Its services include real estate brokerage, condominium and office building leasing management support, parking lot management support, and real estate appraisal.

FINANCIAL HIGHLIGHTS

Years ended March 31

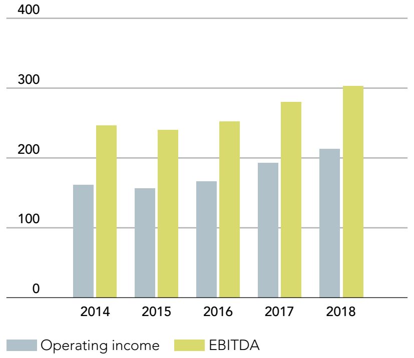
Revenue from Operations

Trillions of yen



Operating Income / EBITDA

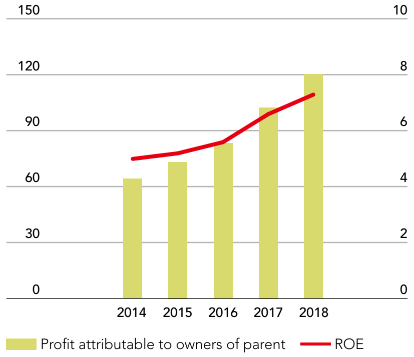
Billions of yen



In fiscal 2018, consolidated revenue from operations amounted to ¥1,194 billion, an increase of 6.1% year on year. That growth was supported by the start of operations of newly completed buildings and increased revenue from the sale of Company-owned properties in the Lifestyle Property Business and International Business segments. Consolidated operating income rose 10.7% year on year, to ¥213.0 billion, chiefly on increased rental income in the Office Building Business segment and higher income in the Lifestyle Property Business segment and in the condominium business. EBITDA rose 8.1% year on year, to ¥302.4 billion, on growth in consolidated operating income.

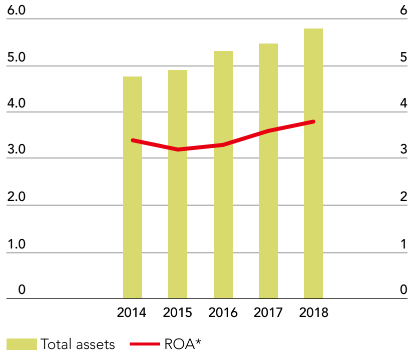
Profit Attributable to Owners of Parent / ROE

Billions of yen %



Total Assets / ROA*

Trillions of yen %

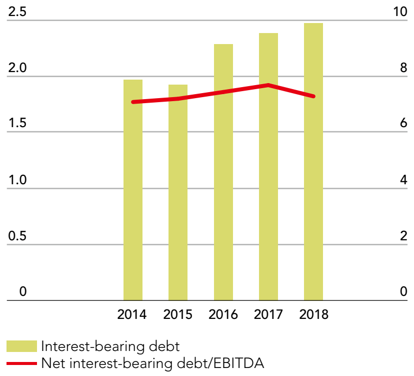


* ROA: Operating income/Total assets

Profit attributable to owners of parent increased 17.3% year on year, to ¥120.4 billion, while ROE rose by 0.7 percentage point year on year, to 7.3%. Both current and long-term assets increased; however, as a result of growth in operating income, ROA (operating income to total assets) rose 0.2 percentage point year on year, to 3.8%, marking the third consecutive fiscal year of improvement.

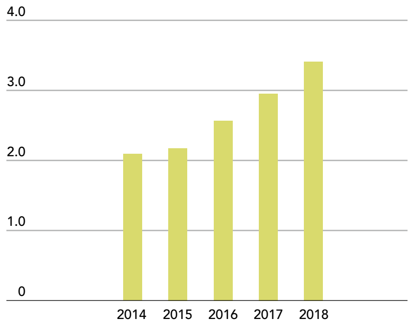
Interest-Bearing Debt / Net Interest-Bearing Debt/EBITDA

Trillions of yen Times



Unrealized Gain on Rental Properties

Trillions of yen

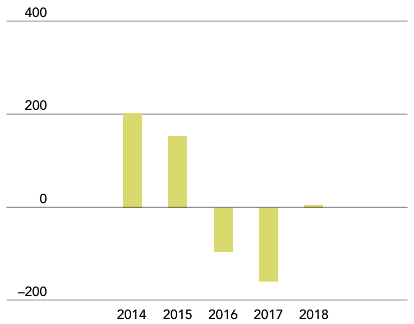


Note: Includes unrealized gain of the rental properties containing self-use space.

The balance of interest-bearing debt as of March 31, 2018, stood at ¥2,481.6 billion, up ¥84.6 billion compared with the year-end balance in fiscal 2017. The growth reflected such factors as an increase in borrowing. Net interest-bearing debt (after deducting cash and cash equivalents) / EBITDA was 7.3 times. Unrealized gain on rental properties and other real estate rose ¥459.3 billion year on year, to ¥3,422.8 billion, supported by declines in the cap rates and cash flow improvement underpinned by rent revenue increases.

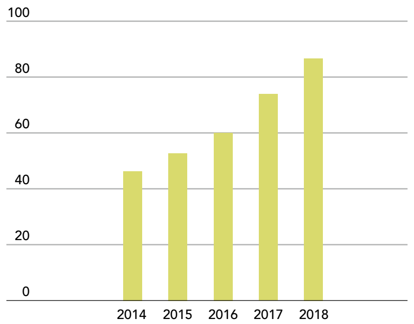
Free Cash Flow

Billions of yen



Earnings per Share

Yen



In fiscal 2018, expenditures increased owing to purchases of property and equipment. However, free cash flow improved ¥165.2 billion year on year, standing at a positive ¥6.4 billion, mainly due to increased operating cash flows accompanying growth in income. Earnings per share (EPS) amounted to ¥86.78, an increase of ¥12.78 compared with the previous fiscal year.

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

We aim to accelerate business model innovation that anticipates changes in the times to achieve sustainable growth by giving full play to our greatest management capital, the power of our people.

Into My Second Year as President

New Medium-Term Management Plan off to a Good Start

More than a year has passed since I assumed the office of president & chief executive officer of Mitsubishi Estate Co., Ltd., in April 2017. That period marked the start of our new Medium-Term Management Plan and also the relocation of our headquarters. The main strategic thrust of our Medium-Term Management Plan is twofold. First, we aim to realize profits deriving from measures to reinforce income streams during the previous plan. Second, we will promote business model innovation to build further foundations for growth. With business model innovation, we placed particular importance on changing employees' mind-sets and on creating a workplace environment that would encourage them to do so. The relocation of our head office in January 2018 to the Otemachi Park Building, a property we developed ourselves, enabled us to radically change the office environment and functions. We took this as an opportunity to step up our efforts to increase corporate value by stimulating communication, a linchpin for business model innovation, and encouraging a willingness among our people to take on challenges.

Against this backdrop, we increased both consolidated revenue and consolidated operating income in fiscal 2018, the fiscal year ended March 31, 2018. Consolidated operating income rose 10.7% year on year, to a record high of ¥213.0 billion. Earnings growth was driven by expanding income in the office building leasing business. That, in turn, was supported by the full-year contributions of buildings completed in recent years, as well as by higher rents from newly built properties and upward revisions when rents came up for renewal. As a result, earnings per share rose 17.3% year on year, to ¥86.78.

Management Dedicated to Nurturing Cities from a Long-Term Perspective

When I took office last year, I said that my primary mission as president was to promote an environment that encourages our people, our Group's most important management capital, to realize their full potential. That mission remains unchanged. Our employees have a strong sense of mission and unity in working in the Group. They are also passionate about creating and enhancing the urban environment and take great pride in that work. It is vital that these human resources play an active role in anticipating changes in the times and in society to create urban environments that will continue to generate value into the future.

I know that I too must dedicate myself wholeheartedly to management that aligns with urban development that meets the demand of the times and society. In the real estate business, management must go beyond generating profits and what is reasonable in the near term to nurture real estate as social capital over the long term. While always being sensitive to the needs of the times, we aim to realize growth of the Group by paying careful attention to the histories of the buildings we work with and to the feelings of the people who visit and work in them, so sustaining their core value.

Progress of the Medium-Term Management Plan

Realizing Profits from Multiple Perspectives

One of the main pillars of the Medium-Term Management Plan is to "realize profits as a result of reinforced income streams during the previous Medium-Term Management Plan." In this regard, I believe we were able to achieve better results in the first year of the current plan than we had anticipated.

In the Office Building Business, there was a significant contribution to profit improvement from rental revenues supported by the completion of large projects particularly in the Marunouchi area. Companies have various motives when it comes to moving office, some of which include finding better office locations, bringing together functions that have been scattered around different offices, facilitating work style reforms, and carrying out business continuity planning. Marunouchi meets these needs with its convenient transport access, dense concentration of companies, and advanced disaster-management functions. Accordingly, the vacancy rate of our property portfolio remains low, rents for existing tenants have been steadily rising when they come up for renewal, and rents per square meter when leasing new buildings have been rising. We have at this point leased almost all of the floors in buildings scheduled for completion in fiscal 2019.

As a result of our efforts to enhance the attractiveness of Marunouchi, tenant companies have come to value the area increasingly highly. Marunouchi has long been home to the headquarters of major Japanese banks and top Japanese general trading companies. In recent years, there has also been an accelerating inflow of major accounting and law firms and other professional companies as concentration attracts greater concentration.

In our International Business, meanwhile, our Hybrid Investment Business Model* is up and running in the United States and we expect it to make a contribution to profits from here on. We have established an open-ended fund in the United States that now has around ¥250.0 billion in assets and 28 properties nationwide, having drawn additional capital from both Japanese and overseas investors. We aim to develop a similar business model in Europe and Asia and Oceania, where we have been acquiring prime properties with a view to open-ended fund conversion.

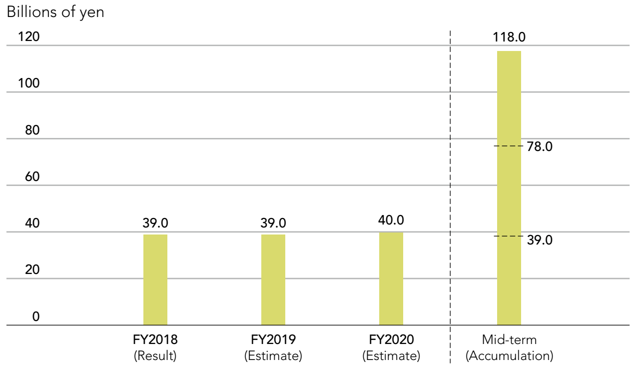
Regarding initiatives under our capital recycling business model, we have put in place a structure to generate stable capital gains, including those with the pipeline we have built thus far. In addition, we augmented our logistics business value chain in September 2017 with the listing of a logistics REIT. Over the period of the Medium-Term Management Plan, we project annual capital gains of about ¥40.0 billion, the same level as in fiscal 2018, and a cumulative total of around ¥118.0 billion over the three years.

Unrealized gain on rental properties at the end of fiscal 2018 amounted to about ¥3,422.8 billion, an increase of approximately ¥460.0 billion from the previous fiscal year-end. This growth was supported by declines in cap rates and cash flow improvement underpinned by greater-than-expected progress in leasing properties and raising rents when they came up for renewal, as well as by the Group's efforts to cut costs.

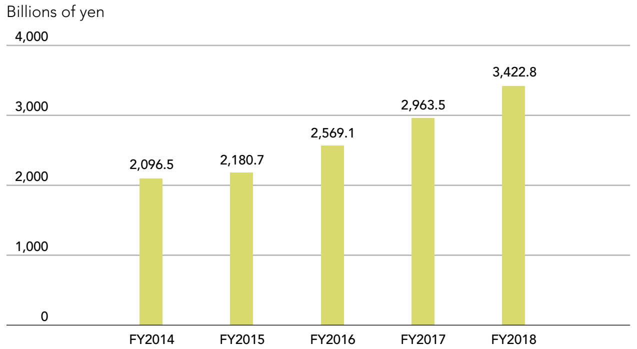
As noted above, fiscal 2018 was a year in which we were able to realize profits across all aspects of our business. However, we are determined not to ease our grip as we steadily continue to implement the various tasks we have set ourselves.

* Hybrid Investment Business Model: Funds structured by the Group companies that combine Mitsubishi Estate's and third-party equity. They support portfolio diversification and increased investment scale while concurrently earning management fees from investors for providing services to them.

Capital Gains for Current Mid-Term Management Plan Period

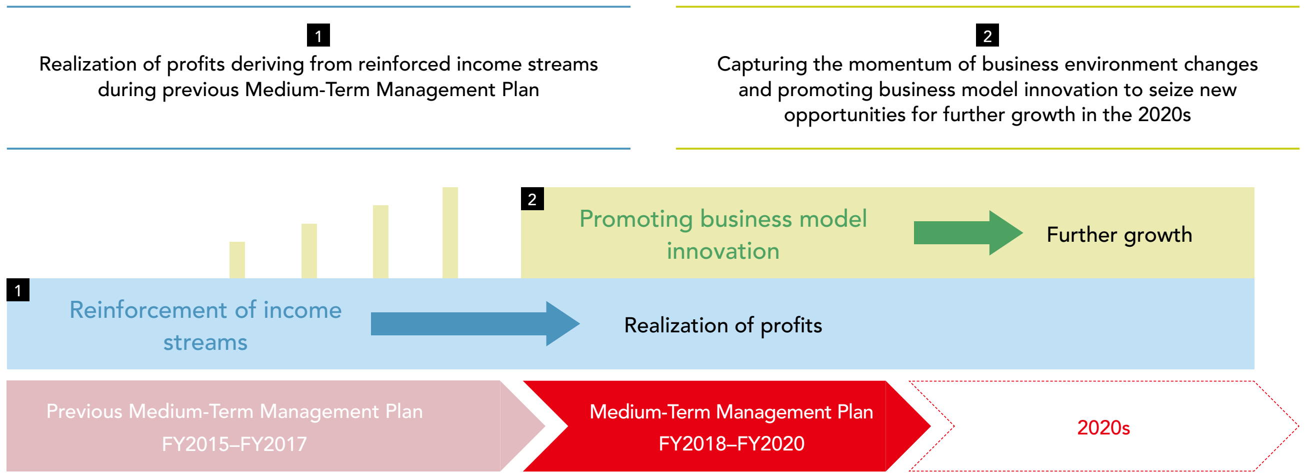


Unrealized Gain on Rental Properties



Note: Includes unrealized gain of the rental properties containing self-use space.

Two Major Points



Business Model Innovation

Seizing Business Opportunities in Changes in the External Environment

Another pillar of the Medium-Term Management Plan is to promote "business model innovation" to develop existing businesses and proactively move into new business fields to seize new opportunities for further growth in the 2020s. The business environment in which we operate is at a major turning point and the speed at which it is changing is accelerating. At a global level, changes in industrial structure and working approaches are gathering momentum with the penetration of IT and AI, economic activity is becoming increasingly borderless, and environmental issues are attracting growing attention. Japan, meanwhile, is seeing diversifying lifestyles accompanying the aging of society and changes in the demographics of the population, rapid growth in inbound tourism, and venture companies gaining an expanding presence. Such changes in the external environment can pose business risks if we are slow to respond. At the same time, they present opportunities to build new foundations for growth. At its heart, our business model innovation is about determining what possibilities and challenges lie ahead, and also providing new value through new ideas and a challenging spirit. In this sense, business model innovation is much more than just a theme in the Medium-Term Management Plan. Rather, it is a theme that needs to be continuously addressed as we look to the future.

Pursuing Value Creation as Only We Can

Promoting business model innovation has two key aspects. First, we must seek businesses where we can create new value as the Mitsubishi Estate Group. It is vital that we offer the Group's distinctive value to respond promptly to needs around the world. As a real estate company, we have a great range of strengths nurtured over many years. These include a huge pool of real estate assets, outstanding staff, customers and trading partners with the Mitsubishi Estate Group brand, the trust of society, and strong relationships. Other powerful management capital of the Group are the networks with a wide range of industries that we have acquired through our long experience in urban development and the information to which that gives us access. While looking ahead of changes in the environment, we will continue to consider how best to make use of these strengths as we pursue value that we, as a Group, are uniquely positioned to generate.

Second, we must promote "open innovation" through collaboration with various companies and organizations. As barriers between industries gradually disappear, we must collaborate beyond the framework of our own corporate group to create a higher level of new value than we can achieve on our own. Open innovation, which is based on the diverse values and cultures of people, entails the fostering of human resources who can create new ideas through interaction with each other. When we relocated our headquarters, we radically changed the office environment. We brought in various shared areas and have introduced an open working environment under which individual staff are not assigned a particular desk. I expect this to promote exchanges between people both inside and outside the Company, creating an environment conducive to innovation.

We are also looking to develop spaces that encourage innovation through exchanges of ideas and knowledge not only within Mitsubishi Estate but also throughout Marunouchi. The Marunouchi area already has many companies that are undertaking experiments to test new technologies and services in practical use. Taking advantage of the area's unique strengths in terms of its dense accumulation of companies and people, we are seeking to raise the value of Marunouchi by turning it into an even more vibrant hub for open innovation.

Steadily Sowing the Seeds for the Future

As part of our commitment to business model innovation, we have set aside a budget of ¥100.0 billion over the three years of the Medium-Term Management Plan for Groupwide investment in business model innovation as we sow the seeds for the future. In the real estate business, our seed-sowing has two main aspects. First, we are focusing on the evolution of established businesses to create new value by further augmenting business expertise while enhancing efficiency by introducing new technologies. Second, we are expanding into new growing fields on the stepping stones of the strengths and management capital we have accumulated thus far.

Among projects already in progress, I would highlight our large-scale renovation of the Otemachi Building, a property on which construction was completed in 1958. Aiming to align the building with the needs in the 2020s, we are looking to meet diverse tenant demand by increasing the variety of offices while respecting the demand of society by making use of existing stocks. The Otemachi Building will contain an upgraded and expanded FINOLAB. This is Japan's first and largest base for the incubation and acceleration of financial technology (FinTech) companies.

As a new asset type, we are looking to expand our involvement in airport management under concession contracts as we tap into moves to privatize the management of regional airports in Japan. This is an area where we can apply the know-how we have accumulated through the operation and management of retail facilities over many years. Thus far, we have acquired the concessions to operate Takamatsu Airport, where commercial operations began in April 2018, and Fuji Shizuoka Airport. Elsewhere, we are moving ahead with construction work to revitalize Shimojishima Airport (in Miyakojima, Okinawa Prefecture). We are also working on introducing new services and improving the efficiency of maintenance operations by using leading-edge technologies: an example of which is the introduction of robots that provide visitor information, carry out security patrols, and do cleaning tasks in the Marunouchi area. In addition, we have launched such food-related services as growing tomatoes and offering a fish distribution service. We will continue to collaborate with venture and other outside companies with their own expertise and services in order to develop new services and further enhance customer satisfaction.

The Company is also establishing mechanisms to support business creation both internally and externally. Through our Corporate Accelerator Program and investments in and partnerships with venture companies, we are putting in place a "Venture Co-Creation Platform" to seek out new business opportunities. We have also introduced structures and policies to encourage individual employees and business departments to propose new projects. All of these initiatives are integral to our efforts to promote open innovation. In such ways, we are building the foundations for nurturing new businesses and establishing an environment to encourage our people to constantly take up new challenges and create new value.

Initiatives to Promote Business Model Innovation

System to Create New Business

Platform for Creating New Business in Mitsubishi Estate Group

- (Collaboration outside of the Company) Open Innovation
  - Venture Co-creation Platform
    - VC Funding
    - Venture Business Funding
    - Corporate Accelerator Program
  - Co-creative Projects with Leading Companies
- Internal Policy
  - New Business Proposal system (individual)
  - Business Start-Up Meeting (Department)

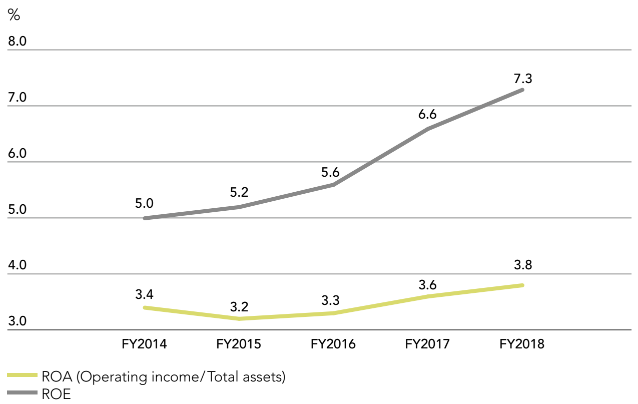
Capital Policy and Corporate Value

Maintaining Financial Soundness and Improving Asset Efficiency

We are today at a stage of pursuing profit growth. By promoting investment in growth from a medium-to-long-term perspective, we aim to generate stable cash flows while ensuring sustainable corporate value enhancement. Real estate investment requires long-term and large-scale financing. In order to also ensure flexible capital procurement capacity in response to changes in the financial and investment environment in the future, the Company places great importance on maintaining financial soundness. Currently, we have the highest credit ratings in the industry (R&I: AA– / S&P: A+ / Moody's: A2). Making the most of our high credit standing, we have issued super long-term corporate bonds maturing in 20 years and 40 years, aiming to extend the average duration of our bonds. We have, however, managed to keep the average interest rate of the corporate bonds issued to date to just 0.97%.

Along with realizing sustained profit growth through investment, we believe it is important to improve asset efficiency. In addition to the appropriate restructuring of operating assets, we aim to improve asset efficiency through the timely sale of shares held as cross holdings. We use return on assets (ROA) (operating income divided by total assets) as an indicator of management efficiency. In fiscal 2018, ROA was 3.8%, above the target of 3.5% set in the Medium-Term Management Plan.

ROA (Operating Income/Total Assets) / ROE



Bonds Recently Issued

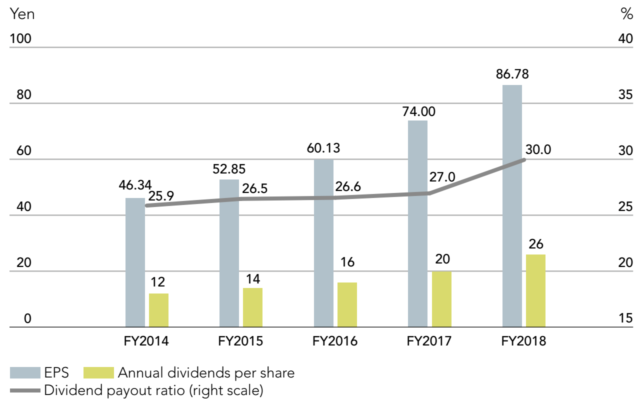
Type	Date of launch	Amount (Billions of yen)	Term (Years)	Interest rate
Straight	2017/6/15	10	10	0.240%
Straight	2017/6/15	10	20	0.736%
Straight	2017/9/13	10	8	0.175%
Straight	2017/9/13	10	20	0.703%
Straight	2017/12/26	15	40	1.402%
Straight	2018/3/14	10	7	0.190%
Straight	2018/3/14	10	40	1.313%
Straight (Green bond)	2018/6/26	20	5	0.090%

Stable Dividends and Growth in per-Share Earnings

Regarding returning profits to shareholders, our basic policy is to strive for stable shareholder returns, primarily in the form of dividends, while paying attention to the demand for funds related to future business development centering on reconstruction in Marunouchi. We aim to maintain a stable 25%–30% consolidated dividend payout ratio based on earnings trends and other factors. We are also flexibly executing share buybacks taking into account such considerations as the prevailing economic conditions and the Company's share price level.

For fiscal 2018, we increased annual dividends per share (combined total for interim and year-end dividends) ¥6 from the previous fiscal year, to ¥26. With earnings per share having increased about 1.9 times the level recorded four years ago, the Company has steadily increased dividends year by year and thus the value of dividends per share has more than doubled over the past four years. The consolidated dividend payout ratio rose from 27% in fiscal 2017 to 30% in fiscal 2018. We intend to maintain the latter level over the period of the Medium-Term Management Plan.

Changes in EPS and Dividends per Share



Making Progress toward Attaining Quantitative Targets in the Medium-Term Management Plan

When we announced our full-year results for fiscal 2018, we not only disclosed our earnings outlook for the next fiscal year, as we normally do, but also announced our business outlook for fiscal 2020, the final year of the Medium-Term Management Plan. This set out our view that profit levels are likely to be higher than initially targeted, highlighting our determination to achieve sustained growth.

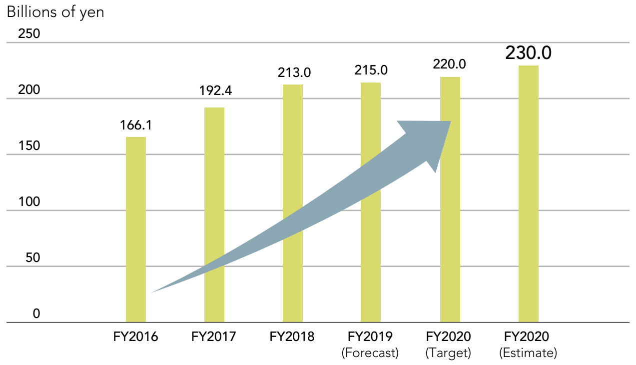
For fiscal 2019, we forecast operating income–which we use as an indicator of growth potential in income gains, stable capital gains, and other earnings–of ¥215.0 billion, while for fiscal 2020, the final year of the Medium-Term Management Plan, we forecast operating income of ¥230.0 billion, higher than the plan's target of ¥220.0 billion. For ROA, the indicator for efficiency we use in the Medium-Term Management Plan, and net interest-bearing debt divided by EBITDA, which we use as a barometer of financial soundness, we are already ahead of the plan's targets and we are increasingly confident of meeting them.

Quantitative Targets

		FY2018 (Results)	FY2020 (Targets)	**FY2020 (Estimates)**
Growth Potential	Operating Income	¥213 billion	¥220 billion	¥230 billion
	Capital Gains	Approx. ¥39 billion	Approx. ¥38 billion	Approx. ¥40 billion
Performance	Operating Income/Total Assets (ROA)	3.8%	Around 3.5%	**3.8%**
Stability	Net Debt/EBITDA	7.3 times	Around 8.5 times	**Around 8 times**
	(Hybrid finance reflected)	(6.7 times)	(Around 8 times)	**(Around 7.5 times)**

Operating Income

Billions of yen



Looking to 2020 and Beyond

Aiming to Be a Front-Running, ESG-Conscious Company in Harmony with Society

The Mitsubishi Estate Group aims to ensure sustainable growth over the long term while paying close regard to its environmental, social, and governance (ESG) responsibilities. The essence of ESG-based management is to solve various social issues through the core business while, at the same time, enhancing a company's corporate value. Our core business, urban development, is not just about building office buildings and condominiums. Rather, it is important to undertake urban development from a long-term perspective in a way that pays close attention to people's aspirations and to the history, culture, and traditions embodied in buildings. In other words, the real estate business is characterized by its long-term aspect and close ties with the surrounding environment and communities. That means its management is directly connected to ESG. The Mitsubishi Estate Group has focused on long-term and sustainable growth. The Group has been pursuing urban development in the Marunouchi area for nearly 130 years and has helped build it into one of the world's leading international business centers. Here, too, there are many points that resonate with the concept of the Sustainable Development Goals (SDGs) advocated by the United Nations. Seeking to achieve these goals, we will actively continue to pursue our own approaches and measures.

Realizing Urban Development for the Future

As noted earlier, we are already on track to achieve the quantitative targets we have set for fiscal 2020. However, we must not be satisfied with our accomplishments as they stand: we must do all we can to prepare the ground for growth over the longer term.

The Mitsubishi Estate Group has moved forward the functions and roles of the Marunouchi area, the center of its business activities, to meet the needs of the times and create new value. We have also built a track record of using knowledge gained in this process to generate Group synergies in various businesses in Japan and abroad, such as retail facilities, logistics facilities, residential properties, and investment management. All of this underscores that where we stand today is the result of constant change. Our future growth will also hinge on continuous transformation. Looking ahead, we in the Mitsubishi Estate Group will continue to lead the way in urban development and nurture new ideas as we seek to anticipate changes in the times through the unbridled inspiration of our people, our greatest asset.

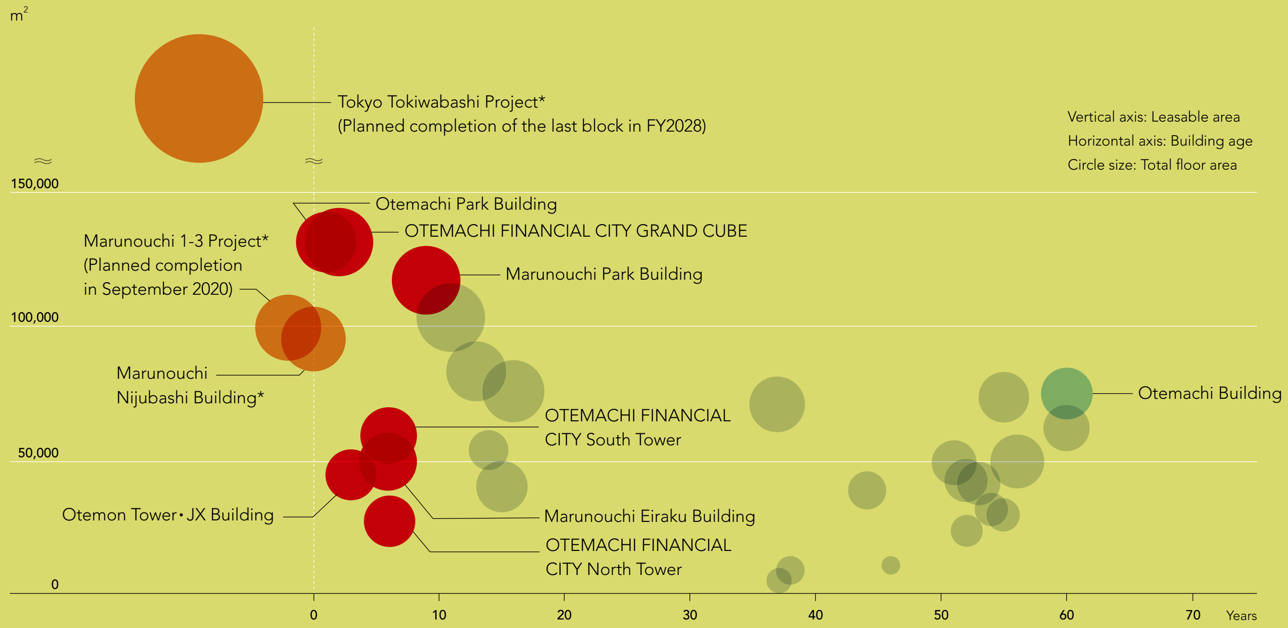
The mission of the Mitsubishi Estate Group is to contribute to society through urban development as a company dealing with social capital in the form of real estate centering on the Marunouchi area. We are determined to continue to achieve sustainable growth by creating new value as a company that is chosen and trusted by society. We ask for the continuing support of all our stakeholders, including shareholders and investors, in our endeavors.

August 2018

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

The Marunouchi area has been functioning as the heart of the Japanese economy for more than a century. The Mitsubishi Estate Group constantly works to redevelop the Marunouchi area to support urban development that will also generate new value for the next century. While responding to the evolving needs of society, we are aiming for sustainable growth by promoting urban development to raise the value of the entire area beyond the development of individual buildings.

Mitsubishi Estate-Owned Buildings in the Marunouchi Area



* Leasable area calculated as total floor area multiplied by effective ratio

SPECIAL FEATURE

Urban Development for Improving of Mitsubishi Estate Corporate Value

SPECIAL FEATURE 1

Utility Tunnel Development

P.22–

SPECIAL FEATURE 2

Large-Scale Renovation of the Otemachi Building

P.26–

SPECIAL FEATURE 3

Headquarters Relocation and New Value Creation

P.30–

SPECIAL FEATURE 1

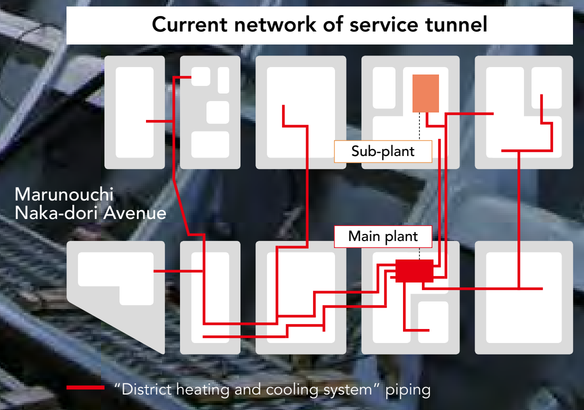
Utility Tunnel Development

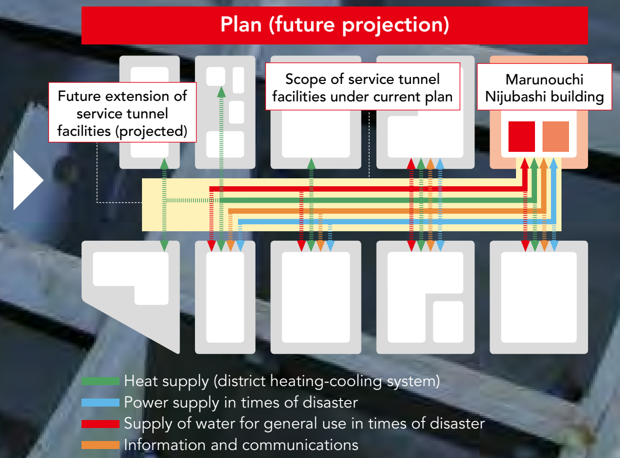
Realizing Outstanding Energy Efficiency and Reinforced Disaster-Management Functions

Since the 1970s, the Mitsubishi Estate Group has been developing underground utility tunnels to carry communication cables, power lines, gas pipes, and other equipment supporting a "district heating and cooling system" centered on the Marunouchi area. The main aim is to provide a stable and efficient supply of heat to the entire district through tunnels that act as a conduit from plants within core buildings supplying the steam and chilled water necessary for air-conditioning to many buildings. Underground areas are relatively resistant to the impact of earthquakes, and the Mitsubishi Estate Group is continuously expanding and upgrading the service tunnel network from the perspective of disaster management. By reinforcing mutual supply systems between plants, we are enhancing disaster preparedness.

