Financial Results

In the fiscal year ended March 31, 2008, Mitsubishi Estate Co., Ltd. recorded revenue from operations totaling ¥787,652 million, a decrease of 16.9% compared with the previous fiscal year. This year-on-year decline was mainly attributed to a drop in the number of condominiums sold in the Residential Business segment, the sale of a consolidated subsidiary in the International Business segment in the fiscal year ended March 31, 2007 and the reactionary decline in revenue following the sale of a large-scale development property in the Urban Development & Investment Management segment, also in the fiscal year ended March 31, 2007. Operating income, on the other hand, climbed 7.1% year on year to ¥177,983 million. This was primarily attributable to contributions from the Building Business segment, particularly the Shin-Marunouchi Building, completed in April 2007, The Peninsula Tokyo, which opened in September 2007, revisions to existing building rental rates, and the sales of properties in the International Business segment.

Ordinary income rose 6.8% compared with the previous fiscal year to ¥162,061 million. In the fiscal year under review, Mitsubishi Estate recorded extraordinary gains on sales of shares of affiliated companies, sales of beneficial interest in trust of fixed assets and sales of investment securities and incurred extraordinary losses on valuation of investment securities and inventories as well as impairment loss. As a result, net income contracted 11.0% compared with the previous fiscal year to ¥86,963 million.

Operating Environment

The office building leasing market is increasingly characterized by tight conditions resulting from relocations to larger premises due to the general economic recovery and burgeoning demand for floor space. This is particularly true for the five central wards of Tokyo where vacancy rates remain low and rental rates continue to hover at high levels.

Looking ahead, the supply of new office space in 2008 across the five central wards of Tokyo is expected to fall substantially compared with the previous year. With underlying corporate sector demand for large-scale buildings anticipated to remain firm, continued tight demand and supply conditions are forecast.

In the residential market, the supply of condominiums in the Tokyo Metropolitan area in 2007 fell to around 60,000 units, 18% lower than 2006 and the second consecutive year of substantial decline. One reason for this downturn is the slump in sales of certain suburban properties reflecting increases in land and construction costs and ultimately higher sales prices. In addition, revisions to the Building Standards Law in 2007 are thought to have contributed to delays in housing starts. While sales prices of newly constructed condominiums in large metropolitan areas continue to hover at high levels, the market is beginning to definitely recognize the relative merits of property location, convenience and price. Amid signs that housing starts are emerging from a period of inactivity, the market continues to adopt a cautious approach reflecting concerns in connection with the timing of supply and construction completion.

In the real estate investment market, transaction prices remained high in certain areas as competition for the acquisition of properties continued to intensify. Impacted by subprime loan and other issues, however, signs began to emerge of an investment slowdown by certain funds and institutional investors from the second half of 2007. While investment needs for prime properties are expected to remain high, we recognize the growing uncertainty that surrounds the future of the real estate investment market and the need to pay close attention to ongoing trends.

Under these circumstances, the Mitsubishi Estate Group will endeavor to respond appropriately to changes in its operating and market environments as it strives to enhance management efficiency, earnings power and corporate value.

Financial Highlights

Years ended March 31

	2003	2004	2005	2006	2007	2008 (Millions of yen)	2008 (Thousands of U.S. dollars)
Revenue from operations	¥ 681,726	¥ 679,918	¥ 775,381	¥ 844,217	¥ 947,641	**¥ 787,652**	**$ 7,861,588**
Net income	36,039	34,989	36,245	55,825	97,662	**86,963**	**867,989**
As a percentage of revenue from operations	5.3%	5.1%	4.7%	6.6%	10.3%	**11.0%**	**—**
As a percentage of total equity	4.3%	4.0%	4.0%	5.4%	8.3%	**7.1%**	**—**
Total assets	3,007,927	3,068,842	3,124,514	3,280,209	3,447,272	**4,327,137**	**43,189,317**
Total equity	839,953	897,499	920,930	1,133,623	1,225,644	**1,238,889**	**12,365,397**
Common stock	86,534	86,534	86,534	129,736	136,534	**136,534**	**1,362,752**
Per share amounts:						Yen	U.S. dollars
Net income	¥ 27.61	¥ 26.96	¥ 27.93	¥ 42.60	¥ 70.95	**¥ 62.99**	**$ 0.62**
Cash dividends applicable to the year	8.00	8.00	8.00	10.00	14.00	**16.00**	**0.15**

Notes: 1. Yen amounts shown are translated into U.S. dollars, solely for convenience, at the prevailing exchange rate on March 31, 2007, of ¥100.19 to US$1.00.
2. Total equity is calculated by deducting minority interests and stock acquisition rights from total net assets.

