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 creating a truly meaningful society.
Caution regarding forward-looking statements

Statements made in this annual report with respect to the Mitsubishi Estate Group’s current plans, estimates and strategies are forward-looking statements about the future performance of the Mitsubishi Estate Group. These statements are based on management’s assumptions, which are founded on currently available information and therefore should not be unduly relied upon. The Mitsubishi Estate Group cautions that a number of significant factors could cause future results to differ from forecasts in the forward-looking statements.
As the general economy continues on a recovery path, the real estate market is experiencing steady growth. Having posted record results in the fiscal year under review, the Mitsubishi Estate Group has made an excellent start under its new Medium-Term Management Plan, Foundation for the Future (FF) 2007. Going forward, the Mitsubishi Estate Group will endeavor to contribute to the creation of a truly meaningful society through urban development based on close communication with all stakeholders.
FINANCIAL RESULTS
A Year of Record Results — An Excellent Start under the New Medium-Term Management Plan
During the fiscal year ended March 31, 2006, Mitsubishi Estate Co., Ltd. (“Mitsubishi Estate” or the “Company”) and its consolidated subsidiaries (collectively, the “Mitsubishi Estate Group” or the “Group”) recorded revenue from operations of ¥844,217 million, an increase of 8.9% from the previous fiscal year. Operating income also climbed 16.4% year on year to ¥137,614 million. In Building Business operations, results were supported by a full period’s contribution from new buildings. Condominium sales were strong in Residential Business operations, while the sale of development properties fueled Urban Development & Investment Management operations. Collectively, these factors were the principal cause for the increase in revenues and earnings. In the fiscal year under review, the Group recorded a gain on sales of fixed assets, which exceeded impairment loss and loss on valuation of inventories. As a result, net income for the period under review surged 54.0% to ¥55,825 million.

OPERATING ENVIRONMENT
Continued Recovery in the General Economy — An Overall Firm Real Estate Market
In the office building market, conditions continued to improve from the second half of the previous fiscal year, bolstered by strong demand particularly for large-scale, high-specification buildings located in prime locations. This was attributed to the recovery in the overall economy and strong corporate earnings. In the Tokyo Metropolitan area, occupancy rates continued to improve. This in turn contributed to an upswing in the rates offered to tenants.

Despite concerns surrounding falsified structural calculation statements relating to earthquake resistance and the potential for an increase in interest rates, demand in the residential market remained firm, buoyed by improvements in employment conditions and the resultant boost in disposable incomes. Competition remains keen in certain areas as consumers become increasingly selective. Nevertheless, signs continue to emerge of an upswing in sales prices for properties that offer excellent location and product planning.

In the real estate investment market, conditions continued to be bolstered by an easing of quantitative monetary government policy and the subsequent inflow of investment funds. With continuous strong demand for property acquisition from domestic and overseas private funds and real estate investment trusts (REITs) along with a surge in the volume of transactions, property prices in Japan’s three major metropolitan areas rose for the first time in 15 years. Accordingly, prices for prime properties are forecast to improve over the foreseeable future, despite concerns of increasing interest rates.

