Financial and Corporate Data Section

Contents

Revenue from Operations / Operating Income

In the fiscal year ended March 31, 2009, consolidated revenue from operations increased ¥154,973 million, or 19.7%, from the previous fiscal year to ¥942,626 million. Consolidated operating income, however, decreased ¥39,416 million, or 22.1%, year on year to ¥138,567 million. Results for each business segment are as follows.

In the Building Business segment, Mitsubishi Estate enjoyed a year-on-year increase in rental revenue due to contributions from the Shin-Marunouchi Building and new consolidated subsidiaries—namely, Sunshine City Corporation and Tokyo Kotsu Kaikan Co., Ltd.—as well as to the benefit of upward revisions to rental rates applicable to existing buildings. Contracted property management revenue also increased, owing to expanded floor space under contracted management. Meanwhile, repair contract construction revenue declined compared with the previous fiscal year, during which the Company undertook a large number of contract projects relating to the Shin-Marunouchi Building. As of March 31, 2009, the vacancy rate stood at 2.86% for the buildings held by Mitsubishi Estate, compared with 2.06% as of March 31, 2008. Reflecting all of the aforementioned factors, revenue from operations increased ¥26,044 million from the previous fiscal year to ¥406,606 million, and operating income also increased ¥4,714 million year on year to ¥119,204 million.

In the Residential Business segment, Mitsubishi Estate's revenue in the condominium business dropped year on year, attributable to a year-on-year decrease in the number of condominiums sold. However, after including revenue from condominium sales by consolidated subsidiary Towa Real Estate Development Co., Ltd., overall condominium business revenue grew year on year. Other revenue also grew year on year, reflecting the sale of a commercial facility within the Kohoku New Town in Tsuzuki Ward, Yokohama City. As a result, revenue from operations in the Residential Business segment climbed ¥95,136 million year on year to ¥309,039 million. On the earnings front, however, Mitsubishi Estate posted an operating loss totaling ¥15,460 million. Owing to Towa Real Estate Development's operating loss, this represents a year-on-year decrease of ¥39,786 million from the operating income recorded in the previous fiscal year. As a supplementary note, in line with the application of the Accounting Standards for Measurement of Inventories, Mitsubishi Estate included ¥25,776 million in cost of revenue from operations in connection with the write-down of certain inventories that have experienced deterioration in profitability.

In the Urban Development & Investment Management Business segment, a Mitsubishi Estate consolidated subsidiary enjoyed capital gains from the sale of such properties as Trade Pier Odaiba (Minato Ward, Tokyo) and the Shin Fujita Building (Osaka City), while Mitsubishi Estate itself experienced contributions from income gains. As a result, revenue from operations in this segment jumped ¥62,488 million year on year to ¥91,919 million, with operating income also jumping ¥16,640 million to ¥33,504 million.

Foreign-currency-denominated revenue declined for the real estate leasing and development business in the International Business segment compared with the previous fiscal year, during which Mitsubishi Estate sold a performing asset in the state of Oregon, the United States. Yen-denominated revenue also declined, negatively impacted by the significant appreciation of the yen (previous fiscal year: ¥117.85 = US$1.00; fiscal year under review: ¥103.48 = US$1.00). As a result, revenue from operations in this segment slipped ¥24,537 million year on year to ¥47,382 million, while operating income fell ¥15,017 million to ¥12,526 million.

In the Architectural Design & Engineering Business segment, Mitsubishi Jisho Sekkei Inc. recorded increased revenue from operations in connection with the Breeze Tower (Osaka City) and other projects. Accordingly, revenue from operations in this segment rose ¥971 million year on year to ¥20,058 million. However, segment operating income declined ¥146 million to ¥2,178 million, due to deterioration in business profitability. On an additional note, with regard to long-term, large-scale projects, Mitsubishi Estate records revenue in proportion to the percentage of construction completion basis.

Driven by Mitsubishi Estate Home Co., Ltd., the Custom-Built Housing Business segment continued to focus on increasing orders for "Mitsubishi Home" brand homes. Orders actually received for these homes have consequently expanded year on year. During the fiscal year under review, however, the number of sales of custom-built housing and contract work completed declined, while the unit price for these projects increased. As a result, revenue from operations in this segment decreased ¥1,867 million year on year to ¥29,349 million, while operating loss contracted ¥335 million to ¥281 million.

Royal Park Hotels and Resorts Co., Ltd. serves as the core driver in strengthening Mitsubishi Estate's operations in the Hotel Business segment. This consolidated subsidiary operates Royal Park Hotels in Japan. All businesses in this segment, including the accommodation business, experienced deterioration in revenue during the fiscal year under review. As a result, revenue from operations dropped ¥2,387 million year on year to ¥30,775 million. The segment posted ¥19 million in operating loss, representing a worsening of ¥1,381 million from the operating income recorded in the previous fiscal year.

In the Real Estate Services segment, Mitsubishi Real Estate Services Co., Ltd. suffered a decline in revenue in connection with a decrease in the number of home agency sales. Revenue from real estate brokerage services similarly fell due to a decrease in the number and unit price of cases handled. As a result, segment revenue from operations sank ¥4,566 million year on year to ¥23,374 million. The segment recorded ¥445 million in operating loss, a drop of ¥4,554 million from the operating income posted in the previous fiscal year.

Revenue from operations in the Other segment fell ¥1,109 million year on year to ¥3,872 million. Segment operating income also dropped ¥325 million to ¥669 million.

Millions of yen (rounded down)

	2009/3	2008/3	YoY Change
Building Business	406,606	380,562	26,044
Residential Business	309,039	213,903	95,136
Urban Development & Investment Management Business	91,919	29,430	62,488
International Business	47,382	71,920	(24,537)
Architectural Design & Engineering	20,058	19,086	971
Custom-Built Housing	29,349	31,216	(1,867)
Hotel Business	30,775	33,163	(2,387)
Real Estate Services	23,374	27,941	(4,566)
Other	3,872	4,982	(1,109)
Eliminations	(19,752)	(24,554)	4,801
Revenue from Operations	942,626	787,652	154,973
Building Business	119,204	114,490	4,714
Residential Business	(15,460)	24,326	(39,786)
Urban Development & Investment Management Business	33,504	16,863	16,640
International Business	12,526	27,544	(15,017)
Architectural Design & Engineering	2,178	2,324	(146)
Custom-Built Housing	(281)	(616)	335
Hotel Business	(19)	1,362	(1,381)
Real Estate Services	(445)	4,108	(4,554)
Other	669	995	(325)
Eliminations or Corporate	(13,309)	(13,415)	105
Operating Income	138,567	177,983	(39,416)

See accompanying notes to consolidated financial statements.

Revenue from Operations

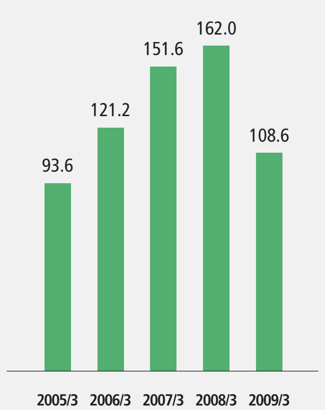
(Billions of yen)

Operating Income

(Billions of yen)

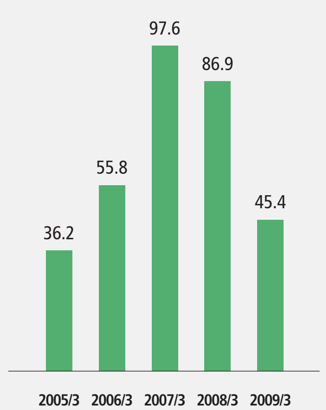
Income before Taxes and Special Items

(Billions of yen)



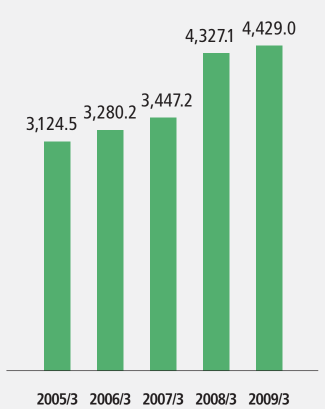
Net Income

(Billions of yen)



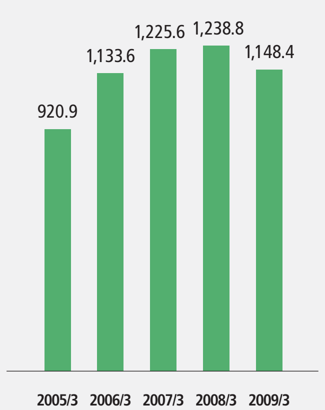
Total Assets

(Billions of yen)



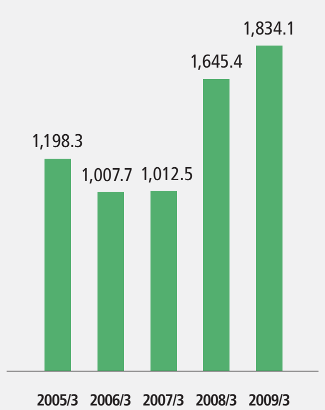
Total Equity

(Billions of yen)



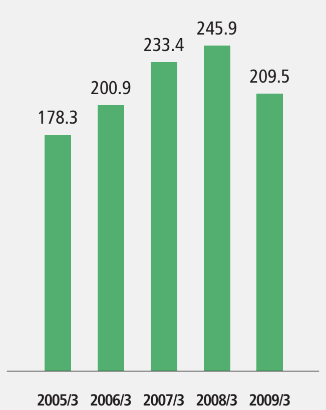
Interest-Bearing Debt

(Billions of yen)



EBITDA

(Billions of yen)



Other Income (Expenses)

Other income declined ¥3,080 million year on year to ¥11,235 million, due to a decrease in interest income and equity in earnings of unconsolidated subsidiaries and affiliates. Other expenses increased ¥10,940 million to ¥41,179 million, mainly owing to a rise in interest expenses.

Turning to extraordinary items, Mitsubishi Estate posted gain on sales of shares of affiliated companies totaling ¥6,283 million. Extraordinary losses amounted to ¥24,902 million. Principal components were loss on valuation of inventories totaling ¥7,375 million, loss on disposal of fixed assets totaling ¥2,562 million, loss on valuation of investment securities totaling ¥7,524 million, impairment loss totaling ¥2,447 million and loss on cancellation of real estate transaction contracts totaling ¥4,991 million.

Net Income

Income before income taxes and minority interests decreased ¥69,658 million, or 43.6%, year on year to ¥90,005 million. Net income edged down ¥41,540 million, or 47.8%, to ¥45,423 million. Net income per share stood at ¥32.90.