The New Medium-Term Management Plan "Action 2010"

The previous Medium-Term Management Plan, which covered the period from April 1, 2005 to March 31, 2008, had as its basic objectives the cultivation of capabilities for real estate value creation with "development" at the heart of business operations, and securing a leading position (building a foundation for the future) in the industry as a real estate company for the new era. Mitsubishi Estate has taken steps to build a foundation for future medium- to long-term growth by reinforcing, in particular, its development, real estate services and proposal-based marketing capabilities. Building on this foundation, and to position the Group for its next leap forward, Mitsubishi Estate formulated "Action 2010," its New Medium-Term Management Plan, covering the three-year period from April 1, 2008 to March 31, 2011. In formulating the plan, Mitsubishi Estate took into consideration the following four trends in its operating environment.

- **Globalization:** Globalization of real estate investors (funds), users and competition
- **Securitization of real estate:** Growth in asset management needs such as pensions, government funds, etc., and diversification of real estate players
- **Acceleration of the pace of informatization:** Due to IT innovations, accelerating speed and greater degree of change in markets, etc.
- **Harmonious environmental co-existence:** Increasing global awareness of the need to tackle environmental problems

Building on the aforementioned results achieved under the previous medium-term management plan, and in light of its stance toward the Mitsubishi Estate corporate brand, as well as changes in its business environment, the Mitsubishi Estate Group is aggressively promoting its action plan as it strides toward the following future vision.

Mitsubishi Estate's Future Vision under its New Medium-Term Management Plan

To become "a global real estate solutions provider — development as a core driver"

In its efforts to establish individual action themes aimed at achieving its future vision, Mitsubishi Estate has classified its business activities into four core domains taking into consideration the attributes and environment of each business.

1st Domain	Real Estate Holding	This domain obtains rental revenues (income gain) from real estate
2nd Domain	Real Estate Development and Investment	This domain obtains capital gains from real estate
3rd Domain	Real Estate Investment Management	This domain provides management services to investors and obtains a fee income
4th Domain	Real Estate Services	This domain provides fee-based services to customers involved in real estate

Through to the present day, Mitsubishi Estate has continued to focus its business presence and management resources on the Real Estate Holding (1st Domain) and the Real Estate Development and Investment (2nd Domain). In light of recent customer and market structural changes surrounding the Mitsubishi Estate Group, it has sought to increase the emphasis placed on the Real Estate Investment Management (3rd Domain) and the Real Estate Services (4th Domain) and each domain's involvement in future Mitsubishi Estate visions from both the medium- and long-term perspectives.

Practical Action Items for Each Business Domain

1st Domain: The Real Estate Holding

Maximize Asset Value Held in Marunouchi and Other Locations

Reinforce asset management (AM) capabilities and improve cash flow gained from assets, promote high investment efficiency redevelopment and maximize the value of assets held, especially those in Marunouchi.

As a part of the aforementioned activities, organizationally differentiate property management (PM) and leasing functions from the AM function, further reinforcing capabilities in each.

2nd Domain: The Real Estate Development and Investment

Further Reinforce Development and Risk Management Capabilities

Secure and hold an advantage in the diversity of development offerings, including type, means and duration, and invest broadly in the development segment.

While reinforcing development capabilities, accurately assess the development investment fund portfolio and develop risk management capabilities.

Promote collaboration with TOWA REAL ESTATE DEVELOPMENT CO., LTD. and improve development capabilities as a group.

3rd Domain: The Real Estate Investment Management

Build a Global Platform

Play a leading role in promoting the flow of funds to the real estate sector and securing a position for the real estate category within fund management activities.

In identifying opportunities for the allocation of funds to the real estate sector, build a variety of networks that can be deployed in major cities overseas, and build a global real estate investment management platform.

4th Domain: The Real Estate Services

Aim to be a Leading Service Provider that Contributes to Advancing Development Capabilities

Leverage a diverse range of real estate offerings, including brokerage and advisory services, secure a position as the "best partner" and "best player" in the field of providing services to corporations through a stronger capacity to provide diverse solutions for corporate real estate.

