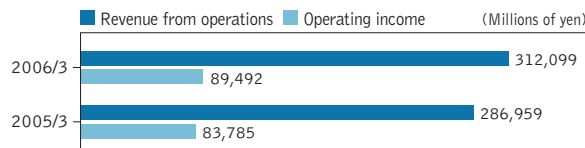


FINANCIAL REVIEW

BUILDINGS SEGMENT



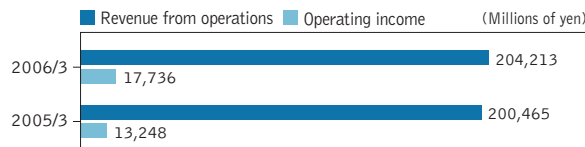
Buildings segment revenues are derived mainly from building development and leasing in Japan. This segment is also engaged in building management, parking facilities, district heating and cooling, and other operations



RESIDENTIAL DEVELOPMENT SEGMENT



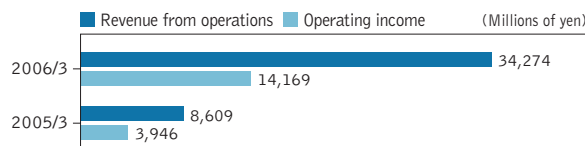
Residential Development segment revenues are derived from the construction and sale of condominiums, single-unit homes, and residential, commercial and other lots. This segment is also engaged in the management of condominiums and homes, and related activities.



URBAN DEVELOPMENT & INVESTMENT MANAGEMENT SEGMENT



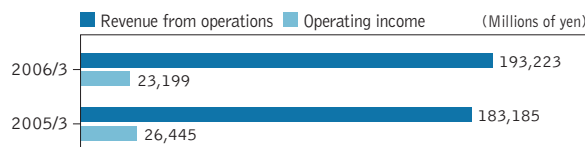
Urban Development & Investment Management segment revenues are derived from the development of income-generating real estate for investment purposes, asset management, and related activities.



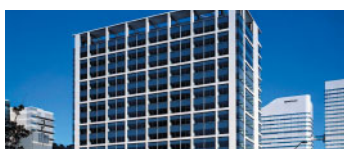
INTERNATIONAL BUSINESS SEGMENT



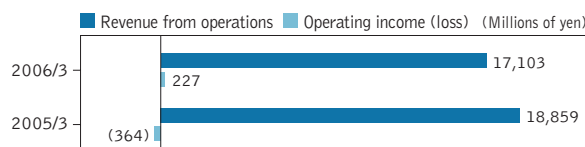
International Business segment revenues are derived from the development and leasing of buildings conducted through U.S.-based Rockefeller Group, Inc. The segment is also engaged in real estate brokerage and related activities.



ARCHITECTURAL DESIGN & ENGINEERING SEGMENT



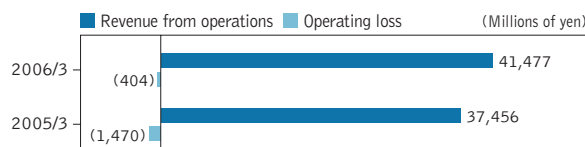
Architectural Design & Engineering segment revenues are derived from the design and project supervision of construction and civil engineering projects and related activities mainly through Mitsubishi Jisho Sekkei Inc.



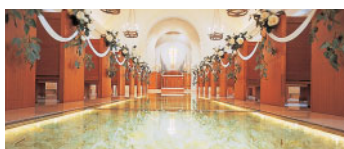
CUSTOM-BUILT HOUSING SEGMENT



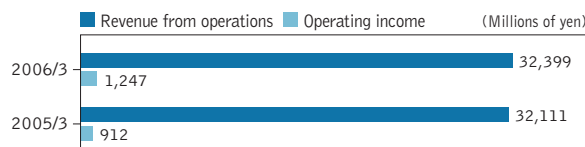
Custom-Built Housing segment revenues are derived from contract construction of custom-built housing and related activities through Mitsubishi Estate Home Co., Ltd.



