This report is printed using paper that contains raw materials certified by the Forest Stewardship Council (FSC®). FSC® certification ensures that materials have been harvested from properly managed forests.

This report has been prepared using 100% vegetable ink. Every effort is made to contain the incidence of volatile organic compounds (VOCs) and to preserve petroleum resources.

Potential
Innovation,
Unlocking

Integrated Report 2019

MITSUBISHI ESTATE
Forever Taking On New Challenges—The Mitsubishi Estate Group

“A Love for People. A Love for the City.”

The Mission of the Mitsubishi Estate Group
We contribute to society through urban development.

By building attractive, environmentally sound communities where people can live, work, and relax with contentment, we contribute to the creation of a truly meaningful society.

The Spirit of Mitsubishi: Three Principles

Shokunin-sei 所謂奉公
Corporate Responsibility to Society

Shipper-tsei 水軍光明
Integrity and Fairness

Shoukai-shi 立業實學
Global Understanding through Business

The Mitsubishi Estate Group Code of Corporate Conduct
In order to carry out the Group’s Mission, we pledge to observe the following Code of Conduct:

1. We will act with integrity.
2. We will strive to earn the trust of our clients.
3. We will strive to create a vibrant workplace.

For details on the Mitsubishi Estate Group Guidelines for Conduct:
http://www.mec.co.jp/e/company/charter/index.html

P 2 ABOUT THE MITSUBISHI ESTATE GROUP
2 Track Record of Mitsubishi Estate
4 Marunouchi Today
6 The Marunouchi Area Doing Forward
8 Mitsubishi Estate’s Value Creation Model
10 Business Segments

P 12 MESSAGE FROM THE PRESIDENT

P 18 SPECIAL FEATURE
Urban Development of Mitsubishi Estate for Improving Corporate Value
20 SPECIAL FEATURE 1: Marunouchi Nijubashi Building
24 SPECIAL FEATURE 2: Inspired Lab
28 SPECIAL FEATURE 3: Miyako Shimojishima Airport Terminal

P 32 BUSINESS REVIEW
34 Office Building Business
36 Lifestyle Property Business
38 Residential Business
40 International Business
42 Investment Management Business
43 Hotel & Airport Business
44 Architectural Design & Engineering Business
45 Real Estate Services Business
46 Business Creation Department
47 Business Development, Consulting & Solutions Group

P 48 ESG SECTION
49 SUSTAINABILITY
52 HUMAN RESOURCE DEVELOPMENT
55 CORPORATE GOVERNANCE
58 Message from the Chairman of the Board
64 Directors
65 Overview of Corporate Governance System
69 Outside Directors
72 Overview of Activities in Fiscal 2019
75 Evaluation of the Effectiveness of the Board of Directors / Shares Held for Strategic Purposes
82 Remuneration
83 Corporate Executive Officers, Executive Officers, and Group Executive Officers
84 An Outside Director Discusses Mitsubishi Estate’s Governance
86 RISK MANAGEMENT
Starting from Scratch

The history of Tokyo’s Marunouchi area began in 1890 when Yanosuke Iwasaki purchased the area at the request of the Meiji government of Japan. At the time, the area was an expanse of flat, grassy fields that became known as Mitsubishigahara, or Mitsubishi Fields. Iwasaki’s reasoning behind this acquisition was his belief that, for Japan to become a modern nation, the country needed a business center such as that of New York or London. The purchase price was ¥1.28 million, about three times Tokyo’s annual budget at the time—a massive sum that speaks to the boldness and inspiration of Iwasaki’s decision.

First Phase of Development

The construction of the area’s first modern office building, Mitsubishi Ichigokan, was completed in 1894. Soon after, three-story redbrick office buildings began springing up, resulting in the area becoming known as the “London Block.”

Second Phase of Development

As Japan entered an era of high economic growth, there was a sharp increase in demand for office space. Through the Marunouchi remodeling plan that began in 1959, the area was rebuilt with large-scale office buildings providing a considerable supply of highly integrated office space. Sixteen such buildings were constructed, increasing the total available floor space by more than five times.

Third Phase of Development

From 2008, the focus shifted to make the Marunouchi Redevelopment Project broader and more comprehensive. Therefore, we have been striving to spread the vibrant and bustling atmosphere of Marunouchi to the districts of Otemachi and Yurakucho. We have also been promoting the establishment of a financial business center and a greater amenity infrastructure in order to strengthen the international competitiveness of the area. Through the addition of a museum and other art and cultural facilities as well as the pursuit of eco-friendly development, Mitsubishi Estate has aimed to give the area a fresh appeal based on a new sense of values.
Marunouchi Today

Marunouchi is an international business center that lies between Tokyo Station and the Imperial Palace. Mitsubishi Estate owns and manages approximately 30 office buildings in the area that is the workplace of some 280,000 office workers.