Analysis of Financial Position

(1) Consolidated Cash Flow

On a consolidated basis, cash and cash equivalents at the end of the fiscal year under review decreased ¥35,159 million year on year to ¥184,552 million. Major cash inflows included income before income taxes and minority interests, depreciation and amortization, proceeds from issuance of corporate bonds and an increase in long-term borrowings. Major cash outflows included purchases of property and equipment, repayment of corporate bonds and repayment of long-term borrowings.

Cash Flows from Operating Activities

Net cash provided by operating activities stood at ¥45,824 million, an improvement of ¥62,072 million from the net cash used in operating activities during the previous fiscal year. For the fiscal year under review, income before income taxes and minority interests amounted to ¥90,005 million, and such non-cash items as depreciation and amortization totaled ¥60,364 million. These cash inflows were adjusted to reflect movements in notes and accounts receivable, equity investments, notes and accounts payable as well as other items.

Cash Flows from Investing Activities

Net cash used in investing activities amounted to ¥214,500 million, a year-on-year increase of ¥2,293 million. This was attributable to a variety of factors including purchases of property and equipment.

Cash Flows from Financing Activities

Net cash provided by financing activities was ¥141,055 million, a year-on-year decrease of ¥97,886 million. The principal components were an increase in long-term borrowings and proceeds from the issuance of corporate bonds.

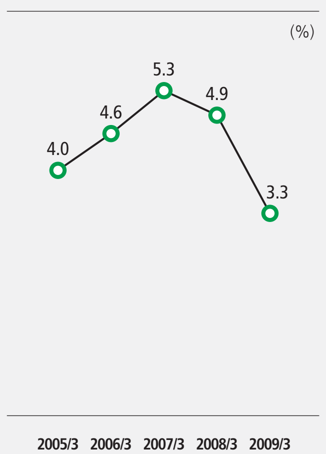
(2) Consolidated Balance Sheets

Compared with the previous fiscal year-end, total assets increased ¥101,933 million to ¥4,429,070 million as a result of the operating, investing and financing activities previously mentioned.

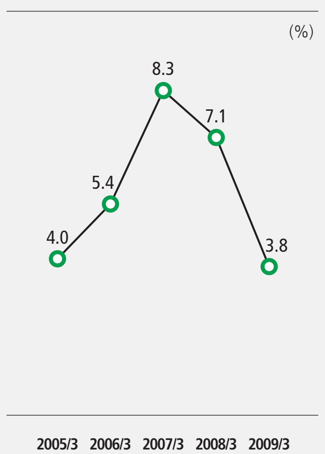
Total liabilities, when compared with the previous fiscal year-end, rose ¥174,515 million to ¥3,154,357 million. The balance of interest-bearing debt as of March 31, 2009 expanded ¥188,788 million from the previous fiscal year-end to ¥1,834,195 million. Deducting cash and cash equivalents, the net balance of interest-bearing debt as of March 31, 2009 increased ¥223,947 million year on year to ¥1,649,642 million.

Net assets shrank ¥72,582 million year on year to ¥1,274,713 million. This was attributable to an expansion of negative foreign currency translation adjustments, which more than offset an increase in retained earnings.

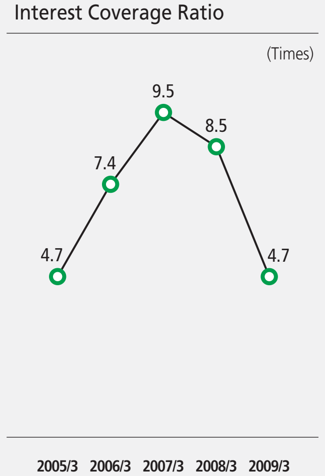
ROA



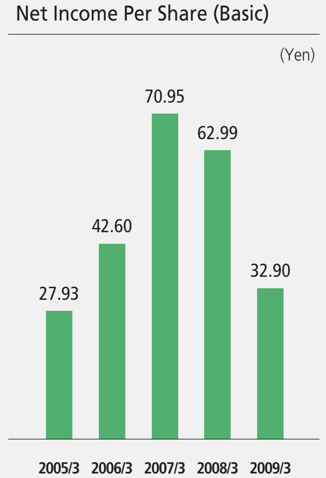
ROE



Interest Coverage Ratio



Net Income Per Share (Basic)



Consolidated Statements of Income

Mitsubishi Estate Co., Ltd. and Consolidated Subsidiaries
Years ended March 31, 2009 and 2008

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2009	2008	2009
Revenue from operations	¥ 942,626	¥ 787,652	$ 9,596,116
Cost of revenue from operations	(728,002)	(551,455)	(7,411,207)
Selling, general and administrative expenses	(76,056)	(58,213)	(774,268)
Operating income	138,567	177,983	1,410,640
Other income (expenses):			
Interest and dividend income	5,768	6,823	58,720
Interest expenses	(31,240)	(22,251)	(318,038)
Equity in earnings of unconsolidated subsidiaries and affiliates	1,558	3,739	15,864
Other, net (Note 14)	(24,647)	(6,631)	(250,915)
	(48,561)	(18,320)	(494,369)
Income before income taxes and minority interests	90,005	159,663	916,271
Income taxes (Notes 1 and 9):			
Current	(34,707)	(52,390)	(353,332)
Deferred	6,606	(9,472)	67,258
	(28,101)	(61,862)	(286,074)
Minority interests	(16,481)	(10,836)	(167,781)
Net income	¥ 45,423	¥ 86,963	$ 462,415

See accompanying notes to consolidated financial statements.

Consolidated Balance Sheets

Mitsubishi Estate Co., Ltd. and Consolidated Subsidiaries
March 31, 2009 and 2008

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2009	2008	2009
Assets			
Current assets:			
Cash (Notes 7 and 15)	¥ 181,168	¥ 186,321	$ 1,844,325
Notes and accounts receivable – trade	28,949	37,063	294,711
Marketable securities (Note 4)	4,442	31,739	45,222
Allowance for doubtful receivables	(402)	(436)	(4,095)
Inventories (Notes 5 and 7)	600,536	602,824	6,113,571
Equity investments (Note 4)	257,879	185,640	2,625,266
Deferred income taxes (Note 9)	43,559	47,053	443,445
Other current assets	59,006	51,179	600,698
Total current assets	1,175,139	1,141,385	11,963,146
Investments:			
Investments in and advances to unconsolidated subsidiaries and affiliates	15,100	17,017	153,723
Investment securities (Notes 4 and 7)	137,354	236,331	1,398,295
Other investments (Note 6)	135,323	143,329	1,377,623
Total investments	287,778	396,678	2,929,641
Property and equipment (Note 7):			
Land	1,632,779	1,564,953	16,622,000
Land in trust	277,425	280,547	2,824,242
Buildings and structures	1,840,117	1,766,921	18,732,743
Machinery and equipment and other	106,956	106,432	1,088,837
Construction in progress	136,344	83,271	1,388,013
	3,993,622	3,802,126	40,655,837
Less accumulated depreciation	(1,123,904)	(1,087,391)	(11,441,563)
Property and equipment, net	2,869,718	2,714,735	29,214,274
Intangible and other assets (Note 7)	96,434	74,339	981,716
Total assets	¥ 4,429,070	¥ 4,327,137	$ 45,088,779

See accompanying notes to consolidated financial statements.

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2009	2008	2009
Liabilities and net assets			
Current liabilities:			
Short-term borrowings and current portion of long-term debt (Note 7)	¥ 406,604	¥ 271,137	$ 4,139,307
Notes and accounts payable – trade	101,450	114,780	1,032,786
Accrued income taxes (Note 9)	20,273	38,372	206,391
Advances and deposits	107,645	87,500	1,095,856
Accrued expenses and other current liabilities	53,623	72,121	545,894
Total current liabilities	689,597	583,913	7,020,235
Long-term debt (Note 7)	1,425,129	1,374,269	14,508,083
Lease deposits received	371,141	359,561	3,778,286
Accrued employees' retirement benefits (Note 8)	14,296	18,083	145,536
Deferred income taxes (Note 9)	539,505	550,194	5,492,267
Goodwill	84,921	67,172	864,520
Other non-current liabilities	29,766	26,646	303,028
Total liabilities	3,154,357	2,979,841	32,111,958
Net assets:			
Shareholders' equity (Note 10):			
Common stock, without par value:			
Authorized – 1,980,000,000 shares;			
Issued – 1,382,518,351 shares in 2009 and 2008	136,534	136,534	1,389,943
Capital surplus	165,216	165,216	1,681,932
Retained earnings	408,775	387,214	4,161,411
Less treasury stock, at cost	(3,715)	(3,440)	(37,827)
Total shareholders' equity	706,810	685,524	7,195,459
Valuation, translation adjustments and others:			
Unrealized holding gain on securities	30,730	89,621	312,839
Deferred gains or losses on hedging instruments	(591)	(357)	(6,024)
Land revaluation reserve	460,009	472,578	4,682,980
Foreign currency translation adjustments	(48,462)	(8,478)	(493,359)
Total valuation, translation adjustments and others	441,684	553,364	4,496,436
Stock acquisition rights	218	142	2,220
Minority interests	125,999	108,264	1,282,703
Contingent liabilities (Note 13)			
Total net assets	1,274,713	1,347,295	12,976,821
Total liabilities and net assets	¥ 4,429,070	¥ 4,327,137	$ 45,088,779

Consolidated Statements of Changes in Net Assets

Mitsubishi Estate Co., Ltd. and Consolidated Subsidiaries
Years ended March 31, 2009 and 2008

	Millions of yen				
	Shareholders' equity				
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance at March 31, 2007	¥136,534	¥165,216	¥324,611	¥(2,965)	¥623,396
Changes in the year:					
Cash dividends paid			(22,089)		(22,089)
Net income			86,963		86,963
Purchase of treasury stock				(870)	(870)
Disposal of treasury stock			(90)	396	305
Land revaluation reserve (Note 1)			(2,180)		(2,180)
Net change in items other than those in shareholders' equity					
Total of changes in the year			62,603	(474)	62,128
Balance at March 31, 2008	136,534	165,216	387,214	(3,440)	685,524
Decrease due to the change of accounting policies for consolidated foreign subsidiaries			(3,860)		(3,860)
Changes in the year:					
Cash dividends paid			(22,088)		(22,088)
Net income			45,423		45,423
Purchase of treasury stock				(649)	(649)
Disposal of treasury stock			(99)	374	274
Land revaluation reserve (Note 1)			2,062		2,062
Changes in consolidated subsidiaries and companies accounted for by the equity method			123		123
Net change in items other than those in shareholders' equity					
Total of changes in the year	0	0	25,421	(275)	25,145
Balance at March 31, 2009	¥136,534	¥165,216	¥408,775	¥(3,715)	¥706,810

