

MITSUBISHI ESTATE CO., LTD.

ANNUAL REPORT  
2007





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# A Love for People A Love for the City

—Forever Taking on New Challenges—The Mitsubishi Estate Group



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.

## TO OUR SHAREHOLDERS



*Keiji Kimura*

Keiji Kimura, President & CEO

Mitsubishi Estate's earnings are steadily growing in the midst of continuing brisk activity in the real estate market. From this point forward, we will pursue even greater management efficiency and stronger earning capacity to increase corporate value. Furthermore, we have created a brand slogan and brand statement that express the direction of the Mitsubishi Estate Group's vision and our promise to all of our stakeholders. Guided by this slogan and statement, we will continue our efforts with an eye toward further growth.

## FINANCIAL RESULTS

### A Year of Record Results

During the fiscal year ended March 31, 2007, 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 ¥947,641 million, an increase of 12.3% from the previous fiscal year. Operating income also climbed 20.7% year on year to ¥166,165 million. Supporting these results were a full period’s contribution from new buildings in the Building Business; capital gains from the reshuffling of assets, as well as higher condominium sales in the Residential Business; and capital gains from the sale of large development properties in the Urban Development & Investment Management business. Collectively, these factors were the principal cause for the increase in revenues and earnings. In the fiscal year under review, Mitsubishi Estate recorded a gain on the sale of shares of affiliated company Cushman & Wakefield, a Rockefeller Group subsidiary, exceeding the loss related to the retirement of fixed assets associated with building demolition as part of the Marunouchi Redevelopment Project. As a result of the above factors, net income for the period under review surged 74.9% to ¥97,662 million.

## OPERATING ENVIRONMENT

### Continued Strong Real Estate Market

In the office building leasing market, there is an increasing shortage of space resulting from office relocations to prime facilities due to a stronger economy and burgeoning demand. In central Tokyo, with vacancy rates at below 3%, demand is especially tight for large office building space in prime locations. The supply of new office buildings in Japan temporarily increased from the previous year through the current year, but as tenants have already leased a majority of the available space, the outlook is for continued tight demand and rising rental rates, especially in central Tokyo.

In the residential market, condominium supply in the Tokyo Metropolitan area dropped below 80,000 units for the first time in

eight years, due to postponement of sales by owners in an environment marked by rising prices and intensifying competition for land acquisition. Meanwhile, despite such concerns as rising interest rates, with a continuing population influx into large metropolitan areas, especially Tokyo, demand remains brisk. In the wake of rising land acquisition and construction costs, the outlook is for sales prices to trend upward. However, whether sales of condominiums will be favorable or not based on location and product planning should become clearer as we move ahead.

In the real estate investment market, with a low-interest rate policy triggering an inflow of investment funds, competition for the acquisition of property intensified with real estate prices for some properties rising sharply, resulting in an accelerating increase in land prices primarily in Japan’s three major metropolitan areas. Land prices of prime real estate in urban centers that has become more profitable as a result of redevelopment are rising at a rapid rate. While the impact of interest rates bears watching, higher rental rates are expected to boost profitability and real estate prices in urban centers are likely to firm up.

Consequently, the Mitsubishi Estate Group has continued to respond quickly and unerringly to business environment and market changes, as it enhances management efficiency, improves earnings power and takes steps to raise corporate value.

## BUSINESS STRATEGIES

### Maintaining Balance between Asset Development Businesses that Have Holding Strategies with those that Have Exit Strategies

With development as its core, the Mitsubishi Estate Group will strike a good balance between its “develop and hold” business, which involves increasing cash flow (income gains) and raising asset value while maintaining its holdings, and its “develop and exit” business, which involves leveraging real estate securitization and non-recourse loans and increasing capital gains through property sales. This strategy will then serve as our growth engine.

## Financial Highlights

Years ended March 31						Thousands of U.S. dollars	
	2002	2003	2004	2005	2006	Millions of yen	2007
Revenue from operations	¥ 631,564	¥ 681,726	¥ 679,918	¥ 775,381	¥ 844,217	¥ 947,641	\$ 7,956,016
Net income (loss)	(71,058)	36,039	34,989	36,245	55,825	97,662	819,937
As a percentage of revenue from operations	(11.3)%	5.3%	5.1%	4.7%	6.6%	10.3%	—
As a percentage of total equity	(10.5)%	4.3%	4.0%	4.0%	5.4%	8.3%	—
Total assets	3,035,795	3,007,927	3,068,842	3,124,514	3,280,209	3,447,272	28,941,922
Total equity	832,497	839,953	897,499	920,930	1,133,623	1,225,644	10,290,018
Common stock	86,534	86,534	86,534	86,534	129,736	136,534	1,146,286
Per share amounts:						Yen	U.S. dollars
Net income (loss)	¥ (54.70)	¥ 27.61	¥ 26.96	¥ 27.93	¥ 42.60	¥ 70.95	\$ 0.59
Cash dividends applicable to the year	8.00	8.00	8.00	8.00	10.00	14.00	0.11

Notes: 1. Yen amounts shown are translated into U.S. dollars, solely for convenience, at the prevailing exchange rate on March 31, 2007, of ¥119.11 to US\$1.00.  
2. Total equity is calculated by deducting minority interests and stock acquisition rights from total net assets.

The Building Business will push ahead with the Marunouchi Redevelopment Project, the centerpiece of its portfolio, and boost the amount of cash flow that the entire area generates by creating synergistic effects from more floor space devoted to sales and higher rents, thereby raising the asset value of holdings. In addition, to raise asset efficiency, we will improve the quality of our portfolio by reshuffling non-core assets and reinvesting in highly profitable properties with high-growth potential. As future areas of growth, we will integrate and thereby strengthen the development, administration and management of the shopping center business, and take steps to expand our business foundation with projects outside the Marunouchi area as well.