 ABOUT THE MITSUBISHI ESTATE GROUP

Mitsubishi Estate manages approximately 30 office buildings in the area that is the workplace of some 280,000 office workers.

Marunouchi by the Numbers

Number of Companies Listed on the First Section of the Tokyo Stock Exchange

107 companies

Consolidated Net Sales of the 107 Companies in the Marunouchi Area

Approx. ¥122 trillion

Equivalent to around 6.8% of GDP in Japan

Number of Office Workers

Approx. 280,000

Fortune Global Top 500 Companies

Companies

Marunouchi

New York

London

Shibuya

Nihonbashi

Toranomon

Shinagawa

18

16

13

11

5

3

Number of Major Corporate Headquarters and Offices in Comparison with Other Main Tokyo City Areas

Number of Major Corporate Headquarters and Offices in Comparison with Other Main Tokyo City Areas

Marunouchi

New York

London

Shibuya

Nihonbashi

Toranomon

Shinagawa

18

16

13

11

5

3

As of March 2019, the Marunouchi area (Mitsubishi Estate only) has increased about 1.7 times compared with the end of March 2000. In terms of tenant composition, the ratio of professional firms has been rising.

Concentration of Professional Firms

As of May 2019, all of the four major law firms in Japan and three of the four leading audit companies have their offices in Marunouchi.

Law firms:
Anderson & Tomita, Nagashima Ohno & Tsunematsu, Nishimura & Asaki, Mori Tomita & Motokawa

Audit companies:
KPMG Azus LLC, Deloitte Tohmatsu LLC, PricewaterhouseCoopers Aarata LLC

Source: Mitsubishi Estate Co., Ltd.

Comparison of Area Sizes

Source: Mitsubishi Estate Co., Ltd.

City of London

292 ha

Hong Kong Central

181 ha

New York Midtown

178 ha

Singapore Downtown Core

123 ha

Shinagawa

49 ha

Domestic

Shibuya

86 ha

Nihonbashi

76 ha

Toranomon

58 ha

Source: Mitsubishi Estate Co., Ltd.

As of May 2019, all of the four major law firms in Japan and three of the four leading audit companies have their offices in Marunouchi.

Law firms:
Anderson & Tomita, Nagashima Ohno & Tsunematsu, Nishimura & Asaki, Mori Tomita & Motokawa

Audit companies:
KPMG Azus LLC, Deloitte Tohmatsu LLC, PricewaterhouseCoopers Aarata LLC

Source: Mitsubishi Estate Co., Ltd.

Comparison of Area Sizes

Source: Mitsubishi Estate Co., Ltd.

City of London

292 ha

Hong Kong Central

181 ha

New York Midtown

178 ha

Singapore Downtown Core

123 ha

Shinagawa

49 ha

Domestic

Shibuya

86 ha

Nihonbashi

76 ha

Toranomon

58 ha

Source: Mitsubishi Estate Co., Ltd.

As of May 2019, all of the four major law firms in Japan and three of the four leading audit companies have their offices in Marunouchi.

Law firms:
Anderson & Tomita, Nagashima Ohno & Tsunematsu, Nishimura & Asaki, Mori Tomita & Motokawa

Audit companies:
KPMG Azus LLC, Deloitte Tohmatsu LLC, PricewaterhouseCoopers Aarata LLC

Source: Mitsubishi Estate Co., Ltd.

Comparison of Area Sizes

Source: Mitsubishi Estate Co., Ltd.

City of London

292 ha

Hong Kong Central

181 ha

New York Midtown

178 ha

Singapore Downtown Core

123 ha

Shinagawa

49 ha

Domestic

Shibuya

86 ha

Nihonbashi

76 ha

Toranomon

58 ha

Source: Mitsubishi Estate Co., Ltd.

As of May 2019, all of the four major law firms in Japan and three of the four leading audit companies have their offices in Marunouchi.

Law firms:
Anderson & Tomita, Nagashima Ohno & Tsunematsu, Nishimura & Asaki, Mori Tomita & Motokawa

Audit companies:
KPMG Azus LLC, Deloitte Tohmatsu LLC, PricewaterhouseCoopers Aarata LLC

Source: Mitsubishi Estate Co., Ltd.

Comparison of Area Sizes

Source: Mitsubishi Estate Co., Ltd.