	Millions of yen							
	Valuation, translation adjustments and others							
	Unrealized gain on securities	Deferred gains or losses on hedging instruments	Land revaluation reserve	Foreign currency translation adjustments	Total valuation, translation adjustments and others	Stock acquisition rights	Minority interests	Total net assets
Balance at March 31, 2007	¥133,843	¥ 161	¥470,397	¥ (2,154)	¥ 602,247	¥ 79	¥ 35,185	¥1,260,908
Changes in the year:								
Cash dividends paid								(22,089)
Net income								86,963
Purchase of treasury stock								(870)
Disposal of treasury stock								305
Land revaluation reserve (Note 1)								(2,180)
Net change in items other than those in shareholders' equity	(44,222)	(518)	2,180	(6,323)	(48,883)	63	73,079	24,259
Total of changes in the year	(44,222)	(518)	2,180	(6,323)	(48,883)	63	73,079	86,387
Balance at March 31, 2008	89,621	(357)	472,578	(8,478)	553,364	142	108,264	1,347,295
Decrease due to the change of accounting policies for consolidated foreign subsidiaries								(3,860)
Changes in the year:								
Cash dividends paid								(22,088)
Net income								45,423
Purchase of treasury stock								(649)
Disposal of treasury stock								274
Land revaluation reserve (Note 1)								2,062
Changes in consolidated subsidiaries and companies accounted for by the equity method								123
Net change in items other than those in shareholders' equity	(58,891)	(234)	(12,568)	(39,984)	(111,679)	75	17,735	(93,868)
Total of changes in the year	(58,891)	(234)	(12,568)	(39,984)	(111,679)	75	17,735	(68,722)
Balance at March 31, 2009	¥ 30,730	¥(591)	¥460,009	¥(48,462)	¥ 441,684	¥218	¥125,999	¥1,274,713

See accompanying notes to consolidated financial statements.

Consolidated Statements of Changes in Net Assets (continued)

Mitsubishi Estate Co., Ltd. and Consolidated Subsidiaries
Years ended March 31, 2009 and 2008

	Thousands of U.S. dollars (Note 3)				
	Shareholders' equity				
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance at March 31, 2008	$1,389,943	$1,681,932	$3,941,916	$(35,020)	$6,978,771
Decrease due to the change of accounting policies for consolidated foreign subsidiaries			(39,298)		(39,298)
Changes in the year:					
Cash dividends paid			(224,866)		(224,866)
Net income			462,415		462,415
Purchase of treasury stock				(6,614)	(6,614)
Disposal of treasury stock			(1,008)	3,807	2,799
Land revaluation reserve (Note 1)			20,993		20,993
Changes in consolidated subsidiaries and companies accounted for by the equity method			1,259		1,259
Net change in items other than those in shareholders' equity					
Total of changes in the year			258,793	(2,806)	255,986
Balance at March 31, 2009	$1,389,943	$1,681,932	$4,161,411	$(37,827)	$7,195,459

	Thousands of U.S. dollars (Note 3)							
	Valuation, translation adjustments and others							
	Unrealized gain on securities	Deferred gains or losses on hedging instruments	Land revaluation reserve	Foreign currency translation adjustments	Total valuation, translation adjustments and others	Stock acquisition rights	Minority interests	Total net assets
Balance at March 31, 2008	$912,365	$(3,634)	$4,810,934	$(86,311)	$5,633,354	$1,450	$1,102,150	$13,715,727
Decrease due to the change of accounting policies for consolidated foreign subsidiaries								(39,298)
Changes in the year:								
Cash dividends paid								(224,866)
Net income								462,415
Purchase of treasury stock								(6,614)
Disposal of treasury stock								2,799
Land revaluation reserve (Note 1)								20,993
Changes in consolidated subsidiaries and companies accounted for by the equity method								1,259
Net change in items other than those in shareholders' equity	(599,525)	(2,389)	(127,954)	(407,047)	(1,136,917)	769	180,553	(955,594)
Total of changes in the year	(599,525)	(2,389)	(127,954)	(407,047)	(1,136,917)	769	180,553	(699,607)
Balance at March 31, 2009	$ 312,839	$(6,024)	$4,682,980	$(493,359)	$4,496,436	$2,220	$1,282,703	$12,976,821

See accompanying notes to consolidated financial statements.

Consolidated Statements of Cash Flows

Mitsubishi Estate Co., Ltd. and Consolidated Subsidiaries
Years ended March 31, 2009 and 2008

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2009	2008	2009
Cash flows from operating activities			
Income before income taxes and minority interests	¥ 90,005	¥ 159,663	$ 916,271
Depreciation and amortization	60,364	56,867	614,525
Loss on sales or disposal of property and equipment	2,779	1,319	28,299
Gain on sales of beneficial interests in trust of property and equipment	–	(1,737)	–
Gain on sales of securities	(6,473)	(3,950)	(65,903)
Valuation loss on securities	7,532	2,769	76,681
Valuation loss on inventories	7,375	1,458	75,087
Impairment loss	2,447	1,498	24,916
Loss on cancellation of real estate sales contract	4,991	–	50,818
Equity in net income of affiliates	(1,558)	(3,739)	(15,864)
Increase in allowances	2,079	959	21,168
Interest and dividend income	(5,768)	(6,823)	(58,720)
Interest expense	31,240	22,251	318,038
Early repayment of a portion of borrowings	–	1,168	–
Increase in notes and accounts receivable	7,394	(6,452)	75,278
Decrease (increase) in inventories	16,048	(79,102)	163,378
Increase in equity investments	(93,848)	(85,042)	(955,397)
Decrease in notes and accounts payable	(12,655)	(465)	(128,835)
Increase in lease deposits received	6,082	25,538	61,923
Other	7,303	(35,692)	74,348
Subtotal	125,343	50,487	1,276,017
Interest and dividends received	6,330	8,233	64,445
Interest paid	(30,555)	(21,128)	(311,065)
Income taxes paid	(55,293)	(53,840)	(562,896)
Net cash provided by (used in) operating activities	45,824	(16,248)	466,501
Cash flows from investing activities			
Proceeds from sales of marketable securities	142	–	1,453
Proceeds from sales of property and equipment	169	1,157	1,727
Purchases of property and equipment	(196,258)	(270,798)	(1,997,950)
Proceeds from sales of investment securities	8,903	11,448	90,640
Purchases of investment securities	(10,681)	(18,796)	(108,742)
Proceeds from sales of beneficial interests in trust of property and equipment	–	12,095	–
Purchase of investments in subsidiaries resulting in change in scope of consolidation (Note 15)	(12,150)	(8,495)	(123,697)
Proceeds from purchase of investments in subsidiaries resulting in change in scope of consolidation (Note 15)	–	62,134	–
Other (Note 15)	(4,625)	(951)	(47,085)
Net cash used in investing activities	(214,500)	(212,207)	(2,183,655)
Cash flows from financing activities			
Net increase (decrease) in short-term borrowings	81,114	9,700	825,764
Increase in long-term borrowings	267,790	248,925	2,726,155
Repayment of long-term borrowings	(185,047)	(78,410)	(1,883,814)
Proceeds from issuance of corporate bonds	66,649	140,612	678,502
Repayment of corporate bonds	(41,601)	(51,997)	(423,515)
Cash dividends paid	(22,088)	(22,089)	(224,866)
Other	(25,761)	(7,798)	(262,256)
Net cash provided by financing activities	141,055	238,942	1,435,959
Effect of exchange rate changes on cash and cash equivalents	(7,585)	(2,765)	(77,222)
Net (decrease) increase in cash and cash equivalents	(35,206)	7,721	(358,407)
Cash and cash equivalents at beginning of year	219,712	206,089	2,236,711
Increase in cash and cash equivalents arising from mergers and acquisitions	542	5,901	5,526
Cash and cash equivalents of subsidiaries excluded from consideration	(495)	–	(5,046)
Cash and cash equivalents at end of year (Note 15)	¥ 184,552	¥ 219,712	$ 1,878,784

See accompanying notes to consolidated financial statements.

Notes to Consolidated Financial Statements

Mitsubishi Estate Co., Ltd. and Consolidated Subsidiaries
March 31, 2009

1. Significant Accounting Policies

a. Basis of preparation

The accompanying consolidated financial statements of Mitsubishi Estate Co., Ltd. (the "Company") and consolidated subsidiaries are prepared on the basis of accounting principles generally accepted in Japan, which are different in certain respects as to the application and disclosure requirements of International Financial Reporting Standards, and are compiled from the consolidated financial statements prepared by the Company as required by the Financial Instruments and Exchange Law of Japan.

The notes to the consolidated financial statements include information which may not be required under accounting principles generally accepted in Japan but is presented herein as additional information.

As permitted by the Securities and Exchange Law of Japan, amounts of less than one million yen have been rounded off. As a result, the totals shown in the accompanying consolidated financial statements (both in yen and U.S. dollars) do not necessarily agree with the sums of the individual amounts.

Certain amounts in the prior year's financial statements have been reclassified to conform to the current year's presentation.

b. Principles of consolidation

The accompanying consolidated financial statements include the accounts of the Company and the subsidiaries that it controls directly or indirectly. Companies over which the Company exercises significant influence in terms of their operating and financial policies have been included in the consolidated financial statements on an equity basis.

All significant intercompany balances and transactions have been eliminated in consolidation.

c. Use of estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make certain estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. The actual results could differ from those estimates.

d. Foreign currency translation

Current and non-current monetary accounts denominated in foreign currencies are translated into yen at the current rates.

The revenue and expense accounts of the foreign consolidated subsidiaries are translated using the average rate during the year. Except for shareholders' equity, the balance sheet accounts are also translated into yen at the rates of exchange in effect at the balance sheet date. The components of shareholders' equity are translated at their historical exchange rates.

e. Cash equivalents

The Company considers all highly liquid investments that are readily convertible into cash and have an original maturity of three months or less to be cash equivalents. Reconciliation between cash in the balance sheet and cash equivalents at March 31, 2009 and 2008 is presented in Note 15.

f. Marketable securities and investment securities

Securities other than those of subsidiaries and affiliates are classified into three categories: trading, held-to-maturity or other securities. Trading securities are carried at fair value and held-to-maturity securities are carried at amortized cost. Marketable securities classified as other securities are carried at fair value with any changes in unrealized holding gain or loss, net of the applicable income taxes, included directly in shareholders' equity. Non-marketable securities classified as other securities are carried at cost. Cost of securities sold is determined by the moving average method.

g. Inventories

Inventories are mainly stated at cost, determined by the identified cost method. Net book value of inventories in the consolidated balance sheet is written down when their net realizable values decline.

h. Property and equipment, depreciation and impairment

Property and equipment, except for land as discussed below, is stated at cost less accumulated depreciation. Depreciation is calculated principally by the declining-balance method, except for buildings acquired in Japan subsequent to March 31, 1998 and property and equipment of foreign subsidiaries on which depreciation is calculated by the straight-line method at rates determined based on the estimated useful lives of the respective assets. The Company has capitalized the costs incurred for significant renewals and additions; however, costs for maintenance and repairs are charged to income.