In developing service tunnels that contribute to enhanced area-wide energy efficiency and to urban development with strong disaster-management capabilities, we approach the Marunouchi area as a single "city" and are striving for urban development that goes beyond the boundaries of individual buildings and which applies the Group's distinctive strengths. As of 2018, heat is supplied through underground service tunnels that span 61 buildings over an area of 800,000 m^2 covering the areas of Marunouchi, Otemachi, and Yurakucho. Since the completion of the Marunouchi Building in 2002, the network of service tunnels has been extending in step with the redevelopment of the Marunouchi area. By connecting newly redeveloped buildings and the surrounding buildings with service tunnels and supplying heat generated via high-performance plants installed in the newly redeveloped buildings to the surrounding buildings, we are improving energy efficiency in the area as a whole.

Currently, the utility tunnel is being extended in tandem with the development of the Marunouchi Nijubashi Building, which is scheduled for completion in October 2018. Along with the development of this building, we have been building an underground service tunnel beneath Marunouchi Naka-dori Avenue, which runs north–south through the center of the Marunouchi area. The main plant installed in this building will supply existing buildings in the surrounding area with heat and emergency power, and in the future it will also provide information and communications and water for general use. Through this system, we are improving the sustainability of the area's business operations in a disaster situation. Heat had been supplied indirectly via other buildings prior to the development of the service tunnel. However, with the tunnel's completion, it has become possible to ensure the direct supply of heat to each building, with no impact on supply even when buildings come up for redevelopment.





Note: Work on the utility tunnel is due to be completed in December 2020.

Raising the Value of the City through Disaster Prevention Efforts Emphasizing Area Strengths

Toshio Oba

General Manager Building Strategy Management Office
Senior Manager Office Building Management Department
Mitsubishi Estate Co., Ltd.

Functions Demanded of a Core Business and Commercial District

I believe that keeping the city functioning even in the event of a disaster is an important part of the value provided by the Marunouchi area.

The first reason why disaster prevention is of particular significance in the Marunouchi area is that it is located at the heart of Japanese business, a place where the headquarters of many companies are gathered. The area is, therefore, a cornerstone of Japan's economy. For tenant companies, ensuring employee safety and maintaining business continuity are top priorities that have come increasingly to the fore since the Great East Japan Earthquake. As well as enhancing the earthquake resistance of buildings, maintaining power supply and communications is also essential from the viewpoint of business continuity. The Mitsubishi Estate Group owns and manages approximately 30 buildings in the Marunouchi area. We must use that strength to inspire ideas and enhance business continuity throughout the area.

The second reason is that, in addition to being a core business district, the Marunouchi area is a commercial magnet attracting many people on both weekdays and holidays. Many tenant companies occupying office floors have made disaster-response plans and have established employee safety confirmation systems. Their employees themselves can also be expected to have some level of readiness. However, the same cannot be assumed of visitors. The number of inbound tourists to Japan visiting the Marunouchi area has risen to approximately two million people a year in recent times, which makes multilingual disaster-response capabilities crucial.

Area-Wide Infrastructure and Human Networks

From the perspective of strengthening business continuity, we are currently extending our network of underground service tunnels that make use of our unique strengths in the Marunouchi area. These service tunnels connect many buildings and allow heat, power, and water from main plants within certain key buildings to be supplied to surrounding buildings, as required, while also carrying heating and cooling system and communication networks. If facilities inside a building malfunction in the event of a disaster, this system can maintain an uninterrupted power supply and communications throughout the area. Besides improving infrastructure through underground service tunnels and buildings designated as "disaster management facilities," we have been working with venture companies and businesses in the surrounding area to ensure business continuity while protecting safety more efficiently. Initiatives in this regard include undertaking disaster-response activities using the latest technologies.

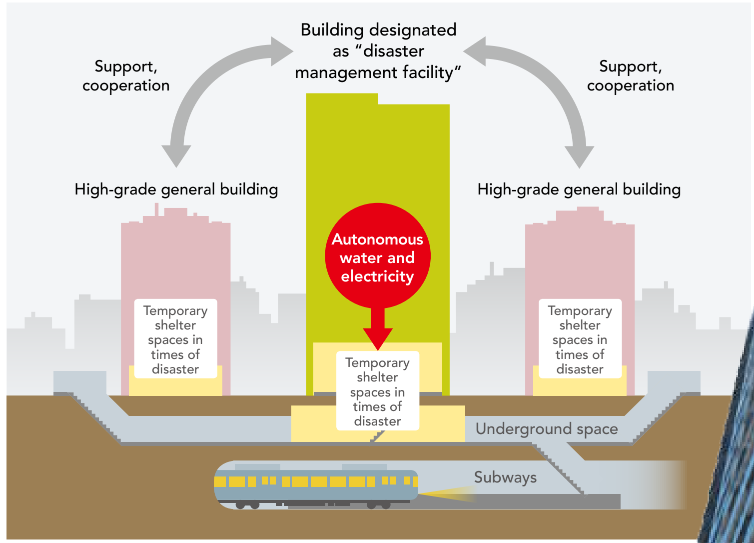
Along with infrastructure development, the Mitsubishi Estate Group is focusing on the training of people responsible for leading disaster-response measures while creating human networks together with business people, medical personnel, and tenants in the Marunouchi area. In 2017, we carried out the 91st integrated emergency response drill covering the entire Marunouchi area. We have undertaken these drills in September every year since 1926. A total of 1,250 Group employees and others participated in training that included initial response, personal safety confirmation, information gathering, and the use of equipment. At the time of the Great East Japan Earthquake, these exercises greatly helped people respond quickly by, for example, offering emergency shelter to those unable to return home. Drawing on the lessons learned from such disasters, we are also strengthening multilingual support through such means as providing accurate and prompt information on damage caused by disasters, disclosing the status of railway and subway operations, and using translation applications developed by Mitsubishi Estate for evacuation guidance.

PICK UP

"Disaster Management Facility" Buildings and Using New Technology

As part of the Mitsubishi Estate Group's disaster-response activities and efforts to ensure business continuity, buildings designated as "disaster management facilities" are responsible for the core functions connecting the area as a whole. These buildings, which all have high-level earthquake resistance, are equipped with autonomous systems for electric power, drinking water, sewage, and ventilation and air conditioning necessary for maintaining building functions. They offer an environment that supports business continuity even in the event of a disaster. Completed in 2016, Otemachi Financial City Grand Cube has such functions as a designated "disaster management facility." In addition, it has a district heating and cooling plant that supplies heat to the surrounding buildings. The building is also equipped to coordinate with international medical service facilities that are located in neighboring buildings and acts as a base for supporting relief work. In such ways, it is helping strengthen disaster-responsiveness throughout the Otemachi area.

The Mitsubishi Estate Group is also working to utilize the latest disaster prevention technology. One example is using the information network on local earthquakes connected to seismic intensity meters installed near the Tokyo metropolitan area. The data collected is reported instantaneously to skyscrapers in the Marunouchi area. If an earthquake occurs, this allows elevators to make emergency stops at the nearest floor before the tremors arrive. In addition, we have put in place structures to grasp location information for the Group employees who are involved in disaster-response measures when even Wi-Fi and other wireless networking technologies cannot be used. This involves using LPWA (low-power wide-area) circuits. We are also collaborating with venture companies and other business operators in trials using new technology to enhance disaster responsiveness throughout the area. One example is the establishment of a "Disaster Dashboard" platform to enable the real-time and video-based distribution of information to business operators in the surrounding area.



Otemachi Financial City Grand Cube

SPECIAL FEATURE 2

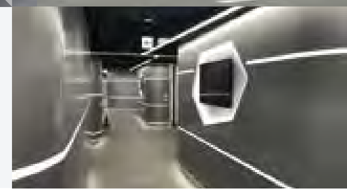
Large-Scale Renovation of the Otemachi Building

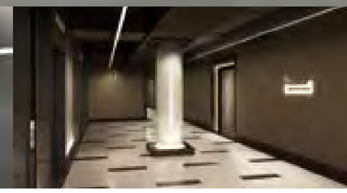
The Otemachi Building celebrates its 60th anniversary in 2018, giving it the longest history of any office building in the Marunouchi area. Today, the building accommodates more than 100 companies and organizations and about 50 bars, restaurants, and service outlets on nine stories aboveground and three belowground. The building housed our own headquarters until December 2017. With this historic Otemachi Building, we decided to opt for a large-scale renovation project with a vision of its long-term operation. Construction work began in May 2018. While giving full expression to the features of the building, we aim to completely update the functions and designs of its facilities to offer value as a venue for the creation of new businesses.

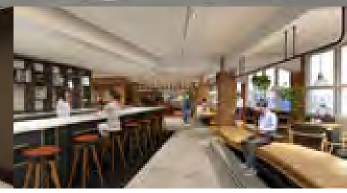
> “Establishing a business creation base through a large-scale renovation”

BEFORE

AFTER







Renovation Rather Than Redevelopment

In the Marunouchi area, our redevelopment so far has mainly taken the form of rebuilding. With the Otemachi Building, however, we decided to carry out a large-scale renovation. Our decision reflected the following considerations.

First, we want to diversify the types of leased office buildings in the Marunouchi area. We have been vigorously promoting redevelopment in the Marunouchi area since the beginning of the 2000s, which has contributed to a rising proportion of new buildings in Otemachi in recent years. The new buildings feature large floor plates and pillarless spaces, making them suitable for large-area office use. The Otemachi Building also has large floor plates, but it is distinctive in that it has a floor shape suitable for division into small parcels, allowing flexible responsiveness to the needs of a wide range of companies. That offered us an opportunity to broaden the range of our office lineup and support diversification of the tenant mix in the area. While raising the appeal of the Marunouchi area by drawing together a concentration of these companies with different aspects, we aim to shape the area into a forum for innovation by fostering collaboration between start-ups and large companies.

Second, we seek to release potential value by making use of the existing office building stocks. Surveys have shown that the Otemachi Building has a strong structure capable of operating for 100 years. In this renovation project, we are looking to make the most of that longevity while also drawing out the full potential of the building by giving play to its particular features. These include a floor shape suitable for division into small sections as well as outstanding traffic access. Another huge advantage with this approach is being able to increase the value of the building while maintaining cash flows from it. Raising the value of buildings without relying on rebuilding has become increasingly important from the perspective of utilizing existing stocks. In this respect, we are in step with the needs of the times.

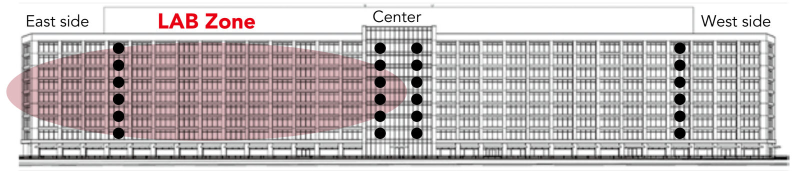
Third, we are pursuing environment-friendly urban development. Renovation reduces the amount of construction materials needed and prevents waste compared with redevelopment involving demolition and new construction. With this renovation, we are also paying close attention to the environment. We are installing LED lighting and saving energy through the use of window glass with outstanding heat insulation and solar radiation fins, while the building will feature the largest rooftop garden in Japan. The Mitsubishi Estate Group has dedicated itself to being a front-running, ESG-conscious corporation, and thus this project is in alignment with that commitment.

Separate Designs for East and West Sections

We are dividing the Otemachi Building into east, west, and central sections, each of which will have distinctive exterior and interior designs. For the exterior, we are using glass fiber reinforced cement (GRC) and low emissive (Low-E) multilayer glass, seeking to improve environmental performance and reduce management costs into the future.

For the interior, we are utilizing existing materials while upgrading designs to take on board the latest knowledge and ideas. We will also improve LED lighting and upgrade the emergency power supply system to improve safety and disaster preparedness.

In addition, the east–west passage in the center of the building that passes through Marunouchi Naka-dori Avenue will have an open design, providing an inside space in harmony with the street.



Zoning: conceptual design


CG rendering of completed exterior wall using GRC (glass fiber reinforced cement)


CG rendering of passage running south to north (central north side)

Renovation

Building a Venue for the Creation of New Businesses

In terms of leasing, based on the management experience with FINOLAB following its relocation to the Otemachi Building in February 2017, the west side will be principally a tenant space, while the east side will be dedicated mainly to the LAB Zone of facilities to promote interpersonal exchanges. We aim to make this not only a venue for interaction among tenant companies but also a center for open innovation and communication that gathers together people and companies across the entire Marunouchi area.

The LAB Zone will house the TechLab "collaboration space." This will be operated in cooperation with SAP Japan, the Japanese unit of SAP, the world's largest software company and global provider of business software solutions. TechLab will be equipped with co-working offices, shared conference rooms, and event spaces and will act as a business creation base with a design firm bringing together large enterprises and start-ups.

We are also planning to expand FINOLAB, Japan's first base for financial technology (FinTech) companies in the Otemachi Building that we operate in collaboration with Dentsu Inc. and Information Services International-Dentsu, Ltd. To meet the needs of more companies, we intend to increase the floor area from about 2,150 m^2 to about 4,000 m^2.

KPMG Japan Corporation, the Japanese unit of KPMG, one of the world's four largest accounting firms, has established KPMG Ignition Tokyo as a new base to drive innovation among Japanese companies by utilizing digital technology. KPMG Ignition aims to work with companies to create new business models and solutions supported by the specialist expertise KPMG Japan's professionals and digital experts have nurtured through auditing, tax, and advisory services and the application of the latest digital technology. With input from the KPMG Ignition-related facilities already deployed in 18 major cities around the world, it will be a base to lead company initiatives toward digital transformation through "brainstorming" meetings and workshops.

FINOLAB


CG rendering of TechLab

PICK UP

Toyota Motor Corporation Development Unit a Tenant

In the west section of the Otemachi Building, Toyota Motor Corporation is establishing a development base for peripheral technologies to support automated driving as part of its aim to transform itself into a "mobility company" while maintaining and developing its existing businesses.

The Marunouchi area is becoming a base for the realization of automated vehicles through the promotion of open innovation. In doing so, it is applying the area's advantages as a place in which large companies, venture businesses involved in AI and other areas, and professional firms are gathered together, as well as providing excellent access to universities, research institutes, and government offices.

SPECIAL FEATURE 3

Headquarters Relocation and New Value Creation

Shiori Sasaki

Facility Management Office,
General Affairs Department,
Mitsubishi Estate Co., Ltd.

As a member of the Headquarters Relocation Project Team, Ms. Sasaki has been involved in all aspects of the relocation of the headquarters, including conducting staff surveys, planning and deciding on designs and specifications, and bringing in IT tools.

Our headquarters relocation in January 2018 was aimed at promoting work style reforms and supporting the Office Building Business by making it easier to demonstrate the benefits of upgrading head offices. We were also looking to improve work efficiency through various approaches spanning both tangible aspects, such as building structures and construction materials, and intangible aspects, such as how buildings are used. The time freed up has allowed us to generate new value while also promoting an "open" corporate culture to support this effort. The Headquarters Relocation Project involved the participation of not only full-time personnel but also members of office leasing-related sales and development teams. They pooled their combined knowledge to come up with the working environment and approaches to enable new value creation through in-depth discussions about how the headquarters should operate. The aim was to create the ideal working environment, where people spend a large part of their lives, and to support the work of the Office Building Business, a core part of the Company's operations. In order to support business model innovation and raise intellectual productivity, we undertook a study based on quantitative survey data. Specifically, we conducted a weekly behavioral survey on about 800 employees at Mitsubishi Estate who worked at the former headquarters. We asked such questions as "when," "where," "who," "what," and "what tools did you use?" and we analyzed detailed data on intellectual productivity in these acts. We learned that people spent only about 50% of their working hours at their own desks, with a lot of time being spent in other departments, in conference rooms, and outside the Company. We are also analyzing interdepartmental cooperation for business promotion and staff thinking on facilities.

Based on these discussions and survey data, we aimed to create intellectual stimuli by encouraging in-house "accidental communication" at the new headquarters. Some examples of the approaches we took include creating large office spaces with no walls, adopting a group address system (under which a specific space is allocated to a group or team, but individual employees are not assigned a particular desk), setting up internal staircases, and doubling the shared space while reducing the floor area used by about 20%. The post-relocation survey also revealed a significant increase in interactions with other departments and highlighted that communication is now more efficient and invigorated than expected.

In addition to abolishing private rooms for corporate executive officers, we have improved communication between management and general employees with the group address system, which has increased the frequency of communications with management. A number of people outside the Company have commented on the speedier responsiveness of Mitsubishi Estate staff since the headquarters relocation. Some have suggested that decision making has become quicker thanks to easier communication and quicker access to employees. Some of our own office leasing-related sales personnel, too, have said that their level of persuasiveness has benefited from being able to give explanations based on firsthand experience when making proposals to clients for offices that facilitate work style reforms. We expect approximately 10,000 people to come and see our new offices in the coming year, creating far more contact points with people and companies than before.

The relocation itself may have been completed, but making an environment that encourages new value creation is still a work in progress. We are constantly carrying out experiments aimed at developing next-generation offices equipped with advanced technology such as location information systems in office spaces. We are using the knowledge gained through these to help us offer proposal-based solutions to many companies that are addressing work style reforms and other issues. At the same time, we are creating a forum to support open innovation and promote collaboration with diverse companies.

PICK UP

Mitsubishi Estate's Work Style Reforms

Employees' thinking and behavior have clearly changed with the relocation of our headquarters. Building on this, we are accelerating reforms to promote "borderless" and "socializing" approaches to work among our people.

"Borderless" and "Socializing" Work Style

1. Natural gathering and connections between people
2. Open and direct communication
3. Flexible working arrangements
4. Surroundings that encourage a "give-it-a-go" spirit
5. Healthy living

Training and supporting diverse staff as our source of new value creation and business growth

Urban development with true value is predicated on understanding the needs of people working and living in the area while also having insight into how the times are changing. Such insight comes from our people being highly attuned to society. The Mitsubishi Estate Group seeks to nurture and strengthen diverse human resources as the source of new value creation and business growth by establishing an environment that inspires creativity and encourages people to take on challenges.

Approach to Human Resource Development

The Mitsubishi Estate Group recognizes that employees are its most important management capital.

What we seek in our employees are the following five attributes: vision, professionalism, integrity, team building, and challenge and innovation.

We have implemented job rotation taking into account career growth stages and also set up systematic training programs in the workplace with training tailored to the needs of people in different positions and at various career stages. In addition to holding human resource development training sessions, which is one of the most important issues for managers, we are working on preparing division-specific human resource development plans.

A Compact Organization and a Dynamic Workforce

As of March 31, 2018, the Group had 8,856 employees, with Mitsubishi Estate alone having 806. That is only about 50%–70% of the levels at our major competitors in Japan. Relative to revenues, the per-capita contribution of each employee in the Group is large. To put it another way, productivity per employee is high. This is partly a reflection of the Group's organizational culture in which all employees, including new recruits in their 20s, are assigned challenging works.

The active engagement of our people is also essential for the promotion of the business model innovation set out in our Medium-Term Management Plan. We aim to create an environment that spurs our people to take on challenges beyond established business frameworks, including developing new services that utilize the latest technology and embracing "open innovation" with venture companies.

(Reference) Productivity per Employee

	FY2018 (Millions of yen)			FY2018 (People)	FY2018 (Millions of yen)		
	Revenue from operations	Operating income	Profit attributable to owners of parent	Number of employees (Consolidated)	Revenue from operations per employee	Operating income per employee	Profit attributable to owners of parent per employee
Mitsubishi Estate	1,194,049	213,047	120,443	8,856	134.8	24.1	13.6

Multifaceted Staff Education and Training

The Group has established a staff training system with the aim of developing the skills of each employee and raising awareness of their roles at the different stages of their careers.

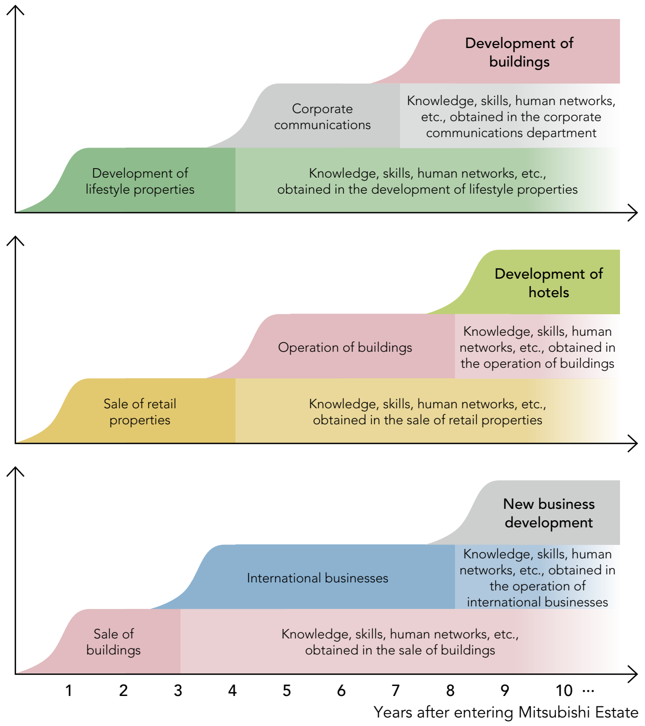
We provide a broad range of cross-group training programs, including those for new employees and newly appointed managers, aiming to create a framework to support high-level achievements and demonstrate the Mitsubishi Estate Group's comprehensive strengths. In order to encourage the acquisition of business-related knowledge and skills for developing the capabilities of all staff, we offer a wide range of training programs throughout the Group aimed at developing the capabilities of all staff. These programs range from marketing and financial strategy to compliance and human rights awareness. Furthermore, we have been encouraging the development of human resources with the skills needed to perform on a global basis. For example, we have introduced programs under which employees gain practical experience by being appointed for one or two years to work in overseas offices of the Mitsubishi Estate Group or external companies. We have also been fostering human resources who be able to perform effectively in a global setting by sending employees to study abroad. Moreover, we have introduced a self-development support system to help all employees with various backgrounds develop their capabilities and apply them to the fullest extent. We are working on multifaceted training programs to meet the needs of diverse human resources.

Cultivating Broad Perspectives through Job Rotation

At Mitsubishi Estate, new graduates account for the great majority of new employees. For these new graduates, we have introduced a personnel system under which they work in three departments for a period of about 10 years after joining. Under the job rotation system, an employee might move from the Residential Business to the Office Building Business, or from development operations to a business management role. The intention here is to help young employees acquire a broad practical knowledge and skills through on-the-job training. At the same time, by providing work experience across multiple fields, we are helping a build a broad range of human networks connecting various stakeholders. These networks extend from within the Group to clients and business partners, to national and local governments in charge of urban planning, and to the communities in the areas we are developing. We hope, through this approach, that employees gain a new understanding and knowledge. Job rotation is a mechanism that creates valuable opportunities on a sustained basis and helps our people broaden their horizons and gain an understanding of the business of real estate developers from multiple perspectives.

Examples of Job Rotation

Multifaceted perspectives cultivated through knowledge, skills, and experience gained through on-the-job training



New Business Proposal System Encouraging Employees to Take On Challenges

We launched our "New Business Proposal System" in 1999, which has evoked a wide range of proposals and ideas from our employees. The Business Creation Department has, since its establishment in 2014, worked as a secretariat for the proposal system at the same time as developing new businesses itself. It aims to prepare the ground for employees to take up the challenge of new value creation.

Mitsubishi Jisho Residence's business of renovating pre-owned condominium units was born out of a proposal put forward by an employee. After the proposal was passed in 2011, we examined the feasibility of the business from various angles. Doing so led to the establishment of the Renovation Division in 2014, and then the business took off. More recently, based on a proposal adopted in 2017, we have been promoting a business using new large timber panels known as Cross Laminated Timber (CLT). In March 2018, construction began on a 10-story rental apartment complex that will, in a first for Japan, use CLT as a flooring material.

The creation of new business was highlighted as an important theme for "business model innovation to achieve further growth in the 2020s" in the Medium-Term Management Plan that began in April 2017. We have updated and strengthened the New Business Proposal System to create an environment that is more conducive to employees taking up challenges as part of a new business creation platform, one of the measures in the Medium-Term Management Plan. The system has attracted growing attention among employees. In fiscal 2018, more than 20 proposals were submitted, four of which are under consideration for turning into commercial businesses.

2 Chome, Izumi-ku, Takamori Project CG rendering of expected completed exterior of property that will be the first high-rise building to use CLT for flooring

Employee Interview

Job Rotation Promotes Learning, Discovery, and a Willingness to Take On Challenges

I am currently involved in the development of a large multifunctional building in the Marunouchi area. This has made me acutely aware that one person alone cannot move such work forward: we are a team. As real estate developers, we must be ambitious in carrying out urban development in a flexible way that respects the values and thinking of the whole spectrum of stakeholders. I believe that job rotation through three departments over 10 years was very valuable in helping me understand different values.

My first assignment as a new-graduate recruit was in the Residential Business. There, I was assigned to work on projects during short three-to-six-year periods with relatively small teams consisting of two or three members. The teams may have been small, but, by the same token, the scope of each member's work was very wide. I myself was responsible for overall project management of a high-rise condominium project in Tokyo. This project stretched from upstream to downstream areas and my duties involved product planning, sales strategy, and process and budget management. In the course of fighting my way through with a lot of guidance from my superiors, I came to learn the importance of working hand-in-hand with other team members and, as a project manager, approaching my work with responsibility and passion. Looking back, I think that interacting with senior employees from within the Company and project members from outside the Company who were keen to undertake good developments together was a key element in pushing me toward a willingness to take on challenges in pursuit of personal growth.

My next move to the Ministry of Land, Infrastructure, Transport and Tourism (MLIT) came as a real surprise. As it turned out, though, it was a good opportunity to see Mitsubishi Estate from the outside. The biggest surprise for me was discovering just how enthusiastic the people in central government were, which was totally at odds with my unfair preconceptions about "bureaucratic" mind-sets. Although the nature of our work was different, I realized that we shared a strong desire to improve the urban environment. At the same time, our approaches to moving work forward were very different. I felt clearly how the organization and culture of Mitsubishi Estate are there to support the growth of its employees and encourage a "can-do" spirit from a longer-term perspective.

Environment Where Members with Diverse Experience Motivate Each Other

The Marunouchi Development Department where I now work brings together colleagues who have accumulated wide-ranging experience in such areas as building operation and management, property development, and corporate planning. Lively discussions take place on ideas about urban development and values drawn from this broad-ranging experience in many and various settings, from regular departmental meetings to casual conversations. I am involved in several projects in Marunouchi. In helping promote the development of the Marunouchi area, I am seeking to apply the skills and understanding I gained in the Residential Business by speaking to many people, from managers of entire projects to designers, builders, and others with experience and specialist knowledge.

My experience when I was seconded to the MLIT gave me insight into how the perspectives and priorities of government agencies differ from those in the private sector, and led to my involvement in consultations between government bodies. Experiencing discussions with government bodies, which are essential to large-scale developments, from a government standpoint as opposed to a private-sector one, feeds through to my work today.

A broad perspective and free thinking are essential to creating new value unfettered by established frameworks. In a world where people's values, lifestyles, and technologies are rapidly evolving, I do not think anyone can say that any particular way is the correct one. That is why we must be willing to take up new challenges together, drawing motivation from members with diverse backgrounds. Such a vibrant environment and the opportunities it offers are wonderful opportunities for me personally, but I think these opportunities also provide a vital foundation for the whole Group as we look to fulfill our mission "to contribute to society through urban development."

Head office employee cafeteria

Hiroyuki Tadano

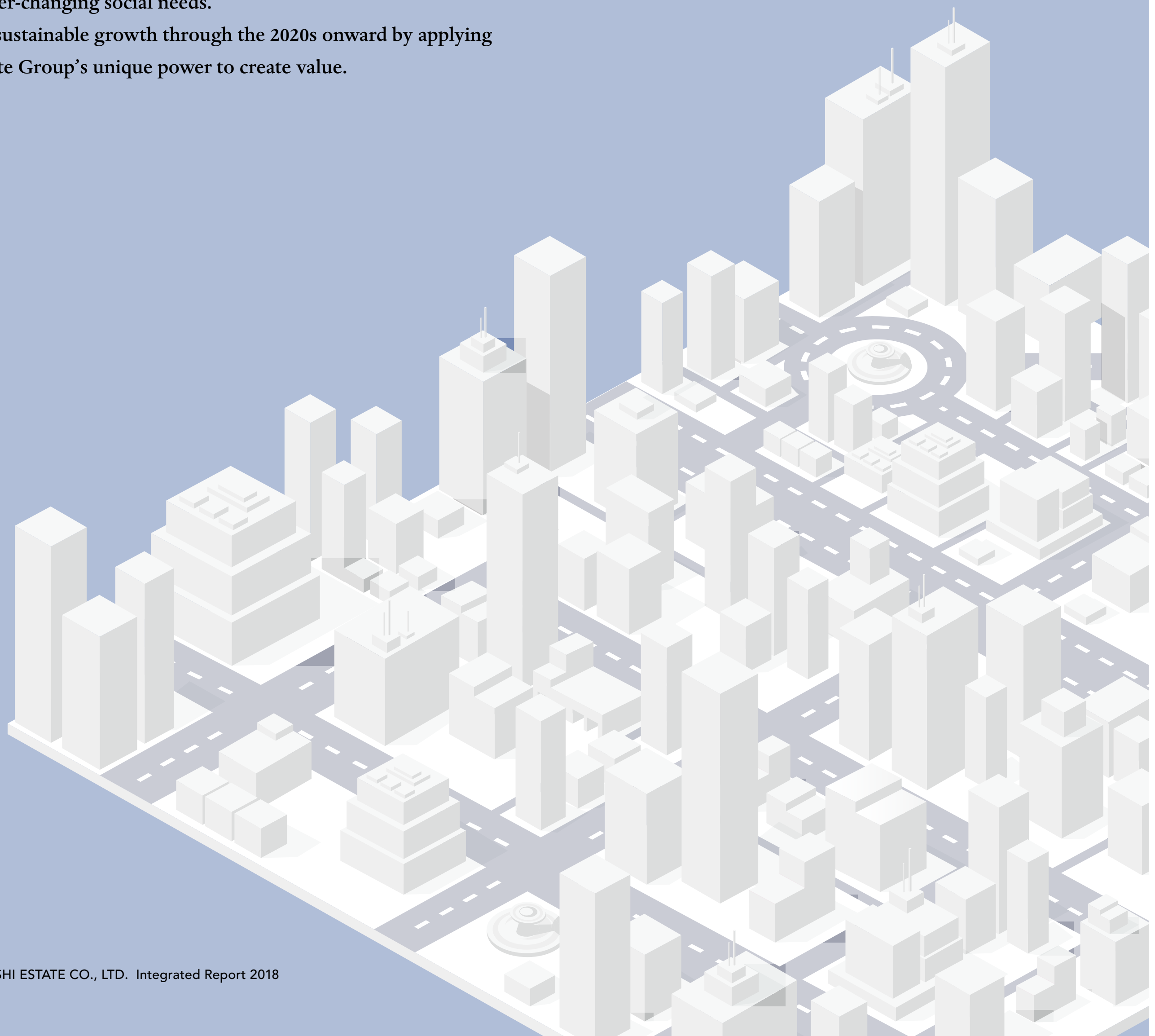
Manager
Marunouchi Development Department
Mitsubishi Estate Co., Ltd.

Hiroyuki Tadano joined Mitsubishi Estate in 2008. For four years, he was responsible for the development of large-scale condominium properties. For two years beginning in April 2012, he was seconded to the Ministry of Land, Infrastructure, Transport and Tourism (MLIT) under a public sector–private sector exchange program, where he was engaged in proposing plans related to the Urban Park Act. From April 2014, he worked in the Marunouchi Development Department, where he was responsible chiefly for the development of the Otemachi Park Building, which was completed in January 2017. He is currently working on new projects in the Marunouchi area.