HOTELS SEGMENT



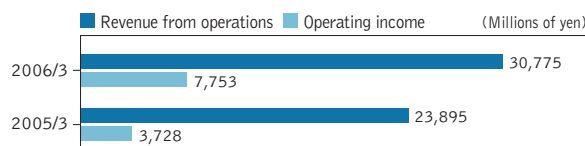
Hotels segment revenues are derived from the operation of Royal Park Hotels.



REAL ESTATE SERVICES SEGMENT

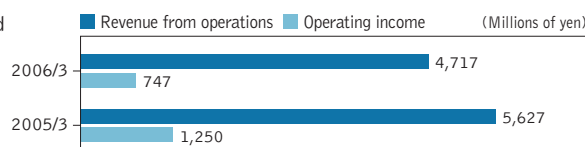


Real Estate Services segment revenues are derived from real estate brokerage and related services through Mitsubishi Real Estate Services Co., Ltd.

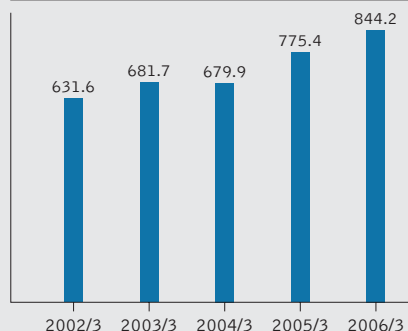


OTHER SEGMENT

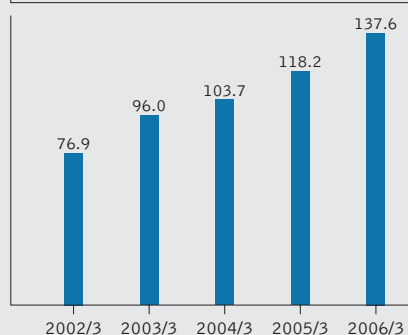
Other segment revenues are derived from related operations other than the aforementioned.



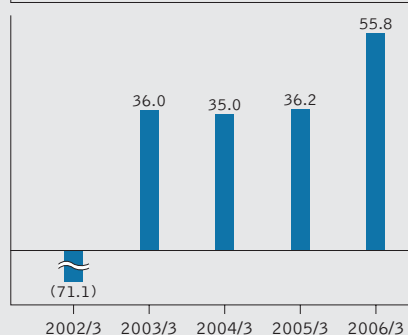
Revenue from Operations (Billions of yen)



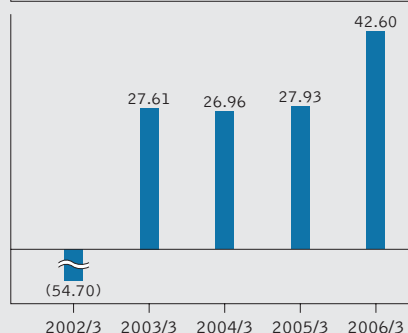
Operating Income (Billions of yen)



Net Income (Loss) (Billions of yen)



Net Income (Loss) Per Share (Basic) (Yen)



SUMMARY

In the fiscal year ended March 31, 2006, Mitsubishi Estate reported historic highs in each of its major revenue and earnings categories. Revenue from operations increased 8.9% compared with the previous fiscal year. On the earnings front, operating income climbed 16.4%, while net income surged 54.0% year on year.

In the Buildings segment, strong results were fueled by contributions for the full fiscal year mainly from new buildings in connection with the Marunouchi Redevelopment Project. Conditions were also positive in the Residential Development segment, which benefited from an improvement in condominium gross profit margins and the inclusion of Towa Community Service Co., Ltd. in the Company's scope of consolidation, and in the Urban Development & Investment Management segment, which benefited from gains on sales of development properties. Buoyed by positive results, revenue from operations increased for the second year in succession. Operating income climbed for the fourth consecutive year, while net income rose for the second year in a row.

ANALYSIS OF REVENUE

Revenue from operations for the fiscal year ended March 31, 2006 was ¥844,217 million, an increase of ¥68,836 million, or 8.9%, compared with the previous fiscal year. Details of results and operating conditions for each business segment are provided as follows.

