MATTERS DISCLOSED ON THE INTERNET
RELATED TO THE
NOTICE OF CONVOCATION OF
THE 120th ORDINARY GENERAL MEETING OF SHAREHOLDERS

The content of this document is posted on the website of Mitsubishi Estate Co., Ltd. (“the Company”) (http://www.mec.co.jp/j/investor/stock/shareholder/index.html), pursuant to laws and regulations and Article 16 Articles of Incorporation of the Company.

MITSUBISHI ESTATE CO., LTD.

[Translation for Reference and Convenience Purposes Only]

Consolidated Statement of Changes in Net Assets

(From April 1, 2018, to March 31, 2019)

(Millions of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings surplus	Treasury stock-at cost	Total shareholders' equity
Balance at the beginning of current period	141,898	161,819	763,277	(5,294)	1,061,700
Changes in the fiscal year under review					
Issuance of new shares	124	124			249
Dividend from surplus			(37,477)		(37,477)
Profit attributable to owners of parent			134,608		134,608
Purchase of treasury stock				(18)	(18)
Disposal of treasury stock			(8)	34	25
Change of scope of consolidation			(1,818)		(1,818)
Change in equity of the parent company on transactions with non-controlling interest		553			553
Net changes in items other than those in shareholders' equity					
Total of changes in the fiscal year under review	124	678	95,304	16	96,123
Balance at the end of current period	142,023	162,498	858,581	(5,278)	1,157,824

	Other accumulated comprehensive income						Stock acquisition rights	Non-controlling interests	Total net assets
	Net unrealized gain on available-for-sale securities	Deferred gains or losses on hedging instruments	Land revaluation difference	Foreign currency translation adjustments	Remeasure-ments of defined benefit plans	Total other accumulated comprehen-sive income			
Balance at the beginning of current period	121,787	369	526,623	(12,227)	95	636,648	326	180,412	1,879,088
Changes in the fiscal year under review									
Issuance of new shares									249
Dividend from surplus									(37,477)
Profit attributable to owners of parent									134,608
Purchase of treasury stock									(18)
Disposal of treasury stock									25
Change of scope of consolidation									(1,818)
Change in equity of the parent company on transactions with non-controlling interest									553
Net changes in items other than those in shareholders' equity	(6,334)	(434)		(17,916)	856	(23,829)	(24)	5,746	(18,106)
Total of changes in the fiscal year under review	(6,334)	(434)	―	(17,916)	856	(23,829)	(24)	5,746	78,017
Balance at the end of current period	115,452	(64)	526,623	(30,144)	952	612,819	302	186,159	1,957,105

[Translation for Reference and Convenience Purposes Only]

Notes to the Consolidated Financial Statements

Notes to Important Matters for the Preparation of the Consolidated Financial Statements

1. Matters related to the Scope of Consolidation

(1) Number of Consolidated Subsidiaries: 221

The names of major subsidiaries are as stated in "I. Current Situation of the Mitsubishi Estate Group, 8. Situation of Material Subsidiaries, (1) Situation of Material Subsidiaries" of the "Business Report."

Newly included in the list of consolidated subsidiaries of the Company are Marunouchi Hotel, CO., LTD., a former affiliate accounted for by the equity method of the Company, through the additional acquisition of its equity interest, and MEC SHANGHAI SHANGYE INVESTMENT LIMITED and thirty-five (35) other companies due to the new establishment, etc.

Excluded from the list of consolidated subsidiaries are Royal Park Hotel Management Co., Ltd., which is a company absorbed as a result of an absorption-type merger, and Rock-Haven LLC and thirty-four (34) other companies due to dissolution, etc.

(2) Names, etc. of Major Non-consolidated Subsidiaries

A major non-consolidated subsidiary is Higashi-Shizuoka 15Gaiku Development Tokutei Mokuteki Kaisya.

Non-consolidated subsidiaries are excluded from the scope of consolidation because their respective sums of total assets, revenue from operations, profit (loss) (corresponding to the equity ratio owned by the Company) and retained earnings surplus (corresponding to the equity ratio owned by the Company) have no significant impact on the consolidated financial statements.

2. Matters related to Application of the Equity Method

(1) Number of Non-consolidated Subsidiaries Accounted for by the Equity Method: 0

(2) Number of Affiliates Accounted for by the Equity Method: 110

A major affiliate in this category is Tokumei Kumiai Otemachi Kaihatsu.

Included in the affiliates accounted for by the equity method are CapitaLand Vietnam Commercial Value-Added Fund and forty-six (46) other companies due to new investments, etc.

Meanwhile, Marunouchi Hotel, CO., LTD. became a consolidated subsidiary of the Company through the additional acquisition of its equity interest.

28 STATE INC. and thirteen (13) other companies are excluded from the affiliates accounted for by the equity method due to dissolution, etc.

(3) Names, etc. of Major Companies Not Accounted for by the Equity Method

A major non-consolidated subsidiary not accounted for by the equity method is Higashi-Shizuoka 15Gaiku Development Tokutei Mokuteki Kaisya and a major affiliate not accounted for by the equity method is Tokiwabashi Investment Tokutei Mokuteki Kaisya. The equity method is not applied to the Company's investments in these corporations because their respective sums of profit (loss) (corresponding to the equity ratio owned by the Company) and retained earnings surplus (corresponding to the equity ratio owned by the Company) have no significant impact on the consolidated financial statements.

(4) Others

Concerning the companies accounted for by the equity method, the financial statements for the respective fiscal years are used for those that have a closing date that differs from the consolidated closing date.

3. Matters related to Business Year, etc. of Consolidated Subsidiaries

The closing date of Rockefeller Group, Inc., which is a consolidated subsidiary, and 173 overseas subsidiaries, MEC eco LIFE Co., Ltd. and four (4) other consolidated subsidiaries is December 31 and the closing date of Keiyo Tochi Kaihatsu Co., Ltd. and two (2) other consolidated subsidiaries is January 31. In preparing the consolidated financial statements, the financial statements as of and for the year ended respective closing dates are used for these companies with necessary adjustments provided for consolidation purposes with regard to material transactions between their closing dates and the consolidated closing date (March 31).