As of March 31, 2002, the Company revalued its land at fair value, pursuant to Article 2 of the "Enforcement Ordinance for the Law Concerning Revaluation Reserve for Land" and its amendments. The related unrealized gain, net of applicable income taxes, has been recorded as "Land revaluation reserve" in net assets.

The Company reviews its property and equipment (including land) for impairment whenever events or changes in its business circumstances indicate that the carrying amount of the assets may not be fully recoverable. The Company performs cash flow analyses to determine if an impairment exits. If impairment is determined to exist, any related loss on impairment is calculated based on the cash flow analyses.

The useful lives of property and equipment are summarized as follows:

Buildings and structures	2 to 75 years
Machinery and equipment and other	2 to 35 years

i. Intangible and other assets

Intangible and other assets primarily consist of goodwill and land use rights. Goodwill is stated on the basis of cost and is being amortized over a period of 5 years or an estimated economical period on a straight-line basis. A loss is recognized if the fair value falls below the carrying amount. Land use rights are stated on a cost basis.

j. Retirement benefits

The Company and most consolidated subsidiaries have noncontributory funded and unfunded defined benefit plans covering most of their employees. Employees of the Company and its consolidated subsidiaries are entitled under most employment termination circumstances to annuity payments or lump-sum payments, the amounts of which are determined principally by reference to their basic rates of pay, length of service, and the conditions under which the termination occurs.

Accrued employees' retirement benefits are provided mainly at an amount calculated based on the retirement benefit obligation and the fair value of the pension plan assets as of the balance sheet date, as adjusted for unrecognized actuarial gain or loss and unrecognized prior service cost. The retirement benefit obligation is attributed to each period by the straight-line method over the estimated years of service of the employees.

Actuarial gain and loss are amortized in the year following the year in which the gain or loss is recognized by the straight-line method over the period of the range from 1 year to 15 years which are shorter than the average remaining years of service of the employees.

Prior service cost is being amortized as incurred by the straight-line method over the period of 2 years or 10 years which are shorter than the average remaining years of service of the employees.

k. Income taxes

Deferred tax assets and liabilities are determined based on the financial statements and the tax bases of assets and liabilities, using the enacted tax rates in effect for the year in which the temporary differences are expected to reverse. Deferred tax assets are also recognized for the estimated future tax effects attributable to operating loss carry forwards. Valuation allowances are established to reduce deferred tax assets if it is more likely than not that the some portion or all of the deferred tax assets will not be realized.

l. Derivative financial instruments

The Company and certain of its consolidated subsidiaries utilize derivative financial instruments for the purpose of hedging their exposure to adverse fluctuations and changes in interest rates (interest rate swaps) and foreign exchange rates (currency swaps), but do not enter into such transactions for speculative or trading purposes.

Derivative financial instruments are carried at fair value with any changes in unrealized gain or loss charged or credited to operations, except for those which meet the criteria for deferral hedge accounting under which unrealized gain or loss is deferred as an asset or liability.

m. Revenue recognition

The consolidated statements of income reflect revenue from operations in the following manner:

(a) Revenue from the leasing of office space is recognized as rent accrued over the leasing period.

(b) Revenue from sales of condominiums, residential houses and land is recognized when the units are delivered and accepted by the customers. Revenue from consignment commissions for residential sales earned by the real estate service business segment is recognized at the time of contract conclusion for services provided up to the conclusion and at the time of ownership transfer for services provided up to the transfer.

(c) Revenue from real estate brokerage is recognized when an underlying lease agreement goes into force or the underlying units are delivered.

(d) Revenue from architectural design and engineering business is recognized at the date of completion of each relevant project in the Architectural Design & Engineering Division, except that certain long-term (over one year) projects over ¥500 million in total revenue are recognized by the percentage of completion method.

(e) Revenue from construction contracts is recognized at the date of completion of each relevant project in the Architectural Design & Engineering Division, except that certain long-term (over one year) projects over ¥5,000 million in total revenue are recognized by the percentage of completion method.

(f) Revenue from construction contracts is recognized at the date of completion of each relevant project in divisions other than the Architectural Design & Engineering Division, except that certain long-term (over two years) projects over ¥5,000 million in total revenue are recognized by the percentage of completion method.

(Supplemental information)

Effective April 1, 2008, construction contracts with terms of over two years and total revenue of over ¥5,000 million have been executed in divisions other than the Architectural Design & Engineering Division. In order to fairly present revenue and expenses for such long-term and large-scale construction contracts, revenue are recognized by the percentage of completion method. Consolidated revenue, expenses, operating income and income before income taxes and minority interests accounted by this method are ¥1,360 million ($13,848 thousand), ¥1,282 million ($13,053 thousand), ¥78 million ($794 thousand) and ¥78 million ($794 thousand), respectively, for the fiscal year ended March 31, 2009.

(g) Other operating revenue is recognized on an accrual basis.

n. Appropriation of retained earnings

Under the Corporation Law of Japan, the appropriation of retained earnings with respect to a given financial year is made by resolution of the shareholders at a general meeting held subsequent to the close of such financial year. The accounts for that year do not, therefore, reflect such appropriations. See Note 10 for more information.

2. Changes in Accounting Policy

Accounting Standards for Measurement of Inventories

Until March 31, 2008, inventories are mainly stated at cost, determined by the identified cost method .Effective April 1, 2008, the Company and its domestic subsidiaries and affiliates have adopted "Accounting Standards for Measurement of Inventories" (Financial Accounting Standard No. 9 issued by the Accounting Standards Board of Japan on July 5, 2006) for inventories held for sale in the ordinary course of business. Net book value of inventories in the consolidated balance sheet is written down when their net realizable values decline. As a result of this adoption, consolidated operating income decreased by ¥19,282 million ($196,300 thousand) and consolidated income before income taxes and minority interests decreased by ¥26,658 million ($271,388 thousand), compared with the respective amounts that would have been reported under the previous accounting method. The amount included in the beginning balance of inventories affected by this change in accounting policy was recorded as other expenses (net) in the amount of ¥7,375 million ($75,087 thousand).

Accounting Policies Applied to Foreign Subsidiaries for Consolidated Financial Statement

Effective April 1, 2008, the Company has applied "Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for Consolidated Financial Statement" (Practical Issues Task Force No. 18 issued by the Accounting Standards Board of Japan on May 17, 2006). This adoption had no impact on the consolidated statements of income for the fiscal year ended March 31, 2009.

Accounting Standards for Lease Transactions

Until March 31, 2008, noncancelable leases of the Company and its domestic consolidated subsidiaries are accounted for as operating leases (whether such leases are classified as operating or finance leases) except that lease agreements which stipulate the transfer of ownership of the leased assets to the lessee are accounted for as finance leases. Effective April 1, 2008, the Company and its domestic subsidiaries and affiliates have adopted "Accounting Standards for Lease Transactions" (Financial Accounting Standard No. 13 originally issued by the First Committee of the Business Accounting Council on June 17, 1993 and revised by the Accounting Standards Board of Japan on March 30, 2007) and "Implementation Guidelines for Accounting Standards for Lease Transactions" (Financial Accounting Standard Implementation Guidelines No. 16 originally issued by the Accounting System Committee of the Japanese Institute of Certified Public Accountants on January 18, 1994 and revised by the Accounting Standards Board of Japan on March 30, 2007). With regard to lease transactions where ownership of leased assets does not transfer to the lessee and for which transactions started before March 31, 2008, the Company and its domestic subsidiaries and affiliates treat such leases as operating leases. The effect of the change on the consolidated statement of income for the fiscal year ended March 31, 2009 was immaterial.

Presentation of Goodwill Amortization

Amortization of goodwill and negative goodwill had previously been offset due to immateriality of either the amortization amount of goodwill or negative goodwill. Effective April 1, 2008, amortization of goodwill and negative goodwill are presented separately in the consolidated statement of income due to increased materiality of their amortization amount. As a result of this change, consolidated operating income decreased by ¥1,041 million ($10,607 thousand) for the fiscal year ended March 31, 2009, compared with the amount that would have been reported under the previous presentation method. However, this change had no impact on consolidated income before income taxes and minority interests for the fiscal year ended March 31, 2009.

3. U.S. Dollar Amounts

Translation of yen amounts into U.S. dollar amounts is included solely for convenience, as a matter of arithmetic computation only, at the rate of ¥98.23 = U.S.$1.00, the approximate rate of exchange prevailing on March 31, 2009. The inclusion of such amounts is not intended to imply that yen amounts have been or could be readily converted, realized or settled in U.S. dollars at the above or any other rate.

4. Marketable Securities and Investment Securities

Marketable and investment securities classified as other securities at March 31, 2009 and 2008 are summarized as follows:

	Millions of yen			Thousands of U.S. dollars		
	2009					
	Cost	Fair value	Unrealized gain (loss)	Cost	Fair value	Unrealized gain (loss)
Securities whose fair value exceeds their cost:						
Equity securities	¥51,170	¥102,701	¥51,531	$520,924	$1,045,520	$524,596
Other	5,331	7,682	2,351	54,273	78,210	23,937
Subtotal	56,501	110,384	53,882	575,197	1,123,731	548,534
Securities whose cost exceeds their fair value:						
Equity securities	27,905	25,774	(2,131)	284,087	262,388	(21,698)
Total	¥84,407	¥136,158	¥51,751	$859,284	$1,386,120	$526,835

	Millions of yen		
	2008		
	Cost	Fair value	Unrealized gain (loss)
Securities whose fair value exceeds their cost:			
Equity securities	¥71,157	¥213,864	¥142,707
Other	5,330	11,786	6,456
Subtotal	76,487	225,651	149,164
Securities whose cost exceeds their fair value:			
Equity securities	10,429	9,799	(629)
Total	¥86,917	¥235,451	¥148,534

Proceeds from sales of securities classified as other securities totaled ¥279 million ($2,849 thousand) in 2009 and ¥5,636 million in 2008. Gross realized gain was ¥197 million ($2,009 thousand) in 2009 and ¥1,698 million in 2008, respectively. Gross realized loss was "¥0" in 2009 and ¥3 million in 2008.