In the Residential Business, Mitsubishi Estate will continue to focus on the Tokyo Metropolitan area and supply annually an estimated 3,500 condominiums of high quality and reliability, a hallmark of the Company, emphasizing a location-based strategy and product planning. In March 2005, Mitsubishi Estate formed a strategic partnership with and took an equity stake in TOWA REAL ESTATE DEVELOPMENT CO., LTD. This complementary relationship has the advantage of providing customer targets and supply areas that can be leveraged with the aim of increasing earnings while sharing know-how.

In the Urban Development & Investment Management business, we see the asset-utilization needs of customers that own real estate as a business opportunity and are aggressively expanding the development business, which puts to use the real estate value creation know-how of Mitsubishi Estate. At the same time, as we take steps to diversify methods of development, such as through value-added investments that increase real estate value, we are investing more in the development of income-generating real estate with a focus on exit strategies. Moreover, in response to the expanding real estate development market, we will aggressively develop the real estate investment advisory business and strive to produce synergies together with income-generating real estate exit

strategies.

In the International Business, with real estate investment funds increasingly in search of global opportunities, the proceeds from the previous fiscal year's sale of shares in Cushman & Wakefield will be invested in the growth of the development and real estate advisory businesses, in an attempt to manage market and country risks as we take steps to expand business globally.

In addition, we will aggressively expand proposal-based marketing throughout the entire Group, focusing primarily on the Real Estate Consulting & Solution Department, a strategic marketing structure within the Group, with the aim of increasing business opportunities. At the same time, we will fortify our property management and leasing businesses, which are essential to a stronger development business, as well as our corporate brokerage and advisory service businesses, which handle real estate liquidity needs. By so doing, the overall real estate solution capability of the entire Mitsubishi Estate Group will increase in a strategic way.

## STRENGTHENING THE CORPORATE BRAND

Listening Carefully to Every Customer and Challenging New Horizons in Value Creation

Based on integrity, open mindedness and teamwork, and acting in a humane spirit of honesty, humility and thoughtful consideration for all, we of the Mitsubishi Estate Group will always maintain an open mind and cooperative spirit and respond to the expectations of every stakeholder, including customers and shareholders.

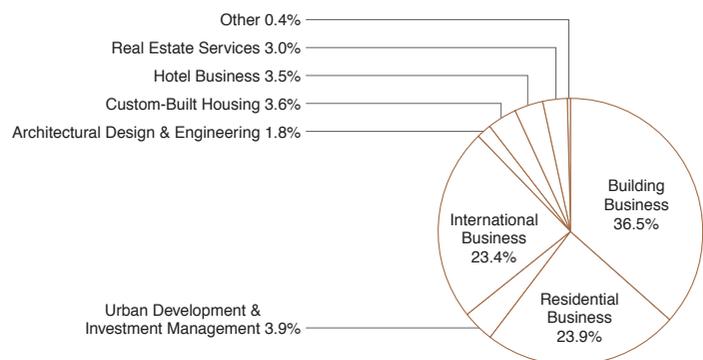
To reinforce the competitive position of the Mitsubishi Estate Group as a whole, we have started taking steps to strengthen the corporate brand. As an expression of the corporate direction that we have set our sights on and the promise to our stakeholders, the Mitsubishi Estate Group has drawn up a clearly stated brand slogan and brand statement.

September 2007

### Medium-Term Management Plan "FF2007"



### Revenue Share by Segment



## Brand Slogan

# A Love for People A Love for the City

—Forever Taking on New Challenges—The Mitsubishi Estate Group

## Brand Statement

Our wish is to provide people who live in, work in and visit the city with enriching and fulfilling lives, full of stimulating opportunities to meet.

The Mitsubishi Estate Group has always pursued the genuine value sought by people in the environments and services it provides. With an eye to the future, we carefully listen to each and every customer, and create the true value they seek.

We wish to share with our customers the inspiration and passion we derive from our work. We will constantly take on new challenges to achieve this vision, and through it, we will continuously evolve.

This aspiration will always drive our growth.

### The Use of “Love” in our Brand Slogan

#### A Love for People

“People” in this instance refers to all the stakeholders of the Mitsubishi Estate Group, including customers and Group employees, and people who live in, work in and visit the city. How can we delight each and every one of them? How can we make them happy? How can we inspire their dreams and passion? We at Mitsubishi Estate approach our work every day in constant pursuit of answers to these questions. Each and every Group member involved in urban development contributes to creating a work environment where dreams and passion can be shared through the work they do. “A love for people” is a phrase that expresses this attitude and intent.

#### A Love for the City

The Mitsubishi Estate Group’s business domain encompasses everything associated with the city. When we think of the word “city,” we feel a deep appreciation of history and tradition, and our hearts overflow with the sense of pride and mission that we hold as members of the Mitsubishi Estate Group. The city is our “stage,” and upon this stage we create new value and create urban designs that harmonize with the environment. This is our contribution to society. The phrase “A love for the city” evinces the sentiments and determination behind our work.

#### A Genuine Love

Every day, we conscientiously ask ourselves: “What is the real value that customers seek?” By continuously creating new value in the city, we share our dreams and passion. As a result, we win the trust of our customers. “A genuine love captures the attitude of each and every one of our employees who are diligently working to create value and taking on new challenges.

#### New Challenges

In order to create new value and share with customers our dreams and passion, we must aggressively take on new challenges unconstrained by convention and precedent. The real risk lies in not changing. “New Challenges” reflects our strong commitment to continually reinventing ourselves and forever taking on new challenges with the goal of reinforcing the position of the Mitsubishi Estate Group as the most trusted and preferred real estate developer by customers.