4. Matters related to Accounting Policies

(1) Valuation Basis and Method for Important Assets

Securities:

Held-to-maturity debt securities:

Carried at amortized cost (determined by the straight-line method for the Company and its consolidated domestic subsidiaries and by the interest method for consolidated foreign subsidiaries.)

Other securities:

Investment securities:

Available-for-sale securities with market values:

Stated at the market value as of the balance sheet date, based on quoted market prices, etc. (Unrealized gains and losses are reported, net of applicable taxes, in a separate component of net assets. The cost of securities sold is determined mainly by the moving-average method.)

Available-for-sale securities without market values:

Stated at cost determined by the moving-average method

Equity participation:

Available-for-sale securities with market values:

Stated at the market value as of the balance sheet date, based on quoted market prices, etc. (Unrealized gains and losses are reported, net of applicable taxes, in a separate component of net assets. The cost of equity participation sold is determined mainly by the moving-average method.)

Available-for-sale securities without market values:

Stated at cost determined by the moving-average method

Derivatives:

Stated at market values

Inventories:

Real estate for sale: mainly stated at cost determined by the identified cost method. (The amount posted in the Balance Sheets was computed by writing down the book value with regard to the inventories for which profitability was clearly declining.)

Work-in-process real estate for sale: Same as the above

Real estate for development: Same as the above

Expenditures for uncompleted works: Same as the above

Fixed Assets:

The Company and its consolidated domestic subsidiaries adopt asset-impairment accounting. Consolidated subsidiaries overseas apply U.S. accounting standards.

(2) Depreciation Method of Important Depreciable Assets

Property and equipment:

Depreciation of property and equipment of the Company and its consolidated domestic subsidiaries is calculated principally by the declining-balance method at fixed rates.

However, the straight-line method is adopted for buildings (excluding building improvements) acquired on or after April 1, 1998 and building improvements and structures acquired on or after April 1, 2016.

Depreciation of property and equipment of consolidated foreign subsidiaries is calculated by the straight-line method.

Intangible assets:

The amortization of intangible assets is computed by the straight-line method. Capitalized software for internal use is amortized by the straight-line method over the estimated internal useful life (mainly 5 years).

(3) Accounting Standards for Important Reserves

Allowance for doubtful receivables:

An allowance for doubtful receivables is provided, for possible losses from uncollectible loans and receivables, at the amount calculated based on the actual rate of losses from the bad debt for ordinary receivables, and on the estimated recoverability for specific receivables such as doubtful receivables.

Reserve for retirement allowances to officers:

In consolidated subsidiaries, a reserve for retirement allowances to officers is provided at 100% of the amount that would be required at the end of the consolidated fiscal year under review in accordance with internal regulations.

Provision for environmental measures:

An estimated amount of loss that could be caused along with environmental measures including treatment of PCB (Polychlorinated biphenyl) waste is provided.

(4) Accounting Method for Retirement Allowances

1) Method to attribute estimated retirement allowances to period of services

To calculate the Company's liability for retirement allowances, the method of benefit formula basis is mainly adopted to attribute the estimated amounts of retirement allowance obligations to the period up to the end of the consolidated fiscal year under review.

2) Accounting method for actuarial gains or losses and prior service cost

Prior service cost is mainly amortized on a straight-line basis over a certain period (1 year–10 years) within an average remaining period of service of employees at the time of each occurrence.

Actuarial gains or losses are mainly amortized on a straight-line basis over a certain period (1 year–15 years) within an average remaining period of service of employees at the time of their occurrence, with each amount recognized as an expense starting from the following consolidated fiscal year.

(5) Translation of Important Assets and Liabilities Denominated in Foreign Currencies into Yen

The assets and liabilities denominated in foreign currencies of foreign subsidiaries are translated into yen at the spot rate of foreign exchange in effect at the balance sheet date of the respective subsidiaries. The revenue and expense accounts of foreign subsidiaries are translated into yen using the average rate of foreign exchange during the consolidated fiscal year under review. The resulting translation exchange differences have been presented as "Foreign currency translation adjustments" under "Net assets."

(6) Important Hedge Accounting

1) Hedge Accounting

The Company adopts the deferral hedge accounting, in principle. For interest rate swaps, the preferential treatment is applied to the swaps which satisfy the requirements of such preferential treatment. For currency swaps, the appropriation treatment is applied to the swaps which satisfy the requirements of such appropriation treatment.

2) Hedging Instruments and Hedged Items

Hedging instruments:	Hedged items:
Interest rate swaps	Borrowings
Currency swaps	Borrowings and corporate bonds

3) Hedging Policy

The risk hedging transactions are intended to hedge the exposure to fluctuation risks in interest rates and foreign currency exchange rates, in accordance with the internal regulations such as "Market Risk Management Rules" and "Management Guideline by Risk."

4) Method of Assessing Hedge Effectiveness

The Company compares the cumulative amounts of fluctuations in the rates or in the cash flows of the hedged items with the cumulative amounts of fluctuations in the rates or in the cash flows of the hedging instruments, and assesses the effectiveness of hedging transactions based on the ratio between the two amounts.

However, the assessment of hedge effectiveness is omitted for interest rate swaps to which special treatment is applied.

(7) Accounting for Consumption Taxes, etc.

Transactions subject to the consumption tax and the local consumption tax are recorded at amounts exclusive of the consumption tax. Non-deductible consumption tax and local consumption tax are charged to income for the consolidated fiscal year under review.

(8) Accounting Standards for Revenue from Operations

To account for revenue from contract work operations, the percentage of completion method (the percentage of completion of work is estimated based on cost method) is adopted for work that has been completed and whose guaranteed performance has been recognized by the end of the consolidated fiscal year under review. For other work, the complete-contract method is adopted.