City of London

292 ha

Hong Kong Central

181 ha

New York Midtown

178 ha

Singapore Downtown Core

123 ha

Shinagawa

49 ha

Domestic

Shibuya

86 ha

Nihonbashi

76 ha

Toranomon

58 ha

Source: Mitsubishi Estate Co., Ltd.

As of May 2019, all of the four major law firms in Japan and three of the four leading audit companies have their offices in Marunouchi.

Law firms:
Anderson & Tomita, Nagashima Ohno & Tsunematsu, Nishimura & Asaki, Mori Tomita & Motokawa

Audit companies:
KPMG Azus LLC, Deloitte Tohmatsu LLC, PricewaterhouseCoopers Aarata LLC

Source: Mitsubishi Estate Co., Ltd.

Comparison of Area Sizes

Source: Mitsubishi Estate Co., Ltd.

City of London

292 ha

Hong Kong Central

181 ha

New York Midtown

178 ha

Singapore Downtown Core

123 ha

Shinagawa

49 ha

Domestic

Shibuya

86 ha

Nihonbashi

76 ha

Toranomon

58 ha

Source: Mitsubishi Estate Co., Ltd.

As of May 2019, all of the four major law firms in Japan and three of the four leading audit companies have their offices in Marunouchi.

Law firms:
Anderson & Tomita, Nagashima Ohno & Tsunematsu, Nishimura & Asaki, Mori Tomita & Motokawa

Audit companies:
KPMG Azus LLC, Deloitte Tohmatsu LLC, PricewaterhouseCoopers Aarata LLC

Source: Mitsubishi Estate Co., Ltd.
The Marunouchi Area Going Forward

During the last 20 years of redevelopment, the Marunouchi area has evolved from a purely office district into an open district equipped with commercial and interactive functions. Over the next 20 years, by accelerating the "Open Innovation Field" initiative, we aim to create a Marunouchi brimming with possibilities, where a diverse range of people will gather and a creative energy will be generated.
Mitsubishi Estate’s Strengths

- Huge Pool of Real Estate Assets
  - Ownership of about 30 office buildings in the Marunouchi area
  - Fiscal 2019 total assets: ¥5,774.1 billion; Unrealized gain ¥3,898.4 billion
- Long-Cultivated Relationships with Various Stakeholders
  - Listing in the FTSE4GOOD Global Index for the 17th consecutive year
- A Wealth of Information Derived from Providing a Wide Variety of Services
- Credible and Reputable Group Brand
  - Awarded the Prime Minister’s Prize from the second Nihon Service Award Program in June 2018
- Establishment of a Leading-Edge Corporate Governance System
  - A total of 15 directors, of whom seven are outside directors
  - Transition to a “Company with Nominating Committee, etc.”
  - A remuneration system for officers designed to share value with shareholders
- Strong Financial Foundations
  - Issued the first 50-year corporate bond, the longest-ever such bond in the Japanese public offering market

Mitsubishi Estate’s Value Creation Model

Since purchasing the Marunouchi area, the Company has been growing as a comprehensive developer. While leveraging and enhancing the Company’s strengths, we aim to realize sustainable corporate value enhancement through our steadfast commitment to creating attractive urban environments that anticipate changes in the times and enriching people’s lifestyles.
### Business Segments

<table>
<thead>
<tr>
<th>Segment</th>
<th>Revenue from Operations (¥ million)</th>
<th>Operating Income (¥ million)</th>
<th>Total Assets (¥ million)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Office Building Business</td>
<td>329,895</td>
<td>147,691</td>
<td>3,551,450</td>
</tr>
<tr>
<td>Lifestyle Property Business</td>
<td>196,182</td>
<td>32,560</td>
<td>520,707</td>
</tr>
<tr>
<td>Residential Business</td>
<td>420,405</td>
<td>30,428</td>
<td>665,788</td>
</tr>
<tr>
<td>International Business</td>
<td>81,844</td>
<td>26,927</td>
<td>692,325</td>
</tr>
<tr>
<td>Investment Management Business</td>
<td>49,588</td>
<td>9,231</td>
<td>68,977</td>
</tr>
<tr>
<td>Hotel &amp; Airport Business</td>
<td>44,171</td>
<td>2,371</td>
<td>71,175</td>
</tr>
<tr>
<td>Architectural Design &amp; Engineering Business</td>
<td>24,671</td>
<td>2,021</td>
<td>68,977</td>
</tr>
<tr>
<td>Real Estate Services Business</td>
<td>33,586</td>
<td>2,371</td>
<td>68,977</td>
</tr>
<tr>
<td>Other</td>
<td>8,106</td>
<td>(196)</td>
<td>13,408</td>
</tr>
<tr>
<td>Eliminations or Corporeal</td>
<td>34,961</td>
<td>(24,459)</td>
<td>133,628</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>1,263,283</td>
<td>229,178</td>
<td>5,774,193</td>
</tr>
</tbody>
</table>

*The above amounts were translated into U.S. dollars at ¥110.99 = US$1.00, the approximate prevailing exchange rate on March 31, 2019.*

### Office Building Business
This is Mitsubishi Estate’s core business, which engages in the development, leasing, and property management of office buildings, mainly in Tokyo and other major Japanese cities. We promote urban development that contributes to the increased appeal of cities while maintaining a balance between properties for lease and properties for sale in our asset portfolio.