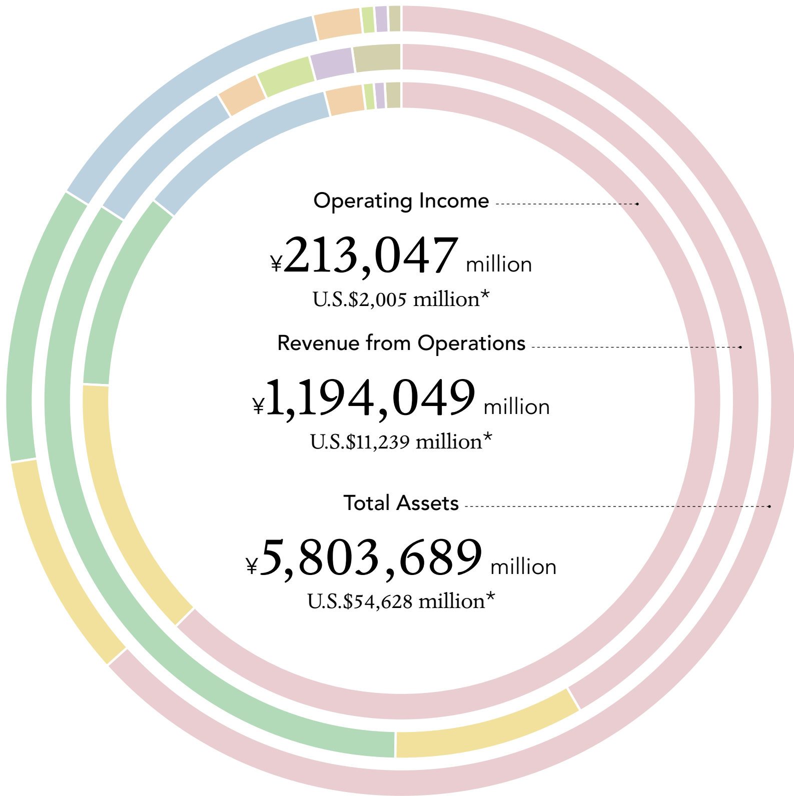
Empowered by New Challenges

BUSINESS REVIEW

The Mitsubishi Estate Group is promoting its Medium-Term Management Plan for the three years beginning fiscal 2018 with the overriding theme of "entering the next stage of value creation by staying ahead of ever-changing social needs."
We aim to achieve sustainable growth through the 2020s onward by applying the Mitsubishi Estate Group's unique power to create value.



Segment Data



* The above amounts were translated into U.S. dollars at ¥106.24 = U.S.$1.00, the approximate prevailing exchange rate on March 31, 2018.

Millions of yen

Fiscal year ended March 31, 2018 (consolidated)	Revenue from Operations	Operating Income	Total Assets
Office Building Business	506,161	147,243	3,518,967
Lifestyle Property Business	105,817	31,184	514,390
Residential Business	410,598	23,860	626,596
International Business	86,925	24,147	697,478
Investment Management Business	22,665	4,596	111,974
Hotel & Airport Business*	33,138	766	29,312
Architectural Design & Engineering Business	21,613	1,724	27,048
Real Estate Services Business	25,584	1,518	22,427
Other	8,541	1,048	17,695
Eliminations or Corporate	(26,996)	(23,043)	237,797
Total	1,194,049	213,047	5,803,689

* Shows results for the former Hotel Business segment.
* We established the Hotel & Airport Business segment in fiscal 2019, bringing together the businesses listed below.
  • The former Hotel Business segment
  • The Hotel Development Business of the Lifestyle Property Business segment
  • The Airport Project Promotion Office under the Business Creation Department and the Resort Hotel Development Business

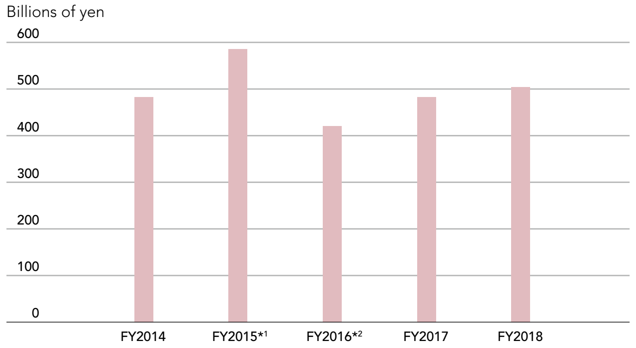
OFFICE BUILDING BUSINESS

Overview

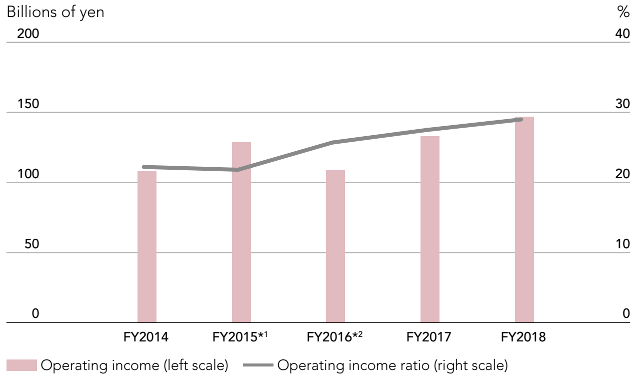
The Office Building Business, Mitsubishi Estate's core business, engages in the development, leasing, and property management of office buildings with state-of-the-art functions, mainly in major Japanese cities centering on the Marunouchi area. Our businesses involve three types of earnings models: our property development and leasing business, in which we ourselves develop office buildings and receive rental revenue from them; our capital recycling business, where we generate capital gains on the sale of properties we have developed; and our non-asset businesses, which center on office building operations and management. Through building development and operations, we are promoting urban development to increase the attractiveness of the entire surrounding area.

Business Concept	Office buildings		Main non-asset type businesses	
	Marunouchi area (mainly the property development and leasing business)	Major business areas in Japan (mainly the capital recycling business)	Property management	Master leases

Revenue from Operations



Operating Income / Operating Income Ratio



*1. From fiscal 2015, the Commercial Property Development & Investment Business has been integrated into the Office Building Business.

*2. From fiscal 2016, domestic retail & logistics property businesses (not including some multipurpose facilities), no longer in the Office Building Business, now featuring the Lifestyle Property Business.

Competitive Advantages

- Ownership of about 30 buildings in the Marunouchi area, a leading business area in Japan with one of the world's greatest concentrations of companies.
- Redevelopment in Marunouchi not requiring new land acquisition is largely unaffected by fluctuations in the real estate investment market, thus enabling stable and continuous redevelopment.
- Development know-how and a track record cultivated through continuous urban development in the Marunouchi area for more than 100 years.
- Tenant relationships and information networks built through the Group's wide-ranging businesses, including development in the Marunouchi area.
- Relationships with the central and local governments built through public and private sector cooperation in urban development.
- Urban development and area management with advanced disaster-management functions centering on the Marunouchi area.

Business Strategies

Marunouchi Area

- Generally, redevelopment enables rental revenue to be increased by expanding building floor space and raising rents per square meter. In the Marunouchi area, we aim to promote continuous redevelopment that raises value through individual redevelopment projects as well as by realizing synergies across the whole area.
- We intend to strengthen the functions of Marunouchi through the "Open Innovation Field" initiative to cultivate new communities and undertake field trials with leading-edge technologies. Please see the next page.

Main Office Areas in Japan

- We aim to strengthen our development pipeline by using the know-how we have accumulated through redevelopment in the Marunouchi and other areas.

Non-Asset Businesses and Others

- We intend to expand and strengthen non-asset businesses, including property management and master leases, and businesses that utilize existing stock, such as through the renovation of aged buildings.
- We aim to leverage relationships built through office building development and the office building leasing business to expand other businesses and create new businesses.

The "Open Innovation Field" Initiative in the Marunouchi Area

As one of the growth strategies for the Office Building Business in the Medium-Term Management Plan, we are promoting the "Open Innovation Field" initiative in the Marunouchi area. The initiative entails bringing people and companies that find opportunities in innovation together and interact. Accordingly, we aim to provide a constantly stimulating city environment that inspires creativity and a willingness to realize new possibilities and embrace change.

Specifically, we are focusing on the fields of AI, the Internet of Things (IoT), and robotics and seeking to actively promote practical tests with systems and services that utilize state-of-the-art technology. In the office building leasing business, we are providing small offices targeted at growing companies both in Japan and overseas as well as start-ups working on the application of advanced technologies. We are working to build a platform for providing a point of contact between different players and support the formation of networks for lively exchanges between start-ups and large companies.

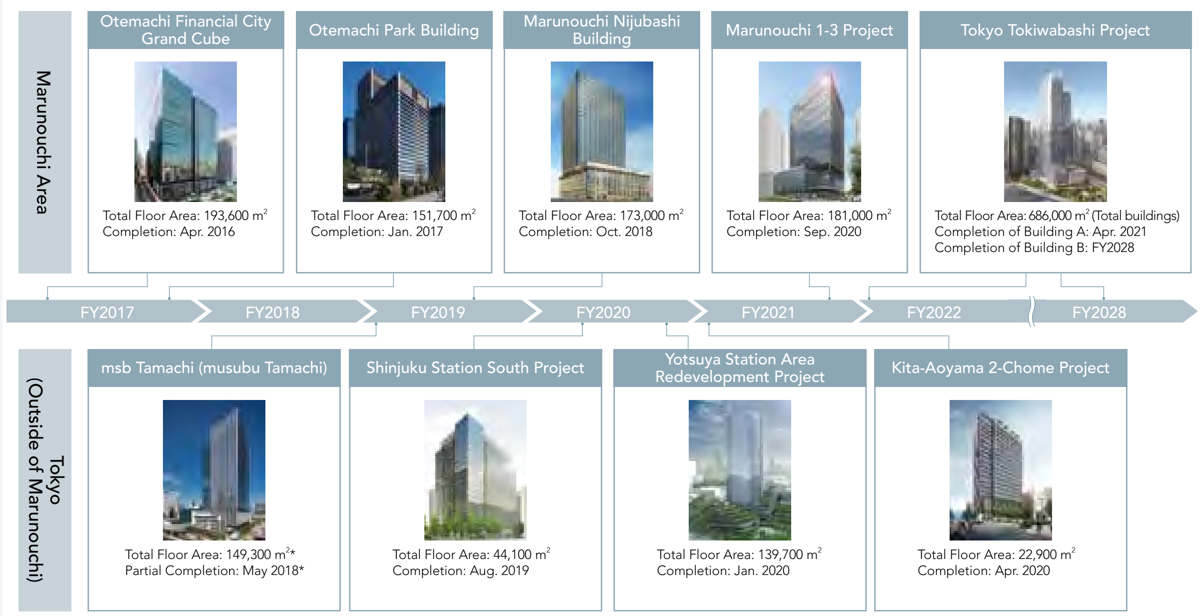
Field test of self-driving bus on Marunouchi Naka-dori Avenue
The first time for a self-driving vehicle to run on public roads in Tokyo's 23 wards

TOPICS

In the Marunouchi area, we have been making good progress toward completing construction of the Marunouchi Nijubashi Building in October 2018. The project involves replacing three buildings with 30 stories aboveground and four belowground. The new building will have a large conference hall and banquet space and further stimulate the Marunouchi area with an expanded lineup of retail outlets along Naka-dori Avenue. Together with this redevelopment, we are also building a service tunnel beneath Naka-dori Avenue to improve the disaster-management functions of the area (please see pages 22–25).

We are also moving ahead with the redevelopment of the Marunouchi 1-3 Project, on which construction began in January 2018, and Building A, Tokyo Tokiwabashi Project in front of Tokyo Station, on which construction began in February 2018. These redevelopment projects will move forward the integrated development of the Marunouchi area.

In areas outside Marunouchi, in May 2018 we completed the msb Tamachi (Tamachi Station Tower South) in the msb Tamachi project in a joint development with Mitsui Fudosan Co., Ltd., and Tokyo Gas Co., Ltd., on a site adjacent to JR Tamachi Station's east exit. The project is located in the Tamachi area where JR Shinagawa New Station is scheduled to open in 2020. Due to open in autumn 2018, the Pullman Tokyo Tamachi will be Japan's first hotel under the Pullman brand.



* Tower South, hotel

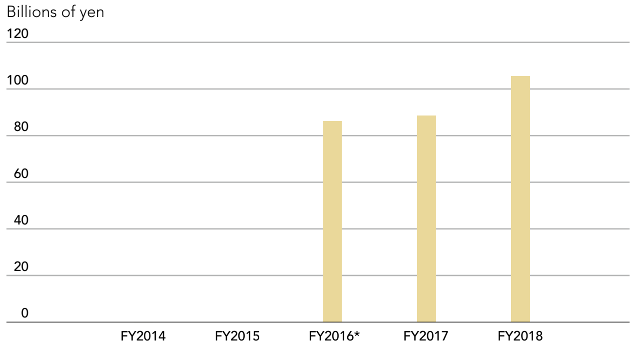
LIFESTYLE PROPERTY BUSINESS

Overview

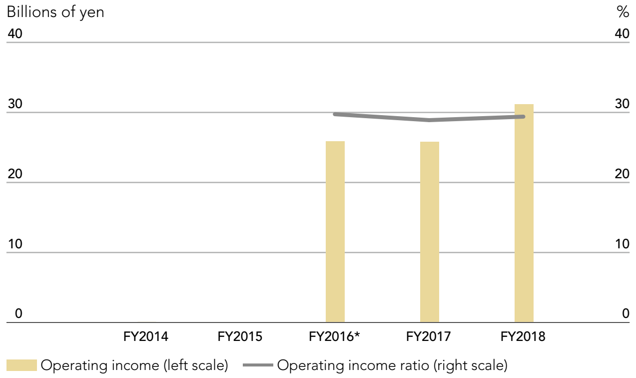
The Lifestyle Property Business handles assets excluding office, residential properties, and hotels. Its activities center on the development and operation of retail properties and logistics facilities. The retail property portfolio spans three business formats: suburban shopping malls operated under the PREMIUM OUTLETS® brand, independent shopping centers such as MARK IS, and integrated urban facilities in the Marunouchi area. In our logistics facility business, we are continuing to expand our portfolio particularly under the Group's Logicross brand while also undertaking joint developments with other companies.

Business Concept	Retail properties			Logistics facilities	Main non-asset type business
	Outlet shopping malls	Independent shopping centers	Integrated urban facilities		Retail management

Revenue from Operations



Operating Income / Operating Income Ratio



* The Lifestyle Property Business was established as a new segment in fiscal 2016, taking over responsibility for domestic retail and logistics property business operations (not including some multipurpose facilities) from the Office Building Business.

Competitive Advantages

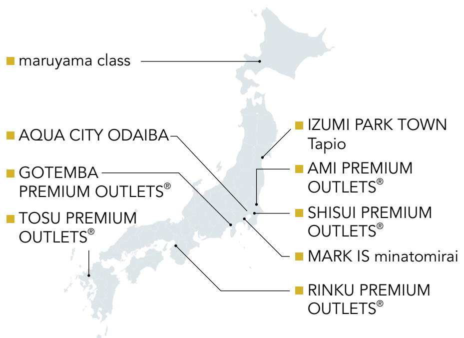
Retail Properties

- The top customer drawing power in Japan of the PREMIUM OUTLETS® shopping mall chain.
- Information networks and tenant relationships built through wide-ranging Group businesses, including developments in the Marunouchi area.
- Extensive development and management know-how gained through a portfolio consisting of three different business formats, business coverage in Japan stretching beyond Tokyo all the way from Hokkaido to Kyushu and a tenant network covering approximately 3,500 stores (as of the end of March 2018).

Logistics Facilities

- A business platform with a broad range of functions related to logistics facilities, from land acquisition and development to building operations, ownership, and asset management.
- Tenant relationships and information networks through wide-ranging Group businesses, including developments in the Marunouchi area.
- Management know-how and experience gained through Tokyo Ryutsu Center Inc. (TRC) and its competitiveness underpinned by being based in Heiwajima, a location providing excellent access to central Tokyo and Haneda Airport.

Area Map of Main Retail Properties



Business Platform of Logistics Facilities

Business Strategies

Retail Properties

- With outlet shopping malls, we will continue to expand and refurbish existing facilities and develop new ones to offer visitors unique spaces and meet their needs for a fun, one-of-a-kind experience.
- Regarding independent shopping centers, we are developing distinctive facilities tailored to diverse demand based on detailed analyses of the location, local demand characteristics, tourism potential, and discussions with tenants.
- With integrated urban facilities, we are aiming to deliver wide-ranging eating and drinking options and shops as well as various service providers to offer better amenities and convenience for office workers while also drawing in people for shopping and tourism.
- We aim to capture inbound demand by taking various initiatives that give full play to the distinctive features of our facilities.

Logistics Facilities

- We intend to make acquisitions of land and undertake leasing operations by making use of our multiple information networks and tenant relationships.
- We aim to generate stable capital gains by leveraging our logistics business platform to sell developed properties to Mitsubishi Estate Logistic REIT Investment Corporation, which is managed by Mitsubishi Jisho Investment Advisors, Inc., and other parties.
- We intend to generate synergies Groupwide by sharing the information networks and management know-how acquired by the Tokyo Ryutsu Center, which has been involved in the logistics facilities business over the nearly 50 years.

TOPICS

Retail Properties

We opened Corowa Koshien in Nishinomiya City, Hyogo Prefecture, in April 2018. Located just one minute's walk from Hanshin Electric Railway Koshien Station, this shopping mall is close to the Hanshin Koshien Stadium, home to the Hanshin Tigers, the most popular professional baseball team in the Kansai area. We are aiming to offer convenience for people living in the area while attracting those coming to Hanshin Koshien Stadium to visit.

In May 2017, we reached a basic agreement with landowners to develop an outlet mall in Joyo, Kyoto Prefecture. The planned site is located about 20 km south of the center of Kyoto City, along the Shin-Meishin Expressway that is now under construction. The intention is to open the outlet mall after the scheduled opening of the expressway in fiscal 2024. We are now moving ahead with various procedures and consultations with many people concerned.

Corowa Koshien

Logistics Facilities

We have begun construction work on two logistics facility development projects that are targeted for completion in 2019.

In September 2017, we started construction of Logicross Nagoya Kasadera, the fifth of our independently developed logistics facilities under the Logicross brand.

In addition to being located in Nagoya City, a major consumption area in the Chubu region, the facility has excellent access to major expressways and other public roads and is within walking distance from a train station, with the advantages that offers for securing workers.

In December 2017, we began construction of LOGIPORT Kawasaki Bay, one of Japan's largest multi-tenant logistics facilities, which we are developing jointly with two other companies, LaSalle Real Estate Investment Advisors Co., Ltd., and NIPPO Corporation. Situated in a harbor district with good access to Kawasaki and Yokohama ports and Haneda Airport and being close to the cities of Tokyo and Yokohama, the facility will provide outstanding operational flexibility through around-the-clock operations.

LOGIPORT Kawasaki Bay

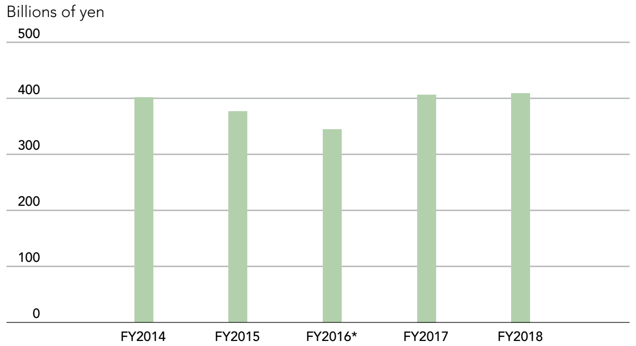
RESIDENTIAL BUSINESS

Overview

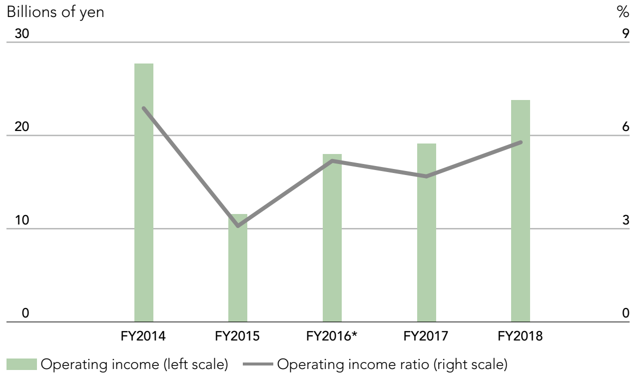
The Mitsubishi Estate Group has approximately 50 years of experience in the residential condominium business. We have established a value chain to meet housing-related needs spanning from new development and rebuilding and redevelopment projects to purchasing and sales, brokerage, and management. We are also developing a wide range of businesses to meet diversifying lifestyle needs. Such businesses include rental housing, renovation, our international business, and investment-purposed real estate.

Business Concept	Residentialcondominiums		Rental apartments	Main non-asset type businesses			
	Domestic	Overseas		Management	Brokerage	Custom-built housing	Renovation

Revenue from Operations



Operating Income / Operating Income Ratio



* From fiscal 2016, certain operations of Mitsubishi Jisho House Net Co., Ltd., were moved from the Real Estate Services Business to the Residential Business.

Competitive Advantages

- The power of The Parkhouse and The Parkhabio brands backed by outstanding technologies, uncompromising product quality control, and a long and extensive track record.
- Quality control of The Parkhouse brand at all stages of the development process–from design and construction to completion-with "Check Eyes," our quality management and performance indication system, which reflects our dedication to all aspects of the properties we offer.
- Product planning power that ensures that our buildings keep people safe through resilience in natural disasters and offer both comfort and cost performance and which respects the environment and the local region by paying careful attention to preserving biodiversity and helping realize a low-carbon society.
- Strong relationships with leading developers in Asian countries.
- The ability to provide services to meet all housing-related needs.

The Parkhouse The Parkhabio

Business Strategies

Residential Condominiums, Domestic

- We aim to expand our customer base by strengthening our brand power through the enhancement of product appeal, reliability, and services and by leveraging said brand power to acquire loyal "fans."
- We intend to optimize material costs and construction costs by utilizing our leading business scale in residential condominium development in Japan.
- We are promoting redevelopment projects that make full use of our abundant know-how related to real estate development and of the comprehensive capabilities of the Mitsubishi Estate Group.

Residential Condominiums, Overseas

- While exploring business opportunities through collaboration with leading developers in different countries, we are also pursuing growth by utilizing the Group's planning capabilities and development and sales know-how.

Rental Apartments

- We are aiming to stabilize segment profits through capital gains from rental apartments and other investment-purposed properties in the condominium business.

Non-Asset Type Businesses

- We aim to strengthen non-asset type businesses involving existing properties in such areas as residence management, brokerage, custom-built housing, and renovation.

Residential Business Value Chain

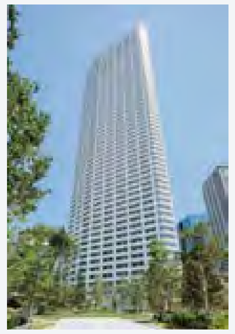
- We are providing one-stop services as a group making full use of all the phases of the value chain, from land acquisition, development, sales, and management through to brokerage.

TOPICS

Residential Condominiums, Domestic

In November 2017, we completed The Parkhouse Nishi Shinjuku Tower 60, a 60-story, high-rise condominium building standing at 208.97 meters and with a total of 954 units, in Shinjuku-ku, Tokyo. The area around the property used to contain a dense concentration of wooden houses, where the potential for disaster was a recognized concern. Through a redevelopment aimed at creating a safe urban environment well protected against disasters, we have made the entire area more resistant to fires and earthquakes while improving access for emergency vehicles should a fire or earthquake occur.

In February 2018, we completed The Parkhouse Nakanoshima Tower, a 55-story, high-rise condominium building in the center of Osaka. This is the first condominium property in Japan to be equipped to allow people to use an emergency elevator in the case of a fire. Normally, people are not permitted to use elevators for evacuation in the case of a fire in condominiums. However, our independently formulated disaster-response plan has received approval from the Osaka Municipal Fire Department, enabling the condominium elevators to be used by people with difficulty walking, such as the elderly and pregnant women.


The Parkhouse Nishi Shinjuku Tower 60


The Parkhouse Nakanoshima Tower

Residential Condominiums, Overseas

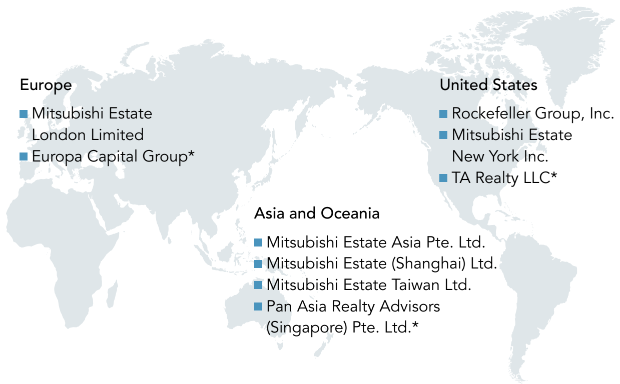
We entered the residential condominium business in Thailand in 2014, where we have now been involved in the sale of more than 10,000 units. With leading Thai real estate company AP (THAILAND) Public Co., Ltd., as our local business partner, we are meeting abundant housing needs among city dwellers in Thailand by bringing together the expertise of AP (THAILAND) in real estate business in Thailand and the strengths of the Group.


Life Asoke-Rama9

INTERNATIONAL BUSINESS

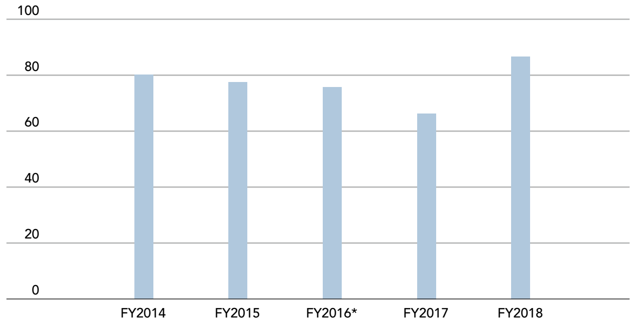
Overview

The Mitsubishi Estate Group's International Business began with the establishment of a company in the United States in the early 1970s. Its geographical coverage has since expanded to include the United Kingdom, mainland Europe, and Asia and Oceania. We have been strengthening our portfolio with both management properties predicated on returns from rental fees and properties for sale premised on raising their value under a capital recycling business model. We are promoting business expansion with respect to the real estate trading rules and business customs of each country. We seek to apply optimal business models for each market based on macroeconomic data and analysis of capital and real estate markets to identify the right time to enter.

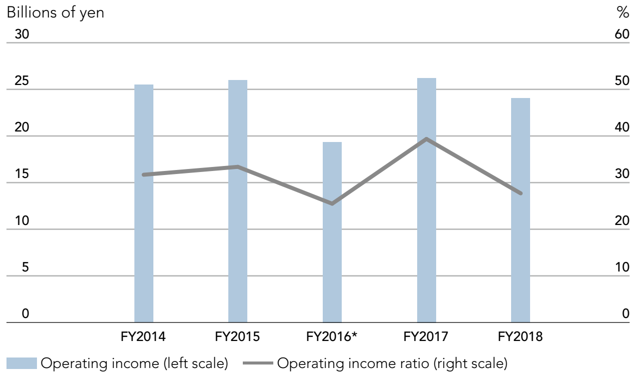


* Group companies under the Investment Management Business segment

Revenue from Operations



Operating Income / Operating Income Ratio



* From fiscal 2016, the international investment management business was transferred from the International Business segment to the Investment Management Business segment.

Competitive Advantages

United States

- The sourcing power of Rockefeller Group International, Inc. (RGI), and its development know-how and track record, as well as the name recognition it brings.
- TA Realty's networks and track record in raising the value of properties.

Europe

- The sourcing power based on business achievements over a long period.
- The establishment of development teams and operational effectiveness.
- Europa Capital's networks and track record in raising the value of properties.

Asia and Oceania

- Development know-how gained in the business in Japan.
- Acclaim the Group has won for its track record in Japan among businesses in leading cities in Asia excluding those in Japan.
- Relationships with leading local partners.
- The networks Pan Asia Realty Advisors (PA Realty) has established together with CLSA Real Estate Partners (CLSARE), which handles the real estate fund management business in Asia and Oceania.

Business Strategies

United States

- We are pursuing hands-on development centering on RGI.
- We aim to promote rental business based on two flagship office buildings owned in Manhattan and the development of properties in the United States under our capital recycling business model.
- We intend to strengthen investment with the Hybrid Investment Model* utilizing TA Realty's resources.

Europe

- We aim to develop business particularly in markets where different functions are handled by separate professional enterprises as an asset manager responsible for overseeing all aspects of projects.
- We intend to expand our portfolio by acquiring properties with a view to redevelopment, centering on management properties in the Office Building Business.
- We aim to strengthen investment with the Hybrid Investment Model* utilizing Europa Capital's resources.

Asia and Oceania

- We are expanding and diversifying our investment and development business jointly with leading local partners.
- In countries and regions where high and stable growth can be expected, we are focusing on asset types–and particularly property for sale–that are likely to see strong demand given the particular characteristics of different areas.
- We aim to expand investment with our Hybrid Investment Model* through PA Realty, our joint venture with CLSARE.

* Hybrid Investment Model: Funds structured by the Group companies that combine Mitsubishi Estate's and third-party equity.

TOPICS

United States

We have made progress with the Hybrid Investment Model utilizing TA Realty's resources. As of March 2018, we had established a portfolio of 28 properties in the United States, including office buildings in Boston and Washington, with a combined asset value of around ¥250 billion. We expect this to generate steady income gains. Meanwhile, we have been making good progress with a major renovation project at RGI's flagship office building in Manhattan, 1271 Avenue of the Americas, with a view to completion in December 2019.

Europe

We have been steadily expanding our portfolio of office building properties in Europe. We own seven office buildings in the United Kingdom (with another project currently under development), and in June 2017 we acquired an office building in Munich, Germany's largest office building market, giving us a second property in mainland Europe after the building we already own in Paris.

Asia and Oceania

In July 2017, we decided to undertake the joint development in Singapore of CapitaSpring together with CapitaLand, Asia's largest real estate group. The project is expected to cost approximately ¥145 billion. In November 2017, we also decided to participate in our first Australian residential development project, Melbourne Quarter East Tower, in partnership with Lendlease, Australia's leading real estate and construction company. The 44-story project in the center of Melbourne will contain 719 apartments.

Feringastrasse 10–12, Munich

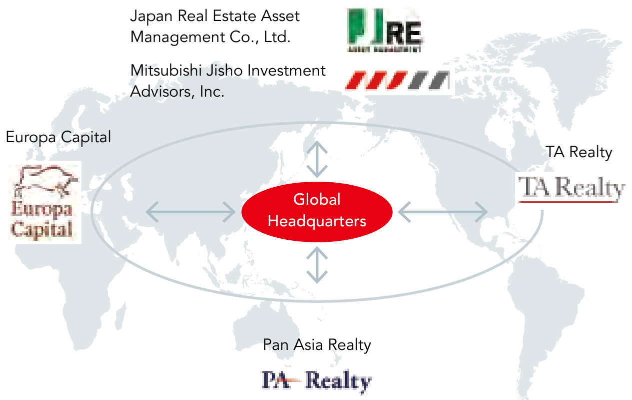
CG rendering of CapitaSpring when completed

CG rendering of Melbourne Quarter East Tower when completed

INVESTMENT MANAGEMENT BUSINESS

Competitive Advantages

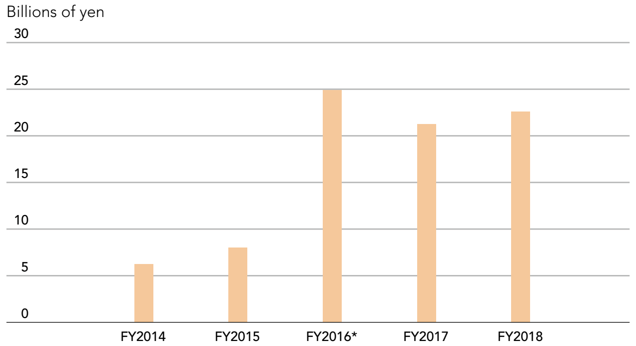
- Through the execution of M&A deals and other activities overseas, we have established a strategic global investment management platform. This enables us to provide global asset management services to clients by leveraging our expertise and achievements fostered in Japan, the United States, Europe, and Asia excluding Japan.
- In Japan, the Investment Management Business offers specialist services. Mitsubishi Jisho Investment Advisors, Inc., provides asset management services across a wide range of investment products, including the country's largest private REIT and a listed logistics REIT, while Japan Real Estate Asset Management Co., Ltd., manages Japan's first publicly listed office REIT.



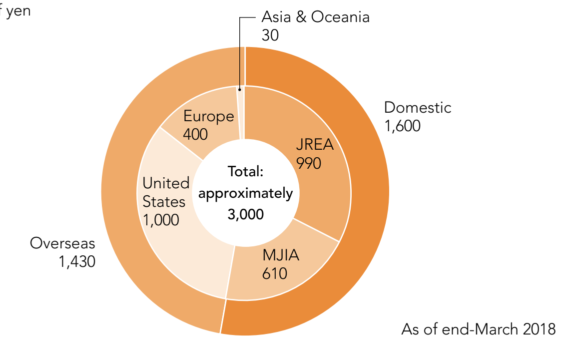
Business Strategies

- By utilizing our hybrid investment model strategy, through which we co-invest our principal investment capital alongside our clients' in funds that our Group companies manage, we seek to capture demand for cross-border property investments. Through this approach, we are simultaneously pursuing the expansion of our overseas portfolio while benefiting from enhanced investment diversification as well as expanding and strengthening our investment management businesses.
- In Japan, we meet the needs of domestic and overseas investors by providing a diverse product lineup, including listed REITs and private fund as well as dependable asset management services.