(9) Amortization Method and Amortization Period of Goodwill
Goodwill is equally amortized over five (5) years on a straight-line basis. However, if the effect-emerging period can be reasonably estimated, the amount is equally amortized over the estimated period or if the amount is small, it is amortized for one (1) time.

Note to Change in Presentation Method

(Application of "Partial Amendments to Accounting Standard for Tax Effect Accounting" and relevant Guidances)

The Group has applied the "Partial Amendments to Accounting Standard for Tax Effect Accounting" (ASBJ Statement No. 28, February 16, 2018) and relevant Guidances effective from the beginning of the consolidated fiscal year under review. Accordingly, deferred tax assets were presented under "investments and other assets" and deferred tax liability was presented under "long-term liabilities."

Note to the Consolidated Balance Sheet

1. Accumulated Depreciation for Property and Equipment: ¥1,629,953 million
The accumulated depreciation above includes the accumulated impairment loss.

2. Assets Subject to Collateral and Secured Debt

(1) Assets Subject to Collateral:

Buildings and structures	¥208,427 million
Machinery and equipment and vehicles	¥1,157 million
Land	¥210,172 million
Trusted land	¥128,591 million
Other (other property and equipment)	¥2 million
Total	¥548,352 million

(2) Debt Secured by the Above:

Short-term borrowings	¥1,827 million
Long-term debt to be repaid within one (1) year	¥25,665 million
Other (other current liabilities)	¥5,160 million
Long-term debt	¥111,105 million
Total	¥143,757 million

3. Contingent Obligations

(1) Guarantee Obligations

Warrantee	Amount of Obligation	Substance of Obligation
Home buyers	¥61,088 million	Borrowings from financial institutions
Others	¥9 million	Borrowings from financial institutions
Total	¥61,097 million	

The guarantee obligations for home buyers mainly mean the Company's joint and several guarantees to secure the repayment of housing loans of home buyers in favor of financial institutions, which continue until the registration of the creation of the corresponding mortgages has been completed.

(2) Guarantee of Acceptance of Businesses

Warrantee	Amount of Obligation	Substance of Obligation
TRCC/Rock Outlet Center, LLC	¥2,598 million (US$23,413 thousand)	Borrowings from financial institutions
CL Office Trustee Pte. Ltd.	¥4,527 million (S$55,900 thousand)	Borrowings from financial institutions
Glory SR Trustee Pte. Ltd.	¥737 million (S$9,100 thousand)	Borrowings from financial institutions
PT. Windas Development	¥4,481 million (US$34,023 thousand, IDR92,552 million)	Borrowings from financial institutions
Total	¥12,344 million	

Rockefeller Group, Inc. guarantees acceptance of businesses in favor of creditors of TRCC/Rock Outlet Center, LLC in the amount equivalent to the percentage of equity interest owned by Rockefeller Group, Inc. Mitsubishi Estate Asia Pte. Limited guarantees acceptance of businesses in favor of creditors of CL Office Trustee Pte. Ltd. and Glory SR Trustee Pte. Ltd. in the amount equivalent to the percentage of equity interest owned by Mitsubishi Estate Asia Pte. Limited.

Mitsubishi Estate Asia Pte. Limited and MEA Commercial Holdings Pte. Ltd. guarantee acceptance of businesses in favor of creditors of PT. Windas Development. Furthermore, for the amount in excess of the amount equivalent to the percentage of equity interest owned by Mitsubishi Estate Asia Pte. Limited and MEA Commercial Holdings Pte. Ltd., the Company has received either the provision of collateral or guarantees from its business partners.

4. Revaluation of Land

The Company and some of its consolidated subsidiaries revalued the land used for its business in accordance with the "Law Concerning Revaluation of Land" (Law No. 34, March 31, 1998) and the "Law for Partial Revision to the Law Concerning Revaluation of Land" (Law No. 19, March 31, 2001). The revaluation difference has been included in "Net assets" as "Land revaluation difference," net of the related tax that is included in "Liabilities" as "Deferred tax liabilities for revaluation."

Revaluation method: The value of land is determined based on the assessed value of the fixed property tax adjusted reasonably, as stipulated in Article 2, Item 3, of the Ordinance for Enforcement of the Law Concerning Revaluation of Land (Government Ordinance No. 119, March 31, 1998).

Date of revaluation: March 31, 2002

[Translation for Reference and Convenience Purposes Only]

Notes to the Consolidated Statement of Changes in Net Assets

1. Type and Total Number of Issued Shares and Type and Number of Shares of Treasury Stock

(Thousands of shares)

	Number of Shares as of the beginning of Consolidated Fiscal Year under review	Increase during the Consolidated Fiscal Year under review	Decrease during the Consolidated Fiscal Year under review	Number of Shares as of the end of Consolidated Fiscal Year under review
Issued Shares:				
Shares of common stock(Note 1)	1,390,908	130	—	1,391,038
Total	1,390,908	130	—	1,391,038
Treasury stock:				
Shares of common stock(Note 2)	2,897	9	18	2,888
Total	2,897	9	18	2,888

Notes:

1. The increase in the number of issued shares was due to the issuance of new shares through third-party allotment (130 thousand shares).
2. The increase in shares of treasury stock of the Company was due to the purchase of shares less than one (1) unit (9 thousand shares). The decrease in shares of treasury stock of the Company was due to the exercise of stock options (18 thousand shares), etc.