Marketable debt securities classified as held-to-maturity securities at March 31, 2009 and 2008 are summarized as follows:

	Millions of yen			Thousands of U.S. dollars		
	2009					
	Amortized cost	Fair value	Unrealized gain (loss)	Amortized cost	Fair value	Unrealized gain (loss)
Debt securities whose fair value exceeds their cost:						
Government bonds	¥ 214	¥ 215	¥ 1	$ 2,178	$ 2,197	$ 18
Corporate bonds	–	–	–	–	–	–
Subtotal	214	215	1	2,178	2,197	18
Debt securities whose cost exceeds their fair value:						
Government bonds	–	–	–	–	–	–
Corporate bonds	1,913	1,905	(8)	19,479	19,403	(86)
Subtotal	1,913	1,905	(8)	19,479	19,403	(86)
Total	¥2,127	¥2,121	¥(6)	$21,658	$21,600	$(67)

	Millions of yen		
	2008		
	Amortized cost	Fair value	Unrealized gain (loss)
Debt securities whose fair value exceeds their cost:			
Government bonds	¥ 64	¥ 65	¥ 1
Corporate bonds	2,418	2,431	13
Subtotal	2,482	2,497	15
Debt securities whose cost exceeds their fair value:			
Government bonds	138	138	(0)
Corporate bonds	2,759	2,759	–
Subtotal	2,898	2,898	(0)
Total	¥5,381	¥5,395	¥15

Marketable and investment securities recorded at cost at March 31, 2009 and 2008 are summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2009	2008	2009
Other securities:			
Nonmarketable equity securities			
(other than equity securities listed on the over-the-counter market)	¥ 6,504	¥ 6,753	$ 66,212
Mutual funds	344	293	3,503
Commercial papers	1,499	6,741	15,264
MMF	16	22,558	169
Investments in silent partnerships	22,935	21,286	233,491
Other	2,758	2,678	28,079
Total	¥34,058	¥60,310	$346,721

The redemption schedule for securities classified as other securities at March 31, 2009 is summarized as follows:

	Millions of yen			Thousands of U.S. dollars		
	Due within one year or less	Due after one year through five years	Due after five years or more	Due within one year or less	Due after one year through five years	Due after five years or more
Bonds:						
Government bonds	¥160	¥ 35	¥ 20	$1,628	$ 356	$ 203
Corporate bonds	177	218	1,517	1,805	2,225	15,448
Other bonds	–	–	–	–	–	–
Total	¥337	¥253	¥1,537	$3,434	$2,582	$15,651

The Company recognized losses on other securities considered temporary amounting to ¥7,120 million ($72,485 thousand) in 2009 and ¥2,760 million in 2008, and on other securities considered other-than-temporary amounting to ¥404 million ($4,112 thousand) in 2009 and ¥8 million in 2008, respectively.

5. Inventories

Inventories at March 31, 2009 and 2008 are summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2009	2008	2009
Real estate for sale	¥198,085	¥303,523	$2,016,543
Land and housing projects in progress	383,352	279,141	3,902,602
Land held for development	8,974	8,742	91,363
Other	10,123	11,418	103,062
Total	¥600,536	¥602,824	$6,113,571

6. Other Investments

Other investments at March 31, 2009 and 2008 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2009	2008	2009
Lease deposits	¥ 88,983	¥ 86,595	$ 905,868
Long-term prepaid expenses and other	46,340	56,733	471,754
Total	¥135,323	¥143,329	$1,377,623

7. Short-Term Borrowings and Long-Term Debt

At March 31, 2009 and 2008, short-term borrowings and the current portion of long-term debt consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2009	2008	2009
Loans, principally from banks	¥139,300	¥ 56,131	$1,418,105
Commercial paper	10,000	10,000	101,801
Current portion of long-term debt	257,303	205,006	2,619,400
Total	¥406,604	¥271,137	$4,139,307

The weighted-average interest rates per annum on short-term borrowings outstanding at March 31, 2009 and 2008 were 1.43% and 1.08%, respectively. Short-term borrowings are principally unsecured.

At March 31, 2009 and 2008, long-term debt consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2009	2008	2009
2.525% unsecured bonds due 2008	–	¥10,000	–
3.1% unsecured bonds due 2008	–	10,000	–
2.12% unsecured bonds due 2009	–	10,000	–
1.82% unsecured bonds due 2009	¥10,000	10,000	$101,801
3.075% unsecured bonds due 2009	10,000	10,000	101,801
2% unsecured bonds due 2009	10,000	10,000	101,801
1.985% unsecured bonds due 2009	10,000	10,000	101,801
0.72% unsecured bonds due 2009	10,000	10,000	101,801
1.9% unsecured bonds due 2010	10,000	10,000	101,801
2.29% unsecured bonds due 2010	10,000	10,000	101,801
1.55% unsecured bonds due 2011	10,000	10,000	101,801
1.44% unsecured bonds due 2011	10,000	10,000	101,801
1.16% unsecured bonds due 2011	10,000	10,000	101,801
1.47% unsecured bonds due 2012	10,000	10,000	101,801
1.58% unsecured bonds due 2012	20,000	20,000	203,603
3.275% unsecured bonds due 2012	10,000	10,000	101,801
2.77 % unsecured bonds due 2012	10,000	10,000	101,801
1.395% unsecured bonds due 2012	10,000	10,000	101,801
1.2% unsecured bonds due 2012	10,000	10,000	101,801
1% unsecured bonds due 2013	10,000	10,000	101,801
0.785% unsecured bonds due 2013	10,000	10,000	101,801
1.675% unsecured bonds due 2014	10,000	10,000	101,801
1.349% unsecured bonds due 2014	10,000	10,000	101,801
1.65% unsecured bonds due 2014	10,000	10,000	101,801
1.75% unsecured bonds due 2014	10,000	10,000	101,801
1.655% unsecured bonds due 2014	10,000	10,000	101,801
1.409% unsecured bonds due 2015	10,000	10,000	101,801
1.295% unsecured bonds due 2015	10,000	10,000	101,801
1.572% unsecured bonds due 2015	10,000	10,000	101,801
1.443% unsecured bounds due 2016	15,000	15,000	152,702
1.985% unsecured bounds due 2016	10,000	10,000	101,801
1.88% unsecured bounds due 2016	10,000	10,000	101,801
1.79% unsecured bonds due 2017	10,000	10,000	101,801
2.045% unsecured bounds due 2017	10,000	10,000	101,801
1.825% unsecured bounds due 2017	10,000	10,000	101,801
3.125% unsecured bonds due 2017	10,000	10,000	101,801
1.77% unsecured bonds due 2017	20,000	20,000	203,603
1.65% unsecured bonds due 2018	10,000	–	101,801
2.005% unsecured bonds due 2018	10,000	–	101,801
3% unsecured bonds due 2018	10,000	10,000	101,801
1.84% unsecured bonds due 2018	15,000	–	152,702
1.72% unsecured bonds due 2018	10,000	–	101,801
1.975% unsecured bonds due 2019	10,000	10,000	101,801
1.805% unsecured bonds due 2019	10,000	10,000	101,801
2.5% unsecured bonds due 2020	10,000	10,000	101,801
2.42% unsecured bonds due 2022	10,000	10,000	101,801
1.50% unsecured bonds due 2022	10,000	10,000	101,801
2.075% unsecured bonds due 2023	10,000	10,000	101,801
2.28% unsecured bonds due 2024	10,000	10,000	101,801
2.305% unsecured bonds due 2027	10,000	10,000	101,801
2.385% unsecured bonds due 2027	10,000	10,000	101,801
2.52% unsecured bonds due 2027	15,000	15,000	152,702
2.425% unsecured bonds due 2027	10,000	10,000	101,801
2.555% unsecured bonds due 2028	10,000	–	101,801
2.9% unsecured bonds due 2032	10,000	10,000	101,801
2.615% unsecured bonds due 2032	10,000	10,000	101,801
2.04% unsecured bonds due 2032	20,000	20,000	203,603
1.72% unsecured bonds due 2033	10,000	10,000	101,801
Floating rate bonds due 2008 (payable in U.S. dollars)	–	13,587	–
Floating rate bonds due 2009 (payable in U.S. dollars)	13,216	–	134,542
Loans from banks and insurance companies:			
Secured	403,640	443,265	4,109,131
Unsecured	670,576	552,423	6,826,596
	1,682,432	1,579,275	17,127,483
Less current portion	(257,303)	(205,006)	(2,619,400)
	¥1,425,129	¥1,374,269	$14,508,083

The aggregate annual maturities of long-term debt subsequent to March 31, 2009 are summarized as follows:

Year ending March 31,	Millions of yen	Thousands of U.S. dollars
2010	¥ 257,303	$ 2,619,400
2011	339,235	3,453,482
2012	230,251	2,344,008
2013	177,826	1,810,303
2014	110,549	1,125,412
2015 and thereafter	567,266	5,774,876
Total	¥1,682,432	$17,127,483

The assets pledged as collateral for short-term borrowings of ¥640 million ($6,515 thousand) and long-term debt of ¥403,640 million ($4,109,131 thousand) at March 31, 2009 were as follows:

	Millions of yen	Thousands of U.S. dollars
Cash	¥ 6,229	$ 63,420
Real estate for sale	2,314	23,563
Land and housing projects in progress	67,975	691,998
Land held for development	583	5,944
Buildings and structures	163,644	1,665,935
Machinery and equipment	5,691	57,940
Land	267,816	2,726,426
Land in trust	276,443	2,814,242
Other property and equipment	1	13
Other intangible assets	27	277
Investment securities	68	692
Total	¥790,796	$8,050,456

As is customary in Japan, collateral must be given if requested by lending institutions under certain circumstances, and banks, in general, have the right to offset cash deposited with them against any debt or obligations payable to a bank which become due in cases of default or certain other specified events. The Company has never received any such requests nor does it expect that any such requests will be made.

8. Pension and Severance Plans

The following table sets forth the funded status of the plans, and the amounts recognized in the consolidated balance sheets at March 31, 2009 and 2008 for the Company's and its consolidated subsidiaries' defined benefit pension plans:

	Millions of yen		Thousands of U.S. dollars
	2009	2008	2009
Retirement benefit obligation	¥(94,714)	¥(93,391)	$(964,216)
Plan assets at fair value	62,832	83,962	639,643
Unfunded retirement benefit obligation	(31,882)	(9,429)	(324,572)
The net retirement benefit obligation at transition of the accounting standards	38	–	391
Unrecognized actuarial loss	27,521	619	280,176
Unrecognized prior service cost	1,099	488	11,189
Net amounts recognized in the consolidated balance sheet	(3,223)	(8,319)	(32,814)
Prepaid pension expenses	11,422	10,134	116,280
Accrued employees' retirement benefits	¥(14,645)	¥(18,453)	$(149,095)

* The accrued employees' retirement benefits recognized by Rockefeller Group, Inc., a consolidated subsidiary, in the amount ¥349 million ($3,559 thousand) was presented in other current liabilities.