### Residential Business
We offer services to meet a variety of needs for condominiums, custom-built housing, purchase and sales, leasing, brokerage areas, renovations, and management. As the circulation of existing homes expands and people’s lifestyles grow increasingly diverse, we are strengthening our remodeling, construction, and renovation business to seize upon such changes.

### Investment Management Business
For investors seeking real estate asset management, we provide a wide range of services based on our specialized expertise, utilizing collaboration among our operating bases in Japan, the United States, Europe, and Asia excluding Japan. These services include real estate investment trusts (REITs) to meet management needs for long-term stability as well as private placement funds to meet the specific management needs of institutional investors.

### Architectural Design & Engineering Business
Making use of the knowledge, ability, and cutting-edge technologies accumulated over the 120 years since our founding in the Meiji period, this full-service architectural design and engineering business meets societal needs through construction, civil engineering, and urban and regional development planning and consulting.

### Hotel & Airport Business
Against a backdrop of strong demand for accommodations, we are conducting hotel development projects across a wide range of categories matching hotel market trends and the characteristics of different locations. Under the Royal Park Hotels brand, we are undertaking hotel management nationwide. In our airport management business, meanwhile, we are working to raise the value of airports where we have already begun private management while also seeking to secure new business opportunities.

### Real Estate Services Business
This business provides one-stop, real estate problem-solving solutions for corporations and high net worth individuals to maximize the value of real estate and optimize its use. Its services include real estate brokerage, condominium and office building leasing management support, parking lot management support, and real estate appraisal.
Into My Third Year as President

The Mitsubishi Estate Group’s Unchanging Mission

Around two-and-a-half years have passed since I assumed the office of president & chief executive officer of Mitsubishi Estate Co., Ltd., in April 2017. Managing the Group during this period, I have come to feel strongly that the Group’s unchanging mission is to provide value to society through the creation of attractive urban environments from a long-term perspective. As I will go on to describe, the Medium-Term Management Plan that started when I took office is proceeding well, and the harvesting of the seeds that were steadily sown is under way.

However, the initiatives aimed at achieving the ongoing growth of the Group will not end with the three-year period of the Medium-Term Management Plan. The Group, with its wide array of assets in Japan’s business center, Marunouchi, plays a major role in heightening Tokyo’s international standing. Looking ahead five or 10 years, or even further into the future, we will strive to rapidly develop attractive urban environments that are truly internationally competitive while engaging with a variety of stakeholders, including the government, landowners, and tenants.

Looking Back on Fiscal 2019

Third Consecutive Year of Record-High Consolidated Operating Income

During fiscal 2019, the second year of the Medium-Term Management Plan, we increased both consolidated revenue and consolidated operating income for the third consecutive year, partly thanks to favorable trends in our office building leasing business, our principal source of income gains. These trends included strong positive demand, which resulted from factors such as the expansion of human resource recruitment by companies and the improvement of office environments, as well as steady progress in leasing and robust activity in the real estate transactions market. Consolidated operating income rose 7.6% year on year, to ¥229.1 billion, a record for the third consecutive year, and earnings per share (EPS) increased 11.7% year on year, to ¥96.97.

We project consolidated revenue and consolidated operating income to increase once again in fiscal 2020, the final year of the Medium-Term Management Plan. Although we expect a decrease in profits from condominiums in the Residential Business and a decline in capital gains in the Investment Management Business, we forecast to generate capital gains in both the Office Building Business and the International Business, along with contributions to consolidated revenue and consolidated operating income from the start of full-scale operation of the Marunouchi Nijubashi Building throughout fiscal 2020.

We aim to realize sustainable value creation through a capital policy that places greater importance on dialogue with capital markets and the strengthening of governance.
Aiming to maximize medium- to long-term corporate value by combining stable cash flow produced from long-term development and retaining projects, with capital recycling business that takes advantage of real estate market conditions.