2. Matters related to Dividends from Surplus

(1) Dividends Paid

Date of Resolution	Type of Shares	Total Amount of Dividends (Millions of yen)	Dividend per Share (Yen)	Record Date	Effective Date
Ordinary General Meeting of Shareholders held on June 28, 2018	Common stock	19,432	14	March 31, 2018	June 29, 2018
Meeting of Board of Directors held on November 7, 2018	Common stock	18,045	13	September 30, 2018	December 4, 2018

(2) Of the Dividends for which the Record Date belongs to the Consolidated Fiscal Year under review, those for which the Effective Date of the Dividends will be in the following Fiscal Year

Planned Date of Resolution	Type of Shares	Total Amount of Dividends (Millions of yen)	Source of Funds for Dividends	Dividend per Share (Yen)	Record Date	Effective Date
Ordinary General Meeting of Shareholders to be held on June 27, 2019	Common stock	23,598	Retained earnings surplus	17	March 31, 2019	June 28, 2019

[Translation for Reference and Convenience Purposes Only]

3. Matters related to Stock Acquisition Rights

Breakdown of Stock Acquisition Rights	Type of Shares subject to Stock Acquisition Rights	Number of the Shares subject to Stock Acquisition Rights (Shares)			
		As of the beginning of Consolidated Fiscal Year under review	Increase during the Consolidated Fiscal Year under review	Decrease during the Consolidated Fiscal Year under review	As of the end of Consolidated Fiscal Year under review
Stock acquisition rights granted by a resolution at the meeting of the Board of Directors held on July 26, 2007	Common stock	2,000	—	—	2,000
Stock acquisition rights granted by a resolution at the meeting of the Board of Directors held on July 31, 2008	Common stock	3,000	—	—	3,000
Stock acquisition rights granted by a resolution at the meeting of the Board of Directors held on July 31, 2009	Common stock	11,000	—	—	11,000
Stock acquisition rights granted by a resolution at the meeting of the Board of Directors held on July 30, 2010	Common stock	24,000	—	—	24,000
Stock acquisition rights granted by a resolution at the meeting of the Board of Directors held on July 29, 2011 [1]	Common stock	38,000	—	7,000	31,000
Stock acquisition rights granted by a resolution at the meeting of the Board of Directors held on July 31, 2012 [2]	Common stock	34,000	—	8,000	26,000
Stock acquisition rights granted by a resolution at the meeting of the Board of Directors held on July 31, 2013 [3]	Common stock	24,000	—	3,000	21,000
Stock acquisition rights granted by a resolution at the meeting of the Board of Directors held on July 31, 2014	Common stock	28,000	—	—	28,000
Stock acquisition rights granted by a resolution at the meeting of the Board of Directors held on July 31, 2015	Common stock	27,000	—	—	27,000

Notes:

1. The decrease in the number of stock acquisition rights, which were granted by a resolution at the meeting of the Board of Directors held on July 29, 2011, for the consolidated fiscal year under review resulted from the exercise of the stock acquisition rights.
2. The decrease in the number of stock acquisition rights, which were granted by a resolution at the meeting of the Board of Directors held on July 31, 2012, for the consolidated fiscal year under review resulted from the exercise of the stock acquisition rights.
3. The decrease in the number of stock acquisition rights, which were granted by a resolution at the meeting of the Board of Directors held on July 31, 2013, for the consolidated fiscal year under review resulted from the exercise of the stock acquisition rights.

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Notes to Financial Instruments

1. Matters relating to Financial Instruments

(1) Policies to approach to financial instruments

The Group raises the necessary funds (mainly bank borrowings and bond issues) in light of the capital investment plan. In terms of fund management, it makes every effort to avoid market risks by emphasizing liquidity and shortening the fund management period. As for derivative transactions, the Group makes it a policy not to engage in speculative transactions, focusing primarily on hedging exposures to fluctuation of interest rates, reducing interest expenses, and hedging the exposure to fluctuation risks in foreign currency exchange rates.

(2) Contents and risks of financial instruments

Notes and accounts receivable - trade, which are trade receivables, are exposed to the credit risks of customers. Trade receivables in foreign currencies arising from overseas operations are exposed to risks of currency fluctuations.

Securities and investment securities include mainly held-to-maturity debt securities and shares of companies with which we have business relationships, and are exposed to risks of fluctuations in market prices.

Equity participation includes mainly preferred equity investments in special-purpose companies under the Law Concerning Liquidation of Assets, investments in investment units of real estate investment trusts, and investments in anonymous partnerships into special-purpose companies. They are exposed to credit risks of respective issuers, risks of changes in interest rates, and risks of fluctuations in market prices.

Guarantee money and deposits paid for leased premises are exposed to credit risks of business partners.

Most of notes and accounts payable - trade, which are trade payables, are due within one (1) year. Some of them in foreign currencies are exposed to risks of currency fluctuations.

Borrowings and corporate bonds are intended to raise funds required mainly for capital expenditures, and their maturity dates and repayment dates are in a maximum of fifty-seven (57) years after the closing date. Although some of them have floating rates and are exposed to interest rate risks, they are hedged through derivative transactions (interest rate swaps.)

Derivative transactions include interest rate swaps, currency swaps and forward exchange contracts. Interest rate swaps hedge exposures to interest rates by fixing interest rates for financing at floating interest rates. Some of the consolidated subsidiaries trade interest rate and currency swaps based on the same trading policies and for the same utilization purposes as the Company adopts.

(3) Risk management systems relating to financial instruments

(i) Management of credit risks (risks of contractual defaults by business partners)

The Group periodically monitors trade receivables, and guarantee money and deposits paid of major business partners through the department in charge of each segment, manages the due date and the balance by business partner, and discovers promptly and reduces the risks of failures to collect money due to their deteriorating financial positions

(ii) Management of market risks (risks of fluctuations in foreign exchange rates and interest rates)

The Group capitalizes on interest rate swap and currency swap transactions to limit the risks of fluctuations in interest rates on debts and corporate bonds. In terms of securities and investment securities, the Group assesses the market values and financial positions of issuers (business partners) on a regular basis. As for those excluding held-to-maturity debt securities, the Group continuously reviews positions in consideration of the market conditions and relationships with business partners.