The components of expenses related to the pension and severance plans for the years ended March 31, 2009 and 2008 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2009	2008	2009
Service cost	¥ 4,182	¥ 3,836	$ 42,573
Interest cost	2,251	2,209	22,923
Expected return on plan assets	(1,645)	(1,686)	(16,752)
Amortization of net retirement benefit obligation at transition	10	74	110
Other	988	(520)	10,067
Total	¥ 5,787	¥ 3,913	$ 58,922

The assumptions used in accounting for the pension and severance plans for the years ended March 31, 2009 and 2008 were as follows:

	2009	2008
Discount rate	2.0 ~ 6.0%	2.0 ~ 6.0%
Expected rate of return on plan assets	0.5 ~ 7.5%	0.5 ~ 7.5%

9. Income Taxes

Income taxes in Japan applicable to the Company and its domestic consolidated subsidiaries consist of corporation tax, inhabitants' taxes and enterprise tax which, in the aggregate, resulted in statutory tax rates of 40.69% for the years ended March 31, 2009 and 2008. Income taxes of the foreign consolidated subsidiaries are based generally on the tax rates applicable in their countries of incorporation.

The effective tax rates reflected in the consolidated statements of income for the two years ended March 31, 2009 differ from the statutory tax rate for the following reasons:

	2009	2008
Statutory tax rate	40.69%	40.69%
Increase (decrease) in income taxes resulting from:		
Change in valuation allowance	23.02	(1.84)
Different tax rates applied	0.66	1.10
Revenues deductible for income tax purposes	(0.74)	(1.56)
Expenses not deductible for income tax purposes	0.71	0.38
Undistributed earnings of affiliates	(30.66)	5.25
Equity income	(0.57)	(1.14)
Other	(1.89)	(4.13)
Effective tax rates	31.22%	38.75%

The significant components of deferred tax assets and liabilities as of March 31, 2009 and 2008 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2009	2008	2009
Deferred tax assets:			
Net operating loss carry forwards	¥ 20,105	¥ 13,465	$ 204,681
Accrued retirement allowances and pension costs	13,571	14,827	138,159
Valuation loss on inventories	47,651	37,705	485,096
Unrealized loss on property and equipment	53,436	56,527	543,992
Land revaluation reserve	55,109	55,179	561,023
Other	47,314	46,289	481,671
	237,188	223,995	2,414,624
Valuation allowance	(69,505)	(27,541)	(707,577)
Total deferred tax assets	167,683	196,454	1,707,046
Deferred tax liabilities:			
Reserves under Special Taxation Measures Law	(63,802)	(59,373)	(649,519)
Land revaluation reserve	(377,647)	(379,132)	(3,844,525)
Unrealized gain on property and equipment	(180,405)	(141,394)	(1,836,561)
Unrealized gain on securities	(21,800)	(59,069)	(221,934)
Other	(16,053)	(52,469)	(163,427)
Total deferred tax liabilities	(659,709)	(691,439)	(6,715,969)
Net deferred tax liabilities	¥(492,026)	¥(494,984)	$(5,008,922)

10. Shareholders' Equity

The new Corporation Law of Japan (the "Law"), which superseded most of the provisions of the Commercial Code of Japan, went into effect on May 1, 2006. The Law provides that an amount equal to 10% of the amount to be disbursed as distributions of capital surplus (other than the capital reserve) and retained earnings (other than the legal reserve) be transferred to the capital reserve and the legal reserve, respectively, until the sum of the capital reserve and the legal reserve equals 25% of the capital stock account. The capital reserve amounted to ¥165,216 million ($1,681,932 million), and the legal reserve amounted to ¥21,663 million ($220,541 million) at March 31, 2009. Such distributions can be made at any time by resolution of the shareholders, or by the Board of Directors if certain conditions are met, but neither the capital reserve nor the legal reserve is available for distributions.

11. Amounts per Share

	Yen		U.S. dollars
Year ended March 31,	2009	2008	2009
Net income:			
Basic	¥32.90	¥62.99	$0.33
Diluted	32.90	62.97	0.33
Cash dividends applicable to the year	16.00	16.00	0.16

	Yen		U.S. dollars
March 31,	2009	2008	2009
Net assets:	¥832.01	¥897.40	$8.47

Basic net income per share was computed based on the net income available for distribution to shareholders of common stock and the weighted average number of shares of common stock outstanding during the year, and diluted net income per share was computed based on the net income available for distribution to the shareholders and the weighted average number of shares of common stock outstanding during each year after giving effect to the dilutive potential of shares of common stock to be issued upon the exercise of warrants and stock subscription rights.

Amounts per share of net assets are computed based on net assets available for distribution to the shareholders and the number of shares of common stock outstanding at the year end.

Cash dividends per share represent the cash dividends proposed by the Board of Directors as applicable to the respective years together with the interim cash dividends paid.

12. Leases

The following pro forma amounts represent the acquisition costs, accumulated depreciation, accumulated impairment loss and net book value of the leased assets as of March 31, 2009 and 2008, which would have been reflected in the consolidated balance sheets if finance lease accounting had been applied to the finance leases currently accounted for as operating leases:

	Millions of yen				Thousands of U.S. dollars			
	2009							
	Acquisition costs	Accumulated depreciation	Accumulated impairment loss	Net book value	Acquisition costs	Accumulated depreciation	Accumulated impairment loss	Net book value
Buildings and structures	¥18,373	¥ 9,315	¥357	¥ 8,701	$187,047	$ 94,829	$3,638	$ 88,579
Others	6,290	3,807	4	2,478	64,035	38,765	41	25,228
Total	¥24,663	¥13,122	¥361	¥11,179	$251,082	$133,594	$3,680	$113,807

	Millions of yen			
	2008			
	Acquisition costs	Accumulated depreciation	Accumulated impairment loss	Net book value
Buildings and structures	¥15,323	¥4,930	¥141	¥10,251
Others	7,634	3,976	24	3,633
Total	¥22,958	¥8,907	¥165	¥13,884

With regard to the non-ownership transfer finance lease transactions for which transactions started before March 31, 2008, the Company continues to apply a method that conforms to the procedures used for ordinary operating leases.

Lease payments relating to finance leases accounted for as operating leases in the accompanying consolidated financial statements amounted to ¥3,394 million ($34,556 thousand) and ¥3,520 million for the years ended March 31, 2009 and 2008, respectively.

Future minimum lease payments subsequent to March 31, 2009 on noncancelable operating leases and finance leases accounted for as operating leases are summarized as follows:

	Millions of yen		Thousands of U.S. dollars	
Year ending March 31,	Finance leases	Operating leases	Finance leases	Operating leases
2010	¥ 3,491	¥ 2,671	$ 35,541	$ 27,195
2011 and thereafter	8,049	47,747	81,946	486,076
Total	¥11,540	¥50,418	$117,488	$513,271

The Company and its consolidated subsidiaries lease office buildings and commercial properties and earn income on these leases. Future minimum lease income subsequent to March 31, 2009 from noncancelable operating leases is summarized as follows:

Year ending March 31,	Millions of yen	Thousands of U.S. dollars
2010	¥147,730	$1,503,927
2011 and thereafter	552,060	5,620,076
Total	¥699,790	$7,124,004

13. Contingent Liabilities

At March 31, 2009, the Company and its consolidated subsidiaries had the following contingent liabilities:

	Millions of yen	Thousands of U.S. dollars
Guarantees of affiliates' loans from banks	¥ 2,890	$ 29,420
Guarantees of house purchasers' loans from banks and others	64,620	657,851
Other	777	7,918
Total	¥68,286	$695,190

14. Other Income (Expenses)

The components of "Other, net" in "Other income (expenses)" for each of the years ended March 31, 2009 and 2008 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2009	2008	2009
Amortization of negative goodwill	¥ 1,041	–	$ 10,607
Gain on sales of shares of affiliated companies	6,283	¥ 2,255	63,968
Gain on sales of beneficial interest in trust of fixed assets	–	1,737	–
Gain on sales of investment securities	–	1,697	–
Loss on disposal of fixed assets	(4,024)	(4,616)	(40,974)
Loss related to retirement of fixed assets	(2,562)	(1,194)	(26,088)
Loss on valuation of inventories	(7,375)	(1,458)	(75,087)
Impairment loss (*1)	(2,447)	(1,498)	(24,916)
Early repayment of a portion of borrowings	–	(1,168)	–
Loss on valuation of investment securities	(7,524)	(2,769)	(76,598)
Loss on cancellation of contracts for sales of real estate	(4,991)	–	(50,818)
Other, net	(3,045)	382	(31,005)
	¥(24,647)	¥(6,631)	$(250,915)

(*1) Impairment loss

The Company recorded consolidated impairment losses for the following asset groups for the fiscal year ended March 31, 2009:

Major Application	Category	Location
Leased assets, etc. (total 15 groups)	Buildings, land, etc.	Minato-ku, Tokyo, etc.
International businesses (total 1 group)	Construction in progress, etc.	Florida, USA

Asset grouping for the Group was made based on a minimum unit that generates cash flows, which is substantially independent from cash flows of other assets or asset groups. Company condominiums are regarded as shared assets. As a result, for the fiscal year ended March 31, 2009, the book values of 16 asset groups, consisting of those for which the market prices fell considerably compared with the book values due to the decline of land prices and those for which profitability decreased considerably due to fallen rent levels or deteriorated market conditions, etc., were reduced to the respective collectible amounts and such reduced amounts were recorded as an impairment loss (¥2,447 million) under extraordinary losses.

The breakdown of such impairment loss was ¥976 million ($9,937 thousand) in land, ¥1,057 ($10,765 thousand) million in buildings and structures and ¥413 ($4,213 thousand) million in construction in progress.

The collectible amounts of asset groups are measured with net sale value or use value, and the net sale value is principally expressed as an appraised value by a real estate appraiser. Future cash flows mainly discounted at a rate of 5% are used to compute the use value.

As for the impairment loss in the international business, the impairment loss is calculated for consolidated foreign subsidiaries in accordance with the U.S. accounting standards.

The Company recorded consolidated impairment losses for the following asset groups for the fiscal year ended March 31, 2008.

Major application	Category	Location
Leased assets, etc. (total 6 groups)	Buildings, land, etc.	Chiba, Chiba Prefecture, etc.
International businesses (total 2 groups)	Goodwill, construction in progress, etc.	California, USA, etc.