Under these circumstances, the Mitsubishi

<table>
<thead>
<tr>
<th>Years ended March 31</th>
<th>2001</th>
<th>2002</th>
<th>2003</th>
<th>2004</th>
<th>2005</th>
<th>2006</th>
<th>Millions of yen</th>
<th>Thousands of U.S. dollars</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenue from operations</td>
<td>¥630,990</td>
<td>¥631,564</td>
<td>¥681,726</td>
<td>¥679,918</td>
<td>¥775,381</td>
<td>¥844,217</td>
<td>$7,186,660</td>
<td>$7,386,660</td>
</tr>
<tr>
<td>Net income (loss)</td>
<td>19,832</td>
<td>(71,058)</td>
<td>36,039</td>
<td>34,989</td>
<td>36,245</td>
<td>55,825</td>
<td>475,227</td>
<td></td>
</tr>
<tr>
<td>As a percentage of revenue from operations</td>
<td>3.1%</td>
<td>(11.3)%</td>
<td>5.3%</td>
<td>5.1%</td>
<td>4.7%</td>
<td>6.6%</td>
<td>—</td>
<td></td>
</tr>
<tr>
<td>As a percentage of shareholders’ equity</td>
<td>4.1%</td>
<td>(10.5)%</td>
<td>4.3%</td>
<td>4.0%</td>
<td>4.0%</td>
<td>5.4%</td>
<td>—</td>
<td></td>
</tr>
<tr>
<td>Total assets</td>
<td>2,535,263</td>
<td>3,035,795</td>
<td>3,007,927</td>
<td>3,068,842</td>
<td>3,124,514</td>
<td>3,280,209</td>
<td>27,923,801</td>
<td></td>
</tr>
<tr>
<td>Total shareholders’ equity</td>
<td>518,766</td>
<td>832,497</td>
<td>839,953</td>
<td>897,499</td>
<td>920,930</td>
<td>1,133,623</td>
<td>9,650,319</td>
<td></td>
</tr>
<tr>
<td>Common stock</td>
<td>86,534</td>
<td>86,534</td>
<td>86,534</td>
<td>86,534</td>
<td>86,534</td>
<td>129,736</td>
<td>1,104,418</td>
<td></td>
</tr>
</tbody>
</table>

Per share amounts:

<table>
<thead>
<tr>
<th></th>
<th>Yen</th>
<th>U.S. dollars</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net income (loss)</td>
<td>¥15.26</td>
<td>$0.36</td>
</tr>
<tr>
<td>Cash dividends applicable to the year</td>
<td>¥8.00</td>
<td>$0.08</td>
</tr>
</tbody>
</table>

Note: Yen amounts shown are translated into U.S. dollars, solely for convenience, at the prevailing exchange rate on March 31, 2006, of ¥117.47 to US$1.00.
Estate Group will endeavor to foresee changes in its business environment, while enhancing management efficiency and earnings power.

**MEDIUM-TERM MANAGEMENT PLAN “FF 2007”**

Steady Progress — EBITDA Target of ¥200.0 Billion Achieved in the First Year of the Plan

In July 2005, the Mitsubishi Estate Group announced its new three-year Medium-Term Management Plan, Foundation for the Future (FF) 2007, commencing April 1, 2005 through March 31, 2008. As a real estate company for the new era with “development function” at the heart of its operations, Mitsubishi Estate is leveraging its value creation capabilities to achieve a leading position in the industry. As a part of the Plan, we identified an EBITDA target of ¥200.0 billion for the fiscal year ending March 31, 2008, and established strategies for infrastructure, management and core growth policies.

In the fiscal year ended March 31, 2006, Mitsubishi Estate took significant strides in implementing its strategies. EBITDA for the fiscal year under review totaled ¥200.9 billion, surpassing the established target two years in advance. We also made substantial progress in reorganizing assets, which contributed to enhancing our business portfolio. Looking ahead, Mitsubishi Estate will continue to implement its strategies and work toward further increasing EBITDA.

**BUSINESS STRATEGIES**

Maintaining Balance between Businesses that Effectively Utilize Asset Holdings such as the Marunouchi Redevelopment Project with Asset Development Businesses that Incorporate Exit Strategies

In Building Business operations, Mitsubishi Estate will forge ahead with its Marunouchi Redevelopment Project in an effort to energize the key Marunouchi area and further distinguish it from all other areas. At the same time, we will attract high-quality tenants by strengthening the leasing function, raise the level of property management to improve the profitability of property holdings and enhance asset portfolio quality. Going forward, we will also reinforce shopping center business functions as a growth field of the future and expand our business platform in areas outside Marunouchi.