(iii) Management of liquidity risks of financing (risks of failure to pay on the due date)

The Group in a timely way develops and updates the financing plans through departments in charge based on reports from each department, and manages liquidity risks by maintaining cash balances.

(4) Supplemental explanation for matters relating to market values, etc. of financial instruments

Market values of financial instruments include values based on market prices and values reasonably calculated if they have no market prices. Since calculations of the relevant values incorporate variable factors, the relevant values may vary depending on the assumptions adopted.

2. Matters related to Market Values, etc. of Financial Instruments
   Amounts stated on the consolidated balance sheet as of March 31, 2019, market values, and their differences are shown as follows. Items, of which market values are considered extremely difficult to determine, are not included in the table below (see Note 2).

(Millions of Yen)

	Reported amounts on the consolidated balance sheet	Market Value	Difference
(1) Cash and due from banks	176,814	176,814	—
(2) Notes and accounts receivable – trade	62,603		
Allowance for doubtful receivables (*1)	(218)		
	62,384	62,384	—
(3) Securities and Investment securities			
(i) Held-to-maturity debt securities	5,700	5,718	17
(ii) Other securities	230,844	230,844	—
(iii) Shares of subsidiaries and affiliated companies	60	974	913
(4) Equity participation	13,801	13,801	—
Total assets	489,607	490,539	931
(1) Notes and accounts payable – trade	57,967	57,967	—
(2) Short-term borrowings	86,156	86,156	—
(3) Long-term debt to be repaid within one (1) year	231,065	231,065	—
(4) Corporate bonds to be redeemed within one (1) year	75,000	75,000	—
(5) Corporate bonds	733,916	772,387	38,470
(6) Long-term debt	1,188,866	1,217,104	28,237
Total liabilities	2,372,972	2,439,681	66,708

(*1) Allowances for doubtful notes and accounts receivables are excluded.

Notes:

1. Methods of calculating market values of financial instruments

   Assets

   (1) Cash and due from banks
   They are based on the relevant book values, as they are quickly settled and their market values are close to their book values.

   (2) Notes and accounts receivable - trade
   They are based on the relevant book values, as they are quickly settled and their market values are close to their book values.

   (3) Securities and Investment securities
   The market values of stocks, etc. are based on the prices on stock exchanges and those of debt securities are based on the prices presented mainly by correspondent financial institutions.

   (4) Equity participation
   The market values of equity participation are based on the prices on stock exchanges.

Liabilities

(1) Notes and accounts payable - trade
They are based on the relevant book values, as they are quickly settled and their market values are close to their book values.

(2) Short-term borrowings
They are based on the relevant book values, as they are quickly settled and their market values are close to their book values.

(3) Long-term debt to be repaid within one (1) year
They are based on the relevant book values, as they are quickly settled and their market values are close to their book values.

(4) Corporate bonds to be redeemed within one (1) year
They are based on the relevant book values, as they are quickly settled and their market values are close to their book values.

(5) Corporate bonds
The market values of corporate bonds are based on the market prices, etc.

(6) Long-term debt
Of long-term debts, those with variable interest rates are calculated based on the relevant book values as they promptly reflect market interest rates and their market values are considered to be close to their book values. Those with fixed interest rates are calculated based on the present values derived by discounting the total amount of principal and interest at rates obtained by comparison with similar debts that would be newly employed.

2. Financial instruments whose market values are deemed to be extremely difficult to assess

Category	Reported amounts on the consolidated balance sheet (Millions of yen)
(i) Unlisted stocks (*1)	28,689
(ii) Equity participation (*2)	373,583
(iii) Guarantee money and deposits paid (*3)	114,713
(iv) Guarantee money and deposits received (*4)	440,058

(*1) Unlisted stocks are not subject to the disclosure of market values, as they have no market prices and their market values are deemed to be extremely difficult to assess.

(*2) Of equity participation, those without market prices are not subject to the disclosure of market values, as their market values are deemed to be extremely difficult to determine.

(*3) Guarantee money and deposits paid for leased premises are not subject to the disclosure of market values, as they have no market prices and the real deposit period from the move-in date to the move-out date is difficult to calculate. Consequently, their reasonable cash flows are deemed to be extremely difficult to estimate.

(*4) Guarantee money and deposits received for leased premises by tenants are not subject to the disclosure of market values, as their reasonable cash flows are deemed to be extremely difficult to estimate, given that they have no market prices and it is hard to calculate the real deposit period from the move-in date to the move-out date of the tenants. In addition, other fund deposits are not subject to the disclosure of market values, as their real deposit period is deemed to be difficult to calculate. Consequently, their reasonable cash flows are deemed to be considered extremely difficult to estimate.

Notes to Leased Real Estate

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

Some office buildings for rent in Japan are regarded as real estate including parts used as leased real estate since they are used by the Company and some of its consolidated subsidiaries.

The reported amounts on the consolidated balance sheet and the fair values of these leased real estate and real estate including parts used as leased real estate at the end of the consolidated fiscal year under review are as follows:

	Reported amounts on the consolidated balance sheet (Millions of yen)	Fair Value (Millions of yen)
Leased real estate	3,408,738	6,953,534
Real estate including spaces used as leased real estate	633,983	987,600

Notes:

1. The reported amounts on the consolidated balance sheet have deducted accumulated depreciation costs and accumulated impairment losses from the acquisition cost.
2. Fair values at the end of the consolidated fiscal year under review are based on the following:
   (1) Fair values of real estate in Japan are calculated by the Company based mainly on the Real Estate Appraisal Standards.
   (2) Fair values of real estate overseas are values appraised principally by local real estate appraisers.

Note to Per-Share Information

Net assets per share	¥1,275.54
Earnings per share	¥96.97

Notes to Significant Subsequent Events

(Purchase of treasury stock)

The Company resolved at the meeting of its Board of Directors held on May 14, 2019 on matters regarding the purchase of treasury stock, based on the provisions of Article 156 of the Companies Act, as applied by replacing the relevant terms pursuant to the provisions of Article 165, paragraph 3, of the same Act as follows.

