To Our Shareholders

Operating Environment

During the fiscal year ended March 31, 2010, in the office building leasing market in Japan, the vacancy rate in central Tokyo rose to a record-high level. It is expected that the market will experience ever-intensifying competition to attract tenants, and there will be further adjustments in rent levels. Accordingly, it is necessary to monitor future market trends more carefully than ever before.

The condominium market has shown some positive signs, including a steady recovery in the number of successful condominium sales contract signings, supported by price adjustments and government policies. Still, full-fledged recovery in market conditions is anticipated to require a long time period.

With regard to the real estate investment market, the Japanese real estate investment trust (J-REIT) market is showing a slower recovery compared with its overseas counterparts. In addition to its reorganization through tie-ups among J-REIT operators, the J-REIT market is witnessing the acceleration of public offerings and other funding activities. This situation indicates that the entire J-REIT market is ready to implement mergers and acquisitions to realize growth.

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 Results

For the fiscal year under review, revenue from operations increased 7.5% year on year to ¥1,013,415 million, while operating income also increased 7.5% to ¥148,972 million. Mitsubishi Estate posted an operating loss in its condominium business while suffering significant yen appreciation in the International Business segment. These negative factors were more than offset by contributions from the Marunouchi Park Building, which was completed in April 2009, and from new consolidated subsidiary Chelsea Japan Co., Ltd. Also, in the Urban Development & Investment Management Business segment, the Company sold a portion of ownership interest in a property held by a special-purpose company in which Mitsubishi Estate has invested, which added to the contributions made to the increase in operating income.

Ordinary income rose 8.1% year on year to ¥117,381 million. After accounting for extraordinary gains on transference of air right and on sales of investment securities and such extraordinary loss items as impairment loss and impairment loss on equity investments, net income dropped 73.8% year on year to ¥11,900 million. (For more details, please see the Financial Review section starting on page 36 of this report.)

Dividend Policy

Mitsubishi Estate adheres to the basic policy of consistently returning profits to its shareholders through such means as cash dividends. In doing so, the Company gives due consideration to reserving the funds necessary for future business developments, including the Marunouchi Redevelopment Project. In the fiscal year ended March 31, 2010, Mitsubishi Estate paid an interim dividend of ¥6 per share, and decided to pay a year-end dividend of ¥6 per share, for an annual per-share dividend of ¥12.

Mitsubishi Estate will determine future dividend levels by taking into account on a comprehensive basis performance levels for each period and aiming to keep its consolidated payout ratio at a 25% to 30% level. In line with such a stance, the Company plans to pay an annual per-share dividend of ¥12 for the fiscal year ending March 31, 2011, which comprises an interim and year-end per-share dividend of ¥6, respectively.

Financial Highlights Years ended March 31

	2005	2006	2007	2008	2009	2010 (Millions of yen)	2010 (Thousands of U.S. dollars)
Revenue from operations	¥ 775,381	¥ 844,217	¥ 947,641	¥ 787,652	¥ 942,626	¥ 1,013,415	$ 10,892,250
Net income	36,245	55,825	97,662	86,963	45,423	11,900	127,901
As a percentage of revenue from operations	4.7%	6.6%	10.3%	11.0%	4.8%	1.2%	—
As a percentage of total equity	4.0%	5.4%	8.3%	7.1%	3.8%	1.0%	—
Total assets	3,124,514	3,280,209	3,447,272	4,327,137	4,429,070	4,355,065	46,808,523
Total equity	920,930	1,133,623	1,225,644	1,238,889	1,148,494	1,183,156	12,716,638
Common stock	86,534	129,736	136,534	136,534	136,534	141,373	1,519,486
Per share amounts:						Yen	U.S. dollars
Net income	¥ 27.93	¥ 42.60	¥ 70.95	¥ 62.99	¥ 32.90	¥ 8.58	$ 0.09
Cash dividends applicable to the year	8.00	10.00	14.00	16.00	16.00	12.00	0.13

Notes: 1. Yen amounts shown are translated into U.S. dollars, solely for convenience, at the prevailing exchange rate on March 31, 2010, of ¥93.04 to US$1.00.
2. Total equity is calculated by deducting minority interests and stock acquisition rights from total net assets.