Revenue from Operations

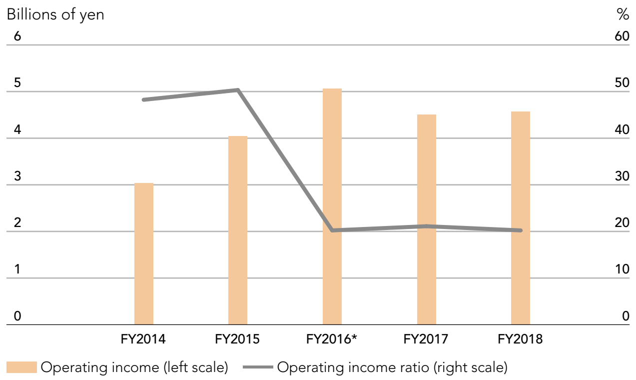


Assets under Management by Area



As of end-March 2018

Operating Income / Operating Income Ratio



* From fiscal 2016, the Overseas Investment Management Business has been moved from the International Business to the Investment Management Business.

TOPICS

Mitsubishi Estate Logistics REIT Investment Corporation, for which Mitsubishi Jisho Investment Advisors, Inc., is the asset management company, listed on the Tokyo Stock Exchange REIT Market in September 2017. The investment corporation invests principally in logistics facilities. It aims for stable asset management by steadily building a portfolio of highly competitive logistics facilities. In doing so, it brings together the abundant experience Mitsubishi Jisho Investment Advisors has accumulated in managing real estate funds since its establishment in 2001 and the real estate development know-how of Mitsubishi Estate and the information networks built through its development of logistics facilities since 2011.

HOTEL & AIRPORT BUSINESS

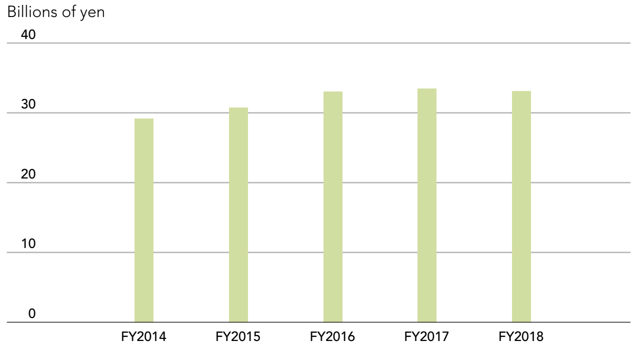
Competitive Advantages

- We are leveraging our development expertise and the tenant relationships we have built by handling diverse real estate assets as a comprehensive developer in order to acquire sites for hotels and promote hotel development.
- Applying more than 30 years of hotel management experience with the Royal Park Hotels brand, we have been expanding our networks of full-service hotels and accommodation-oriented, limited-service hotels.
- In our airport management operations, we are making full use of the experience we have gained with the development and management of diverse commercial facilities and the knowledge gained in businesses related to demand from inbound visitors to Japan in our outlet and hotel operation businesses.

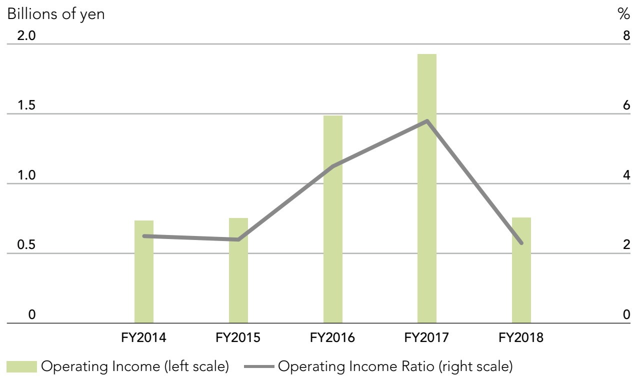
Business Strategies

- In the Hotel Business, our main focus is the development of hotels under the Royal Park Hotels brand on sites we have acquired ourselves. We also actively look to lease properties to other operators and generate capital gains through the sale of properties after holding them for a certain period of time.
- With the Royal Park Hotels brand, we aim to steadily increase operating income by improving the operating income ratio at existing hotels while actively expanding hotel networks by leasing properties developed by other companies as well as utilizing various schemes, including management contracts and franchise contracts.
- In our airport business, we aim to unearth demand by enhancing the appeal of airports and their surrounding areas by working with appropriate partners and applying our experience in urban development and the management of commercial facilities.

Revenue from Operations



Operating Income / Operating Income Ratio



* Shows results for the former Hotel Business segment through to fiscal 2018.
* We established the Hotel & Airport Business segment in fiscal 2019, bringing together the businesses listed below.
  - The former Hotel Business segment
  - The Hotel Development Business of the Lifestyle Property Business segment
  - The Airport Project Promotion Office under the Business Creation Department and the Resort Hotel Development Business

TOPICS

In April 2018, we established the Hotel & Airport Business Group in order to respond to strong demand for accommodations and accelerate the expansion of the Hotel Business, reinforce the activities of the Airport Operation Business, and generate synergies between the two.

In the Hotel Development Business, two properties were completed in fiscal 2018. Plans are also moving ahead to develop hotels in Sakaisuji in Osaka and Asakusa in Tokyo, and elsewhere. In the hotel management business under the Royal Park Hotels brand, we plan to open more properties following the opening of a new hotel in Kyoto's Shijo District in April 2018, including those in Midosuji, Osaka, and in Ginza, Tokyo.

In the Airport Business, we began commercial operation of Takamatsu Airport in April 2018. At Shimojishima Airport in Okinawa Prefecture, we are moving ahead with construction work on passenger terminal facilities prior to the start of operations scheduled for March 2019. In addition, we concluded an agreement with the local authorities in Shizuoka Prefecture with a view to the private operation of Mt. Fuji Shizuoka Airport from April 2019.

CG rendering of Takamatsu Airport in the future

ARCHITECTURAL DESIGN & ENGINEERING BUSINESS

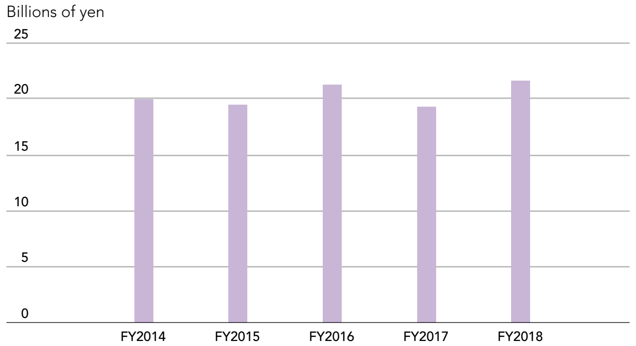
Competitive Advantages

- As a full-service architectural design and engineering firm, we have extensive experience in urban planning covering such areas as the design and management of buildings for various applications and proposal-based consulting, including large-scale complex developments in the Marunouchi area, and designing underground spaces that take into account traffic conditions.
- We undertake design and management with an in-depth understanding of operation, maintenance, and management from the perspectives of business operators and clients based on experience cultivated as a developer's in-house design office.
- We have access to a wealth of information on China and Southeast Asian countries through a network centered on local subsidiaries established in Shanghai and Singapore.

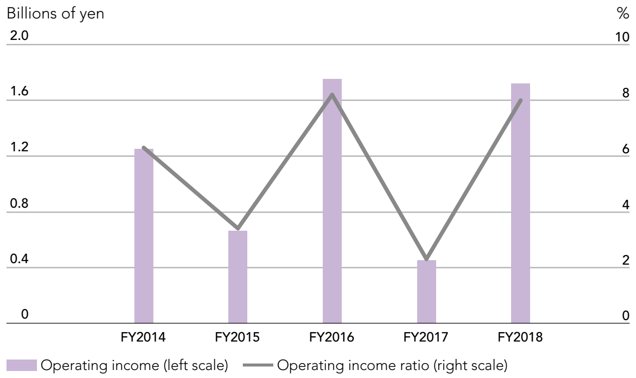
Business Strategies

- In addition to handling design project orders from within the Group and from long-established clients, the Architectural Design & Engineering Business is working closely with the Business Development, Consulting & Solutions Group to win new orders.
- Besides construction management (CM) work involving the comprehensive management of projects such as construction schedule, budgets, and quality control, we are focusing on winning orders in renovation and other growth fields in order to expand our earnings base.
- We aim to expand overseas business by making full use of the Mitsubishi Estate Group's brand.
- We provide technological support to Group companies and seek to generate synergies with those companies.

Revenue from Operations



Operating Income / Operating Income Ratio



TOPICS

We handled the architectural design and engineering work for the Ueno Frontier Tower, a multifaceted complex completed in October 2017 that includes shops, a movie theater, and rental offices. Based on the concept of "connecting bustling and overlapping landmarks," we aimed for a building open to the flow of people from Ueno Park, one of Tokyo's most prestigious green spaces, to Okachimachi.

Overseas, we were responsible for designing the Nanshan Plaza in Taipei, Taiwan, which was completed in January 2018 (and opened in June). This is a new landmark in Taipei, with the 272 meter-high property consisting of 48 floors aboveground and five belowground as well as housing offices and commercial and cultural facilities.

The Nanshan Plaza

REAL ESTATE SERVICES BUSINESS

Competitive Advantages

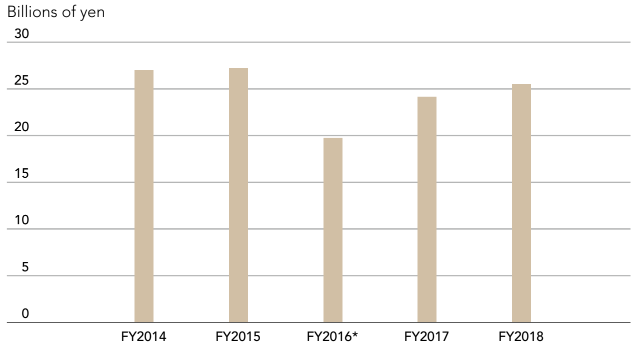
- The Real Estate Services Business provides one-stop real estate solutions by making full use of the Mitsubishi Estate Group's comprehensive strengths with a wide-ranging service menu spanning CRE* strategy support, including utilization of CRE information, real estate brokerage, leasing management, parking lot management, and real estate appraisal.
- We provide solutions throughout Japan using our nationwide branch network backed by specialist expertise and knowledge long nurtured as real estate professionals.

* 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 increase corporate value.

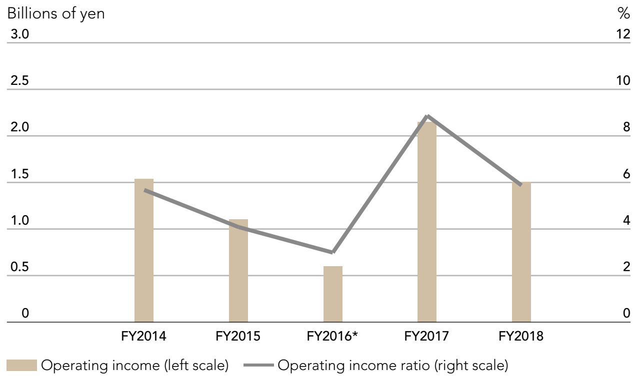
Business Strategies

- We are aiming to be the top company in CRE strategy support, real estate consulting, and recreational land and recreational facility management by providing services to enterprises and high net worth individuals as our core customers.
- We are strengthening our value chain, which combines a variety of service menus of the Business Development, Consulting & Solutions Group and of each of the Group's businesses, while expanding the range of services we provide to existing customers.

Revenue from Operations



Operating Income / Operating Income Ratio



* From fiscal 2016, certain operations of Mitsubishi Jisho House Net Co., Ltd., have been moved from the Real Estate Services Business to the Residential Business.

TOPICS

Mitsubishi Real Estate Services Co., Ltd., is responsible for the Real Estate Services Business. It is enhancing its effectiveness in proposing solutions by strengthening the value chain. In order to strengthen the parking lot management business, we turned Parking Management Organization, Ltd., into a subsidiary in June 2018 and absorbed Miura Create Inc. in July 2018. In addition, in March 2018, we entered into a business tie-up with VestAsia Pte. Ltd. of Singapore covering real estate brokerage. We have also been focusing on gathering information and networking in Asia.

Seiyu Kotesashi store parking lot

BUSINESS CREATION DEPARTMENT

Competitive Advantages

- Mitsubishi Estate has vast experience and second-to-none specialist expertise in real estate development and management deriving from a long history in urban development that spans the whole spectrum, from finding tenants and facility management to cooperating closely with such stakeholders as business operators in nearby areas.
- We have created a platform for new business creation that embraces both in-house and external parties and supports sustainable innovation that goes beyond the boundary of established business fields.

Business Strategies

- We aim to raise the added value of established businesses through innovative approaches that involve introducing new functions to existing buildings, utilizing new materials, and making use of the latest technology to offer new services and make maintenance more efficient.
- The Company has set a budget of ¥100 billion over three years for Groupwide business model innovation. We have also put in place a platform for new business creation to promote new businesses that go beyond the boundaries of our existing Group business framework.
- We are actively pursuing open innovation through cooperation with external partners.

TOPICS

We launched the Corporate Accelerator Program as one of our new business creation measures in 2017. Six companies selected from 255 entries worked to improve their business plans with Mitsubishi Estate Group staff and experts. We are continuing to work closely with the participating companies.

In addition, we have entered the agricultural business through the establishment of a joint venture company with a business partner. We aim to generate stable income by supplying high-value-added tomatoes throughout the year. We are also pursuing synergies with established businesses, such as supplying office workers in the Marunouchi area and elsewhere and residents of our condominiums, and cooperating closely with our airport business.

Corporate Accelerator Program

Agricultural business (tomatoes)

BUSINESS DEVELOPMENT, CONSULTING & SOLUTIONS GROUP

Value Drivers

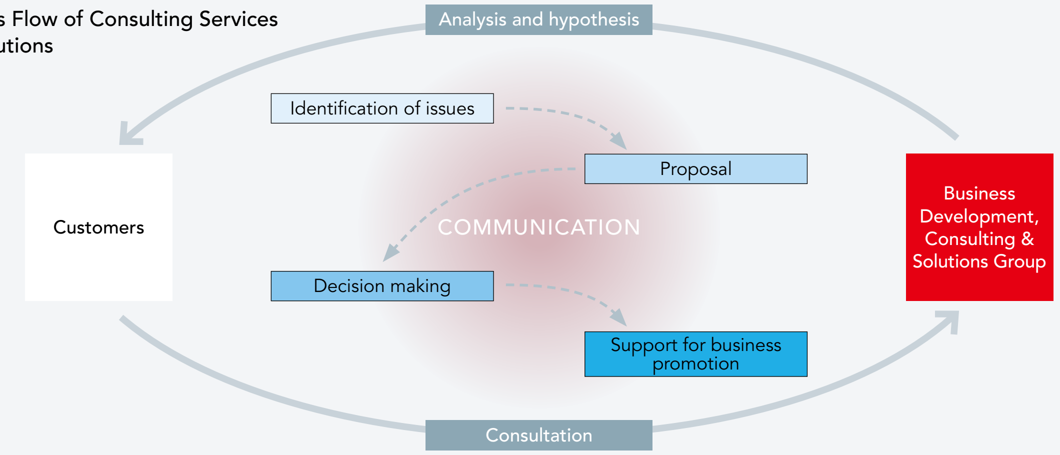
- Strategic sales organization comprising horizontally integrated segments
- Ability to identify problems through consulting
- Robust solutions using Groupwide resources

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.

Business Flow of Consulting Services and Solutions



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

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

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

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

Comprehensive Building Analysis and Renovation
- 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
- Building renovation business (renovation of existing buildings and subsequent leasing)

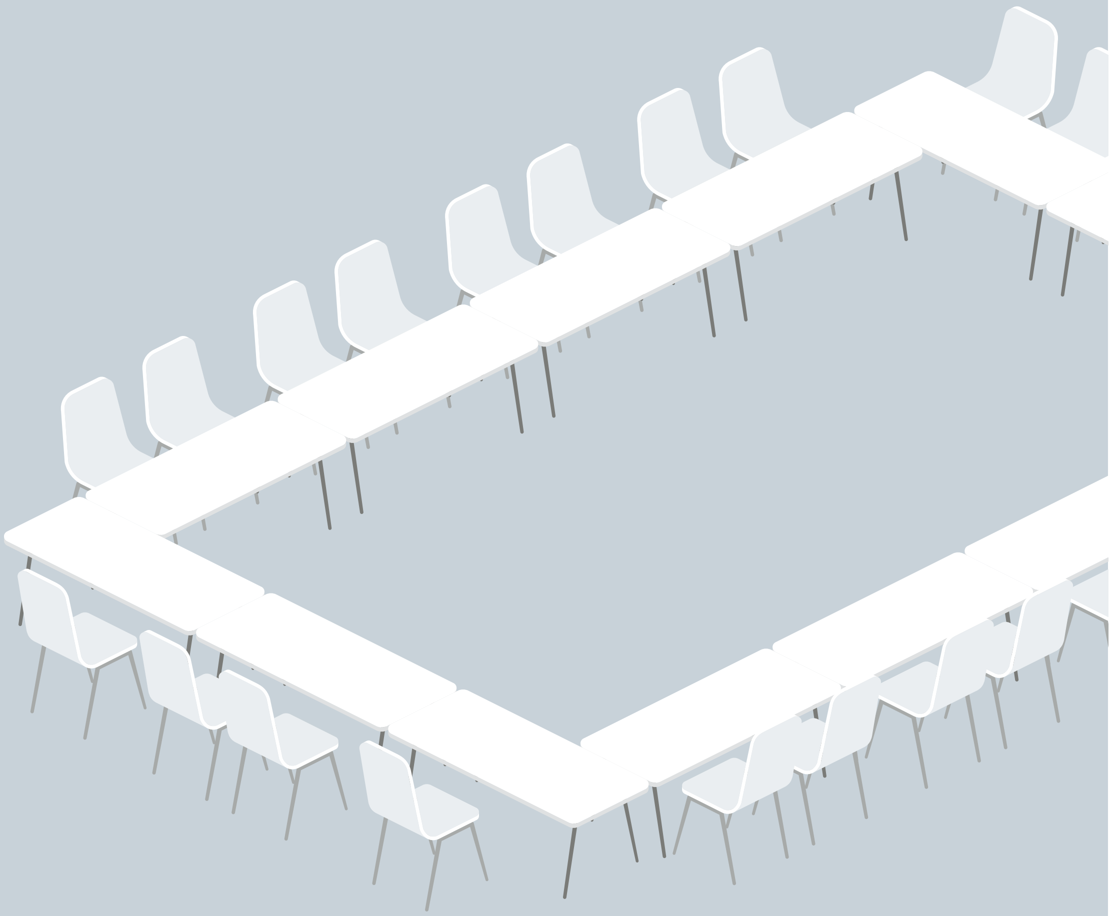
Design, Supervision, and Construction
- Environmental assessment and research
- Consulting for urban development and private finance initiatives (PFIs)
- Consulting, design, and supervision for environmental and civil-engineering solutions
- Construction management
- Design and supervision for buildings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

CORPORATE GOVERNANCE

The mission of the Mitsubishi Estate Group is "to contribute to society through urban development." In line with that mission, we aim to work with stakeholders to create shared value while reinforcing the corporate governance that forms the bedrock of our business.



Message from the Chairman of the Board

Hirotaka Sugiyama
Chairman of the Board
Mitsubishi Estate Co., Ltd.

Under our Medium-Term Management Plan, we aim to enhance corporate value over the long term and build mutually profitable relationships with stakeholders. To do so, we are seeking to establish a position as a leading company in Japan in terms of taking environmental, social, and governance (ESG) into consideration. Corporate governance raises corporate value by realizing the sustainable growth of the Group. It also plays an important role in realizing the mission of the Mitsubishi Estate Group to contribute to a sustainable society through environmentally sound urban development.

In order to ensure governance functions are exercised effectively, the Company conducts self-evaluations of each director to improve the effectiveness of the Board of Directors. We have established a governance structure under which management evolves and responds to changes in the business environment through a cycle in which the Board of Directors analyzes its effectiveness based on these self-evaluations. The Board then uses the results of the self-evaluations to prepare the next steps to build a governance system that reflects changes in the business environment.

From a systemic perspective, in September 2017, we established the "Mitsubishi Estate Co., Ltd., Corporate Governance Guidelines" to serve as guidelines for the development and promotion of our corporate governance system, which is designed to realize the mission of the Mitsubishi Estate Group and to enhance our corporate value on a medium-to-long-term basis. We also, in April 2018, changed the composition of the Remuneration Committee from one with five members, which included two internal directors, to one with four members, all of whom are outside directors. In this way, we further improved procedures for paying remuneration to directors by ensuring greater objectivity and transparency. The Company has also decided to introduce a new long-term performance-based incentive plan (the "Phantom Stock Plan"), in addition to the Restricted Stock Compensation System introduced in fiscal 2017. We are committed to continuously strengthening governance while taking into consideration our growth strategies and the needs of society.

Stimulating sustainable innovation by gathering people and companies together and promoting their interaction as well as environmentally sensitive urban development demand a multifaceted and long-term perspective. The Board of Directors is committed to meeting the expectations of shareholders and investors by doing all it can to guide the Company in a way that takes into account future changes in society and the business environment.

August 2018

Hirotaka Sugiyama

Chairman of the Board
Mitsubishi Estate Co., Ltd.

Directors

As of June 28, 2018

(Back row, from left)
Tetsuji Arimori, Iwao Taka, Hiroshi Katayama, Jo Kato, Shin Ebihara, Masaaki Shirakawa, Noboru Nishigai, Shin Nagase, Toru Okusa
(Front row, from left)
Tetsuo Narukawa, Junichi Tanisawa, Junichi Yoshida, Hirotaka Sugiyama, Shu Tomioka, Setsuko Egami

Name
Position

Appointment year
Number of shares held
(As reported in *Fiscal 2018 Financial Report*, available only in Japanese)

Hirotaka Sugiyama
Chairman of the Board

2007
51 thousand shares

Junichi Yoshida
Director

2016
43 thousand shares

Junichi Tanisawa
Director

2014
33 thousand shares

Tetsuji Arimori
Director

2018
31 thousand shares

Hiroshi Katayama
Director

2016
27 thousand shares

Noboru Nishigai
Director

2017
25 thousand shares

Jo Kato
Director

2011
74 thousand shares

Toru Okusa
Director

2013
32 thousand shares

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
10 thousand 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)

Tetsuo Narukawa
Outside Director

2018
–shares
Born on April 15, 1949

Apr. 1974 Joined The Industrial Bank of Japan, Ltd.
Dec. 1997 Chairman of the Board of Managing Directors, Industriebank von Japan (Deutschland) Aktiengesellschaft, IBJ (Germany)
Apr. 2004 Executive Managing Director, Mizuho Bank, Ltd.
Apr. 2006 Senior Managing Executive Officer and COO of Corporate Planning & Management Division, Kowa Real Estate Co., Ltd.
Apr. 2010 President, Kowa Real Estate Co., Ltd.
Oct. 2012 President & CEO, Nippon Steel Kowa Real Estate Co., Ltd.
Jun. 2014 Director & Executive Advisor, Nippon Steel Kowa Real Estate Co., Ltd.
Jun. 2016 Executive Advisor, Nippon Steel Kowa Real Estate Co., Ltd.
Apr. 2017 Retired from the position of Executive Advisor, Nippon Steel Kowa Real Estate Co., Ltd.
Jun. 2018 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. 2006 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)
Mar. 2017 Retired from the position of Full-Time Advisor, ANA HOLDINGS INC.

Setsuko Egami
Outside Director

2015
–shares
Born on July 16, 1950

Apr. 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), 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)

Overview of Corporate Governance System

Basic Policy

The Company shall aim to realize enhancement of its genuine corporate value through a harmonious balance between corporate growth and the interests of its various stakeholders by following its brand slogan, "A Love for People. A Love for the City," based on its basic mission of "contributing to society through urban development." The Company shall position the development and promotion of the corporate governance system as one of the most important management issues in realizing this goal.

In developing and promoting the corporate governance system, to bring about greater clarity of roles and the strengthening of functions in both the supervision of management and the execution of business while also fulfilling accountability to our shareholders and other stakeholders, the basic policy shall work to ensure the transparency and objectivity of management.

System Structure

As a "Company with Nominating Committee, etc.," Mitsubishi Estate has established the Nominating Committee, the Audit Committee, and the Remuneration Committee, which are positioned under the Board of Directors and are membered by a majority of outside directors. These committees help promote high standards and ensure transparency of the decision-making process.

Board of Directors

The Board of Directors decides the basic policy of the Company's management, and it also carries out supervision of the execution of duties by directors and corporate executive officers. As of June 28, 2018, the Board of Directors consists of 15 directors, of whom seven are outside directors. The role of chairman of the Board of Directors is held by the chairman of the Board of the Company, who does not concurrently serve as a corporate executive officer.

Composition of the Board of Directors

Nominating Committee, Audit Committee, and Remuneration Committee

The membership of each committee is as follows.

Nominating Committee

Tetsuo Narukawa (Committee chairman)	Outside Director
Hirotaka Sugiyama	
Shin Ebihara	Outside Director
Masaaki Shirakawa	Outside Director
Setsuko Egami	Outside Director

Audit Committee

Jo Kato (Committee chairman)	
Toru Okusa	
Shu Tomioka	Outside Director
Shin Nagase	Outside Director
Iwao Taka	Outside Director

Remuneration Committee

Shin Ebihara (Committee chairman)	Outside Director
Tetsuo Narukawa	Outside Director
Masaaki Shirakawa	Outside Director
Setsuko Egami	Outside Director

Outside Directors

Reason for nomination

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.
Tetsuo Narukawa	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 international experience as well as management experience in financial institutions and real estate companies.
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 management executives in charge of business affairs by leveraging his knowledge in finance and economics, among other fields, gained through his experience working at a central bank.
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 management executives in charge of business affairs by leveraging his management experience at an airline company.
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 resource 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 business ethics and compliance, among other fields.

Independence Standards for Independent Outside Directors

The candidates for outside directors shall fulfill duty of care of a prudent manager toward the Company; understand the Group's basic mission of contributing to the creation of a truly meaningful society by building attractive, environmentally sound communities where people can live, work, and relax with contentment; apply their qualities and capabilities to contribute to enhancing medium-to-long-term sustainable corporate value, as well as their experience and knowledge in specialized fields such as global business, finance, and risk management, in view of its business characteristics such as supporting urban development in the Marunouchi area; and have personality and knowledge enabling objective and fair judgments, based on the perspective that they would contribute to the common interests of shareholders without bias toward the interest of any particular party of interest. However, as a general principle, candidates are not elected if the Tokyo Stock Exchange's standards for independence and the following independence standards for outside directors apply to them.

(1) A shareholder or executive member of an entity holding voting rights exceeding 10% of total voting rights of the Company.
(2) A transaction party or executive member of an entity whose transactional amounts in the most recent fiscal year have exceeded 2% of consolidated revenue from operations of the Company.
(3) A representative employee, employee, or member of staff of the Company's accounting auditor.
(4) An attorney, certified public accountant, tax accountant, consultant, or other party who has received compensation from the Company exceeding ¥10 million in the most recent fiscal year.

Overview of Activities in Fiscal 2018

Attendance by Outside Directors at Meetings of the Board of Directors and Committees (Meetings Attended / Total Meetings)

Outside Directors	Board of Directors	Nominating Committee	Audit Committee	Remuneration Committee
Isao Matsuhashi	9/9	5/5	—	—
Shin Ebihara	9/9	—	—	6/6
Shu Tomioka	9/9	—	15/15	—
Masaaki Shirakawa	9/9	5/5	—	6/6
Shin Nagase	9/9	—	15/15	—
Setsuko Egami	9/9	5/5	—	6/6
Iwao Taka	9/9	—	15/15	—

Nominating Committee

Duties	Deciding the details of the proposals of the general meeting of shareholders related to the election and dismissal of directors
Major activities	The Nominating Committee determined the details of the director nomination proposal put to the Ordinary General Meeting of Shareholders held in June 2018 based on standards established for nominating director candidates. In addition, reports and deliberations were conducted at meetings of the Nominating Committee with regard to the nomination of corporate executive officers prior to the resolution by the Board of Directors.
Number of meetings	5

Audit Committee

Duties	Conducting audits on the execution of duties by directors and corporate executive officers, creating the audit reports related to this, and deciding on the details of proposals of the general meeting of shareholders related to the appointment, dismissal, or non-reappointment of the accounting auditor.
Major activities	Full-time members of the Audit Committee conducted audits based on the audit standards, policies, and plans formulated by the committee while also meeting periodically with the accounting auditor and the Internal Audit Office to foster coordination. Information gained through these activities was reported to the Audit Committee. Opinions were exchanged and important matters were discussed after such information had been shared with all committee members. The committee itself also fostered coordination by receiving regular reports on audit plans, systems, and results from the accounting auditor and the Internal Audit Office. Based on policies regarding the dismissal or non-reelection of accounting auditors, the Audit Committee decided to re-elect the accounting auditor. The amount of remuneration of the accounting auditor was decided through a consensus reached after examining this matter as required.
Number of meetings	15

Remuneration Committee

Duties	Deciding the policy related to remuneration decisions for directors and corporate executive officers and on the remuneration amounts for each individual
Major activities	The Remuneration Committee determined the amounts of monetary and stock compensation to be issued to each director and corporate executive officer based on the policy related to such compensation. Also, the Remuneration Committee revised the policy and deliberated on the introduction of a new long-term performance-based incentive plan (the "Phantom Stock Plan"). Please see the next page.
Number of meetings	6

Evaluation of the Effectiveness of the Board of Directors

The Company regularly conducts self-evaluations of each director with regard to operation of the Board of Directors and the content of deliberation. The results of these evaluations shall be reported to the Board of Directors, and the Board of Directors analyzes and evaluates its effectiveness based on these self-evaluations and other information.

The process and results of evaluation of the effectiveness of the Board of Directors conducted in fiscal 2018 are as follows.

1. Process of Evaluation

(1) Method of evaluation

All Directors conducted self-evaluations in the form of a response to a questionnaire relating to the composition, operation, effectiveness, etc., of the Board of Directors and each of the Nominating, Audit, and Remuneration Committees, and taking these results into consideration, they discussed the issues with each other and examined proposed corrective measures at Board of Directors meetings.

(2) Items of evaluation

Composition of the Board of Directors	Proportion of Outside Directors, number of members, diversity
Operation of the Board of Directors	Frequency, required time, selection of agenda items, content of handout materials, materials other than handouts provided, questions and answers, training, etc.
Effectiveness of the Board of Directors	Management plan, delegation of authority to Corporate Executive Officers, risk management systems, dialogue with shareholders and investors, election and dismissal of key management personnel, successor training plan, remuneration paid to Officers, composition, operation, cooperation of each of the Nominating, Audit, and Remuneration Committees, etc.
Others	Method of the evaluation of the effectiveness of the Board of Directors, etc.

2. Results of Evaluation and Future Initiatives

(1) Main items improved since the previous evaluation

As a result of examination and discussion at Board of Directors meetings, one point was identified.

- With regard to dialogue with shareholders and investors, as a result of increasing the number of opportunities to deliver reports at meetings of the Board of Directors, prompt sharing of information and improved discussions at meetings of the Board of Directors were achieved.

(2) Main issues and future initiatives aimed at further improvements in effectiveness

As a result of examination and discussion at the Board of Directors meetings, two points were identified.

- In addition to enhancing the examination and discussion of the management plan by increasing the number of opportunities to perform these activities, and allowing more time for them, initiatives are to be taken to examine the process by which the management plan is formulated, and to carry out a detailed review of the themes that should be discussed by the Board of Directors.
- With the aim of enhancing discussion on important matters, meetings of the Board of Directors will continue to consider the frequency at which items related to the status of the performance of duties by Corporate Executive Officers are reported, and the content thereof.

Remuneration

Total Remuneration Paid to Directors, Corporate Executive Officers, and Statutory Auditors in Fiscal 2018

Category	Total remuneration (Millions of yen)	Monetary remuneration (Millions of yen)	Stock compensation (Millions of yen)	Recipients
Internal directors	299	281	18	4
Corporate executive officers	1,019	767	252	12
Outside directors	107	107	—	7

Note: The above amounts include remuneration payments made to the one director who retired from his position as of the end of the 118th Ordinary General Meeting of Shareholders held on June 29, 2017.

Board Policies and Procedures in Determining the Remuneration of Senior Management and Directors

(i) Procedures for Deciding Remuneration Paid to Officers

The policy concerning decisions on the details of remuneration paid to Directors and Corporate Executive Officers of the Company and the details of remuneration for each person shall be decided upon by a resolution at the Remuneration Committee which is comprised solely of Outside Directors.