1. Reason of purchase of treasury stock
   To increase capital efficiency and shareholders return

2. Details of matters regarding the purchase
   (1) Type of shares subject to purchase
   Common stock
   (2) The total number of shares to be purchased
   65,000,000 shares (maximum) (4.68% of total issued shares excluding treasury stock)
   (3) Total amount for share purchase
   ¥100,000 million yen (maximum)
   (4) Purchase period
   May 15, 2019 to March 31, 2020
   (5) Method of purchase
   Open-market purchase on the Tokyo Stock Exchange

[Translation for Reference and Convenience Purposes Only]

Other Notes

Asset Retirement Obligations

(1) Asset retirement obligations posted on the Consolidated Balance Sheet

1) Outline of the asset retirement obligations

These obligations include obligations to restore the original state related to periodically renewed land lease contracts and building lease contracts.

2) Computation method for the asset retirement obligations

Asset retirement obligations are computed regarding the remaining contract years as an expected use period and using a discount rate between 0.0% and 2.3%.

3) Increase (decrease) of asset retirement obligations for the consolidated fiscal year under review

Balance at the beginning of the fiscal year under review:	¥3,355 million
Increase due to the acquisition of property and equipment:	¥2,814 million
Adjustments due to the elapse of time:	¥66 million
Decrease due to the fulfillment of asset retirement obligations:	¥(48) million
Increase (decrease) due to other reasons:	¥(328) million
Balance at the end of the fiscal year:	¥5,859 million

(2) Asset retirement obligations that are not posted on the Consolidated Balance Sheet

The following asset retirement obligations are excluded from the posted amounts:

1) Obligation to remove asbestos that is used for some property and equipment at the time of removal of the property and equipment in a particular way required by the Ordinance on Preventing Asbestos Hazards

For some of the property and equipment of the Company, the demolition of a building involves an obligation to remove asbestos. However, no demolition has taken place yet other than demolition related to redevelopment or other projects that required arrangements with many business associates. It is difficult to estimate the timing to fulfill such obligation due to causes such as deterioration, based on the estimated physically usable period of the asset. We cannot estimate when to demolish the property and equipment without relevant specific management plans.

To address the issue of asbestos, we have been voluntarily conducting asbestos removal work when tenants move out or when other opportunities allows us to do so. However, we cannot make a reasonable estimate of how such voluntary asbestos removal work will progress in the future based on the data such as how long past tenants stayed. Also we cannot estimate the remaining amount of asbestos when such property and equipment are demolished. Moreover, it is difficult to only estimate the asbestos removal cost separately from regular demolition costs. For these reasons, an asbestos removal-related probability assessment relative to the domain and amounts of asset retirement obligation is difficult. Therefore, an obligation to remove asbestos is excluded from the reported asset retirement obligations although we made a best estimate taking into account the evidence available as of the closing date.

2) Obligation to restore the original state based on some real estate rental agreements

Periodically renewed land lease contracts for some commercial facilities require restoration to the original state when the contract term ends and the facility must be returned. In reality, however, it is possible to continue to use such facilities by renewing such contracts and some contracts set forth a special provision to reduce the possibility of performing such obligation to restore the original state, which makes the timing to fulfill the obligation somewhat vague. In terms of our business strategies and the business environment, we do intend to continue with our operations and therefore fulfillment of this obligation is not intended. For these reasons, a probability assessment relative to the domain and amounts of asset retirement obligation is difficult to ascertain. Therefore, an obligation to restore the original state is excluded from the reported asset retirement obligations although we made a best estimate taking into account the evidence available as of the closing date.

[Translation for Reference and Convenience Purposes Only]

Non-consolidated Statement of Changes in Net Assets

(From April 1, 2018, to March 31, 2019)

(Millions of yen)

	Shareholders' equity											
		Capital surplus		Retained earnings surplus								
					Other retained earnings surplus							
	Capital stock	Capital reserve	Total capital surplus	Retained earnings reserve	Reserve for special deprecia- tion	Reserve for advanced depreciation of fixed assets	Reserve for special account for advanced depreciation of fixed assets	General reserve	Earned surplus carried forward	Total retained earnings surplus	Treasury stock - at cost	Total share- holders' equity
Balance at the beginning of current period	141,898	171,010	171,010	21,663	3,192	131,224	3,955	108,254	229,766	498,057	(5,294)	805,671
Changes in the fiscal year under review												
Issuance of new shares	124	124	124									249
Dividend from surplus									(37,477)	(37,477)		(37,477)
Profit									100,980	100,980		100,980
Purchase of treasury stock											(18)	(18)
Disposal of treasury stock									(8)	(8)	34	25
Provision for reserve for special depreciation					518				(518)			
Reversal of reserve for special depreciation					(866)				866			
Provision for reserve for advanced depreciation of fixed assets						3,922			(3,922)			
Reversal of reserve for advanced depreciation of fixed assets						(1,139)			1,139			
Reversal of reserve for special account for advanced depreciation of fixed assets							(3,955)		3,955			
Net changes in items other than those in shareholders' equity												
Total of changes in the fiscal year under review	124	124	124	—	(347)	2,782	(3,955)	—	65,013	63,493	16	63,759
Balance at the end of current period	142,023	171,135	171,135	21,663	2,845	134,007	—	108,254	294,780	561,550	(5,278)	869,431

[Translation for Reference and Convenience Purposes Only]

(Millions of yen)