In the Buildings segment, despite the impact of a decline in revenue from the closure of existing buildings for reconstruction as part of the Marunouchi Redevelopment Project, results benefited from a drop in vacancy rates and contributions for the full fiscal year from the Marunouchi Kitaguchi Building, which forms a part of Marunouchi OAZO and was completed in September 2004, and the Bank of Tokyo-Mitsubishi UFJ Otemachi Building, which was acquired through a special-purpose company in March 2005. As a result, revenue from segment operations increased ¥25,139 million, or 8.8%, to ¥312,099 million.

On a year-on-year basis, the number of condominiums sold in the Residential Development segment declined by 581 to 2,870. Revenue from segment operations, however, edged up ¥3,747 million, or 1.9%, to ¥204,213 million, due to the inclusion of Towa Community Service Co., Ltd. in the Company's scope of consolidation as a subsidiary company in March 2005, following Mitsubishi Estate's equity participation in TOWA REAL ESTATE DEVELOPMENT CO., LTD.

Results in the Urban Development & Investment Management segment were particularly strong. During the fiscal year under review, Mitsubishi Estate sold Nibancho Garden, a building completed in April 2004, to an investor. Construction of the OSAKI FRONT TOWER was completed in June 2005, with construction revenues recorded accordingly. As a result, revenue from operations jumped substantially, rising ¥25,665 million, or 298.1%, to ¥34,274 million.

Focusing mainly on the robust real estate markets in Europe and the United States, revenue from Mitsubishi Estate's International Business segment rose ¥10,038 million, or 5.5%, to ¥193,223 million. This was primarily attributed to the increase in real estate brokerage fees at Cushman & Wakefield, Inc., and fee income growth at real estate investment advisory company CommonWealth Partners, LLC.

In the Architectural Design & Engineering segment, the increase in the number of completed projects was more than offset by the contraction in project scale. As a result, revenue from operations declined ¥1,756 million, or 9.3%, to ¥17,103 million.

Despite a year-on-year drop in the number of orders reflecting the rationalization of sales offices, revenue from operations in the Custom-Built Housing segment increased ¥4,020 million, or 10.7%, to ¥41,477 million, buoyed by efforts to promote product differentiation through enhanced features such as Aerotech, a 24-hour central heating, cooling and ventilation system.

In the Hotels segment, accommodation results were strong across the board. The segment received robust contributions from the Royal Park Inn Nagoya, reflecting significant demand during the 2005 World Exposition held in Aichi, and the Royal Park Shiodome Tower, which is in its third year of operation. Accounting for these factors, revenue from operations edged up ¥288 million, or 0.9%, to ¥32,399 million.

Conditions surrounding the Real Estate Services segment were bullish, driven by vigorous demand from domestic and overseas funds as well as real estate investment trusts. In addition to an upswing in real estate brokerage fees, sales agency revenue and earnings grew significantly due to the increase in properties sold and changes to accounting policies. As a result, revenue from operations rose ¥6,880 million, or 28.8%, to ¥30,775 million.

Revenue from the Other segment declined ¥909 million, or 16.2%, to ¥4,717 million.

ANALYSIS OF INCOME

Compared with the previous fiscal year, operating income increased ¥19,380 million, or 16.4%, to ¥137,614 million.

Operating income in the Buildings segment climbed 6.8% due to a drop in vacancy rates and the full fiscal year contributions from buildings completed during the fiscal year ended March 31, 2005. In addition, operating income in the Residential Development segment surged 33.9%, resulting from the improvement in gross profit margins, and jumped 259.1% in the Urban Development & Investment Management segment, owing to the sale of development properties. On a year-on-year basis, operating income in the International Business segment fell 12.3%, reflecting the absence of gains on sales of buildings reported in the previous fiscal year. Operating income in each of the Architectural Design & Engineering, Custom-Built Housing, Hotels and Real Estate Services segments also improved.

OTHER INCOME (EXPENSES)

In the fiscal year under review, other income (expenses) amounted to net other expenses of ¥29,701 million, an improvement of ¥12,599 million compared to the previous fiscal year. This was mainly due to increases in interest and dividend income as well as equity in earnings of unconsolidated subsidiaries and affiliates. Other, net expenses slightly declined by ¥1,743 million to ¥19,169 million.