(ii) The Basic Policy for Deciding Remuneration for Officers

The basic policy for deciding remuneration for Directors and Corporate Executive Officers of the Company is as follows.

- The remuneration system shall be the one that is linked with our medium- to long-term performance targets, etc. aimed at in the management strategy and the Medium-Term Management Plan and realizes sustained corporate value improvement and sharing of values with our shareholders.
- The remuneration system shall be the one that allows for giving incentives to management executives' taking up of challenges and appropriate risk taking in line with the strategy targets and expectations of shareholders and other stakeholders.
- The remuneration system shall be the one that makes it possible to fulfill the high accountability for the benefit of our shareholders and other stakeholders through objective deliberations and judgments at the Remuneration Committee.

(iii) Remuneration systems for Officers

The remuneration systems for Directors and Corporate Executive Officers shall be separately established in consideration of respective functions and roles to be fulfilled for the purpose of achieving the sustained corporate value improvement. In addition, Directors who concurrently serve as Corporate Executive Officers shall be paid remuneration as Corporate Executive Officers.

- Directors (excluding Directors who concurrently serve as Corporate Executive Officers)
  In consideration of their function and role of supervising performance of duties by Corporate Executive Officers and Directors, they shall receive, in principle, only basic remuneration in the form of money, and the standards shall be decided upon individually taking into account factors such as position and responsibilities as Directors and whether they are full-time or part-time.
- Corporate Executive Officers
  In consideration of their function and role of taking charge of business execution of the Company, their remuneration shall, in principle, be comprised of basic remuneration and variable remuneration. Variable remuneration is comprised of monetary compensation that is paid based on short-term performance, etc. and stock compensation, etc. (including monetary compensation paid based on indicators such as stock price) that is paid with a view to realizing the medium- to long-term sharing of values with shareholders. The standards and ratio of basic remuneration and variable remuneration, valuation indicators for variable remuneration and other matters shall be decided upon taking into account medium- to long-term performance targets, etc., aimed at in the management strategy and the Medium-Term Management Plan and factors such as position and responsibilities as Corporate Executive Officers.

Implementation of a New Long-Term Performance-Based Incentive Plan (the Phantom Stock Plan)

At the Compensation Committee meeting held in April 2018, Mitsubishi Estate decided to implement a new long-term performance-based incentive plan (the "Phantom Stock Plan") in addition to the Restricted Stock Compensation System implemented in the fiscal 2017

Overview

A) Phantom Stock Eligibility
The Representative Corporate Executive Officers, Corporate Executive Officers and Group Executive Officers

B) Business Year and Performance Evaluation Period
Business Year: April 1st through March 31st of the following year
Performance Evaluation Period: The last three years

C) Payout Calculation
The payout amount will be determined by multiplying each Executive Officer's Base amount with the following (i) and (ii):
(i) Percentage of net fluctuation in common stock price over the performance evaluation period
(ii) Percentage based on the relative ranking, during the performance evaluation period, of the Company's total shareholder return among 5 (five) peer companies in the same industry (between 0%–100%)
* The five competitors above are Nomura Real Estate Holdings, Inc., Tokyu Fudosan Holdings Corporation, Mitsui Fudosan Co., Ltd., Tokyo Tatemono Co., Ltd., and Sumitomo Realty & Development Co., Ltd.

D) Dividends, etc.
The Company will not pay dividends or dividend equivalents for Phantom Stock grantees, even if the Company distributes dividends on common stock

E) Other information
Detailed information of Phantom Stock Plan will be disclosed in the Company's securities report or integrated report.

An Outside Director Discusses Mitsubishi Estate's Governance

Shin Nagase
Outside Director

Management of the Board of Directors Leveraging Diversity and Expertise

The Board of Directors plays a pivotal role in corporate governance. What composition a board takes depends on the characteristics of a company and on changes in the business environment in which it operates. At the moment, the Company's Board of Directors consists of a total of 15 people, comprising eight internal directors (including the non-executive chairman of the Board) and seven outside directors. The outside directors all bring their own experiences and knowledge in specialized fields to the governance table. I think it is fair to say the Board is well balanced and is functioning smoothly. The diversity of the backgrounds of the seven outside directors is a great advantage in overseeing business execution. Broadly speaking, some directors are oriented toward governance along the lines of Western ways of thinking, while others hold a position that can be considered as an extension of Japanese management approaches. I believe this diversity of viewpoints and areas of expertise enables the Group to hold unbiased discussions on the stance we should take from multiple perspectives.

At the meetings of the Board of Directors since I became an outside director, outside directors have actively been spoken out. Some proposals to which they objected were amended and others were entirely dropped. To further improve the effectiveness of the Board of Directors, I believe we must have internal directors, who possess a detailed understanding of the business environment and of the operations of the Mitsubishi Estate Group, and outside directors, with their wide-ranging knowledge, hold in-depth discussions between themselves about the direction the Group should take. I also recognize my responsibilities in this regard.

Actions for Specific Improvements Drawn from Effectiveness Evaluations

In fiscal 2017, all members of the Board of Directors participated in the Company's first evaluation of the effectiveness of the Board. One of the findings of this process was that there was a need to increase the opportunities for reporting at Board of Directors meetings and to enhance the contents of such reports to further expand opportunities for discussing and sharing information to promote dialogues with shareholders and investors. In response, we have increased opportunities for reporting from the perspectives of both investor relations (IR) and shareholder relations (SR). The volume of information in the form of opinions and requests with regard to the Group has also greatly increased as we seek to ensure prompt reporting after meetings with shareholders and investors.
I think we need to focus more on how to best use this information in our management processes.

Regarding the need to "further increase opportunities and time for discussions on the formulation of management plans," which was cited as another issue, I believe we have been making progress in scrutinizing other agenda items and giving more time for discussions now than in the past. However, the "Results of Evaluation and Future Initiatives" for fiscal 2018 identified further room for improvement. I think we need to review themes that need to be discussed by the Board of Directors and also examine processes including debate on the Company's vision from a long-term perspective.

I see certain efforts toward making specific improvements, which stem from this clarification of direction through evaluations of the effectiveness of the Board of Directors, as evidence that the PDCA (plan-do-check-act) cycle for strengthening governance is functioning as it should.

Audit Committee: Activities Emphasizing Information from the Front Lines

The Audit Committee, of which I am a member, is responsible for conducting audits on the execution of duties by directors and corporate executive officers. To enhance its effectiveness, the presence of internal directors as committee members is in my view essential. Internal directors with appropriate backgrounds and personalities for auditing work are appointed as full-time members of the Audit Committee and work together with the Internal Audit Office and outside director members in order to gather information. This includes visit-based audits. It is important for the Audit Committee to be familiar with the situation on the front lines and to take whatever action may be needed. Under its current structure, the Audit Committee is led by a chairman who is a full-time committee member and has spent his career within the Company. A majority of its members are outside directors who participate in discussions with their objective perspectives. I think this structure works well in terms of sound governance and effective oversight.

Proactive Approach to Risk Management

Although the Mitsubishi Estate Group has prime assets, the majority of which are located in Tokyo's Marunouchi area, the external environment is constantly changing and no one can prevent the occurrence of natural disasters such as large-scale earthquakes. Against this backdrop, we need to take the time to discuss how to develop the Group's business, including approaches to asset allocation, and further heighten sensitivity toward risk management. I myself can bring to bear my experience at an airline company when I talk about the responsibility of the management team for managing risks at all the different work environments. I intend to be actively engaged in creating a system necessary for taking prompt action on the basis of understanding what the Group needs to prioritize in times of emergency.

Business Model Innovation: Belief and Conviction

It is easy enough to talk about "business model innovation" as set out in our Medium-Term Management Plan. However, actually building the pillars of the Group's growth by tackling new initiatives requires a huge effort. The management team must have the conviction to concentrate on investing in management capital–especially human resources–from a long-term perspective. Otherwise, business model innovation will not penetrate through to the employees on the ground. Take the example from the Airport Operation Business, an area on which the Group is focusing. The management of airports has a large impact on regional communities and economies as they are essential social infrastructure with a high public profile. Considering the significance of the Airport Operation Business, the management team must show its resolve to build the business into a pillar of future growth by demonstrating the power of the Group by gaining the understanding of all stakeholders, including shareholders and investors.

Helping raise the Group's presence as an outside director is rewarding and worth doing for myself. I intend to make full use of my knowledge and experience to support this effort and seek to play a part in achieving medium-and-long-term sustainable growth and enhancing corporate value.

Corporate Executive Officers, Executive Officers, and Group Executive Officers

As of June 28, 2018

Junichi Yoshida
Representative Corporate Executive Officer
President & Chief Executive Officer

Junichi Tanisawa
Representative Corporate Executive Officer
Deputy President

Kenichi Iwata
Executive Vice President

Atsuo Kyono
Representative Corporate Executive Officer
Executive Vice President

Tetsuji Arimori
Representative Corporate Executive Officer
Executive Vice President

Tetsuo Yuasa
Senior Executive Officer

Hiroshi Katayama
Senior Executive Officer

Futoshi Chiba
Senior Executive Officer

Noboru Nishigai
Senior Executive Officer

Hisashi Komada
Senior Executive Officer

Kenji Hosokane
Senior Executive Officer

Keiji Takano
Senior Executive Officer

Atsushi Nakajima
Senior Executive Officer

Yuji Fujioka
Senior Executive Officer

Naoto Aiba
Group Executive Officer

Soichiro Hayashi
Group Executive Officer

Hidemi Waki
Group Executive Officer

Yutaka Tajima
Group Executive Officer

Executive Officers
- Ikuo Ono
- Masaki Yamagishi
- Toru Kimura

Group Executive Officers
- Naoto Aiba
- Soichiro Hayashi
- Hidemi Waki
- Yutaka Tajima
- Akinori Nakajo
- Akihiko Watanabe
- Bunroku Naganuma
- Masaharu Miyajima
- Tetsuya Okusa
- Yutaro Yotsuzuka
- Nobuhiro Okumoto
- Naoki Umeda
- Ryozo Kawabata

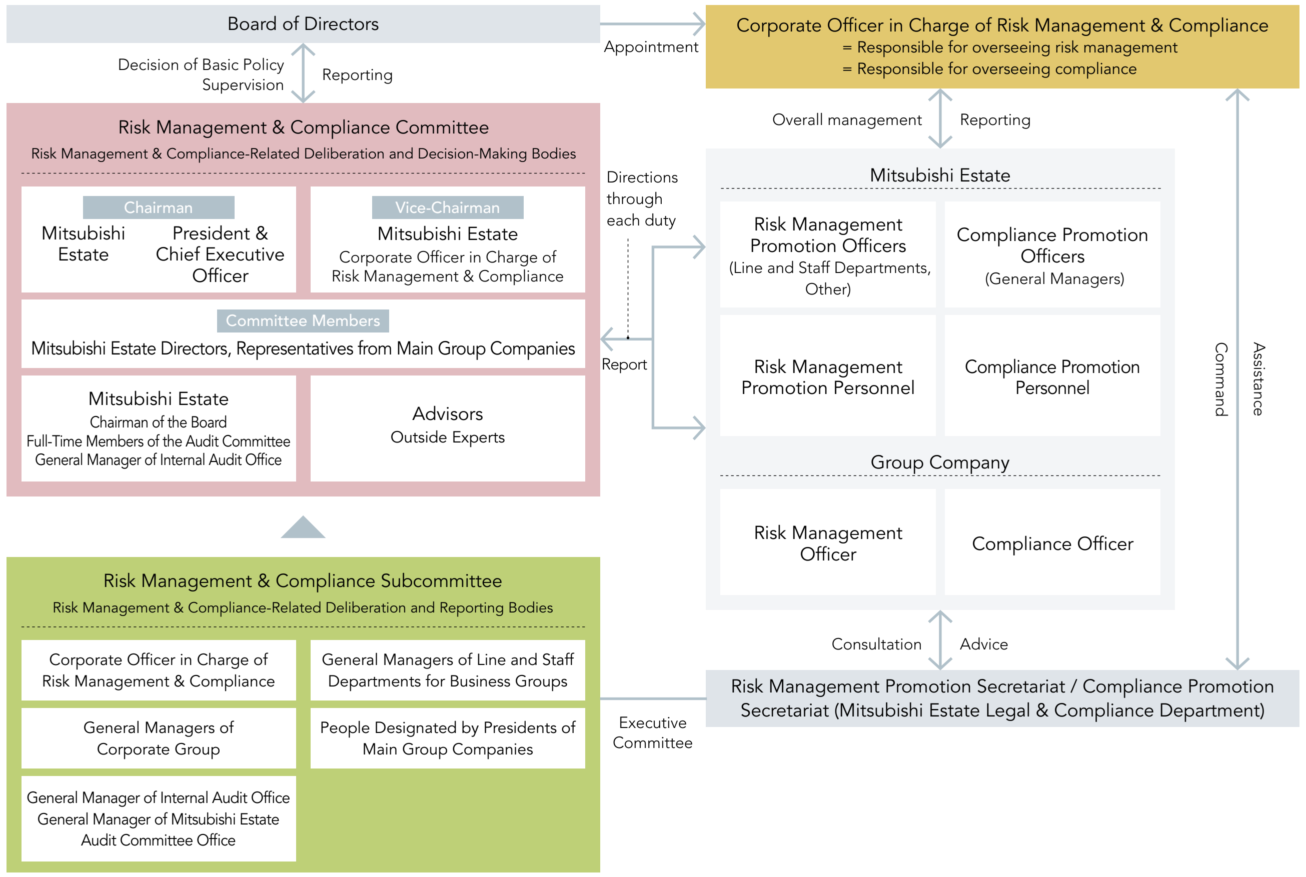
RISK MANAGEMENT

The Mitsubishi Estate Group has established the Mitsubishi Estate Group Risk Management rules and has set up a risk management system to manage risks in all its business activities. Mitsubishi Estate has established the Risk Management & Compliance Committee to oversee the Group's risk management and formed the Risk Management & Compliance Subcommittee as a working-level consulting body responsible for such matters as the collection of risk management-related information. The corporate officer in charge of risk management is appointed by resolution of the Board of Directors to take responsibility for overseeing risk management, and general managers of each business group and general managers from the Corporate Group departments have been designated as risk management officers. We promote risk management activities through the Mitsubishi Estate Legal & Compliance Department, which serves as the secretariat.

We have also established and implement action guidelines, contact and initial response systems, and business continuity planning systems for use in times of crisis.

Risk Management & Compliance System

As of August 2018



Risk Management Activities

1

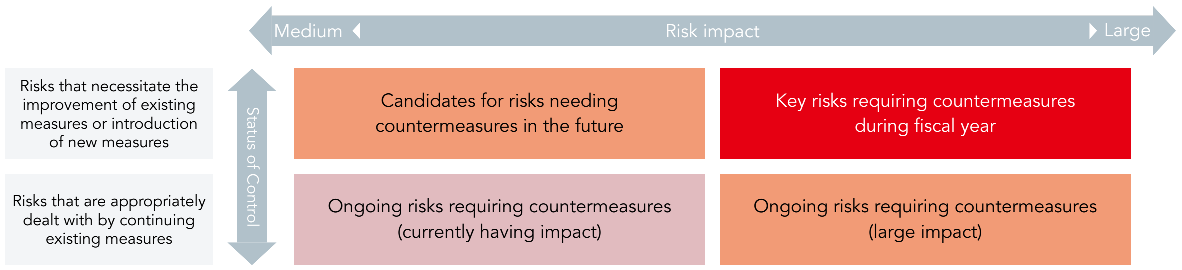
Risk management activities of each individual business group and Group company

Individual Group companies and business groups identify important risks based on a risk analysis and carry out activities throughout the year to reduce the risks identified. In addition, general managers of each business group ascertain the status of risk management activities of different business companies under the jurisdiction of each business group and provide coordination and support.

2

Identification and monitoring of key risks that need particular attention from the Group

To accurately grasp the risks facing the Group as a whole, and by selecting and mapping key risks that require measures to be taken, the risks that must be addressed and their level of priority are brought to light. While monitoring risks throughout the year, particularly key risks, support is provided as necessary.



Risk Management Related to Investment Projects

Among the various risks recognized by the Group, risks related to investment projects are based on the assessment of business viability by Companywide research functions and under investment decision rules of the Strategic Investment Office. Prior to the deliberation of important investment projects by the Executive Committee, which is chaired by the president and CEO and is responsible for strategic planning for the entire Group and monitors the progress of each business toward realizing this strategy, the Strategic Investment Committee deliberates and evaluates profitability, the nature of risks and related countermeasures, and other matters. At each phase, risk assessments are also conducted from legal and financial aspects in order to grasp an overall picture of the risks.

Strategic Investment Committee

In its deliberations, in addition to assessing the economic viability of the project using multiple indicators, the Strategic Investment Committee verifies the appropriateness of various aspect of premises, such as rents, unit selling prices, and construction costs. For risks, in particular, simulations of upside and downside scenarios are incorporated into investment decision rules. The difference between the scenario set by the responsible business group in charge of the project and the downside scenario is recognized as risk. The Strategic Investment Committee holds discussions on the acceptable limits of that risk.

Risk Evaluation Process for Individual Projects

Dealing with Major Risks

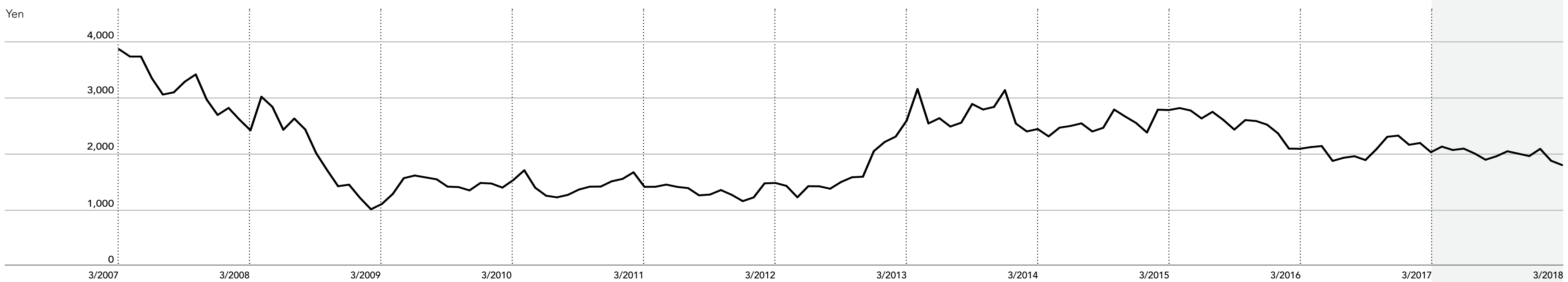
Below are some examples of risks that have come to light in the Group through risk management activities and various business activities and countermeasures that have been taken.

Risks of Information Security	In light of society's growing concerns over the protection of personal information and information management, the Mitsubishi Estate Group comprehensively revised the Mitsubishi Estate Group's rules related to information management in 2018. While updating our information management systems to ensure scrupulous management, we are also working to reinforce the security of our information systems. We are aiming to further improve information management through continuous monitoring and supervision. In response to the enactment of the revised Act on the Protection of Personal Information, the Mitsubishi Estate Group has, in order to ensure the appropriate handling of personal information, revised relevant regulations such as the Mitsubishi Estate Group's Policy on Personal Information Protection and rules on the treatment of personal information and been monitoring compliance with regard to the revised regulations by Group companies.
Risks of Corruption	In 2013, the Group published the Mitsubishi Estate Group Basic Regulations on the Prevention of Corruption and established a system to prevent corruption across the organization. In 2016, the Group established the Rules on Corruption Risk Assessment and Corruption Due Diligence, which requires that the risk of corruption be assessed for each contract and mandates due diligence in the case of counterparties with which transactions are deemed high risk. In 2018, we established and announced the Mitsubishi Estate Group Anti-Corruption Guidelines. In addition, we are seeking to gain a greater understanding of rules related to the prevention of corruption among staff through training programs and are also constantly monitoring this position.
Risks of Natural and Man-Made Disasters, etc.	The occurrence of such natural disasters as earthquakes, floods, or climate change or man-made disasters including accidents or fires may 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 the BOJ's 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 through 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.

Eleven-Year Summary of Selected Financial Data (Consolidated)

	3/2008	3/2009	3/2010	3/2011	3/2012	3/2013	3/2014	3/2015	3/2016	3/2017	3/2018
Financial Results (Millions of yen)											
Revenue from operations	¥ 787,652	¥ 942,626	¥1,013,415	¥ 988,447	¥1,013,069	¥ 927,157	¥1,075,285	¥1,110,259	¥1,009,408	¥1,125,405	¥1,194,049
Operating income	177,983	138,567	148,972	158,258	146,299	118,349	161,271	156,332	166,199	192,495	213,047
Ordinary income	162,061	108,624	117,381	130,830	120,665	92,381	139,638	133,113	144,851	169,851	190,506
Profit attributable to owners of parent	86,963	45,423	11,900	64,219	56,512	45,507	64,297	73,338	83,426	102,681	120,443
Financial Position (Millions of yen)											
Total assets	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	5,484,115	5,803,689
Total equity*1	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	1,592,777	1,698,348
Interest-bearing debt	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	2,396,994	2,481,675
Capital expenditures	270,798	201,088	114,085	76,332	282,171	208,135	159,677	177,331	275,316	275,372	289,570
Depreciation and amortization	56,867	60,364	73,926	70,628	67,465	73,364	74,805	72,696	74,245	75,974	77,545
Cash Flows (Millions of yen)											
Cash flows from operating activities	(16,248)	45,824	212,668	259,263	203,243	122,286	336,489	200,078	135,821	168,527	293,338
Cash flows from investing activities	(212,207)	(214,500)	(112,639)	(67,223)	(272,009)	(217,992)	(133,537)	(46,568)	(231,003)	(327,292)	(286,841)
Cash flows from financing activities	238,942	141,055	(106,852)	(140,269)	57,189	27,150	(177,514)	(189,109)	309,237	(4,921)	37,203
Cash and cash equivalents at end of year	219,712	184,552	177,825	229,062	215,771	191,837	224,739	198,489	412,392	243,341	286,859
Per Share Amounts (Yen)											
Earnings	¥62.99	¥32.90	¥ 8.58	¥46.27	¥40.72	¥32.79	¥46.34	¥52.85	¥60.13	¥74.00	¥86.78
Cash dividends	16.00	16.00	12.00	12.00	12.00	12.00	12.00	14.00	16.00	20.00	26.00
Principal Financial Indicators											
EBITDA*2 (Millions of yen)	¥245,911	¥209,522	¥230,730	¥237,109	¥222,885	¥200,587	¥246,332	¥239,934	¥252,034	¥279,718	¥302,424
ROA*3	4.6%	3.2%	3.4%	3.7%	3.4%	2.6%	3.4%	3.2%	3.3%	3.6%	3.8%
Interest coverage ratio*4 (Times)	8.5	4.7	5.2	6.6	6.5	5.0	7.5	7.7	8.5	8.7	9.5
ROE	7.1%	3.8%	1.0%	5.4%	4.6%	3.6%	5.0%	5.2%	5.6%	6.6%	7.3%
Payout ratio	25.4%	48.6%	139.9%	25.9%	29.5%	36.6%	25.9%	26.5%	26.6%	27.0%	30.0%
Stock Information											
Stock price*5 (Yen)	¥2,420	¥1,102	¥1,530	¥1,407	¥1,476	¥2,596	¥2,446	¥2,787	¥2,090.5	¥2,030	¥1,798.5
Number of shares issued and outstanding (Thousands of shares)	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	1,390,685	1,390,908

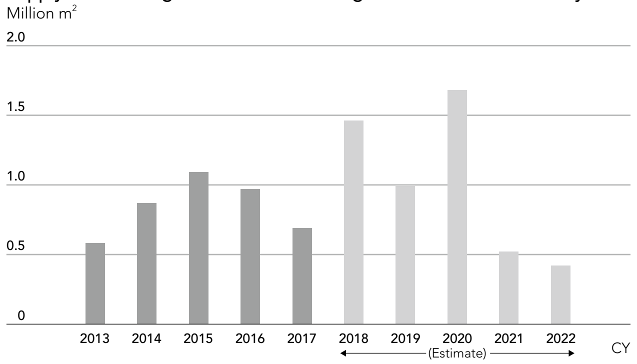
Mitsubishi Estate's Stock Price Changes on the Tokyo Stock Exchange



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 ROA (Operating income / Total assets) is calculated based on the average total assets from the beginning to the end of the period.
*4 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.
*5 As of March 31

Japan’s Real Estate Market

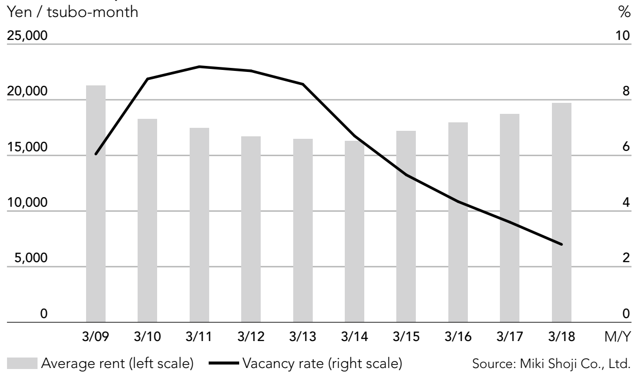
Supply of New Large-Scale Office Buildings* in the 23 Wards of Tokyo



* Buildings with a standard floor area of 10,000 m² and above   Source: Mori Building Co., Ltd.

In 2017, the new supply of large-scale office buildings in Tokyo’s 23 wards by floor area decreased 28.9% year on year, to 690,000 m². Supply is expected to expand again in 2018, but demand is also projected to hold firm as companies look to expand office space and gather together functions handled by decentralized offices against a backdrop of strong corporate earnings. Supply volume is expected to be at a high level in 2020, but to be low in 2021 and 2022. The average for the next five years (2018 to 2022) is expected to be at a similar level to the past record high.

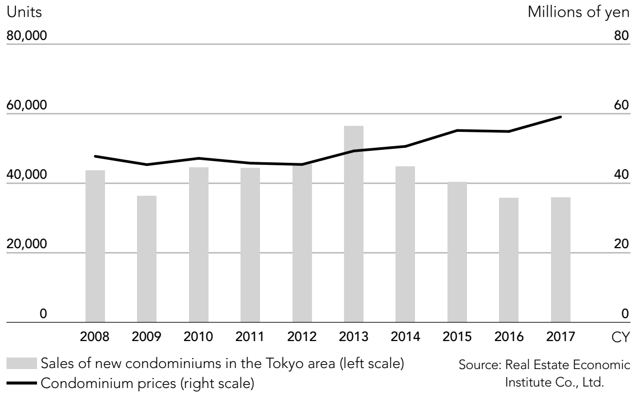
Office Building Market (Average Rents / Vacancy Rates in Five Central Tokyo Metropolitan Wards)



Source: Miki Shoji Co., Ltd.

In the office building market, growth in demand for offices led to vacancy rates in the five central Tokyo metropolitan wards (Minato-ku, Chiyoda-ku, Chuo-ku, Shinjuku-ku, and Shibuya-ku) declining to 2.80% as of March 2018, falling below 3% for the first time in 10 years. Average rents have also followed a steady upward trend as demand ran ahead of supply amid a growing sense of a shortage of vacancies.

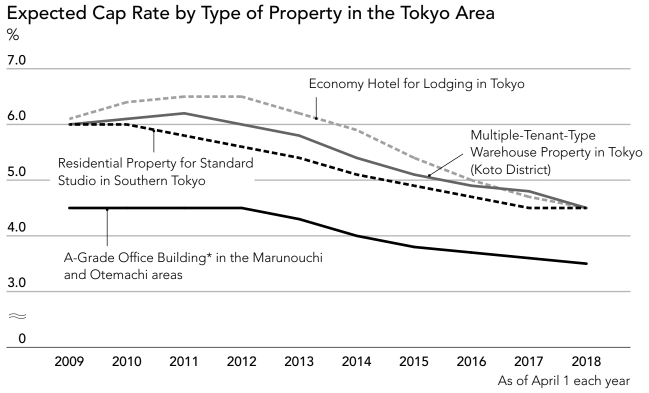
Supply of New Condominiums in the Tokyo Metropolitan Area / Average Condominium Prices



Source: Real Estate Economic Institute Co., Ltd.

In the housing market, the supply of condominiums in the Tokyo metropolitan area rose 0.4% year on year, to 35,898 units. Meanwhile, the average price of condominiums in the Tokyo metropolitan area increased 7.6% year on year, to ¥59.08 million, as a result of growth in the supply of high-priced properties.

Expected Cap Rate by Type of Property in the Tokyo Area



* Covers properties within five minutes’ walk from the nearest station and with floor areas of at least 50,000 m²

Source: Japan Real Estate Institute

The expected yield (cap rate) for major classes of real estate, including residential condominiums, logistics facilities, and hotels, remained on a gradual downtrend, with the cap rate for A-grade buildings in the Marunouchi area standing at 3.5% as of April 2018. This reflected expectations of a continuation of monetary easing by the Bank of Japan, of long-term interest rates remaining at low levels, and of rising rents particularly with office buildings.

Financial Review

Revenue from Operations / Operating Income

In fiscal 2018, the fiscal year ended March 31, 2018, consolidated revenue from operations amounted to ¥1,194,049 million, an increase of ¥68,644 million, or 6.1%, year on year. Consolidated operating income increased ¥20,551 million, or 10.7%, from the previous fiscal year, to ¥213,047 million. The results for each business segment are as follows.

In the Office Building Business segment, revenue from operations and operating income both increased on the contributions from higher rental revenue and income from both newly completed buildings and existing buildings as well as higher revenue from property sales. As of March 31, 2018, the nationwide vacancy rate (all purposes) stood at 1.87%–below the 2.93% recorded at the end of the previous fiscal year and lower than our initial forecast of 2.5%–supported by good progress in leasing newly completed buildings in the Marunouchi area and existing buildings in the Marunouchi and other areas. As a result, revenue from operations in this segment rose ¥21,923 million year on year, to ¥506,161 million, and operating income increased ¥13,672 million, to ¥147,243 million.

In the Lifestyle Property Business segment, revenue from operations increased ¥16,862 million year on year, to ¥105,817 million, and operating income rose ¥5,377 million, to ¥31,184 million, thanks to the booking of revenue and income on the sale of Company-owned properties and a good performance in the outlet shopping center business.

In the Residential Business segment, revenue and income both rose supported by a rise in the gross margin and growth in the number of condominium units sold accompanying sales of units in a large, high-rise condominium project. Due to these developments, segment revenue from operations increased ¥2,747 million year on year, to ¥410,598 million, and operating income increased ¥4,607 million, to ¥23,860 million.

In the International Business segment, revenue from operations increased as a result of the sale of Company-owned properties. Conversely, operating income declined owing to a fall in rental revenue and a reaction to non-recurring income booked in the previous fiscal year. Accordingly, segment revenue from operations increased ¥20,368 million year on year, to ¥86,925 million, but operating income declined ¥2,166 million, to ¥24,147 million.

In the Investment Management Business segment, revenue rose owing partly to increased acquisition fees. As a result, revenue from operations in this segment rose ¥1,342 million year on year, to ¥22,665 million, and operating income increased ¥75 million, to ¥4,596 million.

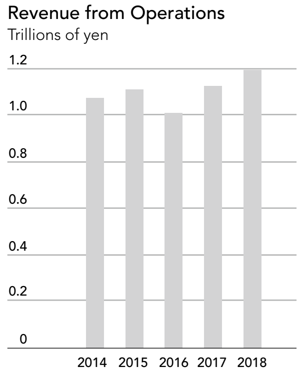
In the Architectural Design & Engineering Business segment, revenue from Mitsubishi Jisho Sekkei Inc.’s architectural design and engineering services rose supported by the booking of revenues for services related to the Marunouchi Nijubashi Building (Chiyoda-ku, Tokyo) as well as by increases in both the average amount received per project for architectural design and engineering services and the amount of revenue per project from interior design and construction work. Consequently, segment revenue from operations increased ¥2,303 million year on year, to ¥21,613 million, and operating income rose ¥1,278 million, to ¥1,724 million.

In the Hotel Business segment, we made progress in strengthening the management structure of each individual hotel under the Royal Park Hotels brand managed by Royal Park Hotels and Resorts, which oversees business activities in the segment, and in adding new hotels with a primary focus on accommodation. In fiscal 2018, segment revenue from operations was essentially unchanged from the previous fiscal year, at ¥33,138 million, while operating income declined ¥1,165 million, to ¥766 million.

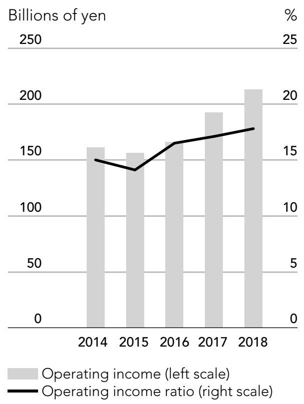
In the Real Estate Services Business segment, the number of brokerage transactions declined but average commissions per transaction rose. As a result, segment revenue from operations increased ¥1,341 million year on year, to ¥25,584 million, while operating income fell ¥639 million, to ¥1,518 million.