	Valuation, translation adjustments and others				Stock acquisition rights	Total net assets
	Net unrealized gain on available-for-sale securities	Deferred gains or losses on hedging instruments	Land revaluation difference	Total valuation, translation adjustments and others		
Balance at the beginning of current period	121,776	219	529,965	651,960	326	1,457,958
Changes in the fiscal year under review						
Issuance of new shares						249
Dividend from surplus						(37,477)
Profit						100,980
Purchase of treasury stock						(18)
Disposal of treasury stock						25
Provision for reserve for special depreciation						—
Reversal of reserve for special depreciation						—
Provision for reserve for advanced depreciation of fixed assets						—
Reversal of reserve for advanced depreciation of fixed assets						—
Reversal of reserve for special account for advanced depreciation of fixed assets						—
Net changes in items other than those in shareholders' equity	(6,328)	(505)		(6,833)	(24)	(6,857)
Total of changes in the fiscal year under review	(6,328)	(505)	—	(6,833)	(24)	56,901
Balance at the end of current period	115,447	(286)	529,965	645,127	302	1,514,860

[Translation for Reference and Convenience Purposes Only]

Notes to the Non-consolidated Financial Statements

Notes to Matters Related to Significant Accounting Policies

1. Valuation Basis and Method for Securities

Held-to-maturity debt securities:	Carried at amortized cost (straight-line method)
Shares of subsidiaries and affiliates:	Stated at cost determined by the moving-average method
Other securities:	
Investment securities:	
Available-for-sale securities with market values:	Stated at the market value as of the balance sheet date, based on quoted market prices etc. Unrealized gains and losses are reported, net of applicable taxes, in a separate component of net assets. The cost of securities sold is determined by the moving-average method
Available-for-sale securities without market values:	Stated at cost determined by the moving-average method
Equity participation:	
Available-for-sale securities with market values:	Stated at the market value as of the balance sheet date, based on quoted market prices, etc. Unrealized gains and losses are reported, net of applicable taxes, in a separate component of net assets. The cost of equity participation sold is determined by the moving-average method
Available-for-sale securities without market values:	Stated at cost determined by the moving-average method

2. Valuation Basis and Method for Derivatives Stated at market values

3. Valuation Basis and Method for Inventories

Real estate for sale:	Stated at cost determined by the identified cost method (The amount posted in the Balance Sheets was computed by writing down the book value with regard to the inventories for which profitability was clearly declining.)
Work-in-process real estate for sale:	The same as above
Real estate for development:	The same as above

4. Depreciation Method of Fixed Assets

Property and equipment:	Depreciation is computed by the declining-balance method at fixed rates. However, the straight-line method is adopted for the Yokohama Landmark Tower and buildings (excluding building improvements) acquired on or after April 1, 1998 and building improvements and structures acquired on or after April 1, 2016.
Intangible assets:	The amortization of intangible assets is computed by the straight-line method. Capitalized software for internal use is amortized by the straight-line method over the estimated internal useful life (5 years).

5. Accounting Standards for Reserves

Allowance for doubtful receivables:	An allowance for doubtful receivables is provided, for possible losses from uncollectible loans and receivables, at the amount calculated based on the actual rate of losses from the bad debt for ordinary receivables, and on the estimated recoverability for specific receivables such as doubtful receivables.
Reserve for retirement allowances:	A reserve for retirement allowances is provided at the amount calculated based on the projected amounts of retirement benefit obligations and plan assets at the end of the fiscal year under review for ordinary employees, and at 100% of the amount that would be required at the end of the fiscal year under review in accordance with internal regulations for executive officers. To calculate the Company's liability for retirement allowances to employees, the method of benefit formula basis is adopted to attribute the estimated retirement allowances to accounting periods up to the end of the fiscal year under review. Prior service cost is amortized, starting from the time of its occurrence, on a straight-line basis over a certain period (10 years) within an average remaining service period of employees at the time of its occurrence. Actuarial gains or losses are amortized, starting from the following fiscal year, on a straight-line basis over a certain period (10 years) within an average remaining service period of employees at the time of their occurrence.
Reserve for accepting the fulfillment of obligations:	A reserve for accepting the fulfillment of obligations is provided at the estimated amount of losses that may be caused by accepting the fulfillment of obligations.
Provision for environmental measures:	An estimated amount of loss that could be caused along with environmental measures including treatment of PCB (Polychlorinated biphenyl) waste is provided.

6. Accounting for Deferred Assets

The costs are fully charged to income when disbursed.

7. Hedge Accounting

(1) Hedge accounting:

The Company adopts the deferral hedge accounting, in principle. For interest rate swaps, the preferential treatment is applied to the swaps which satisfy the requirements of such preferential treatment. For currency swaps and forward exchange contracts, the appropriation treatment is applied to the contracts which satisfy the requirements of such appropriation treatment.

(2) Hedging instruments and hedged items:

Hedging instruments:	Hedged items:
Interest rate swaps	Borrowings
Currency swaps	Borrowings, corporate bonds
Forward exchange contracts	Shares of affiliated companies

(3) Hedging policy:

The risk hedging transactions of the Company are intended to hedge its exposure to fluctuation risks in interest rates and foreign currency exchange rates, in accordance with the Company's internal regulations such as "Market Risk Management Rules" and "Management Guideline by Risk."

(4) Method of Assessing Hedge Effectiveness

The Company compares the cumulative amounts of fluctuations in the rates or in the cash flows of the hedged items with the cumulative amounts of fluctuations in the rates or in the cash flows of the hedging

instruments, and assesses the effectiveness of hedging transactions based on the ratio between the two amounts.
However, the assessment of hedge effectiveness is omitted for interest rate swaps to which special treatment is applied.

8. Accounting for the Consumption Taxes, etc.
Transactions subject to the consumption tax and local consumption tax are recorded at amounts exclusive of the consumption tax. Non-deductible consumption tax and local consumption tax are charged to income for the fiscal year under review.

Note to Change in Presentation Method
(Application of "Partial Amendments to Accounting Standard for Tax Effect Accounting" and relevant Guidances)
The Company has applied the "Partial Amendments to Accounting Standard for Tax Effect Accounting" (ASBJ Statement No. 28, February 16, 2018) and relevant Guidances effective from the beginning of the fiscal year under review. Accordingly, deferred tax assets (if any) were presented under "investments and other assets" and deferred tax liability (if any) was presented under "long-term liabilities."