Asset grouping for the Group was made based on a minimum unit that generates cash flows, which is substantially independent from cash flows of other assets or asset groups. Company condominiums are regarded as shared assets. As a result, for the fiscal year ended March 31, 2008, the book values of 8 asset groups, consisting of those for which the market prices fell considerably compared with the book values due to the decline of land prices and those for which profitability decreased considerably due to fallen rent levels or deteriorated market conditions, etc., were reduced to the respective collectible amounts and such reduced amounts were recorded as an impairment loss (¥1,498 million) under extraordinary losses.

The breakdown of such impairment loss was ¥789 million in goodwill, ¥482 million in construction in progress and ¥225 million in buildings and structures and others.

The collectible amounts of asset groups are measured with net sale value or use value, and the net sale value is principally expressed as an appraised value by a real estate appraiser. Future cash flows discounted at a rate of 5% are used to compute the use value.

As for the impairment loss in the International Business, the impairment loss is calculated for consolidated foreign subsidiaries in accordance with accounting principles generally accepted in the United States.

15. Supplemental Cash Flow Information

The following table represents a reconciliation of cash and cash equivalents as of March 31, 2009 and 2008:

	Millions of yen		Thousands of U.S. dollars
	2009	2008	2009
Cash	¥181,168	¥186,321	$1,844,325
Time deposits with maturities of more than three months	(760)	(1,348)	(7,739)
Marketable securities with maturities of three months or less	4,145	31,739	42,198
Resell agreements with maturities of three months or less	–	3,000	–
Cash and cash equivalents	¥184,552	¥219,712	$1,878,784

The following are major components of assets and liabilities of a consolidated subsidiary, which was acquired by the Company through additional purchase of its stocks, as well as a reconciliation of the difference between the acquisition price of these assets and liabilities and the payments from the acquisition.

	Millions of yen		Thousands of U.S. dollars
	2009	2008	2009
Current assets	¥ 19,035	¥ 260,126	$ 193,788
Fixed assets	142,416	268,436	1,449,827
Goodwill	351	22,809	3,581
Current liabilities	(18,329)	(142,723)	(186,597)
Fixed liabilities	(73,478)	(243,458)	(748,027)
Goodwill	(12,060)	(32,170)	(122,781)
Minority interests	(27,792)	(63,134)	(282,933)
Acquisition cost	30,142	69,885	306,856
Investment value on an equity basis before acquisition	(4,925)	(45,971)	(50,146)
Acquisition cost of additional purchase	25,216	23,913	256,710
Unpaid amount	(273)	(33)	(2,785)
Cash and cash equivalents of subsidiary	(12,792)	(77,518)	(130,227)
Proceeds from acquisition	–	62,134	–
Payments for acquisition	¥ (12,150)	¥ (8,495)	$ (123,697)

16. Derivatives

The Company and certain of its consolidated subsidiaries utilize derivative financial instruments for the purpose of hedging their exposure to adverse fluctuations and changes in interest rates (interest rate swaps) and foreign exchange rates (currency swaps), but do not enter into such transactions for speculative or trading purposes.

The Company is exposed to credit loss in the event of nonperformance by the counterparties to the derivatives, but any loss would not be material because the Company enters into such transactions only with financial institutions with high credit ratings.

17. Segment Information

Business segments

The Company and its consolidated subsidiaries are primarily engaged in the real estate business. Their business segments are reclassified in terms of the nature of each operation or service and consist of eight segments: (1) Building Business; (2) Residential Business; (3) Urban Development & Investment Management; (4) International Business; (5) Architectural Design and Engineering; (6) Custom-Built Housing; (7) Hotel Business; (8) Real Estate Services; and (9) Other businesses.

The business segment information of the Company and its consolidated subsidiaries for the years ended March 31, 2009 and 2008 are summarized as follows:

Millions of yen

For the year ended March 31, 2009

	Building Business	Residential Business	Urban Development and Investment Management	International Business	Architectural Design and Engineering	Custom-Built Housing	Hotel Business	Real Estate Services	Other	Total	Eliminations or corporate	Consolidated
Revenue and operating income												
Revenue from:												
External customers	¥ 400,653	¥307,871	¥ 91,744	¥ 47,382	¥15,114	¥27,447	¥30,243	¥20,610	¥ 1,559	¥ 942,626	¥ –	¥ 942,626
Intersegment or transfers	5,953	1,168	174	–	4,943	1,901	532	2,764	2,313	19,752	(19,752)	–
Total revenue	406,606	309,039	91,919	47,382	20,058	29,349	30,775	23,374	3,872	962,379	(19,752)	942,626
Operating expense	287,402	324,500	58,414	34,855	17,880	29,630	30,795	23,820	3,202	810,502	(6,443)	804,059
Operating income (loss)	¥ 119,204	¥ (15,460)	¥ 33,504	¥ 12,526	¥ 2,178	¥ (281)	¥ (19)	¥ (445)	¥ 669	¥ 151,876	¥(13,309)	¥ 138,567
Assets, depreciation, impairment loss and capital expenditures												
Assets	¥2,828,850	¥750,489	¥325,851	¥303,982	¥25,329	¥14,113	¥26,902	¥56,026	¥26,401	¥4,357,948	¥ 71,122	¥4,429,070
Depreciation	49,207	1,643	1,260	6,070	45	143	1,425	451	114	60,361	3	60,364
Impairment loss	302	431	1,014	413	–	–	280	–	5	2,447	–	2,447
Capital expenditures	¥ 111,413	¥ 11,475	¥ 11,128	¥ 70,829	¥ 132	¥ 213	¥ 1,057	¥ 725	¥ 99	¥ 207,075	¥ (393)	¥ 206,681

Thousands of U.S. dollars

For the year ended March 31, 2009

	Building Business	Residential Business	Urban Development and Investment Management	International Business	Architectural Design and Engineering	Custom-Built Housing	Hotel Business	Real Estate Services	Other	Total	Eliminations or corporate	Consolidated
Revenue and operating income												
Revenue from:												
External customers	$ 4,078,726	$3,134,187	$ 933,977	$ 482,363	$153,869	$279,425	$307,879	$209,813	$ 15,873	$ 9,596,116	$ –	$ 9,596,116
Intersegment or transfers	60,607	11,897	1,774	–	50,326	19,356	5,423	28,146	23,553	201,087	$(201,087)	–
Total revenue	4,139,334	3,146,084	935,752	482,363	204,196	298,781	313,303	237,960	39,426	9,797,203	(201,087)	9,596,116
Operating expense	2,925,809	3,303,475	594,675	354,836	182,023	301,642	313,500	242,496	32,607	8,251,067	(65,592)	8,185,475
Operating income (loss)	$ 1,213,524	$ (157,391)	$ 341,077	$ 127,527	$ 22,173	$ (2,861)	$ (197)	$ (4,535)	$ 6,819	$ 1,546,136	$(135,495)	$ 1,410,640
Assets, depreciation, impairment loss and capital expenditures												
Assets	$28,798,231	$7,640,127	$3,317,233	$3,094,602	$257,858	$143,675	$273,877	$570,357	$268,776	$44,364,739	$ 724,039	$45,088,779
Depreciation	500,937	16,730	12,833	61,801	459	1,461	14,507	4,596	1,165	614,494	31	614,525
Impairment loss	3,081	4,389	10,325	4,213	–	–	2,851	–	55	24,916	–	24,916
Capital expenditures	$ 1,134,207	$ 116,826	$ 113,285	$ 721,060	$ 1,345	$ 2,176	$ 10,760	$ 7,387	$ 1,015	$ 2,108,065	$ (4,006)	$ 2,104,059

Changes in accounting policy

Effective April 1, 2008, the Company and its domestic subsidiaries and affiliates have adopted "Accounting Standards for Measurement of Inventories" (Financial Accounting Standard No. 9 issued by the Accounting Standards Board of Japan on July 5, 2006) for inventories held for sale in the ordinary course of business. As a result of this adoption, consolidated operating income at Residential Business segment decreased by ¥19,280 million ($196,280 thousand), and consolidated operating income at Custom-Built Housing segment decreased by ¥1 million ($20 thousand), compared with the respective amounts that would have been reported under the previous accounting method.

Supplemental information

Effective April 1, 2008, construction contracts with terms of over two years and total revenue of over ¥5,000 million have been executed in divisions other than the Architectural Design & Engineering Division. In order to fairly present revenue and expenses for such long-term and large-scale construction contracts, revenue are recognized by the percentage of completion method. Consolidated revenue, expenses, operating income at Residential Business segment accounted by this method are ¥1,360 million ($13,848 thousand), ¥1,282 million ($13,053 thousand) and ¥78 million ($794 thousand), respectively, for the fiscal year ended March 31, 2009.

Millions of yen

For the year ended March 31, 2008

	Building Business	Residential Business	Urban Development and Investment Management	International Business	Architectural Design and Engineering	Custom-Built Housing	Hotel Business	Real Estate Services	Other	Total	Eliminations or corporate	Consolidated
Revenue and operating income												
Revenue from:												
External customers	¥ 374,041	¥212,869	¥ 29,391	¥ 71,920	¥11,569	¥29,082	¥32,577	¥ 23,773	¥ 2,427	¥ 787,652	¥ –	¥ 787,652
Intersegment or transfers	6,521	1,033	39	–	7,517	2,134	585	4,167	2,554	24,554	(24,554)	–
Total revenue	380,562	213,903	29,430	71,920	19,086	31,216	33,163	27,941	4,982	812,207	(24,554)	787,652
Operating expense	266,071	189,576	12,567	44,376	16,762	31,833	31,801	23,832	3,986	620,808	(11,139)	609,669
Operating income (loss)	¥ 114,490	¥ 24,326	¥ 16,863	¥ 27,544	¥ 2,324	¥ (616)	¥ 1,362	¥ 4,108	¥ 995	¥ 191,398	¥ (13,415)	¥ 177,983
Assets, depreciation, impairment loss and capital expenditures												
Assets	¥2,566,825	¥731,816	¥337,375	¥351,016	¥22,155	¥14,992	¥28,626	¥31,909	¥26,406	¥4,111,124	¥216,013	¥4,327,137
Depreciation	45,893	795	2,316	5,539	40	144	1,510	388	139	56,767	99	56,867
Impairment loss	–	32	–	1,401	–	56	–	–	–	1,490	7	1,498
Capital expenditures	¥ 122,149	¥ 1,835	¥106,345	¥ 44,857	¥ 63	¥ 205	¥ 1,216	¥ 729	¥ 397	¥ 277,799	¥ 3,798	¥ 281,597

Geographical segments

The Company and its consolidated subsidiaries operate primarily in Japan, the United States and certain other areas. In the fiscal year ended March 31, 2009, Japan area accounted for more than 90% of the consolidated revenue of all segments and the total amount of segment assets. Consequently, disclosure of segment information by geographic area has been omitted.