In the Other segment, revenue from operations increased ¥4,303 million year on year, to ¥8,541 million, while operating income rose ¥759 million, to ¥1,048 million.

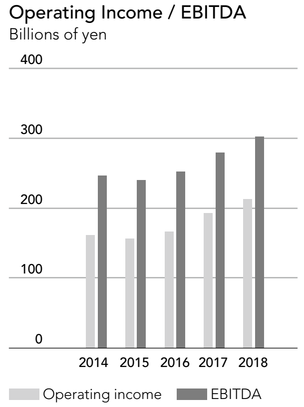
Revenue from Operations



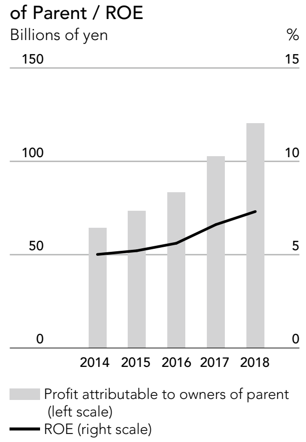
Operating Income / Operating Income Ratio



Operating Income / EBITDA



Profit Attributable to Owners of Parent / ROE



Years ended March 31

	FY2018	FY2017	Millions of yen YoY Change
Revenue from Operations	1,194,049	1,125,405	68,644
Office Building Business	506,161	484,238	21,923
Lifestyle Property Business	105,817	88,955	16,862
Residential Business	410,598	407,850	2,747
International Business	86,925	66,556	20,368
Investment Management Business	22,665	21,323	1,342
Architectural Design & Engineering Business	21,613	19,309	2,303
Hotel Business	33,138	33,512	(373)
Real Estate Services Business	25,584	24,243	1,341
Other	8,541	4,237	4,303
Eliminations	(26,996)	(24,820)	(2,175)
Operating Income	213,047	192,495	20,551
Office Building Business	147,243	133,570	13,672
Lifestyle Property Business	31,184	25,807	5,377
Residential Business	23,860	19,253	4,607
International Business	24,147	26,313	(2,166)
Investment Management Business	4,596	4,520	75
Architectural Design & Engineering Business	1,724	445	1,278
Hotel Business	766	1,932	(1,165)
Real Estate Services Business	1,518	2,157	(639)
Other	1,048	289	759
Eliminations or Corporate	(23,043)	(21,793)	(1,249)

Other Income (Expenses)

Non-operating revenue increased ¥1,066 million year on year, to ¥10,447 million. Other expenses rose ¥964 million, to ¥32,988 million, owing to increased loss on disposal of fixed assets and higher interest expenses.

Total extraordinary income declined ¥1,765 million year on year, to ¥14,719 million, despite the gain on sales of fixed assets and the gain on exchange from business combination.

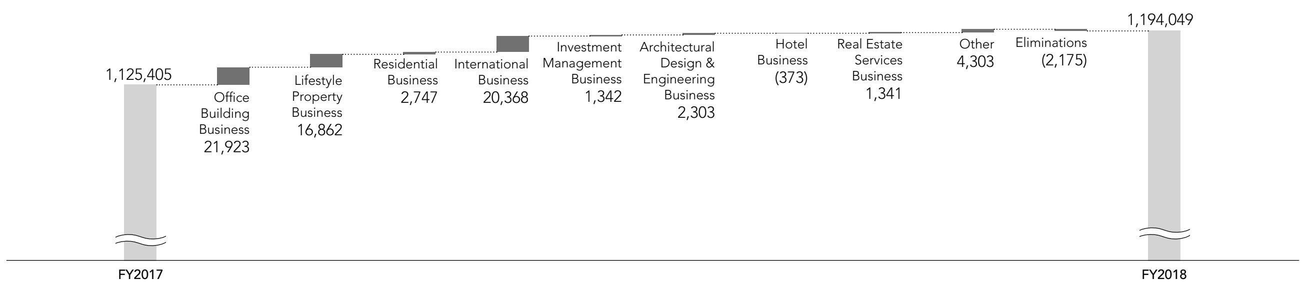
Extraordinary loss declined ¥9,686 million year on year, to ¥13,768 million, despite the increased loss on disposal of fixed assets, owing to the reduced impairment loss and the disappearance of the previous fiscal year's loss on step acquisitions generated by the conversion of companies into consolidated subsidiaries.

Profit Attributable to Owners of Parent

Income before income taxes and minority interests increased ¥28,576 million year on year, to ¥191,457 million. Corporate tax, etc., increased ¥7,634 million, to ¥53,707 million. As a result, profit attributable to owners of parent increased ¥17,762 million, or 17.3%, year on year, to ¥120,443 million. Earnings per share amounted to ¥86.78.

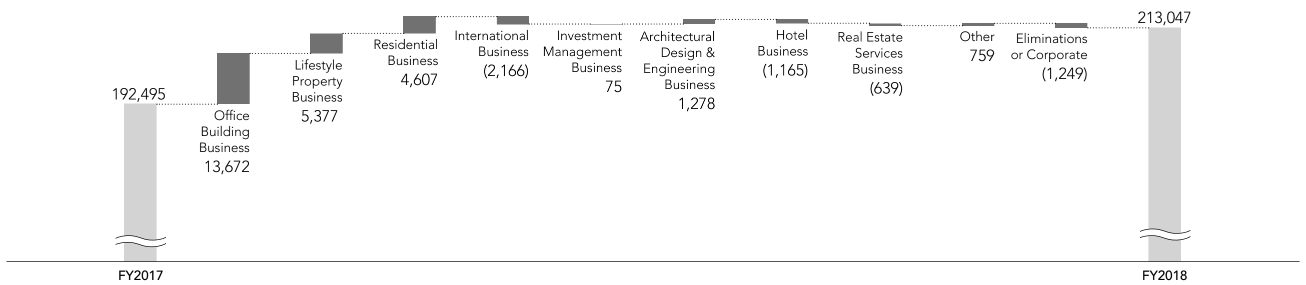
Comparison of Fiscal 2018 and Fiscal 2017 Revenue from Operations

Millions of yen



Comparison of Fiscal 2018 and Fiscal 2017 Operating Income

Millions of yen



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 ¥286,859 million, an increase of ¥43,517 million compared with the previous fiscal year-end. That was the result of an increase in income before income taxes and minority interests, a decrease in inventories, proceeds from long-term borrowings, purchases of property and equipment, and the repayment of long-term borrowings.

(Cash Flows from Operating Activities)
Net cash provided by operating activities was ¥293,338 million, up ¥124,810 million year on year. Income before income taxes and minority interests amounted to ¥191,457 million, while depreciation and amortization—a non-cash item—totaled ¥77,545 million. These and other cash inflows were adjusted to reflect a decline in inventories, increase in equity investments, corporate tax payable, and other items.

(Cash Flows from Investing Activities)
Net cash used in investing activities totaled ¥286,841 million, down ¥40,451 million from the previous fiscal year. The net cash was used primarily for purchases of property and equipment.

(Cash Flows from Financing Activities)
Net cash provided by financing activities was ¥37,203 million, compared with net cash used in financing activities of ¥4,921 million in the previous fiscal year. This result can be attributed mainly to long-term borrowings and the issuance of corporate bonds.

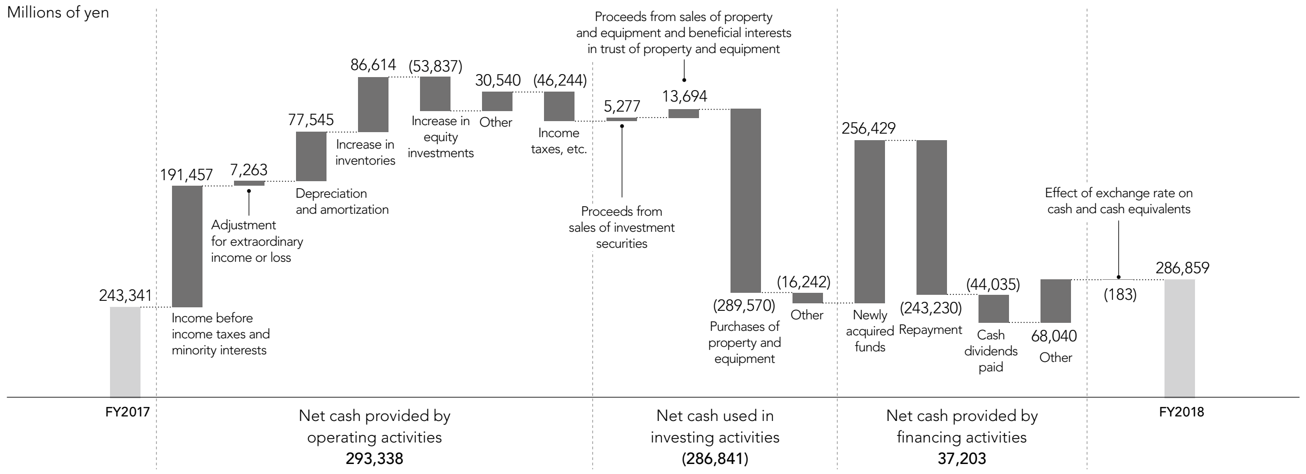
(2) Consolidated Balance Sheets

Total assets stood at ¥5,803,689 million on March 31, 2018, up ¥319,573 million from a year earlier, principally as a result of the operating, investing, and financing activities previously identified and related changes in assets and liabilities.

Total liabilities increased ¥207,946 million, to ¥3,924,601 million. The balance of interest-bearing debt as of March 31, 2018, stood at ¥2,481,675 million, an increase of ¥84,681 million compared with the year-end balance in fiscal 2017. Deducting cash and cash equivalents, the balance of net interest-bearing debt as of March 31, 2018, was ¥2,194,815 million, an increase of ¥41,163 million year on year.

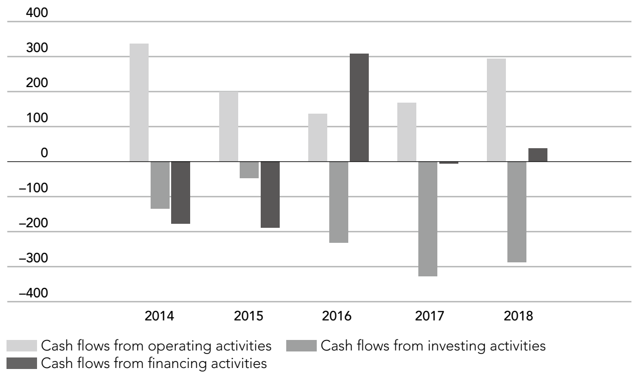
Comparison of Fiscal 2018 and Fiscal 2017 Consolidated Cash Flows

Millions of yen



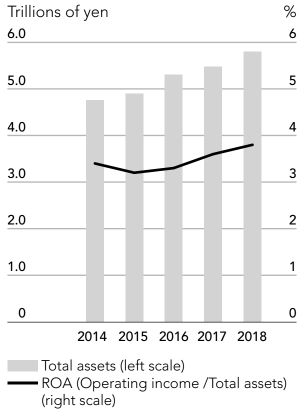
Cash Flows

Billions of yen



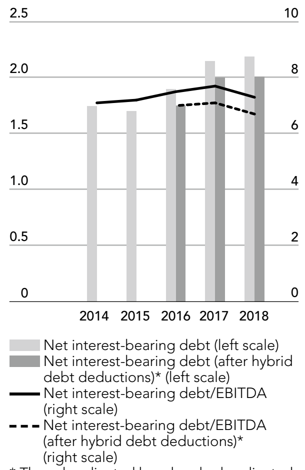
Total Assets / ROA (Operating Income/Total Assets)

Trillions of yen %



Balance of Interest-Bearing Debt

Trillions of yen Times



* The subordinated bond and subordinated loans subject to equity credit from a credit rating agency (50% equity treatment) are shown after deductions.

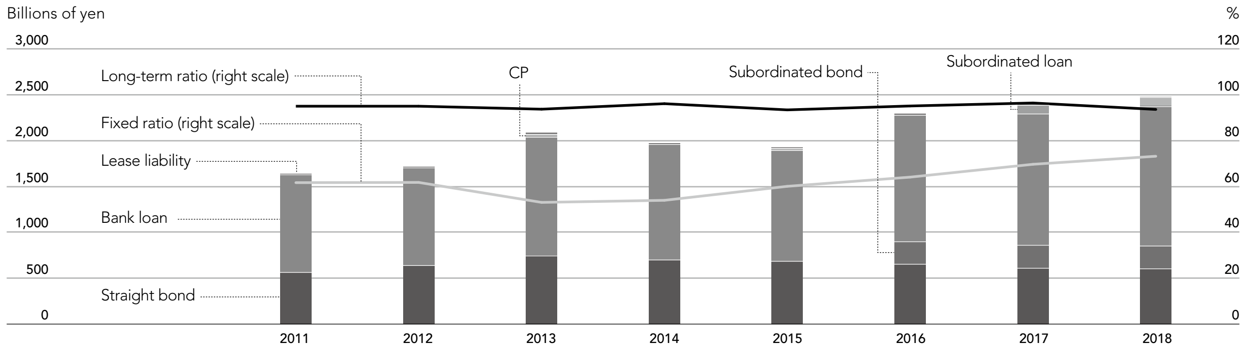
Years ended March 31

Total net assets increased ¥111,627 million year on year, to ¥1,879,088 million. The growth in net assets can be attributed to increases in such items as retained earnings, unrealized holding gain on securities, and retirement benefits and liability adjustments.

Matters Related to Rental Properties

Mitsubishi Estate and some of its consolidated subsidiaries own office buildings and retail facilities in Tokyo and other major cities in Japan as well as overseas, 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.

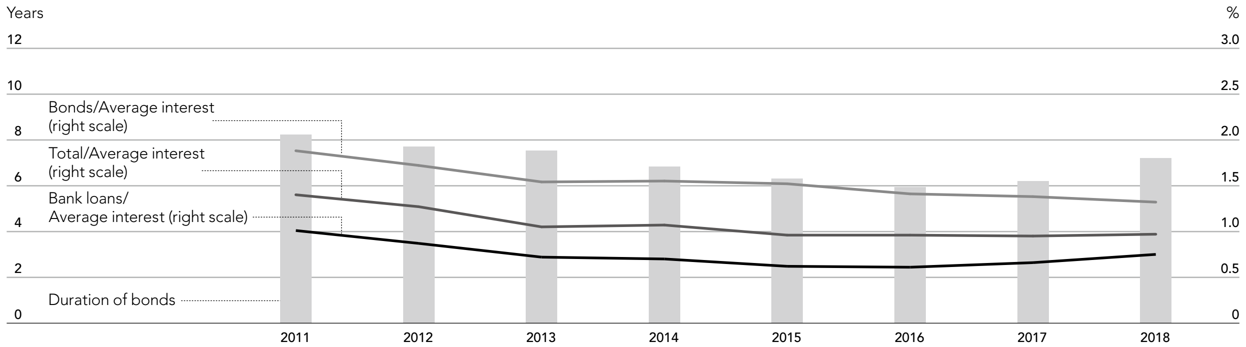
Interest-Bearing Debt



	2011	2012	2013	2014	2015	2016	2017	2018
Straight Bond	566.3	636.2	747.2	701.5	685.2	653.0	612.7	603.8
Subordinated bond	—	—	—	—	—	250	250	250
Bank Loan	1,065.4	1,072.3	1,292.9	1,261.9	1,208.8	1,381.2	1,428.5	1,523.0
Subordinated loan	—	—	—	—	—	—	100	100
CP	—	—	35.0	—	28.0	—	—	—
Lease liability	7.2	8.3	10.2	9.5	7.2	6.8	5.6	4.7
Fixed ratio (right scale)	61.7	61.8	53.1	54.0	60.1	64.1	69.7	73.2
Long-term ratio (right scale)	95.0	95.0	93.7	96.1	93.4	95.1	96.4	93.6

Years ended March 31

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



	2011	2012	2013	2014	2015	2016	2017	2018
Duration of bonds	8.22	7.71	7.52	6.82	6.31	5.94	6.19	7.20
Bonds/Average interest (right scale)	1.88	1.72	1.54	1.55	1.52	1.41	1.38	1.32
Bank loans/Average interest (right scale)	1.01	0.87	0.72	0.70	0.62	0.61	0.66	0.75
Total/Average interest (right scale)	1.40	1.27	1.05	1.07	0.96	0.96	0.95	0.97

Years ended March 31

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, 2018 (April 1, 2017, to March 31, 2018)	Fiscal Year Ended March 31, 2017 (April 1, 2016, to March 31, 2017)
Rental Properties		
Amounts recorded on consolidated balance sheets		
Balance as of the beginning of the period	3,644,937	3,327,104
Increase during the period	(164,790)	317,832
Balance as of the end of the period	3,480,147	3,644,937
Market value as of the end of the period	6,768,625	6,517,887
Unrealized gain	3,288,478	2,872,950
Rental Properties Containing Self-Use Space		
Amounts recorded on consolidated balance sheets		
Balance as of the beginning of the period	183,523	182,876
Increase (decrease) during the period	296,913	647
Balance as of the end of the period	480,436	183,523
Market value as of the end of the period	614,790	274,081
Unrealized gain	134,354	90,558

Notes:
1. The amount included on 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, 2018 (April 1, 2017, to March 31, 2018)	Fiscal Year Ended March 31, 2017 (April 1, 2016, to March 31, 2017)
Rental Properties		
Rental revenue	439,592	436,705
Rental costs	275,749	280,387
Difference	163,843	156,318
Other income (loss)	(4,745)	(16,194)
Rental Properties Containing Self-Use Space		
Rental revenue	21,419	15,996
Rental costs	16,872	11,522
Difference	4,546	4,474
Other income (loss)	(362)	(580)

Note: 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.

Status of Shareholdings

- With equity investments in stocks held for purposes other than for pure investment, the number of shares and their total value are recorded on the balance sheet as follows:
  156 stocks, ¥251,225 million
- The classification, company, number of shares, amounts shown on the balance sheet, and the purpose for which shares are held other than for pure investment are shown below:

Specific Investment Shares

Company	Number of shares	Amount booked on balance sheet (¥ million)	Purpose of holding shares
Mitsubishi Corporation	13,088,457	37,459	1*
Mitsubishi UFJ Financial Group, Inc.	39,246,142	27,354	2*
Asahi Glass Co., Ltd.	4,540,606	20,001	1*
Taisei Corporation	2,426,690	13,104	3*
Japan Airport Terminal Co., Ltd.	3,111,400	12,647	4*
Kirin Holdings Company, Limited	4,371,938	12,383	3*
Mitsubishi Heavy Industries, Ltd.	2,346,997	9,561	1*
Mitsubishi Electric Corporation	5,577,294	9,489	1*
HEIWA REAL ESTATE CO., LTD.	4,274,100	8,761	4*
East Japan Railway Company	857,300	8,454	4*
Mitsubishi Logistics Corporation	3,665,554	8,284	3*
Central Japan Railway Company	367,900	7,405	4*
NIKON CORPORATION	3,510,000	6,654	3*
Mitsubishi Chemical Holdings Corporation	5,646,000	5,818	1*
Mitsubishi Materials Corporation	1,739,700	5,567	1*
TOYOTA MOTOR CORPORATION	598,462	4,084	3*
Shin-Etsu Chemical Co., Ltd.	308,212	3,391	1*
TOHO CO., LTD.	794,100	2,803	4*
Obayashi corporation	2,404,961	2,799	3*
RENAISSANCE INCORPORATED	1,419,000	2,748	4*
SHIMIZU CORPORATION	2,738,650	2,604	3*
Mitsubishi UFJ Lease & Finance Company Limited	3,760,000	2,346	1*
Mitsubishi Research Institute, Inc.	598,500	2,007	3*
THE HACHIJUNI BANK, LTD.	3,441,500	1,961	2*
Odakyu Electric Railway Co., Ltd.	901,000	1,939	3*
Fukuoka Financial Group, Inc.	3,108,000	1,780	2*
T&D Holdings, Inc.	960,200	1,621	2*
Chiba Bank, Ltd.	1,852,000	1,583	2*
Nippon Suisan Kaisha, Ltd.	2,789,900	1,540	1*

1* To raise corporate value by maintaining and strengthening good relationships with tenants
2* To contribute to stable fund procurement
3* To contribute to maintaining and strengthening trading relationships, including with Group companies
4* To contribute to raising corporate value by maintaining and strengthening stable partnerships and collaborative relationships
Note: Asahi Glass Co., Ltd., has changed its trade name to AGC Inc. as of July 1, 2018.

Deemed Holdings of Equity Securities

Company	Number of shares	Amount booked on balance sheet (¥ million)	Purpose of holding shares
Tokio Marine Holdings, Inc.	6,929,500	32,811	5*
Mitsubishi Electric Corporation	10,656,000	18,131	5*
Mitsubishi UFJ Financial Group, Inc.	4,306,400	3,001	5*

5* To maintain authority to exercise voting rights
Note: With the top stocks in terms of the amounts recorded on the balance sheet, specific investment shares and deemed holdings of equity securities for investment purposes are not included in aggregate totals.

Years ended March 31

Consolidated Balance Sheets

Mitsubishi Estate Co., Ltd. and Consolidated Subsidiaries
March 31, 2018 and 2017

	Millions of yen 2018	Millions of yen 2017	Thousands of U.S. dollars (Note 2) 2018
Assets			
Current assets:			
Cash on hand and in banks (Notes 13 and 15)	¥ 287,153	¥ 243,681	$ 2,702,871
Notes and accounts receivable–trade (Note 13)	44,670	43,823	420,468
Marketable securities (Notes 13 and 14)	8,219	13,515	77,367
Allowance for doubtful receivables	(224)	(270)	(2,113)
Inventories (Note 3)	434,638	408,294	4,091,103
Equity investments (Notes 13 and 14)	365,933	292,764	3,444,405
Deferred income taxes (Note 7)	11,351	10,730	106,846
Other current assets	77,299	69,152	727,591
Total current assets	1,229,041	1,081,690	11,568,540
Investments:			
Investments in and advances to unconsolidated subsidiaries and affiliates (Note 13)	18,140	11,831	170,746
Investment securities (Notes 13 and 14)	255,290	233,689	2,402,957
Asset for retirement benefits (Note 6)	20,280	9,487	190,896
Other investments (Notes 4 and 13)	190,981	180,033	1,797,639
Total investments	484,692	435,042	4,562,239
Property and equipment (Note 5):			
Land	2,063,202	1,987,344	19,420,205
Land in trust	678,420	708,801	6,385,731
Buildings and structures	2,538,917	2,494,685	23,897,947
Machinery and equipment and other	135,004	133,132	1,270,746
Construction in progress	142,127	92,367	1,337,795
	5,557,672	5,416,331	52,312,425
Less accumulated depreciation	(1,575,800)	(1,559,574)	(14,832,456)
Property and equipment, net	3,981,871	3,856,757	37,479,969
Intangible and other assets	108,083	110,624	1,017,348
Total assets	¥ 5,803,689	¥ 5,484,115	$ 54,628,098

See accompanying notes to consolidated financial statements.

	Millions of yen 2018	Millions of yen 2017	Thousands of U.S. dollars (Note 2) 2018
Liabilities and net assets			
Current liabilities:			
Short-term borrowings and current portion of long-term debt (Notes 5 and 13)	¥ 372,992	¥ 320,772	$ 3,510,843
Notes and accounts payable–trade (Note 13)	61,169	56,099	575,768
Accrued income taxes (Note 7)	27,675	16,471	260,503
Advances and deposits	117,570	116,562	1,106,646
Accrued expenses and other current liabilities	86,077	76,717	810,214
Total current liabilities	665,484	586,623	6,263,976
Long-term liabilities:			
Long-term debt (Notes 5 and 13)	2,103,893	2,070,567	19,803,213
Lease deposits received (Note 13)	414,390	398,014	3,900,509
Liability for retirement benefits (Note 6)	26,847	22,042	252,710
Deferred income taxes (Note 7)	489,832	481,226	4,610,621
Negative goodwill	95,992	90,535	903,547
Other non-current liabilities	128,159	67,645	1,206,320
Total long-term liabilities	3,259,116	3,130,031	30,676,922
Total liabilities	3,924,601	3,716,654	36,940,899
Net assets:			
Shareholders' equity (Note 8):			
Common stock, without par value:			
Authorized – 1,980,000,000 shares;			
Issued – 1,390,908,105 shares in 2018 and 1,390,685,972 shares in 2017	141,898	141,659	1,335,640
Capital surplus	161,819	161,477	1,523,153
Retained earnings	763,277	674,259	7,184,462
Less treasury stock, at cost	(5,294)	(5,489)	(49,838)
Total shareholders' equity	1,061,700	971,906	9,993,416
Accumulated other comprehensive income:			
Unrealized holding gain on securities	121,787	109,644	1,146,339
Deferred gain (loss) on hedging instruments	369	73	3,482
Land revaluation reserve	526,623	527,128	4,956,922
Foreign currency translation adjustments	(12,227)	(13,363)	(115,095)
Retirement benefits liability adjustments (Note 6)	95	(2,612)	899
Total accumulated other comprehensive income	636,648	620,870	5,992,547
Stock acquisition rights	326	529	3,070
Non-controlling interests	180,412	174,154	1,698,163
Contingent liabilities (Note 11)			
Total net assets	1,879,088	1,767,460	17,687,198
Total liabilities and net assets	¥5,803,689	¥5,484,115	$54,628,098

Consolidated Statements of Income

Mitsubishi Estate Co., Ltd. and Consolidated Subsidiaries
Years ended March 31, 2018 and 2017

	Millions of yen		Thousands of U.S. dollars (Note 2)
	2018	2017	2018
Revenue from operations	¥1,194,049	¥1,125,405	$11,239,173
Cost of revenue from operations (Note 3)	(890,237)	(847,725)	(8,379,490)
Selling, general and administrative expenses	(90,765)	(85,184)	(854,340)
Operating income	213,047	192,495	2,005,342
Other income (expenses):			
Interest and dividend income	5,849	4,902	55,062
Interest expenses	(23,121)	(22,743)	(217,631)
Equity in earnings of unconsolidated subsidiaries and affiliates	419	872	3,952
Other, net (Note 12)	(4,738)	(12,645)	(44,604)
	(21,590)	(29,614)	(203,220)
Income before income taxes	191,457	162,881	1,802,122
Income taxes (Note 7):			
Current	(57,334)	(43,451)	(539,667)
Deferred	3,626	(2,622)	34,134
	(53,707)	(46,073)	(505,533)
Profit	137,749	116,808	1,296,588
Profit attributable to:			
Non-controlling interests	(17,305)	(14,126)	(162,893)
Shareholders of Mitsubishi Estate Co., Ltd.	¥ 120,443	¥ 102,681	$ 1,133,694

See accompanying notes to consolidated financial statements.

Consolidated Statements of Comprehensive Income

Mitsubishi Estate Co., Ltd. and Consolidated Subsidiaries
Years ended March 31, 2018 and 2017

	Millions of yen		Thousands of U.S. dollars (Note 2)
	2018	2017	2018
Profit	¥137,749	¥116,808	$1,296,588
Other comprehensive income (Note 21):			
Unrealized holding gain (loss) on securities	12,144	19,703	114,316
Deferred gain (loss) on hedging instruments	365	159	3,444
Land revaluation reserve	4	3,363	45
Foreign currency translation adjustments	95	(26,882)	900
Retirement benefits liability adjustments	2,744	10,092	25,837
Share of other comprehensive income (loss) of companies accounted for by the equity method	355	(996)	3,346
Total other comprehensive income (loss)	15,711	5,439	147,889
Comprehensive income (Note 21)	¥153,461	¥122,247	$1,444,478
Total comprehensive income (loss) attributable to:			
Shareholders of Mitsubishi Estate Co., Ltd.	¥136,731	¥108,648	$1,287,004
Non-controlling interests	¥ 16,730	¥ 13,599	$ 157,473

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, 2018 and 2017

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, 2016	¥141,373	¥161,188	¥600,116	¥(5,385)	¥ 897,293	¥ 89,945	¥(30)
Changes in the year:							
Issuance of new shares	285	285			571		
Cash dividends paid			(24,976)		(24,976)		
Profit attributable to owners of parent			102,681		102,681		
Purchase of treasury stock				(104)	(104)		
Disposal of treasury stock		0			0		
Land revaluation reserve (Note 1-h)			(3,451)		(3,451)		
Changes in the scope of consolidation			(110)		(110)		
Changes in equity related to transactions with non-controlling shareholders		2			2		
Net change in items other than those in shareholders' equity						19,698	104
Total of changes in the year	285	288	74,143	(104)	74,613	19,698	104
Balance at April 1, 2017	141,659	161,477	674,259	(5,489)	971,906	109,644	73
Changes in the year:							
Issuance of new shares	239	239			478		
Cash dividends paid			(31,920)		(31,920)		
Profit attributable to owners of parent			120,443		120,443		
Purchase of treasury stock				(26)	(26)		
Disposal of treasury stock		0	(15)	221	205		
Land revaluation reserve (Note 1-h)			509		509		
Changes in the scope of consolidation							
Changes in equity related to transactions with non-controlling shareholders		103			103		
Net change in items other than those in shareholders' equity						12,142	296
Total of changes in the year	239	342	89,017	194	89,793	12,142	296
Balance at March 31, 2018	¥141,898	¥161,819	¥763,277	¥(5,294)	¥1,061,700	¥121,787	¥369

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, 2016	¥521,248	¥ 13,900	¥ (12,676)	¥612,387	¥ 529	¥148,970	¥1,659,180
Changes in the year:							
Issuance of new shares							571
Cash dividends paid							(24,976)
Profit attributable to owners of parent							102,681
Purchase of treasury stock							(104)
Disposal of treasury stock							0
Land revaluation reserve (Note 1-h)							(3,451)
Changes in the scope of consolidation							(110)
Changes in equity related to transactions with non-controlling shareholders							2
Net change in items other than those in shareholders' equity	5,879	(27,263)	10,063	8,483		25,183	33,666
Total of changes in the year	5,879	(27,263)	10,063	8,483	—	25,183	108,280
Balance at April 1, 2017	527,128	(13,363)	(2,612)	620,870	529	174,154	1,767,460
Changes in the year:							
Issuance of new shares							478
Cash dividends paid							(31,920)
Profit attributable to owners of parent							120,443
Purchase of treasury stock							(26)
Disposal of treasury stock							205
Land revaluation reserve (Note 1-h)							509
Changes in the scope of consolidation							—
Changes in equity related to transactions with non-controlling shareholders							103
Net change in items other than those in shareholders' equity	(505)	1,135	2,708	15,777	(202)	6,258	21,833
Total of changes in the year	(505)	1,135	2,708	15,777	(202)	6,258	111,627
Balance at March 31, 2018	¥526,623	¥(12,227)	¥ 95	¥636,648	¥ 326	¥180,412	¥1,879,088

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, 2018 and 2017

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, 2016	$1,330,696	$1,517,209	$5,648,689	$(50,690)	$8,445,905	$ 846,623	$ (288)
Changes in the year:							
Issuance of new shares	2,691	2,691			5,383		
Cash dividends paid			(235,094)		(235,094)		
Profit attributable to owners of parent			966,505		966,505		
Purchase of treasury stock				(979)	(979)		
Disposal of treasury stock		3			3		
Land revaluation reserve (Note 1-h)			(32,489)		(32,489)		
Changes in the scope of consolidation			(1,038)		(1,038)		
Changes in equity related to transactions with non-controlling shareholders		24			24		
Net change in items other than those in shareholders' equity						185,418	983
Total of changes in the year	2,691	2,719	697,882	(979)	702,314	185,418	983
Balance at April 1, 2017	1,333,388	1,519,929	6,346,572	(51,669)	9,148,220	1,032,042	694
Changes in the year:							
Issuance of new shares	2,251	2,249			4,501		
Cash dividends paid			(300,456)		(300,456)		
Profit attributable to owners of parent			1,133,694		1,133,694		
Purchase of treasury stock				(249)	(249)		
Disposal of treasury stock		(3)	(147)	2,080	1,929		
Land revaluation reserve (Note 1-h)			4,798		4,798		
Changes in the scope of consolidation							
Changes in equity related to transactions with non-controlling shareholders		977			977		
Net change in items other than those in shareholders' equity						114,296	2,787
Total of changes in the year	2,251	3,224	837,889	1,831	845,196	114,296	2,787
Balance at March 31, 2018	$1,335,640	$1,523,153	$7,184,462	$(49,838)	$9,993,416	$1,146,339	$3,482

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 comprehensive income	Stock acquisition rights	Non-controlling interests	Total net assets
Balance at April 1, 2016	$4,906,334	$ 130,837	$(119,317)	$5,764,188	$ 4,980	$1,402,207	$15,617,282
Changes in the year:							
Issuance of new shares							5,383
Cash dividends paid							(235,094)
Profit attributable to owners of parent							966,505
Purchase of treasury stock							(979)
Disposal of treasury stock							3
Land revaluation reserve (Note 1-h)							(32,489)
Changes in the scope of consolidation							(1,038)
Changes in equity related to transactions with non-controlling shareholders							24
Net change in items other than those in shareholders' equity	55,342	(256,620)	94,724	79,848		237,044	316,893
Total of changes in the year	55,342	(256,620)	94,724	79,848	—	237,044	1,019,207
Balance at April 1, 2017	4,961,676	(125,783)	(24,592)	5,844,036	4,980	1,639,252	16,636,490
Changes in the year:							
Issuance of new shares							4,501
Cash dividends paid							(300,456)
Profit attributable to owners of parent							1,133,694
Purchase of treasury stock							(249)
Disposal of treasury stock							1,929
Land revaluation reserve (Note 1-h)							4,798
Changes in the scope of consolidation							—
Changes in equity related to transactions with non-controlling shareholders							977
Net change in items other than those in shareholders' equity	(4,753)	10,687	25,492	148,510	(1,910)	58,910	205,511
Total of changes in the year	(4,753)	10,687	25,492	148,510	(1,910)	58,910	1,050,707
Balance at March 31, 2018	$4,956,922	$(115,095)	$ 899	$5,992,547	$ 3,070	$1,698,163	$17,687,198

See accompanying notes to consolidated financial statements.