In Residential Business operations, Mitsubishi Estate will continue its focus on the Tokyo Metropolitan area and supply an estimated 3,500 condominiums each year. Guided by this area-based strategy and an emphasis on product planning, we will leverage our competitive advantage through the ongoing supply of high-quality and reliable properties. In connection with our equity participation in TOWA REAL ESTATE DEVELOPMENT CO., LTD., concluded in March 2005, we integrated a housing management subsidiary in April 2006 and intend to pursue joint businesses that optimize the strengths of both companies.

In Urban Development & Investment Management operations, we will continue to expand development of income-generating real estate projects beyond exit strategies and actively promote fee-based asset management and other businesses. In addition, Mitsubishi Estate is committed to diversifying its investment area, property types and investment methods to ensure an agile and flexible approach to shifts in market trends.

By providing a significant risk hedge and working to build a global real estate service network, Mitsubishi Estate continues to develop International Business operations as a strategic activity based on considerations of risks and return.

Furthermore, in the development of each of the aforementioned operations, we will boost collaboration...
among business operations and Group companies in an effort to maximize our collective strengths. Leveraging the accumulated know-how of the Marunouchi Redevelopment Project, we will expand into other areas and business domains. Conversely, we will utilize the experience and expertise gained outside Marunouchi to further enhance the quality of the Marunouchi Redevelopment Project.

Working to expand proposal-oriented marketing opportunities, Mitsubishi Estate will reinforce its Real Estate Consulting & Solution Department, a strategic marketing structure within the Group. While delivering high-quality proposals to the widest possible audience, Mitsubishi Estate will strive to ensure best-fit solutions that accurately match customer needs with the Company’s business operations and endeavor to enhance its corporate brokerage and advisory services functions.

CORPORATE GOVERNANCE

Three New External Directors Appointed — Pursuing Corporate Governance with a Focus on Shareholder Value

With a focus on shareholder value, the Mitsubishi Estate Group strives to rebuild a dynamic and flexible management system with the aim of displaying increasingly efficient and sound management throughout the Group. To this end, we position corporate governance as a top priority and are working tirelessly to establish an optimal Group governance structure.

In April 2003, Mitsubishi Estate introduced an executive officer system. The objectives of this system are to reinforce the management, oversight and executive functions, to increase management efficiency and to accelerate the decision-making process. At the same time, we established the Strategic Planning Committee to encourage Group-wide discussion of management strategies, and the Executive Committee, at which important decisions are made concerning the executive function. Serving as a support organization for the Group’s Executive Committee, the Strategic Investment Committee was established to assess and consider major investment proposals. Furthermore, with the aim of further enhancing the corporate governance function, we established the CSR Committee to deliberate on relevant CSR matters and created the Advisory Board comprised of externally appointed leading professionals. Working to enhance transparency and bolster the management oversight function, Mitsubishi Estate appointed three external directors to its Board in June 2006. Going forward, we will place increased emphasis on shareholder value as we work diligently to realize an optimal corporate governance structure.

COMPLIANCE

Further Strengthening the Compliance Structure

In July 2005, Mitsubishi Estate established the Compliance Committee, comprised of leading external professionals, as an advisory board reporting directly to the president. On the advice of this Committee, we completed a review of certain sections of our Group Code of Conduct in January 2006, and are currently implementing reforms consistent with recommendations outlined in the Committee’s report. As corporate social responsibility continues to attract increasing interest, the Mitsubishi Estate Group is committed to proactively fulfilling its responsibilities and to restoring credibility within the market.

IN SUMMARY

Our Fundamental Mission — Contributing to Society through Urban Development

The Mitsubishi Estate Group has positioned “Integrity,” “Open Communication” and “Teamwork” at the heart of its business activities. In close communication with all stakeholders and with a sense of honesty, humility and magnanimity, we will endeavor to address the needs of customers through mutual collaboration as we meet the demands of each era.

July 2006

Keiji Kimura
President