Notes to the Non-consolidated Balance Sheet
1. Accumulated Depreciation for Property and Equipment: ¥1,075,178 million
The accumulated depreciation above includes the accumulated impairment loss.

2. Assets Subject to Collateral and Secured Debt
(1) Assets Subject to Collateral:

Buildings and structures	¥21,462 million
Trusted land	¥128,591 million
Total	¥150,054 million

(2) Debt Secured by the Above:

Long-term debt	¥54,673 million
Total	¥54,673 million

3. Contingent Obligations
(1) Guarantee Obligations

Warrantee	Amount of Obligation	Substance of Obligation
Mitsubishi Estate London Limited	¥69,532 million (GBP479,600 thousand)	Borrowings from financial institutions
MITSUBISHI ESTATE NEW YORK Inc.	¥23,862 million (US$215,000 thousand)	Borrowings from financial institutions
Ryoei Life Service Co., Ltd.	¥179 million	Deposits for repayment obligation to residents
Total	¥93,574 million	

(2) Keep-well agreement

Warrantee	Amount of Obligation	Substance of Obligation
MEC Finance USA, Inc.	¥7,509 million (US$35,000 thousand, GBP25,000 thousand)	Borrowings from financial institutions
Total	¥7,509 million	

The Company signed keep-well agreement to complement the credit for funding by MEC Finance USA, Inc.

4. Monetary Receivables/Payables due from/to Affiliated Companies

Short-term receivables due from affiliated companies	¥11,493 million	Long-term receivables due from affiliated companies	¥39,690 million
Short-term payables due to affiliated companies	¥185,417 million	Long-term payables due to affiliated companies	¥8,934 million

5. Revaluation of Land

The Company revalued the land used for its business in accordance with the "Law Concerning Revaluation of Land" (Law No. 34, March 31, 1998) and the "Law for Partial Revision to the Law Concerning Revaluation of Land" (Law No. 19, March 31, 2001). The revaluation difference has been included in "Net assets" as "Land revaluation difference," net of the related tax that is included in "Liabilities" as "Deferred tax liabilities for revaluation."

Revaluation method:	The value of land is determined based on the assessed value of the fixed property tax adjusted reasonably, as stipulated in Article 2, Item 3, of the Ordinance for Enforcement of the Law Concerning Revaluation of Land (Government Ordinance No. 119, March 31, 1998).
Date of revaluation:	March 31, 2002

6. Equity Participation

Of the equity participation projects, the total amount of investments in anonymous partnership and preferred equity investments, etc. into anonymous partnerships and special-purpose companies that fall under the category of affiliated companies is ¥270,018 million.

Note to the Non-consolidated Statement of Income

Transactions with Affiliated Companies

Revenue from operations:	¥43,719 million
Cost of revenue from operations:	¥70,856 million
Transactions other than operating transactions:	¥33,893 million

Note to the Non-consolidated Statement of Changes in Net Assets

Type and Number of Shares of Treasury Stock at the End of the Fiscal Year under Review

Common stock:	2,888,124 shares

Note to Tax-effect Accounting

The significant components of deferred tax assets and liability are summarized as follows:

Deferred tax assets:	(Millions of yen)
Reserve for retirement allowances	6,057
Accrued bonus	1,093
Loss on devaluation of investment securities	4,637
Loss on devaluation of inventories	530
Loss on devaluation of golf memberships	265
Loss on devaluation of fixed assets	45,242
Land revaluation difference	22,727
Reserve for accepting the fulfillment of obligations	1,636
Impairment loss on equity investments	3,081
Transfer of business due to reorganization	8,899
Other	34,825
Subtotal deferred tax assets	128,997
Valuation reserve	(73,504)
Total deferred tax assets	55,493

Deferred tax liability:	
Reserve for advanced depreciation of fixed assets	59,141
Gain on establishing a trust for retirement benefits	7,393
Land revaluation difference	265,658
Net unrealized gain on available-for-sale securities	49,103
Fixed assets valuation difference	64,134
Other	22,915
Total deferred tax liability	468,346
Net deferred tax liability	412,853

[Translation for Reference and Convenience Purposes Only]

Note to Transactions with Related Parties

Subsidiaries and Affiliates, etc.

Category	Name of Company, etc.	Ownership Percentage of Voting Rights, etc.	The Company's Relationship with the Related Party	Description of Transactions	Transaction Amount (Millions of yen)	Account Item	Fiscal Year-end Balance (Millions of yen)
Subsidiary	Mitsubishi Estate London Limited	Indirectly holding (100%)	Guarantee obligation Interlocking directors	Guarantee obligation [1]	69,532	—	—
Subsidiary	Mitsubishi Estate Residence Co., Ltd.	Directly holding (100%)	Provision of loans Interlocking directors	Provision of loans [2]	59,000	Short-term loans of affiliated companies	405,000
				Collection of loans	46,000		
				Interest income [2]	1,495	—	—

Transaction conditions and decision policy thereof, etc.:

Notes:

1. The amount represents guarantee obligation to secure bank borrowings (479,600 thousand sterling pounds) of Mitsubishi Estate London Limited.
2. Interest rates on loans are determined in consideration of market interest rates.

Note to Per-share Information

Net assets per share	¥1,091.06
Earnings per share	¥72.75

Notes to Significant Subsequent Events

(Purchase of treasury stock)

The Company resolved at the meeting of its Board of Directors held on May 14, 2019 on matters regarding the purchase of treasury stock, based on the provisions of Article 156 of the Companies Act, as applied by replacing the relevant terms pursuant to the provisions of Article 165, paragraph 3, of the same Act. Outline of the resolution is stated in "Notes to the Consolidated Financial Statements, Notes to Significant Subsequent Events."