Consolidated Statements of Cash Flows

Mitsubishi Estate Co., Ltd. and Consolidated Subsidiaries
Years ended March 31, 2018 and 2017

	Millions of yen		Thousands of U.S. dollars (Note 2)
	2018	2017	2018
Cash flows from operating activities			
Income before income taxes and minority interests	¥ 191,457	¥ 162,881	$ 1,802,122
Depreciation and amortization	77,545	75,974	729,909
(Gain) loss on sales or disposal of property and equipment	(1,378)	3,247	(12,970)
(Gain) loss on sales of securities	(9)	(1,013)	(86)
Valuation (gain) loss on equity investments	675	227	6,358
Gain on sales of shares of affiliated companies	(1,161)	—	(10,934)
Impairment loss	5,508	12,260	51,852
Loss (gain) on step acquisitions	—	6,431	—
Gain on exchange from business combination	(1,513)	—	(14,245)
Equity in net income of affiliates	(419)	(872)	(3,952)
Increase (decrease) in allowances	(49)	(989)	(468)
Increase (decrease) in liability for retirement benefits	(1,461)	4,330	(13,753)
Interest and dividend income	(5,849)	(4,902)	(55,062)
Interest expense	23,121	22,743	217,631
(Increase) decrease in notes and accounts receivable	(2,340)	(8,865)	(22,031)
(Increase) decrease in inventories	86,614	84,853	815,275
(Increase) decrease in equity investments	(53,837)	(32,460)	(506,755)
Increase (decrease) in notes and accounts payable	7,119	(5,837)	67,015
Increase (decrease) in lease deposits received	16,669	(4,896)	156,907
Other	15,574	(75,505)	146,596
Subtotal	356,266	237,609	3,353,407
Interest and dividends received	6,148	5,641	57,870
Interest paid	(22,830)	(22,532)	(214,899)
Income taxes paid	(46,244)	(52,189)	(435,287)
Net cash provided by operating activities	293,338	168,527	2,761,092
Cash flows from investing activities			
Proceeds from sales of marketable securities	18,981	9,100	178,665
Purchases of marketable securities	(12,491)	(10,615)	(117,582)
Proceeds from sales of property and equipment	13,523	11,223	127,293
Purchases of property and equipment	(286,506)	(274,686)	(2,696,781)
Proceeds from sales of investment securities	5,277	1,534	49,671
Purchases of investment securities	(17,240)	(7,749)	(162,275)
Proceeds from sales of investments in subsidiaries resulting in change in scope of consolidation	3,916	—	36,866
Payments for sales of investments in subsidiaries resulting in change in scope of consolidation	—	(2,776)	—
Proceeds from purchase of investments in subsidiaries resulting in change in scope of consolidation (Note 15)	—	295	—
Purchase of investments in subsidiaries resulting in change in scope of consolidation (Note 15)	(7,154)	(52,929)	(67,340)
Other	(5,147)	(688)	(48,455)
Net cash provided by (used in) investing activities	(286,841)	(327,292)	(2,699,937)
Cash flows from financing activities			
Net increase (decrease) in short-term borrowings	66,723	(25,278)	628,045
Net increase (decrease) in commercial paper	—	—	—
Increase in long-term borrowings	180,713	263,710	1,700,993
Repayment of long-term borrowings	(158,155)	(166,494)	(1,488,664)
Proceeds from issuance of corporate bonds	75,715	34,805	712,687
Repayment of corporate bonds	(85,075)	(76,556)	(800,781)
Purchase of investments in subsidiaries that do not result in change in scope of consolidation	(80)	(107)	(758)
Cash dividends paid	(31,913)	(25,112)	(300,391)
Other	(10,724)	(9,886)	(100,944)
Net cash provided by (used in) financing activities	37,203	(4,921)	350,188
Effect of exchange rate changes on cash and cash equivalents	(183)	(5,144)	(1,722)
Net increase (decrease) in cash and cash equivalents	43,517	(168,830)	409,619
Cash and cash equivalents at beginning of year	243,341	412,392	2,290,491
Cash and cash equivalents of subsidiaries excluded from consolidation	—	(219)	—
Cash and cash equivalents at end of year (Note 15)	¥ 286,859	¥ 243,341	$ 2,700,110

See accompanying notes to consolidated financial statements.

Notes to Consolidated Financial Statements

Mitsubishi Estate Co., Ltd. and Consolidated Subsidiaries
Years ended March 31, 2018 and 2017

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, 2018 and 2017 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 of property, plant and equipment is calculated principally by the declining-balance method based on the estimated useful lives and the residual value determined by the Company, except for certain buildings of the Company and domestic consolidated subsidiaries acquired on or after April 1, 1998 and facilities attached to buildings and other non-building structures acquired on or after April 1, 2016, which are depreciated by the straight-line method. 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 the some portion or all of the deferred tax assets will not be realized.

l. Derivative financial instruments

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

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

m. Revenue recognition

The consolidated statements of income reflect revenue from operations in the following manner:

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

Accounting Standard and Implementation Guidance on Revenue Recognition

On March 30, 2018, the ASBJ issued "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29) and "Implementation Guidance on Accounting Standard for Revenue Recognition" (ASBJ Guidance No. 30).

(1) Overview
This is a comprehensive accounting standard for revenue recognition. Specifically, the accounting standard establishes the following five-step model that will apply to revenue from customers:
1. Identify the contract(s) with a customer
2. Identify the performance obligations in the contract
3. Determine the transaction price
4. Allocate the transaction price to the performance obligations in the contract
5. Recognize revenue when (or as) the entity satisfies a performance obligation

(2) Scheduled date of adoption
The Company expects to adopt the accounting standard and implementation guidance from the beginning of the fiscal year ending March 31, 2022.

(3) Impact of the adoption of accounting standard and implementation guidance
The Company is currently evaluating the effect of the adoption of this accounting standard and implementation guidance on its consolidated financial statements.

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 ¥106.24 = U.S.$1.00, the approximate rate of exchange prevailing on March 31, 2018. 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, 2018 and 2017 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2018	2017	2018
Real estate for sale	¥ 95,391	¥ 60,195	$ 897,886
Land and housing projects in progress	327,213	337,928	3,079,946
Land held for development	1,267	1,058	11,933
Other	10,766	9,112	101,337
Total	¥434,638	¥408,294	$4,091,103

Write-downs of inventories as a result of a decrease in profitability for the years ended March 31, 2018 and 2017 were ¥2,950 million ($27,767 thousand) and ¥15,200 million, respectively, and recognized in cost of revenue from operations.

4 OTHER INVESTMENTS

Other investments at March 31, 2018 and 2017 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2018	2017	2018
Lease deposits	¥108,097	¥106,149	$1,017,486
Long-term prepaid expenses and other	82,883	73,883	780,153
Total	¥190,981	¥180,033	$1,797,639

5 SHORT-TERM BORROWINGS AND LONG-TERM DEBT

At March 31, 2018 and 2017, short-term borrowings and the current portion of long-term debt consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2018	2017	2018
Loans, principally from banks	¥159,090	¥ 86,415	$1,497,459
Current portion of long-term debt	213,901	234,356	2,013,384
Total	¥372,992	¥320,772	$3,510,843

The weighted-average interest rates per annum on short-term borrowings outstanding at March 31, 2018 and 2017 were 0.76% and 0.44%, respectively. Short-term borrowings are principally unsecured.

At March 31, 2018 and 2017, long-term debt consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2018	2017	2018
0.428% unsecured bonds due 2017	—	¥ 20,000	—
2.045% unsecured bonds due 2017	—	10,000	—
1.825% unsecured bonds due 2017	—	10,000	—
3.125% unsecured bonds due 2017	—	10,000	—
1.77% unsecured bonds due 2017	—	20,000	—
0.187% unsecured bonds due 2018	—	15,000	—
1.65% unsecured bonds due 2018	¥ 10,000	10,000	$ 94,126
2.005% unsecured bonds due 2018	10,000	10,000	94,126
0.811% unsecured bonds due 2018	10,000	10,000	94,126
3% unsecured bonds due 2018	10,000	10,000	94,126
1.84% unsecured bonds due 2018	15,000	15,000	141,189
1.72% unsecured bonds due 2018	10,000	10,000	94,126
0.631% unsecured bonds due 2019	10,000	10,000	94,126
1.87% unsecured bonds due 2019	15,000	15,000	141,189
1.62% unsecured bonds due 2019	10,000	10,000	94,126
0.571% unsecured bonds due 2019	10,000	10,000	94,126
1.53% unsecured bonds due 2019	10,000	10,000	94,126
1.975% unsecured bonds due 2019	10,000	10,000	94,126
1.805% unsecured bonds due 2019	10,000	10,000	94,126
2.5% unsecured bonds due 2020	10,000	10,000	94,126
1.165% unsecured bonds due 2020	10,000	10,000	94,126
0.577% unsecured bonds due 2020	15,000	15,000	141,189
0.54% unsecured bonds due 2021	15,000	15,000	141,189
1.262% unsecured bonds due 2021	15,000	15,000	141,189
1.103% unsecured bonds due 2021	20,000	20,000	188,253
1.095% unsecured bonds due 2021	10,000	10,000	94,126
1.178% unsecured bonds due 2022	20,000	20,000	188,253

	Millions of yen		Thousands of U.S. dollars
	2018	2017	2018
1.087% unsecured bonds due 2022	¥ 20,000	¥ 20,000	$ 188,253
1.026% unsecured bonds due 2022	30,000	30,000	282,379
2.42% unsecured bonds due 2022	10,000	10,000	94,126
0.929% unsecured bonds due 2022	10,000	10,000	94,126
1.5% unsecured bonds due 2022	10,000	10,000	94,126
2.075% unsecured bonds due 2023	10,000	10,000	94,126
0.643% unsecured bonds due 2024	20,000	20,000	188,253
2.28% unsecured bonds due 2024	10,000	10,000	94,126
1.067% unsecured bonds due 2024	10,000	10,000	94,126
0.19% unsecured bonds due 2025	10,000	—	94,126
0.175% unsecured bonds due 2025	10,000	—	94,126
0.27% unsecured bonds due 2026	10,000	10,000	94,126
2.305% unsecured bonds due 2027	10,000	10,000	94,126
0.24% unsecured bonds due 2027	10,000	—	94,126
2.385% unsecured bonds due 2027	10,000	10,000	94,126
2.52% unsecured bonds due 2027	15,000	15,000	141,189
2.425% unsecured bonds due 2027	10,000	10,000	94,126
2.555% unsecured bonds due 2028	10,000	10,000	94,126
2.9% unsecured bonds due 2032	10,000	10,000	94,126
2.615% unsecured bonds due 2032	10,000	10,000	94,126
2.04% unsecured bonds due 2032	20,000	20,000	188,253
1.72% unsecured bonds due 2033	10,000	10,000	94,126
0.859% unsecured bonds due 2036	10,000	10,000	94,126
0.736% unsecured bonds due 2037	10,000	—	94,126
0.703% unsecured bonds due 2037	10,000	—	94,126
0.789% unsecured bonds due 2056	15,000	15,000	141,189
1.402% unsecured bonds due 2057	15,000	—	141,189
1.313% unsecured bonds due 2058	10,000	—	94,126
0.610% unsecured bonds inherited from DAINIPPON ENTERPRISE INC. due 2018	1,162	1,237	10,942
0.390% unsecured bonds inherited from DAINIPPON ENTERPRISE INC. due 2020	1,550	1,550	14,589
0.102% unsecured bonds under Euro MTN program due 2025	1,111	—	10,461
1.02% interest deferrable and early redeemable subordinated unsecured bonds due 2076	75,000	75,000	705,948
3ML+88bp interest deferrable and early redeemable subordinated unsecured bonds due 2076	75,000	75,000	705,948
1.33% interest deferrable and early redeemable subordinated unsecured bonds due 2076	70,000	70,000	658,885
1.48% interest deferrable and early redeemable subordinated unsecured bonds due 2076	30,000	30,000	282,379
Loans from banks and insurance companies: Secured	155,177	138,578	1,460,635
Unsecured	1,308,793	1,303,557	12,319,217
	2,317,795	2,304,923	21,816,598
Less current portion	(213,901)	(234,356)	(2,013,384)
	¥2,103,893	¥2,070,567	$19,803,213

The aggregate annual maturities of long-term debt subsequent to March 31, 2018 are summarized as follows:

Year ending March 31,	Millions of yen	Thousands of U.S. dollars
2019	¥ 213,901	$ 2,013,384
2020	316,163	2,975,931
2021	210,404	1,980,463
2022	175,001	1,647,223
2023	156,702	1,474,988
2024 and thereafter	1,245,622	11,724,606
Total	¥2,317,795	$21,816,598

The assets pledged as collateral for short-term borrowings of ¥1,827 million ($17,200 thousand), long-term debt of ¥155,177 million ($1,460,635 thousand) and other current liabilities of ¥5,106 million ($48,569 thousand) at March 31, 2018 were as follows:

	Millions of yen	Thousands of U.S. dollars
Buildings and structures	¥205,164	$1,931,143
Machinery and equipment	1,476	13,900
Land	202,506	1,906,122
Land in trust	128,591	1,210,391
Construction in progress	7,977	75,091
Other property and equipment	2,924	27,525
Total	¥548,641	$5,164,175

The following borrowings are non-recourse loans at March 31, 2018 and 2017, which are secured by collaterals as the sole source of recovery.

	Millions of yen		Thousands of U.S. dollars
	2018	2017	2018
Current portion of long-term borrowings	—	¥ 6,829	—
Long-term borrowings	¥34,249	10,681	$322,377
Total	¥34,249	¥17,510	$322,377

The assets pledged as collateral for the above non-recourse loans at March 31, 2018 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2018	2017	2018
Buildings and structures	¥43,632	¥21,765	$410,699
Land	13,857	7,312	130,440
Construction in progress	7,465	6,118	70,265
Other property and equipment	2,921	—	27,499
Total	¥67,877	¥35,196	$638,904

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, 2018 and 2017 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2018	2017	2018
Retirement benefit obligation at the beginning of the year	¥137,489	¥134,263	$1,294,138
Service cost	5,412	5,493	50,947
Interest cost	858	964	8,078
Actuarial gain and loss	3,361	1,803	31,644
Retirement benefits paid	(5,365)	(5,323)	(50,505)
Prior service cost	(771)	211	(7,261)
Translation adjustments	(570)	(625)	(5,367)
Other	(1,054)	700	(9,925)
Retirement benefit obligation at the end of the year	¥139,360	¥137,489	$1,311,749

The changes in plan assets during the years ended March 31, 2018 and 2017 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2018	2017	2018
Plan assets at the beginning of the year	¥124,645	¥111,304	$1,173,240
Expected return on plan assets	2,908	2,841	27,375
Actuarial gain and loss	3,387	11,903	31,886
Contributions by the Company	6,650	2,608	62,603
Retirement benefits paid	(3,693)	(3,912)	(34,762)
Translation adjustments	(379)	(387)	(3,571)
Other	(1,011)	286	(9,518)
Plan assets at the end of the year	¥132,508	¥124,645	$1,247,251

The following table sets forth the funded status of the plans and the amounts recognized in the consolidated balance sheet as of March 31, 2018 and 2017 for the Company's and the consolidated subsidiaries' defined benefit plans:

	Millions of yen		Thousands of U.S. dollars
	2018	2017	2018
Funded retirement benefit obligation	¥ 121,741	¥ 120,031	$ 1,145,911
Plan assets at fair value	(132,508)	(124,645)	(1,247,251)
	(10,766)	(4,614)	(101,340)
Unfunded retirement benefit obligation	17,618	17,457	165,838
Net liability for retirement benefits on the balance sheet	6,852	12,843	64,498
Liability for retirement benefits	26,847	22,042	252,710
Asset for retirement benefits	(20,280)	(9,487)	(190,896)
Other current liabilities	285	288	2,684
Net liability for retirement benefits on the balance sheet	¥ 6,852	¥ 12,843	$ 64,498

(*) 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, 2018 and 2017 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2018	2017	2018
Service cost	¥ 5,412	¥ 5,493	$ 50,947
Interest cost	858	964	8,078
Expected return on plan assets	(2,908)	(2,841)	(27,375)
Amortization of actuarial loss	3,174	4,251	29,878
Amortization of prior service cost	(267)	183	(2,518)
Other	178	216	1,682
Retirement benefit expenses	¥ 6,447	¥ 8,267	$ 60,692

(*) 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, 2018 and 2017 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2018	2017	2018
Prior service cost	¥ 493	¥ (27)	$ 4,644
Actuarial gain and loss	3,371	14,351	31,734
Total	¥3,864	¥14,323	$36,378

The components of retirement benefits liability adjustments included in accumulated other comprehensive income (before tax effect) as of March 31, 2018 and 2017 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2018	2017	2018
Unrecognized prior service cost	¥ 277	¥ 185	$ 2,615
Unrecognized actuarial gain and loss	(1,270)	(5,042)	(11,959)
Total	¥ (992)	¥(4,857)	$ (9,343)

The fair values of plan assets, by major category, as a percentage of total plan assets as of March 31, 2018 and 2017 are as follows:

	2018	2017
Bonds	14%	7%
Stocks	55%	55%
General accounts	10%	11%
Other	21%	28%
Total	100%	100%

(*) Approximately 44% and 45% of total plan assets were held in the retirement benefit trust as of March 31, 2018 and 2017, 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:

	2018	2017
Discount rates	0.0 ~ 3.66%	0.0% ~ 4.15%
Expected rates of return on plan assets	1.0 ~ 6.75%	1.0% ~ 6.75%
Rates of salary increase	0.4 ~ 4.0 %	0.4% ~ 4.0%

The required contribution to defined contribution plans by the Company and its consolidated subsidiaries for the years ended March 31, 2018 and 2017 are ¥4,140 million yen ($38,970 thousand) and ¥213 million, respectively.

7 INCOME TAXES

The effective tax rates reflected in the consolidated statements of income for the years ended March 31, 2018 and 2017 differ from the statutory tax rates for the following reasons:

	2018	2017
Statutory tax rate	30.86%	30.86%
Increase (decrease) in income taxes resulting from:		
Different tax rates applied	1.63	0.01
Expenses not deductible for income tax purposes	0.22	0.25
Revenues deductible for income tax purposes	(0.46)	(0.14)
Change in valuation allowance	(0.94)	(1.03)
Undistributed earnings of affiliates	0.30	0.03
Equity income	(0.32)	(0.24)
Gain on negative goodwill	—	(2.56)
Loss on step acquisitions	—	1.22
Effect of enacted changes in tax laws and rates on Japanese tax	(2.12)	(0.05)
Other	(1.09)	(0.05)
Effective tax rate	28.05%	28.29%

The significant components of deferred tax assets and liabilities as of March 31, 2018 and 2017 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2018	2017	2018
Deferred tax assets:			
Net operating loss carry forwards	¥ 2,474	¥ 2,357	$ 23,291
Liability for retirement benefits	11,274	13,287	106,120
Valuation loss on inventories	7,248	8,265	68,224
Unrealized loss on property and equipment	68,180	89,528	641,760
Unrealized loss on property and equipment by consolidation	10,807	10,976	101,727
Loss on valuation of investment securities	2,695	2,525	25,375
Loss on valuation of equity investments	2,743	6,715	25,824
Land revaluation reserve	23,903	23,910	224,999
Accrued bonuses	2,892	2,921	27,227
Other	66,174	48,091	622,881
Total gross deferred tax assets	198,396	208,579	1,867,432
Valuation allowance	(79,840)	(80,765)	(751,507)
Total deferred tax assets	118,555	127,814	1,115,925
Deferred tax liabilities:			
Reserves under Special Taxation Measures Law	(60,552)	(62,992)	(569,956)
Land revaluation reserve	(265,679)	(265,912)	(2,500,750)
Unrealized gain on property and equipment by consolidation	(109,050)	(118,001)	(1,026,457)
Unrealized gain on property and equipment	(64,134)	(36,955)	(603,674)
Unrealized gain on securities	(51,396)	(45,962)	(483,778)
Other	(32,774)	(57,975)	(308,498)
Total deferred tax liabilities	(583,588)	(587,799)	(5,493,115)
Net deferred tax liabilities	¥(465,032)	¥(459,985)	$(4,377,190)

Change in deferred tax assets and deferred tax liabilities due to reduction in corporate income tax rate.

On December 22, 2017, the Tax Cuts and Jobs Act was enacted in the United States, effectively lowering the federal corporate income tax rate effective for the periods beginning on or after January 1, 2018. Consequently, the federal corporate income tax rate applicable to the Company's consolidated subsidiaries in the U.S. was reduced from 35% to 21%.

As a result, as of and for the year ended March 31, 2018, net deferred tax liabilities have decreased by ¥1,754 million ($16,510 thousand) and income taxes-deferred have decreased by ¥1,784 million ($16,800 thousand).

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 ¥161,819 million ($1,523,153 thousand), and the legal reserve amounted to ¥21,663 million ($203,913 thousand) at March 31, 2018. 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
Years ended March 31,	2018	2017	2018
Net income:			
Basic	¥86.78	¥74.00	$0.81
Diluted	86.76	73.98	0.81
Cash dividends applicable to the year	26.00	20.00	0.24

	Yen		U.S. dollars
As of March 31,	2018	2017	2018
Net assets	¥1,223.58	¥1,147.80	$11.51

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

Lessor

Investments in leases included in other assets on the consolidated balance sheets as of March 31, 2018 and 2017 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2018	2017	2018
Gross lease receivables	¥13,596	—	$127,982
Unearned interest income	(6,493)	—	(61,120)
Investments in leases	¥ 7,101	—	$ 66,840

Maturities of lease receivables for finance leases that are deemed to transfer ownership of the leased property to the lessee as of March 31, 2018 are as follows:

Year ending March 31,	Millions of yen	Thousands of U.S. dollars
2019	¥ 459	$ 4,320
2020	459	4,320
2021	459	4,320
2022	459	4,320
2023	459	4,320
2024 and thereafter	11,301	106,379
Total	¥13,596	$127,982

Maturities of lease investment assets for finance leases that are not deemed to transfer ownership of the leased property to the lessee as of March 31, 2018 are as follows:

Year ending March 31,	Millions of yen	Thousands of U.S. dollars
2019	¥ 112	$ 1,056
2020	117	1,107
2021	123	1,160
2022	129	1,216
2023	135	1,274
2024 and thereafter	6,485	61,046
Total	¥7,101	$66,840

Future minimum lease payments subsequent to March 31, 2018 on noncancelable operating leases are summarized as follows:

Years ending March 31,	Millions of yen	Thousands of U.S. dollars
2019	¥ 5,968	$ 56,178
2020 and thereafter	113,917	1,072,265
Total	¥119,885	$1,128,443

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, 2018 from noncancelable operating leases is summarized as follows:

Years ending March 31,	Millions of yen	Thousands of U.S. dollars
2019	¥ 285,949	$ 2,691,547
2020 and thereafter	1,136,937	10,701,591
Total	¥1,422,887	$13,393,138

11 CONTINGENT LIABILITIES

At March 31, 2018, 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	¥52,573	$494,853
Other	10	96
Total	¥52,583	$494,949

(2) Guarantee for business undertakings

	Millions of yen	Thousands of U.S. dollars
Business undertaking guarantees	¥8,247	$77,628

Rockefeller Group International Inc. and Mitsubishi Estate Asia Pte. Ltd. provide business undertaking guarantees for property development projects in proportion to their share.

12 OTHER INCOME (EXPENSES)

The components of "Other, net" in "Other income (expenses)" for the years ended March 31, 2018 and 2017 were as follows::

	Millions of yen		Thousands of U.S. dollars
	2018	2017	2018
Gain on sales of shares of affiliated companies	¥ 1,161	—	$ 10,934
Gain on sales of fixed assets	12,044	—	113,370
Gain on negative goodwill	—	¥ 13,505	—
Gain on sales of investment securities	—	1,013	—
Settlement received	—	1,966	—
Gain on exchange from business combination	1,513	—	14,245
Loss on disposal of fixed assets	(5,746)	(4,453)	(54,092)
Loss related to retirement of fixed assets	(8,259)	(4,762)	(77,743)
Impairment loss(*1)	(5,508)	(12,260)	(51,852)
Loss on step acquisitions	—	(6,431)	—
Other, net	56	(1,221)	534
	¥(4,738)	¥(12,645)	$(44,604)

(*1) Impairment loss
The Company recorded consolidated impairment losses for the following asset groups for the fiscal year ended March 31, 2018:

Major Application	Category	Location
Leased assets, etc. (total 18 groups)	Land, Buildings, etc.	Arizona, U.S.A, etc.

Asset grouping for the Company and its consolidated subsidiaries (collectively, the "Group") was made based on a minimum unit that generates cash flows, which is substantially independent from cash flows of other assets or asset groups. Company condominiums are regarded as shared assets. As a result, for the fiscal year ended March 31, 2018, the book values of 18 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 ¥5,508 million ($51,852 thousand).

The breakdown of such impairment losses was ¥2,463 million ($23,189 thousand) in land and ¥3,045 million ($28,663 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, 2017:

Major Application	Category	Location
Leased assets, etc. (total 12 groups)	Land, Buildings, etc.	New Jersey, U.S.A, etc.

Asset grouping for the Company and its consolidated subsidiaries (collectively, the "Group") was made based on a minimum unit that generates cash flows, which is substantially independent from cash flows of other assets or asset groups. Company condominiums are regarded as shared assets. As a result, for the fiscal year ended March 31, 2017, the book values of 12 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 ¥12,260 million

The breakdown of such impairment losses was ¥6,041 million in land and ¥6,218 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 58 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, 2018 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		
				2018		
	Carrying Value	Estimated Fair Value	Difference	Carrying Value	Estimated Fair Value	Difference
1) Cash on hand and in banks	¥ 287,153	¥ 287,153	—	$ 2,702,871	$ 2,702,871	—
2) Notes and accounts receivable–trade	44,670			420,468		
Allowance for doubtful receivables(*1)	(224)			(2,113)		
	44,445	44,445	—	418,354	418,354	—
3) Securities and investment securities						
(i) Held-to-maturity debt securities	7,240	7,245	¥ 5	68,154	68,203	$ 49
(ii) Other securities	248,092	248,092	—	2,335,205	2,335,205	—
(iii) Investments in subsidiaries and affiliates	60	1,444	1,383	573	13,593	13,019
4) Equity investments	11,534	11,534	—	108,568	108,568	—
Total assets	¥ 598,527	¥ 599,915	¥ 1,388	$ 5,633,728	$ 5,646,797	$ 13,069
1) Notes and accounts payable–trade	¥ 61,169	¥ 61,169	—	$ 575,768	$ 575,768	—
2) Short-term borrowings	159,090	159,090	—	1,497,459	1,497,459	—
3) Current portion of long-term borrowings	147,739	147,739	—	1,390,619	1,390,619	—
4) Current portion of long-term bonds	66,162	66,162	—	622,764	622,764	—
5) Long-term bonds	787,661	825,636	¥37,974	7,413,981	7,771,423	$357,442
6) Long-term borrowings	1,316,232	1,335,031	18,798	12,389,232	12,566,180	176,948
Total liabilities	¥2,538,055	¥2,594,828	¥56,773	$23,889,826	$24,424,216	$534,390

	Millions of yen		
	2017		
	Carrying Value	Estimated Fair Value	Difference
1) Cash on hand and in banks	¥ 243,681	¥ 243,681	—
2) Notes and accounts receivable–trade	43,823		
Allowance for doubtful receivables*	(270)		
	43,552	43,552	—
3) Securities and investment securities			
(i) Held-to-maturity debt securities	15,112	15,114	¥ 2
(ii) Other securities	225,933	225,933	—
(iii) Investments in subsidiaries and affiliates	60	424	363
4) Equity investments	10,102	10,102	—
Total assets	¥ 538,443	¥ 538,809	¥ 366
1) Notes and accounts payable–trade	¥ 56,099	¥ 56,099	—
2) Short-term borrowings	86,415	86,415	—
3) Current portion of long-term borrowings	149,281	149,281	—
4) Current portion of long-term bonds	85,075	85,075	—
5) Long-term bonds	777,712	814,378	¥36,665
6) Long-term borrowings	1,292,854	1,310,801	17,946
Total liabilities	¥2,447,439	¥2,502,051	¥54,612

(*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.

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 rates 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
	2018	
(i) Unlisted stocks (*1)	¥ 25,605	$ 241,012
(ii) Equity investments (*2)	354,399	3,335,836
(iii) Lease and guarantee deposit receivables (*3)	108,097	1,017,486
(iv) Lease and guarantee deposit payables (*4)	414,390	3,900,509

	Millions of yen
	2017
(i) Unlisted stocks (*1)	¥ 17,278
(ii) Equity investments (*2)	282,662
(iii) Lease and guarantee deposit receivables (*3)	106,149
(iv) Lease and guarantee deposit payables (*4)	398,014

(*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

As of March 31, 2018	Millions of yen: Due in one Year or Less	Due after One Year through Five Years	Due after Five Years through Ten Years	Due after Ten Years	Thousands of U.S. dollars: Due in one Year or Less	Due after One Year through Five Years	Due after Five Years through Ten Years	Due after Ten Years
Cash on hand and in banks	¥287,153	—	—	—	$2,702,871	—	—	—
Notes and accounts receivable–trade	44,670	—	—	—	420,468	—	—	—
Marketable securities and investment securities:								
Held-to-maturity debt securities								
National and local government bonds	—	¥ 294	¥125	—	—	$ 2,767	$1,176	—
Corporate bonds	4,500	2,200	—	—	42,356	20,707	—	—
Other	—	—	—	—	—	—	—	—
Other marketable securities with maturities:								
Other	3,623	32	338	—	34,111	305	3,187	—
Total	¥339,947	¥2,526	¥463	—	$3,199,808	$23,780	$4,364	—

As of March 31, 2017	Millions of yen: Due in one Year or Less	Due after One Year through Five Years	Due after Five Years through Ten Years	Due after Ten Years
Cash on hand and in banks	¥243,681	—	—	—
Notes and accounts receivable–trade	43,823	—	—	—
Marketable securities and investment securities:				
Held-to-maturity debt securities				
National and local government bonds	5	¥ 214	¥110	—
Corporate bonds	10,800	1,200	—	—
Other	2,420	—	—	—
Other marketable securities with maturities:				
Other	31	17	374	—
Total	¥300,761	¥1,431	¥484	—

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

As of March 31, 2018	Millions of yen: Due in One Year or Less	Due after One Year through Two Years	Due after Two Years through Three Years	Due after Three Years through Four Years	Due after Four Years through Five Years	Due after Five Years	Thousands of U.S. dollars: Due in One Year or Less	Due after One Year through Two Years	Due after Two Years through Three Years	Due after Three Years through Four Years	Due after Four Years through Five Years	Due after Five Years
Corporate bonds	¥ 66,162	¥ 75,000	¥ 51,550	¥ 65,000	¥ 90,000	¥ 506,111	$ 622,764	$ 705,948	$ 485,222	$ 611,822	$ 847,138	$ 4,763,849
Long-term borrowings	147,739	241,163	158,854	110,001	66,702	739,510	1,390,619	2,269,983	1,495,241	1,035,401	627,849	6,960,756
Total	¥213,901	¥316,163	¥210,404	¥175,001	¥156,702	¥1,245,622	$2,013,384	$2,975,931	$1,980,463	$1,647,223	$1,474,988	$11,724,606

As of March 31, 2017	Millions of yen: Due in One Year or Less	Due after One Year through Two Years	Due after Two Years through Three Years	Due after Three Years through Four Years	Due after Four Years through Five Years	Due after Five Years
Corporate bonds	¥ 85,075	¥ 66,162	¥ 75,000	¥ 51,550	¥ 65,000	¥ 520,000
Long-term borrowings	149,281	145,123	233,323	133,175	107,816	673,416
Total	¥234,356	¥211,285	¥308,323	¥184,725	¥172,816	¥1,193,416

14 MARKETABLE SECURITIES AND INVESTMENT SECURITIES

Marketable securities and investment securities classified as other securities at March 31, 2018 and 2017 were as follows:

	Millions of yen: Cost	Fair Value	Unrealized Gain (Loss)	Thousands of U.S. dollars (2018): Cost	Fair Value	Unrealized Gain (Loss)
Securities whose fair value exceeds their cost:						
Equity securities	¥74,928	¥242,285	¥167,357	$705,273	$2,280,548	$1,575,274
Other	6,491	11,535	5,043	61,105	108,579	47,473
Subtotal	81,420	253,820	172,400	766,379	2,389,127	1,622,748
Securities whose cost exceeds their fair value:						
Equity securities	2,375	2,186	(188)	22,357	20,578	(1,778)
Corporate bonds	—	—	—	—	—	—
Other	3,751	3,619	(132)	35,312	34,067	(1,244)
Subtotal	6,126	5,805	(321)	57,669	54,646	(3,023)
Total	¥87,546	¥259,626	¥172,079	$824,049	$2,443,774	$1,619,725

	Millions of yen (2017): Cost	Fair Value	Unrealized Gain (Loss)
Securities whose fair value exceeds their cost:			
Equity securities	¥75,080	¥223,945	¥148,864
Other	4,491	10,103	5,611
Subtotal	79,572	234,048	154,475
Securities whose cost exceeds their fair value:			
Equity securities	2,235	1,978	(257)
Corporate bonds	—	—	—
Other	142	9	(133)
Subtotal	2,378	1,987	(390)
Total	¥81,951	¥236,036	¥154,084

Proceeds from sales of securities classified as other securities totaled ¥14 million ($137 thousand) and ¥1,417 million for the years ended March 31, 2018 and 2017, respectively. Gross realized gains were ¥8 million ($76 thousand) and ¥1,013 million for the years ended March 31, 2018 and 2017, respectively.