Caution regarding forward-looking statements
Plans, estimates and strategies included in this annual report are forward-looking statements concerning the future performance of the Mitsubishi Estate Group. These statements are based on management's assumptions, which have been made in accordance with information available to the Company as of the date of this report's preparation. Accordingly, the content of this report should not be relied upon unduly. Mitsubishi Estate cautions that a number of factors could cause future results to differ from its forecasts.

Medium-Term Management Plan "Action 2010"

Mitsubishi Estate's current medium-term management plan, ACTION 2010, covers the three-year period from April 1, 2008 to March 31, 2011. Under ACTION 2010, Mitsubishi Estate has established a new corporate brand slogan, "A Love for People, A Love for the City." Embracing this slogan, we have defined a future vision for the Mitsubishi Estate Group, as described below, by reflecting the outcome of the previous medium-term management plan and ongoing changes in operating environments. The entire Group is accelerating the implementation of various action items to realize this vision.

Mitsubishi Estate's Future Vision under ACTION 2010

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

Practical Action Items for Each Business Domain

Domain	Business Attribute	Action Item
1st Domain	Real Estate Holding Obtains rental revenues (income gain) from real estate	Maximize the value of assets held in Marunouchi and other locations
2nd Domain	Real Estate Development and Investment Obtains capital gains from real estate	Further reinforce development and risk management capabilities
3rd Domain	Real Estate Investment Management Provides management services to investors and obtains a fee income	Build a global platform
4th Domain	Real Estate Services Provides fee-based services to customers involved in real estate	Aim to be a leading service provider that contributes to advancing development capabilities

Action Items for Strengthening Domain/Cross-Sectional Competitiveness

Globalize Each Domain	Strengthen Each Domain, Leveraging Development Capabilities	Further Develop Proposal-Based Marketing
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, work to earn approximately 20% of consolidated operating income overseas, while promoting globalization at a pace optimal for each operation	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 the Company's 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	Focus on medium- to long-term "Customer Value" and reaffirm the significance of proposal-based marketing, which seeks new business creation 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	Active Measures toward Harmonious Environmental Co-Existence
Facilitate the development of globally capable human resources and other initiatives by clearly defining the dissemination of management policies throughout the Group and fostering a corporate culture that promotes a spirit of taking on challenges and the globalization of management and personnel as basic infrastructure reinforcement policies. Also, for each Group segment that continues to expand, diversify and increase sophistication, work to reinforce and raise awareness of the corporate governance system, including risk management, compliance and internal controls	Formulate a "Long-Term Environmental Vision" to proactively work toward harmonious environmental co-existence and further clarify the Company's stance of actively contributing to society with the view of reducing the environmental impact of Group operations. In order to realize this "Long-Term Environmental Vision," formulate and implement action plans

Management Indicator Targets for the Fiscal Year Ending March 31, 2011

In line with the formulation of ACTION 2010, Mitsubishi Estate has set management indicator targets from a quantitative perspective to be accomplished in the fiscal year ending March 31, 2011—the final year of the medium-term management plan. Specifically, these targets are: (1) EBITDA*1 of ¥300.0 billion; (2) EBITDA*1/total assets of 6.5%; and (3) net interest-bearing debt*2/EBITDA multiple of under 6.0 times. Negatively impacted by unfavorable operating conditions after the setting of those targets, the Company has not achieved these targets. Taking EBITDA for example, the Company recorded EBITDA totaling ¥230.7 billion for the fiscal year under review. The Company expects to record EBITDA amounting to ¥233.0 billion for the final year of ACTION 2010. Still, Mitsubishi Estate will continue to improve its corporate value through the expansion of cash flows with due consideration given to its financial soundness and other conditions.

*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