Mitsubishi Estate recorded a gain on sales of fixed assets totaling ¥57,823 million. This was more than offset by impairment loss of ¥35,321 million, loss on valuation of inventories totaling ¥27,639 million, loss on soil solution related countermeasures of ¥4,859 million and loss on sales of beneficial interest in trust of fixed assets of ¥3,327 million.

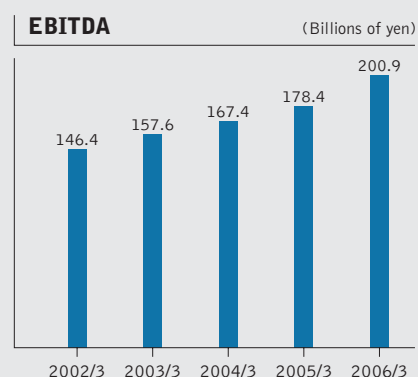
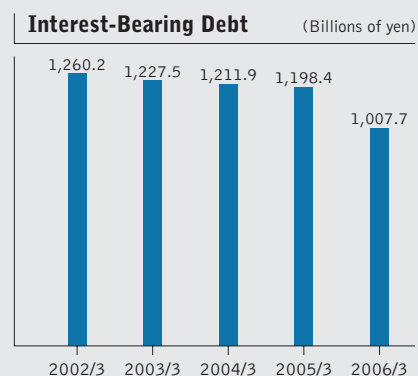
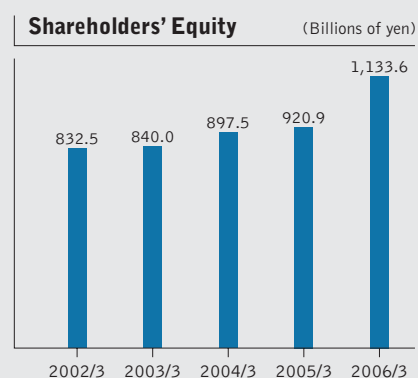
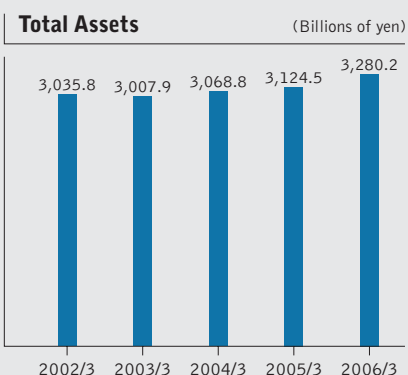
NET INCOME

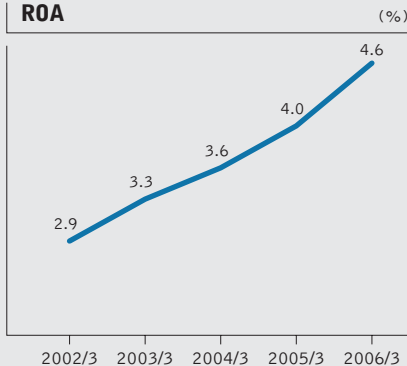
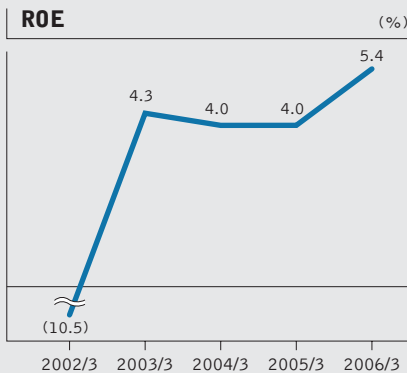
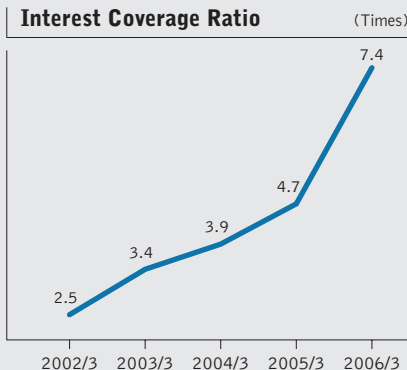
Compared with the previous fiscal term, income before income taxes and minority interests increased ¥31,979 million, or 42.1%, to ¥107,913 million. Net income in the fiscal year under review rose ¥19,579 million, or 54.0%, to ¥55,825 million, and net income per share was ¥42.60.