The Company and its consolidated subsidiaries recognized ¥675 million ($6,358 thousand) and ¥227 million of impairment loss on investment securities for the years ended March 31, 2018 and 2017, respectively.

Marketable debt securities classified as held-to-maturity securities at March 31, 2018 and 2017 are summarized as follows:

	Millions of yen: Amortized Cost	Fair Value	Unrealized Gain (Loss)	Thousands of U.S. dollars (2018): Amortized Cost	Fair Value	Unrealized Gain (Loss)
Debt securities whose fair value exceeds their cost:						
Government bonds	¥ 429	¥ 440	¥10	$ 4,046	$ 4,149	$103
Corporate bonds	2,504	2,504	0	23,575	23,578	2
Subtotal	2,934	2,945	11	27,621	27,727	106
Debt securities whose cost exceeds their fair value:						
Government bonds	—	—	—	—	—	—
Corporate bonds	4,207	4,201	(6)	39,603	39,546	(56)
Other	98	98	—	929	929	—
Subtotal	4,306	4,300	(6)	40,532	40,475	(56)
Total	¥7,240	¥7,245	¥ 5	$68,154	$68,203	$ 49

	Amortized Cost	Fair Value	Unrealized Gain (Loss)
	Millions of yen		
	2017		
Debt securities whose fair value exceeds their cost:			
Government bonds	¥ 400	¥ 414	¥ 13
Corporate bonds	100	100	0
Subtotal	501	515	13
Debt securities whose cost exceeds their fair value:			
Government bonds	—	—	—
Corporate bonds	11,924	11,916	(8)
Other	2,685	2,683	(2)
Subtotal	14,610	14,599	(10)
Total	¥15,112	¥15,114	¥ 2

15 SUPPLEMENTAL CASH FLOW INFORMATION

The following table represents a reconciliation of cash and cash equivalents as of March 31, 2018 and 2017:

	Millions of yen		Thousands of U.S. dollars
	2018	2017	2018
Cash on hand and in banks	¥287,153	¥243,681	$2,702,871
Time deposits with maturities of more than three months	(392)	(605)	(3,690)
Marketable securities with maturities of three months or less	98	265	929
Cash and cash equivalents	¥286,859	¥243,341	$2,700,110

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
	2018	2017	2018
Current assets	—	¥ 14,315	—
Fixed assets	—	42,831	—
Current liabilities	—	(2,006)	—
Fixed liabilities	—	(17,734)	—
Non-controlling interests	—	(16,488)	—
Gain on negative goodwill	—	(12,702)	—
Acquisition cost	—	8,215	—
Acquisition cost before obtaining control	—	(12,190)	—
Loss on step acquisition	—	6,431	—
Cash and cash equivalents of subsidiary	—	(2,752)	—
Proceeds from acquisition	—	¥ (295)	—

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
	2018	2017	2018
Current assets	—	¥ 3,226	—
Fixed assets	—	184,115	—
Goodwill	—	—	—
Current liabilities	—	(4,207)	—
Fixed liabilities	—	(126,331)	—
Gain on negative goodwill	—	(802)	—
Acquisition cost	—	56,000	—
Cash and cash equivalents of subsidiary	—	(3,070)	—
Payments for acquisition	—	¥ 52,929	—

Disclosure for the year ended March 31, 2018 is omitted due to immateriality.

16 DERIVATIVES AND HEDGING ACTIVITIES

(1) Currency related transactions

Class of transactions	Subject to hedge accounting	Notional Amount	Due after One Year	Fair Value	Notional Amount	Due after One Year	Fair Value
		Millions of yen			Thousands of U.S. dollars		
		2018					
Currency swap contracts by allocation method Payment in JPY and receipt in USD	Corporate bonds and Long-term borrowings	¥14,463	¥14,463	¥(666)	$136,138	$136,138	$(6,272)
Total		¥14,463	¥14,463	¥(666)	$136,138	$136,138	$(6,272)

(2) Interest related transactions

Class of transactions	Subject to hedge accounting	Notional Amount	Due after One Year	Fair Value	Notional Amount	Due after One Year	Fair Value
		Millions of yen			Thousands of U.S. dollars		
		2018					
Interest rate swap contracts Fixed rate payment and floating rate receipt	Long-term borrowings	¥ 68,614	¥ 68,614	¥679	$ 645,839	$ 645,839	$6,395
Interest rate swap contracts by short-cut method Fixed rate payment and floating rate receipt	Long-term borrowings	264,628	248,954	(*)	2,490,852	2,343,324	(*)
Total		¥333,242	¥317,568	¥679	$3,136,692	$2,989,164	$6,395

Class of transactions	Subject to hedge accounting	Notional Amount	Due after One Year	Fair Value
		Millions of yen		
		2017		
Interest rate swap contracts Fixed rate payment and floating rate receipt	Long-term borrowings	¥29,588	¥29,588	¥122
Interest rate swap contracts by short-cut method Fixed rate payment and floating rate receipt	Long-term borrowings	264,042	259,708	(*)
Total		¥293,631	¥289,296	¥122

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 since amounts in such derivative contracts accounted for by the short-cut method are handled together with long-term borrowings that are subject to hedge accounting.

(3) Interest and currency related transaction

Class of transactions	Subject to hedge accounting	Notional Amount	Due after One Year	Fair Value	Notional Amount	Due after One Year	Fair Value
		Millions of yen			Thousands of U.S. dollars		
		2018					
Interest rate and currency swap contracts by short-cut method and allocation method Payment in JPY and receipt in USD Floating rate payment and fixed rate receipt	Long-term borrowings	¥49,400	¥49,400	¥(6,940)	$464,988	$464,988	$(65,329)
Total		¥49,400	¥49,400	¥(6,940)	$464,988	$464,988	$(65,329)

Class of transactions	Subject to hedge accounting	Notional Amount	Due after One Year	Fair Value
		Millions of yen		
		2017		
Interest rate and currency swap contracts Payment in JPY and receipt in USD Floating rate payment and fixed rate receipt	Long-term borrowings	¥57,412	¥57,412	¥(5,381)
Total		¥57,412	¥57,412	¥(5,381)

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) Office Building Business; (2) Lifestyle Property Business; (3) Residential Business; (4) International Business; (5) Investment Management Business; (6) Architectural Design and Engineering Business; (7) Hotel Business; (8) Real Estate Services Business; and (9) Other businesses.

The reportable segment information of the Company and its consolidated subsidiaries for the years ended March 31, 2018 and 2017 are summarized as follows:

Millions of yen

2018

	Reportable segments												
	Office Building Business	Lifestyle Property Business	Residential Business	International Business	Investment Management Business	Architectural Design and Engineering Business	Hotel Business	Real Estate Services Business	Subtotal	Other	Total	Eliminations or Corporate	Consolidated
Revenue, operating income and assets by reportable segment													
Revenue from:													
External customers	¥ 497,909	¥103,696	¥408,032	¥ 87,311	¥ 21,963	¥13,900	¥32,679	¥25,038	¥1,190,531	¥ 3,518	¥1,194,049	—	¥1,194,049
Intersegment or transfers	8,252	2,121	2,566	(386)	702	7,712	458	546	21,972	5,023	26,996	¥ (26,996)	—
Total revenue	506,161	105,817	410,598	86,925	22,665	21,613	33,138	25,584	1,212,504	8,541	1,221,046	(26,996)	1,194,049
Segment income (loss)	147,243	31,184	23,860	24,147	4,596	1,724	766	1,518	235,042	1,048	236,091	(23,043)	213,047
Segment assets	¥3,518,967	¥514,390	¥626,596	¥697,478	¥111,974	¥27,048	¥29,312	¥22,427	¥5,548,196	¥17,695	¥5,565,891	¥237,797	¥5,803,689
Other items													
Depreciation and amortization	48,170	13,604	2,906	6,687	3,837	122	1,549	347	77,224	49	77,273	271	77,545
Capital expenditures	¥ 127,877	¥ 36,958	¥ 24,085	¥ 90,423	¥ 13,691	¥ 481	¥ 1,647	¥ 320	¥ 295,487	¥5,324	¥ 300,812	¥ 4,021	¥ 304,833

Thousands of U.S. dollars

2018

	Reportable segments												
	Office Building Business	Lifestyle Property Business	Residential Business	International Business	Investment Management Business	Architectural Design and Engineering Business	Hotel Business	Real Estate Services Business	Subtotal	Other	Total	Eliminations or Corporate	Consolidated
Revenue, operating income and assets by reportable segment													
Revenue from:													
External customers	$ 4,686,647	$ 976,057	$3,840,665	$ 821,831	$ 206,731	$130,841	$307,604	$235,680	$11,206,059	$ 33,114	$11,239,173	—	$11,239,173
Intersegment or transfers	77,674	19,967	24,153	(3,634)	6,609	72,594	4,315	5,141	206,820	47,284	254,105	$ (254,105)	—
Total revenue	4,764,321	996,025	3,864,819	818,196	213,340	203,435	311,919	240,821	11,412,880	80,399	11,493,279	(254,105)	11,239,173
Segment income (loss)	1,385,947	293,533	224,590	227,292	43,267	16,230	7,218	14,288	2,212,369	9,873	2,222,243	(216,900)	2,005,342
Segment assets	$33,122,810	$4,841,778	$5,897,936	$6,565,117	$1,053,975	$254,602	$275,908	$211,106	$52,223,235	$166,558	$52,389,794	$2,238,303	$54,628,098
Other items													
Depreciation and amortization	453,407	128,052	27,354	62,949	36,120	1,148	14,580	3,272	726,885	465	727,351	2,557	729,909
Capital expenditures	$ 1,203,670	$ 347,881	$ 226,706	$ 851,126	$ 128,875	$ 4,529	$ 15,510	$ 3,021	$ 2,781,321	$ 50,117	$ 2,831,439	$ 37,855	$ 2,869,295

Millions of yen

2017

	Reportable segments												
	Office Building Business	Lifestyle Property Business	Residential Business	International Business	Investment Management Business	Architectural Design and Engineering Business	Hotel Business	Real Estate Services Business	Subtotal	Other	Total	Eliminations or Corporate	Consolidated
Revenue, operating income and assets by reportable segment													
Revenue from:													
External customers	¥ 476,828	¥ 84,250	¥407,220	¥ 66,573	¥ 20,790	¥12,064	¥33,067	¥23,890	¥1,124,684	¥ 720	¥1,125,405	—	¥1,125,405
Intersegment or transfers	7,409	4,705	630	(16)	532	7,244	444	353	21,303	3,517	24,820	¥ (24,820)	—
Total revenue	484,238	88,955	407,850	66,556	21,323	19,309	33,512	24,243	1,145,988	4,237	1,150,226	(24,820)	1,125,405
Segment income (loss)	133,570	25,807	19,253	26,313	4,520	445	1,932	2,157	214,000	289	214,289	(21,793)	192,495
Segment assets	¥3,445,008	¥484,292	¥634,219	¥541,888	¥106,990	¥27,358	¥28,842	¥25,702	¥5,294,302	¥12,649	¥5,306,951	¥177,163	¥5,484,115
Other items													
Depreciation and amortization	47,755	12,704	3,144	5,913	4,216	113	1,478	343	75,669	64	75,734	240	75,974
Capital expenditures	¥ 162,651	¥ 59,054	¥ 27,267	¥ 39,724	¥ 201	¥ 182	¥ 734	¥ 568	¥ 290,386	¥ 274	¥ 290,661	¥ 3,055	¥ 293,716

Impairment losses of the Company and its consolidated subsidiaries on fixed assets by reportable segments for the years ended March 31, 2018 and 2017 are summarized as follows:

Millions of yen

2018

	Reportable segments												
	Office Building Business	Lifestyle Property Business	Residential Business	International Business	Investment Management Business	Architectural Design and Engineering Business	Hotel Business	Real Estate Service Business	Subtotal	Other	Total	Eliminations or Corporate	Consolidated
Impairment loss	—	¥1,972	¥186	¥2,273	¥941	—	¥13	—	¥5,388	¥120	¥5,508	—	¥5,508

Thousands of U.S. dollars

Impairment loss	—	$18,571	$1,758	$21,402	$8,860	—	$129	—	$50,722	$1,130	$51,852	—	$51,852

Millions of yen

2017

	Reportable segments												
	Office Building Business	Lifestyle Property Business	Residential Business	International Business	Investment Management Business	Architectural Design and Engineering Business	Hotel Business	Real Estate Services Business	Subtotal	Other	Total	Eliminations or Corporate	Consolidated
Impairment loss	¥236	—	¥2,718	¥8,110	¥1,174	—	¥21	—	¥12,260	—	¥12,260	—	¥12,260

The following tables present the amortization and balance of goodwill as of and for the years ended March 31, 2018 and 2017 by reportable segment:

Millions of yen

2018

	Reportable segments												
	Office Building Business	Lifestyle Property Business	Residential Business	International Business	Investment Management Business	Architectural Design and Engineering Business	Hotel Business	Real Estate Services Business	Subtotal	Other	Total	Eliminations or Corporate	Consolidated
Amortization of goodwill	¥ 409	¥ 69	¥3,030	¥ 60	¥ 1,990	—	—	—	¥ 5,561	—	¥ 5,561	—	¥ 5,561
Balance of goodwill	—	—	¥4,034	¥268	¥11,442	—	—	—	¥ 15,745	—	¥ 15,745	—	¥ 15,745
Amortization of negative goodwill	—	—	—	—	—	—	—	—	—	—	—	—	—
Balance of negative goodwill	¥99,056	¥12,681	—	—	—	—	—	—	¥111,738	—	¥111,738	—	¥111,738

Thousands of U.S. dollars

2018

	Reportable segments												
	Office Building Business	Lifestyle Property Business	Residential Business	International Business	Investment Management Business	Architectural Design and Engineering Business	Hotel Business	Real Estate Services Business	Subtotal	Other	Total	Eliminations or Corporate	Consolidated
Amortization of goodwill	$ 3,853	$ 656	$28,521	$ 573	$ 18,738	—	—	—	$ 52,343	—	$ 52,343	—	$ 52,343
Balance of goodwill	—	—	$37,977	$2,530	$107,700	—	—	—	$ 148,208	—	$ 148,208	—	$ 148,208
Amortization of negative goodwill	—	—	—	—	—	—	—	—	—	—	—	—	—
Balance of negative goodwill	$932,388	$119,367	—	—	—	—	—	—	$1,051,756	—	$1,051,756	—	$1,051,756

Millions of yen

2017

	Reportable segments												
	Office Building Business	Lifestyle Property Business	Residential Business	International Business	Investment Management Business	Architectural Design and Engineering Business	Hotel Business	Real Estate Services Business	Subtotal	Other	Total	Eliminations or Corporate	Consolidated
Amortization of goodwill	¥ 409	¥ 69	¥3,030	—	¥ 1,963	—	—	—	¥ 5,473	¥ 0	¥ 5,473	—	¥ 5,473
Balance of goodwill	—	—	¥7,064	—	¥13,659	—	—	—	¥ 20,723	—	¥ 20,723	—	¥ 20,723
Amortization of negative goodwill	—	—	—	—	—	—	—	—	—	—	—	—	—
Balance of negative goodwill	¥98,647	¥12,611	—	—	—	—	—	—	¥111,259	—	¥111,259	—	¥111,259

Gain on Negative Goodwill

The Company recorded a gain on negative goodwill of ¥12,702 million in the Other businesses segment for the year ended March 31, 2017.

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, 2018 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			
					2018			
			Carrying value	Fair value			Carrying value	Fair value
	As of April 1, 2017	Net Change	As of March 31, 2018	As of March 31, 2018	As of April 1, 2017	Net Change	As of March 31, 2018	As of March 31, 2018
Rental properties	¥3,644,937	¥(164,790)	¥3,480,147	¥6,768,625	$34,308,521	$(1,551,110)	$32,757,410	$63,710,706
Real estate including space used as rental properties	183,523	296,913	480,436	614,790	1,727,443	2,794,740	4,522,184	5,786,810

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, 2017 and the fair value of these rental properties and real estate including space used as rental properties are as follows:

	Millions of yen			
	2017			
			Carrying value	Fair value
	As of April 1, 2016	Net Change	As of March 31, 2017	As of March 31, 2017
Rental properties	¥3,327,104	¥317,832	¥3,644,937	¥6,517,887
Real estate including space used as rental properties	182,876	647	183,523	274,081

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, 2018 and 2017 are as follows:

	Millions of yen								Thousands of U.S. dollars			
	2018				2017				2018			
	Lease income(*)	Lease cost	Lease income (loss), net	Other, net	Lease income(*)	Lease cost	Lease income (loss), net	Other, net	Lease income(*)	Lease cost	Lease income (loss), net	Other, net
Rental properties	¥439,592	¥275,749	¥163,843	¥(4,745)	¥436,705	¥280,387	¥156,318	¥(16,194)	$4,137,734	$2,595,531	$1,542,203	$(44,670)
Real estate including space used as rental properties	21,419	16,872	4,546	(362)	15,996	11,522	4,474	(580)	201,614	158,815	42,798	(3,409)

(*) 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.

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, 2018 and 2017 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2018	2017	2018
Balance at the beginning of the year	¥2,936	¥2,689	$27,639
Increase due to the acquisition of property and equipment	58	17	554
Adjustments due to the elapse of time	62	35	589
Decrease due to the fulfillment of asset retirement obligations	(43)	(7)	(410)
Other	341	200	3,210
Balance at the end of the year	¥3,355	¥2,936	$31,583

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

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

1) Obligation to remove asbestos that is used for some properties and equipments in a particular way required by the Ordinance on Preventing Asbestos Hazards
For such properties, the Company has an obligation to remove asbestos at demolition of buildings. However, no demolition has taken place in the past other than those related to redevelopment or other projects involving many other business associates. It is therefore difficult to reasonably estimate the timing to fulfill such obligation based on the physical useful life of the assets caused by aging and it is impossible to estimate the timing without specific business plans. Although the Company has been voluntarily conducting asbestos removal work when that is feasible due to such as termination of tenancy, it is impractical to make a reasonable estimation of progress of such voluntary removal work based on the actual record of the tenancy termination and of the remaining amount of asbestos at demolition. Moreover, it is difficult to distinguish costs of asbestos removal from total costs of demolition. Although the Company made the best estimation taking into account all the evidence available as of March 31, 2018, 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, 2018, 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, 2018 and 2017 and the amounts of these transactions for the years then ended are summarized as follows:

						Millions of yen		Thousands of U.S. dollars	
								2018	
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
—	—	—	—	—	—	—	—	—	—

						Millions of yen	
						2017	
Type	Name	Occupation	Ownership ratio of voting shares	Relationship with the related party	Nature of transaction	Transaction amount	Balance outstanding at year end
Director	Naoto Aiba	Representative executive officer of the Company	0.00%	Contract for construction of housing and other	Construction of housing	¥17	—

1. Transaction amounts do not include consumption tax.
2. 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, 2018 and 2017:

	Millions of yen		Thousands of U.S. dollars
	2018	2017	2018
Unrealized holding gain (loss) on securities:			
Amount arising during the year	¥17,604	¥ 32,426	$165,707
Reclassification adjustments for gains and losses included in net income	—	(3,162)	—
Amount before tax effects	17,604	29,263	165,707
Tax effects	(5,459)	(9,560)	(51,391)
Unrealized holding gain (loss) on securities	12,144	19,703	114,316
Deferred gain (loss) on hedging instruments:			
Amount arising during the year	528	(80)	4,972
Reclassification adjustments for gains and losses included in net income	(6)	307	(61)
Amount before tax effects	521	227	4,911
Tax effects	(155)	(67)	(1,467)
Deferred gain (loss) on hedging instruments	365	159	3,444
Revaluation reserve for land:			
Tax effects	4	3,363	45
Foreign currency translation adjustments:			
Amount arising during the year	310	(27,340)	2,921
Amount before tax effects	310	(27,340)	2,921
Tax effects	(214)	458	(2,020)
Foreign currency translation adjustments	95	(26,882)	900
Retirement benefits liability adjustments:			
Amount arising during the year	958	9,888	9,018
Reclassification adjustments for gains and losses included in net income	2,906	4,434	27,359
Amount before tax effects	3,864	14,323	36,378
Tax effects	(1,119)	(4,230)	(10,541)
Retirement benefits liability adjustments	2,744	10,092	25,837
Share of other comprehensive income of companies accounted for by the equity method:			
Amount arising during the year	355	(996)	3,346
Total other comprehensive income	¥15,711	¥ 5,439	$147,889

Independent Auditor's Report

EY
Building a better working world

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Independent Auditor's Report

The Board of Directors
Mitsubishi Estate Co., Ltd.

We have audited the accompanying consolidated financial statements of Mitsubishi Estate Co., Ltd. and its consolidated subsidiaries, which comprise the consolidated balance sheet as at March 31, 2018, 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, 2018, 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 28, 2018
Tokyo, Japan

A member firm of Ernst & Young Global Limited

Principal Mitsubishi Estate Group Companies

New segments as of April 1, 2018

■Consolidated subsidiary □Affiliate accounted for by the equity method

OFFICE 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, commercial facilities, 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
	Nan Shan Plaza Property Management Co., Ltd. (Outside the scope of consolidation)	130-3, Songren Road, Xinyi District, Taipei, 11058, Taiwan	+886-2-2723-8009	Property management of Nanshan Plaza	70.0
	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.	Marunouchi Kitaguchi Building, 6-5, Marunouchi 1-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 Kokusai Building, 4-1, 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

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
■	Mitsubishi Estate·Simon Co., Ltd.	Otemachi Financial City South Tower, 9-7, Otemachi 1-chome, Chiyoda-ku, Tokyo 100-0004	+81-3-3275-5252	Development and operation of PREMIUM OUTLETS® malls	60.0
■	Yokohama Sky Building Co., Ltd.	19-12, Takashima 2-chome, Nishi-ku, Yokohama, Kanagawa Prefecture 220-0011	+81-45-441-1221	Leasing of the Sky Building and other properties	54.4
■	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	56.4

RESIDENTIAL BUSINESS

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

	Company	Address	Phone	Business activities	Share of voting rights (%)
	Others				
■	MEC Eco LIFE Co., Ltd.	5F Shinko Building, 6-8, Kanda-Ogawamachi 3-chome, Chiyoda-ku, Tokyo 101-0052	+81-3-3518-8461	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	100.0

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.	+86-21-6340-4000	Real estate business in China	100.0
	Mitsubishi Estate Taiwan Ltd. (Outside the scope of consolidation)	100-6, Songren Road, Xinyi District, Taipei, 11073, Taiwan	+886-2-8780-3003	Real estate business in Taiwan	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.	Otemachi Park Building, 1-1, Otemachi 1-chome, Chiyoda-ku, Tokyo 100-0004	+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.	+44-20-7881-6800	Investment management business in Europe	82.6
■	Pan Asia Realty Advisors (Singapore) Pte. Ltd.	80 Raffles Place, #18-01, UOB PLAZA 1, Singapore 048624	+65-6416-7888	Investment management business in Asia and Oceania	77.8

HOTEL & AIRPORT 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 supervision and management of hotel business	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 Co., Ltd.	1-1, Kakigaracho 2-chome, Nihonbashi, Chuo-ku, Tokyo 103-8520	+81-3-3667-1111	Management and operation of Royal Park Hotel	55.7
■	Marunouchi Hotel Co., Ltd.	6-3, Marunouchi 1-chome, Chiyoda-ku, Tokyo 100-0005	+81-3-3217-1111	Management and operation of the Marunouchi Hotel	76.9*
	Takamatsu Airport Co., Ltd. (Outside the scope of consolidation)	1312-7, Oka, Konan-cho, Takamatsu, Kagawa Prefecture 761-1401	+81-87-814-3657	Management and operation of Takamatsu Airport	73.1

* Percentage of voting rights held after acquisition of additional shares through a Tender Offer on April 27, 2018

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

REAL ESTATE SERVICES BUSINESS

	Company	Address	Phone	Business activities	Share of voting rights (%)
■	Mitsubishi Real Estate Services Co., Ltd.	Otemachi Financial City Grand Cube, 1-9-2, Chiyoda-ku, Tokyo 100-0004	+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	Real estate leasing	66.7

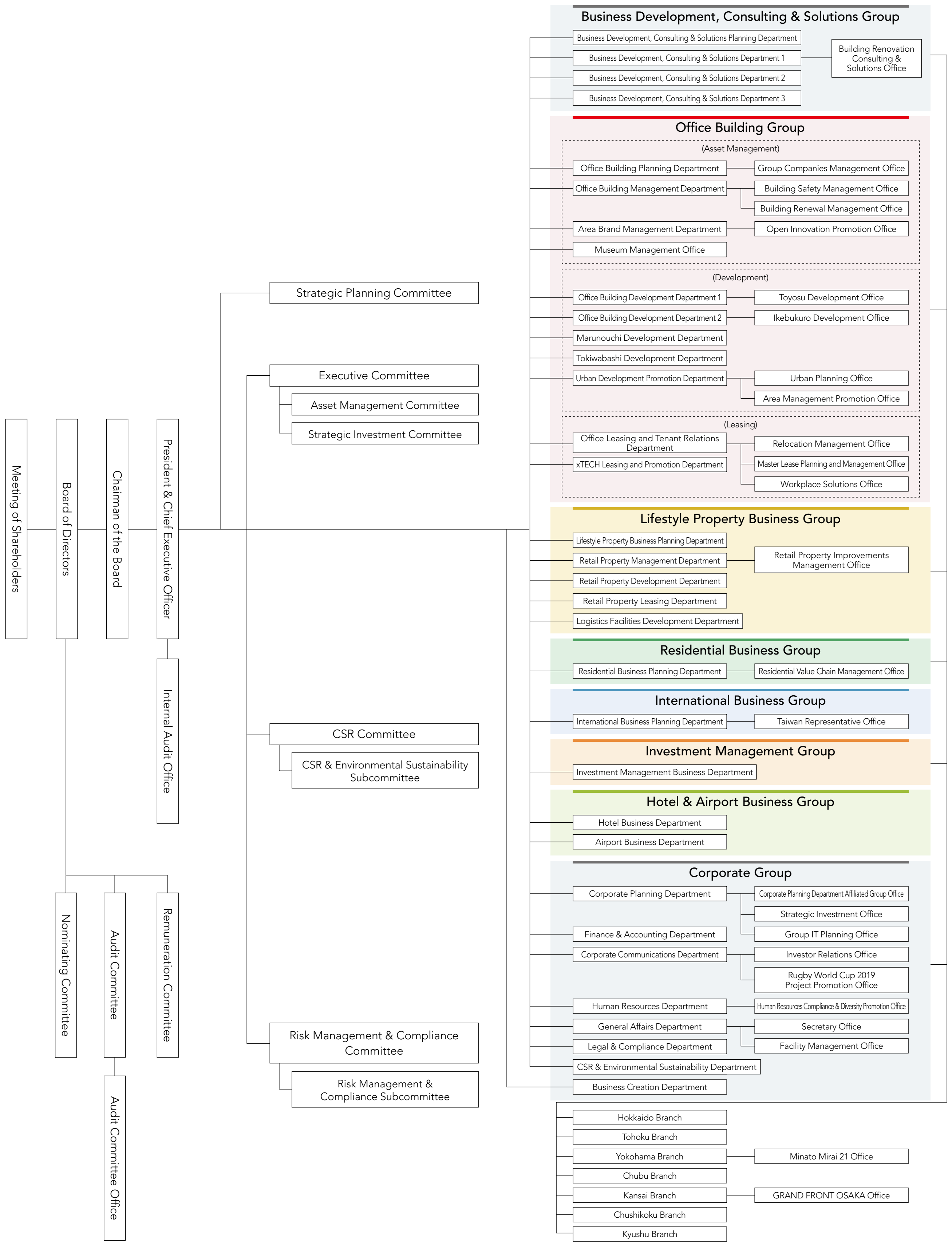
Note: Percentage of voting rights held is as of March 31, 2018.

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 (renamed Hokkaido Branch in November 2017), Sendai (renamed Tohoku Branch in July 1989), Nagoya (renamed Chubu Branch in April 2018), and Osaka (renamed Kansai Branch in April 2016). 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 Chushikoku Branch in November 2017) 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.
	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 became a Mitsubishi Estate consolidated subsidiary. Mitsubishi Estate Asia Pte. Ltd. commenced operations.	2008	
Chelsea Japan Co., Ltd., became a Mitsubishi Estate consolidated subsidiary (renamed Mitsubishi Estate·Simon Co., Ltd., in February 2013).	2009	Marunouchi Park Building and Mitsubishi Ichigokan completed.
	2010	Mitsubishi Ichigokan Museum opened.
Mitsubishi Jisho Residence Co., Ltd., established.	2011	
	2012	Marunouchi Eiraku Building completed. OTEMACHI FINANCIAL CITY (North Tower, South Tower) 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.	2014	Singapore CapitaGreen completed.
TA Realty LLC acquired.	2015	Dai Nagoya Building completed. Otemon Tower • JX Building completed.
Transitioned to a "Company with Nominating Committee, etc." organizational structure. Tokyo Ryutsu Center Inc. became a Mitsubishi Estate consolidated subsidiary.	2016	OTEMACHI FINANCIAL CITY GRAND CUBE completed.
Hirotaka Sugiyama and Junichi Yoshida appointed chairman of the board and president & chief executive officer, respectively. Taiwan Representative Office established.	2017	Otemachi Park Building completed.
Head Office relocated to Otemachi Park Building.	2018	

Organization

As of April 1, 2018



Corporate Information

As of March 31, 2018

Stock Information

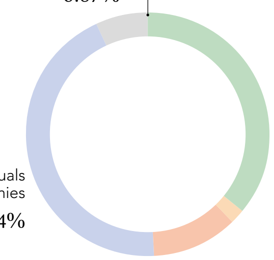
Stock Details

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

Number of shares issued and outstanding: 1,390,685,105
(222,133 increase in number of shares from the previous fiscal year-end)

Number of shareholders: 67,881
(Increase of 11,826 shareholders compared with the end of the previous fiscal year)

Shareholder Composition (Percentage of shares held)



Major Shareholders	Number of shares held (Thousands of shares)	Shareholding percentage (%)
The Master Trust Bank of Japan, Ltd. (Trust account)	96,182	6.92
Japan Trustee Services Bank, Ltd. (Trust account)	59,139	4.26
JP MORGAN CHASE BANK 380072	48,210	3.47
Meiji Yasuda Life Insurance Company	46,882	3.37
Japan Trustee Services Bank, Ltd. (Trust account 5)	28,054	2.02
STATE STREET BANK WEST CLIENTS - TREATY 505234	27,244	1.96
STATE STREET BANK - WEST PENSION FUND CLIENTS - EXEMPT 505233	23,937	1.72
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	22,267	1.6
Japan Trustee Services Bank, Ltd. (Trust account 1)	20,832	1.5
Asahi Glass Co., Ltd.	20,821	1.5

Notes:
1. The investment ratio is calculated after deducting the shares of treasury stock from the issued shares of the Company.
2. The Bank of Tokyo-Mitsubishi UFJ, Ltd., has changed its trade name to MUFG Bank, Ltd., as of April 1, 2018.
3. Asahi Glass Co., Ltd., has changed its trade name to AGC Inc. as of July 1, 2018.

Company Name
Mitsubishi Estate Co., Ltd.

Date of Establishment
May 7, 1937

Paid-in Capital
¥141,898 million

Business Activities
Development, leasing, and management of office buildings, retail, 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: 806
Consolidated: 8,856

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

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

Hokkaido 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

Chubu 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

Chushikoku 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

About Our Website

Mitsubishi Estate Group Corporate Website

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

CSR Information

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

Our website contains CSR-related data for the entire Group and CSR reports that summarize initiatives based on important CSR themes.

IR Information

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

In addition to financial information, the site contains various IR explanatory materials and an "Asset Book."

MITSUBISHI ESTATE CO., LTD.

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

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