Overseas revenue

For the fiscal year ended March 31, 2009, overseas sales accounted for less than 10% of the consolidated revenue. Consequently, disclosure of overseas sales information has been omitted.

18. Business Combination

AQUACITY PROPERTIES held a portion of beneficial interests in trust of the Aqua City Odaiba commercial complex (the "Property") as management company of Silent Partnership Aquacity Properties, consolidated subsidiary of the Company. On December 27, 2007, the Company merged AQUACITY PROPERTIES for the purpose of directly holding the Property. Accordingly, AQUACITY PROPERTIES was dissolved and Silent Partnership Aquacity Properties was terminated.

This business combination was treated as transactions under common control in accordance with "Accounting Standard for Business Combinations" (issued by the Business Accounting Council on October 31, 2003) and "Implementation Guidelines for Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures" (Financial Accounting Standard Implementation Guidelines No. 10 issued by the Accounting Standards Board of Japan on December 22, 2006).

On December 22, 2008, the Company acquired all stocks of Mitsubishi Jisho Towa Community from Towa Real Estate Development Co, Ltd ("Towa"). Since these two companies are consolidated subsidiaries of the Company, this acquisition was treated as transactions under common control in accordance with "Accounting Standard for Business Combinations" (issued by the Business Accounting Council on October 31, 2003) and "Implementation Guidelines for Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures"(Financial Accounting Standard Implementation Guidelines No. 10 issued by Accounting Standards Board of Japan on November 15, 2007).

19. Transactions with Special Purpose Companies

As part of its real estate business, the Company makes preferred investments in 14 special purpose companies that are established under the Asset Liquidation Law of Japan. The Company intends to recover such preferred investments through rental revenue and subsequent sale of real estate that has been obtained by the special purpose companies from their customers or sale of such real estate after construction of buildings on it. The following tables represent the Company's transactions with major special purpose companies for the fiscal year ended March 31, 2009.

Amounts of preferred investment as of March 31, 2009

		Millions of yen	Thousands of U.S. dollars
		March 31, 2009	
Preferred investment securities	(*1)	¥153,392	$1,561,559

Major revenue (cost) from transactions with special purpose companies

		Millions of yen	Thousands of U.S. dollars
		For the year ended March 31, 2009	
Preferred investment securities: revenue	(*2)	¥ 598	$ 6,097
Other income	(*3)	47	–
Management business: revenue	(*4)	1,873	481
Intermediate business: revenue		–	19,073
Real estate rent: cost	(*5)	6,531	66,494
Design management business: revenue	(*6)	1,019	10,374

(*1) Preferred investment securities are indicated as amount of investment and specific bonds as at March 31, 2009. The Company considers that its exposure to loss that may arise in the future is limited to the amount of its preferred investments.
(*2) The Company records dividends from such investments as revenue from operations and related expense as cost of revenue from operations.
(*3) The Company records interest incomes from such specific bonds as other income.
(*4) The Company, Mitsubishi Estate Building Management Co., Ltd. and Mitsubishi Jisho Property Management Co., Ltd. provide asset management business to special purpose companies and record such service income as revenue from operations.
(*5) The Company enters into real estate rental agreements with special purpose companies and records such rent expenses as cost of revenue from operations.
(*6) Mitsubishi Jisho Sekkei Inc. and MEC Design International Corporation provide design management services and remodeling services to special purpose companies and record such service incomes as revenue from operations.

The Company does not own investments with voting rights for any special purpose companies and does not send directors and employees to any special purpose companies. The following table sets forth major assets and liabilities of the special purpose companies as of their recent financial closing dates. Excluded are special purpose companies whose financial closing dates are yet to come because their initial fiscal years have just started.

Major assets

	Millions of yen	Thousands of U.S. dollars
	March 31, 2009	
Real estate	¥499,187	$5,081,813
Other	29,067	295,911
Total	¥528,254	$5,377,725

Major liabilities and net assets

		Millions of yen	Thousands of U.S. dollars
		March 31, 2009	
Debt and other	(*7)	¥339,893	$3,460,175
Preferred investments	(*8)	188,361	1,917,550
Total		¥528,254	$5,377,725

(*7) Debt and other include specific bonds
(*8) Preferred investments include contributions made by the Company.

Amounts of preferred investment as of March 31, 2008

		Millions of yen
		March 31, 2008
Preferred investment securities	(*1)	¥82,327

Major revenue (cost) from transactions with special purpose companies

		Millions of yen
		For the year ended March 31, 2008
Preferred investment securities: revenue	(*1)	¥ 874
Management business: revenue	(*2)	447
Intermediate business: revenue	(*3)	104
Real estate rent: cost	(*4)	1,335
Design management business: revenue	(*5)	123

(*1) Preferred investment securities are indicated as amount of investment as at March 31, 2008. The Company records dividends from such investments as revenue from operations.
(*2) The Company and Mitsubishi Jisho Investment Advisors, Inc. provide asset management business to special purpose companies and record such service income as revenue from operations.
(*3) Mitsubishi Real Estate Services Co., Ltd. provides real estate intermediate business to special purpose companies and records such service income as revenue from operations.
(*4) The Company enters into real estate rental agreements with special purpose companies and records such rent expenses as cost of revenue from operations.
(*5) Mitsubishi Jisho Sekkei, Inc. provides design management services to special purpose companies and records such service income as revenue from operations.

The Company does not own investments with voting rights for any special purpose companies and does not send directors and employees to any special purpose companies. The following table sets forth major assets and liabilities of the special purpose companies as of their recent financial closing dates. Excluded are special purpose companies whose financial closing dates are yet to come because their initial fiscal years have just started.

Major assets

	Millions of yen
	March 31, 2008
Real estate	¥292,823
Other	18,901
Total	¥311,725

Major liabilities and net assets

		Millions of yen
		For the year ended March 31, 2008
Debt		¥188,239
Preferred investments	(*6)	122,850
Other		635
Total		¥311,725

(*6) Preferred investments include contributions made by the Company as described in (*1) above.

20. Subsequent Events

Share Exchange

The Company and Towa, by resolution of the meeting of the Board of Directors of each company held on February 5, 2009, determined to implement a share exchange to make the Company a wholly-owning parent company and Towa a wholly-owned subsidiary (the "Share Exchange") and concluded a share exchange agreement (the "Share Exchange Agreement").

Upon conclusion of the Share Exchange Agreement, shares of common stock of Towa were delisted on April 23, 2009 and Towa became a wholly-owned subsidiary of the Company on April 30, 2009.

(1) Schedule of the Share Exchange

Meeting of Board of Directors to resolve the Share Exchange	February 5, 2009
Conclusion of the Share Exchange Agreement	February 5, 2009
Public notice of the record date of the extraordinary general meeting of shareholders (Towa)	February 6, 2009
Resolution on the convocation of the extraordinary general meeting of shareholders (Towa)	February 20, 2009
Record date of the extraordinary general meeting of shareholders (Towa)	February 21, 2009
General meeting of shareholders with class shares for the shareholders with Class A through Class E preferred stock (Towa)	March 27, 2009
General meeting of shareholders with class shares for the shareholders with common stock (Towa)	March 30, 2009
Extraordinary general meeting of shareholders (Towa)	March 30, 2009
Date of delisting (Towa)	April 23, 2009
Date of the Share Exchange (the Effective Date)	April 30, 2009

Notes: 1. In addition to the general meeting of shareholders, Towa held the general meetings of shareholders with class shares for the shareholders with common stock and the shareholders with Class A through Class E preferred stock, respectively, and Towa obtained approvals for the Share Exchange.
2. The Company did not hold a general meeting of shareholders for the approval of the Share Exchange pursuant to the simplified procedure for a share exchange in accordance with Article 796, Paragraph 3, of the Law.

(2) Description of the allocation concerning the Share Exchange

Company name	Mitsubishi Estate Co., Ltd. (Wholly-owning parent company)	Towa (Wholly-owned subsidiary)
Share exchange ratio	Common stock: 1	Common stock: 0.042
		Class A preferred stock: 0.585
		Class B preferred stock: 0.316
		Class E preferred stock: 0.572
Number of shares newly issued upon the Share Exchange	Common stock: 7,878,746 shares	

Notes: Share allocation ratio
1) Common stock
For each share of Towa's common stock, 0.042 share of the Company's common stock shall be issued; provided, however, that no shares shall be allotted to 382,504,695 shares of Towa held by the Company upon the Share Exchange.
2) Class A preferred stock
For each share of Towa's Class A preferred stock, 0.585 share of the Company's common stock shall be issued; provided, however, that no shares shall be allotted to 6,473,000 shares of Towa's Class A preferred stock held by the Company upon the Share Exchange.
3) Class B preferred stock
For each share of Towa's Class B preferred stock, 0.316 share of the Company's common stock shall be issued; provided, however, that no shares shall be allotted to 1,280,000 shares of Towa's Class B preferred stock held by the Company upon the Share Exchange.
4) Class C preferred stock
As the Company holds all the shares in this category, no shares shall be allotted to the Class C preferred stock upon the Share Exchange.
5) Class D preferred stock
As the Company holds all the shares in this category, no shares shall be allotted to the Class D preferred stock upon the Share Exchange.
6) Class E preferred stock
For each share of Towa's Class E preferred stock, 0.572 share of the Company's common stock shall be issued; provided, however, that no shares shall be allotted to 500,250 shares of Towa's Class E preferred stock held by the Company upon the Share Exchange.

(3) Impact on the business results
As a result of the Share Exchange, capital stock and capital surplus of the Company will increase by ¥4,839 million ($49,262 thousand) and ¥5,269 million ($53,643 thousand), respectively, and goodwill will increase by ¥4,310 million ($43,884 thousand) for the fiscal year ending March 31, 2010. Goodwill shall be amortized over an estimated period for which the effect of goodwill be realized.

Report of Independent Auditors

ERNST & YOUNG

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Report of Independent Auditors

The Board of Directors
Mitsubishi Estate Co., Ltd.

We have audited the accompanying consolidated balance sheets of Mitsubishi Estate Co., Ltd. and consolidated subsidiaries as of March 31, 2009 and 2008, and the related consolidated statements of income, changes in net assets, and cash flows for the years then ended, all expressed in yen. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Mitsubishi Estate Co., Ltd. and consolidated subsidiaries at March 31, 2009 and 2008, and the consolidated results of their operations and their cash flows for the years then ended in conformity with accounting principles generally accepted in Japan.

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2009 are presented solely for convenience. Our audit also included the translation of yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 3.

Ernst & Young ShinNihon LLC

Tokyo, Japan
June 26, 2009