ANALYSIS OF FINANCIAL POSITION

(1) Consolidated Cash Flows

On a consolidated basis, cash and cash equivalents (hereafter "cash") at the end of the fiscal year under review rose ¥69,766 million to ¥167,090 million. The main sources of cash were income before income taxes and minority interests, depreciation and amortization, proceeds from sales of property and equipment, proceeds from issuance of corporate bonds and increase in long-term borrowings. The main uses of cash were purchases of property and equipment, repayment of corporate bonds and repayment of long-term borrowings.



ROA**ROE****Interest Coverage Ratio****Cash Flows from Operating Activities**

Net cash provided by operating activities was ¥169,744 million, up ¥80,844 million compared with the previous fiscal year. In the period under review, income before income taxes and minority interests of ¥107,913 million and non-cash items such as depreciation and amortization of ¥53,655 million were recorded. In addition, Mitsubishi Estate reported increases in inventories and notes and accounts payable and a decrease in notes and accounts receivable.

Cash Flows from Investing Activities

In the fiscal year under review, net cash provided by investing activities was ¥29,883 million, a turnaround of ¥122,292 million. This is mainly attributed to proceeds from sales of property and equipment.

Cash Flows from Financing Activities

Net cash used in financing activities totaled ¥132,463 million, an increase of ¥98,978 million. While Mitsubishi Estate received cash from the increase in long-term borrowings and the issuance of corporate bonds, this was more than offset by outflows attributed to the repayment of both long-term borrowings and corporate bonds.

(2) Consolidated Balance Sheets

Compared with the previous fiscal year-end, total assets increased ¥155,695 million to ¥3,280,209 million as a result of the operating, investing and financing activities previously mentioned.

Total liabilities, when compared with the previous fiscal year-end, declined ¥54,412 million to ¥2,113,868 million. Minority interests decreased ¥2,585 million to ¥32,717 million. Total shareholders' equity increased ¥212,693 million to ¥1,133,623 million, mainly attributable to increases in the land revaluation reserve and unrealized holding gain on securities.

Management Initiatives and Financial Strategies

In its new three-year Medium-Term Management Plan (April 1, 2005 through March 31, 2008), the Company set a goal for earnings before interest, taxes, depreciation and amortization (EBITDA) of ¥200 billion, to be achieved by the final fiscal year of the Plan, the fiscal year ending March 31, 2008. Against this target, EBITDA for the fiscal year under review was ¥200.9 billion. Accordingly, Mitsubishi Estate achieved its goal two years in advance. Looking to the future, Mitsubishi Estate will continue to position EBITDA as a core component of its management policies. To this end, the Company has formulated the fundamental strategies of rebuilding a dynamic and flexible management structure, securing an optimal business portfolio, improving its asset portfolio, and strengthening its development-based real estate solutions capabilities.

Recognizing the long-term nature of cash flows in its mainstay Building Business operations, Mitsubishi Estate has adopted a financial strategy based on stable interest rate long-term funds procurement. At the present time, Mitsubishi Estate is taking advantage of favorably low interest rates through the issue of long-term corporate bonds with maturity dates of more than 10 years. Under its Medium-Term Management Plan, Mitsubishi Estate has identified the goal to maintain the net balance of interest-bearing debt as of March 31, 2008 to within five times of EBITDA. As a result of the repayment of liabilities and the conversion of convertible bonds to common stock, the balance of interest-bearing debt as of March 31, 2006 stood at ¥1,007.7 billion. Deducting cash on hand and marketable securities, the net balance of interest-bearing debt as of the fiscal year-end was ¥840.6 billion, clearing the aforementioned target ratio to EBITDA.