As a source of competitive strength, improve the ability to provide real estate services, including PM, leasing, design and administration, in each of the real estate holding, development and investment and investment management segments.

Action Items for Strengthening Domain/ Cross-Sectional Competitiveness

Globalize Each Domain

While seeking to continually increase the value of overseas assets held, position development and investment, investment management and real estate services as growth fields, and over the medium to long term, try to gain 20% profit growth overseas while promoting globalization in phases.

Strengthen Each Domain, Leveraging Development Capabilities

Affirm development capabilities as the source of competitive strength for all domains and seek further reinforcement. At the same time, have the Real Estate Development and Investment domain, which has gained strength as the core of development capabilities, help other domains to grow, and promote the creation of a mechanism for producing synergies in investment management, real estate services, and so forth.

Further Develop Proposal-Based Marketing

Focus on medium- to long-term "Customer Value," and reaffirm the significance of proposal-based marketing, which seeks commercialization by continually promoting solutions to customers, and, as an advantage unique to Mitsubishi Estate, further strengthen this marketing capability.

Management Infrastructure Action Items

Reinforcing Management, People and Organization Infrastructure

Mitsubishi Estate is taking steps to disseminate management policy throughout the Company, foster a corporate culture that promotes a spirit of taking on challenges, positioning "globalization of management and personnel" as its basic policy for infrastructure development and promoting greater management "visibility." Moreover, in each expanding, diversifying and increasingly advancing Group segment, Mitsubishi Estate is working to reinforce and raise awareness of the corporate governance system, including risk management, compliance and internal controls.

Active Measures toward Harmonious Environmental Co-Existence

Mitsubishi Estate is formulating a "Long-Term Environmental Vision" to proactively work toward harmonious environmental co-existence and is further clarifying its stance of actively contributing to society with the view of reducing its environmental impact. In order to realize this "Long-Term Environmental Vision," the Group will formulate and implement an action plan.

Consistent with its previous medium-term management plan, Mitsubishi Estate will continue to enhance corporate value by increasing cash flows, taking into consideration the optimal balance with efforts to secure a sound financial position. From a quantitative perspective, the Group has identified the following key management indicators and targets to be achieved by the final year of "Action 2010."

Management Indicators and Targets

(Fiscal year ending March 31, 2011)

EBITDA*1 (Earnings before interest, taxes, depreciation and amortization):	¥300.0 billion (Actual for the fiscal year ended March 31, 2008: ¥245.9 billion*3)
EBITDA*1/ Total assets	Over 6.5% (Actual for the fiscal year ended March 31, 2008: 6.3%)
Net interest-bearing debt/ EBITDA multiple*2	Under 6 times (Actual for the fiscal year ended March 31, 2008: 5.1 times*4

Underlying Numerical Assumptions

(Actuals for fiscal year ended March 31, 2008)

Revenue from operations	¥1,220.0 billion (¥787.6 billion)
Operating income	¥235.0 billion (¥177.9 billion)
Ordinary income	¥200.0 billion (¥162.0 billion)

Notes:
1. EBITDA = operating income + interest and dividend income + equity in earnings (losses) of unconsolidated subsidiaries and affiliates + depreciation and amortization
2. Net interest-bearing debt = Interest-bearing debt – Cash and cash equivalents
3. In the fiscal year ended March 31, 2008, Mitsubishi Estate surpassed its previous medium-term management plan (April 1, 2005 to March 31, 2008) EBITDA target of ¥200.0 billion
4. Details of companies newly included in Mitsubishi Estate's scope of consolidation as a consolidated subsidiary as of March 31, 2008 have been included in the consolidated balance sheet as of the end of the fiscal year under review. From a statement of income perspective, details of newly consolidated subsidiaries will be included from the fiscal year ending March 31, 2009. Accordingly, for net interest-bearing debt/EBITDA multiple calculation purposes, interest-bearing debt of newly consolidated subsidiaries has been excluded. Furthermore, excluding the impact of anonymous partnership consolidation not included as an underlying assumption at the time the previous medium-term management plan was formulated, the net interest-bearing debt/EBITDA multiple for the fiscal year ended March 31, 2008 was approximately 4.4 times. This figure falls within the management target of under five times for the same fiscal year outlined in the previous medium-term management plan.