Strengthening Capital Policy and Corporate Governance

A More Strategic and Flexible Capital Policy

In order for the Group to drive the sustainable growth of its businesses, there are two requirements: capital efficiency that exceeds capital costs and financial stability that is based upon leveraging procurement strength when market conditions are favorable for buying. With the aim of further strengthening initiatives for balancing these two areas, we have set forth a more strategic and flexible capital policy.

The key to realizing a suitable capital policy is combining growth investments, asset sales, shareholder returns, and financing into the optimal form in accordance with real estate market conditions while aiming to enhance corporate value over the medium- to long-term. Specifically, we will accelerate property sales under the current market conditions, which are favorable for selling, and allocate the cash derived from those sales for increasing shareholder returns and minimizing the level of debt. In contrast, were a deterioration in market conditions to result in a temporary reduction in profits and shareholder returns, we would maximize our significant financial strength to conduct proactive investments to enable us to acquire real estate at comparatively cheap prices. Meanwhile, in our core business of ownership and long-term development of office buildings centered on the Marunouchi area, we aim to maintain a 25%-30% dividend payout ratio over the period of the Medium-Term Management Plan.

Executing Share Buyback Totaling ¥100.0 Billion

With regard to cash flows, when we formulated the Medium-Term Management Plan, we envisaged cumulative cash outflows over three years of ¥270.0 billion in net investments and ¥90.0 billion in cash dividends, making a total of ¥360.0 billion. We planned to offset these outflows with operating cash flows of ¥400.0 billion and net interest-bearing debt of ¥190.0 billion. Subsequently, as the measures of the plan unfolded, operating cash inflows were revised upward by ¥150.0 billion, while, in terms of cash outflows, the net investment amount was reduced by ¥120.0 billion.

Of the improved cumulative total of ¥270.0 billion, we have resolved to return ¥130.0 billion to shareholders—¥100.0 billion in share buyback and ¥30.0 billion in increased dividends—while the remaining ¥140.0 billion will be used to control the level of debt. As a result, the total amount returned to shareholders over the three years will be more than double the initially projected amount. The main objectives of share buyback are to manage the total amount of shareholders’ equity and improve capital efficiency with regard to such financial indicators as ROE and EPS. In order to increase capital efficiency, it is of course important to increase the numerator, profits; however, we also intend to control the denominator, shareholders’ equity.

For fiscal 2019, we increased annual dividends per share (combined total of interim and year-end dividends) by ¥4 from the previous fiscal year, to ¥30. We previously aimed to maintain a 25%-30% dividend payout ratio over the period of the Medium-Term Management Plan. However, taking into account factors including business performance and cash flow conditions, the dividend payout ratio for fiscal 2019 surpassed that upper limit to stand at 30.9%. For fiscal 2020, we will target a ratio of around 30%. Going forward, we intend to meet the expectations of shareholders by considering optimal shareholder returns commensurate with such factors as real estate market conditions and cash flow conditions.

Progress of the Medium-Term Management Plan

Forecasting the Attainment of All Quantitative Targets

We have set three quantitative targets in the Medium-Term Management Plan. Under the plan, we use operating income as an indicator of growth potential, return on assets (ROA) as an indicator of efficiency, and net interest-bearing debt divided by EBITDA as an indicator of financial stability. As of the end of fiscal 2019, we achieved all of the plan’s targets, and for the final year of the Medium-Term Management Plan, we forecast operating income of ¥230.0 billion, ROA of 3.9%, and a net interest-bearing debt divided by EBITDA ratio of 7.4 times (6.9 times after hybrid debt deductions), all of which exceed the targets of the plan.

We expect that cumulative capital gains over the period of the Medium-Term Management Plan will surpass the initial targets of the plan by 40%—50%, reflecting an upturn in sales prices due to favorable real estate market conditions as well as additional sales of properties. Returns on property sales are also at a high level, with the average internal rate of return before tax at around 10% in respect of the approximately 20 properties sold in the domestic capital recycling business in the past two fiscal years. Income gains are also increasing steadily, with rental revenue from rental properties at the end of fiscal 2019 having grown 1.5 times compared with its level of five years ago. This increase was due to the steady progress in the Office Building Business with regard to the leasing of new buildings and the upward revision of rents at existing properties. The new properties completed in 2018 and 2019 have already been fully leased, and the average provisional leasing rate for buildings scheduled to be completed between 2020 and 2021 stands at over 70%. Turning to existing buildings, we are making good progress in filling secondary vacancies stemming from the expansion of floor space and other factors, and we forecast that we will be able to keep the vacancy rate of our portfolio down to 1.5% at the end of fiscal 2020.

Asset efficiency and capital efficiency have improved remarkably. In fiscal 2019, ROA was 4.4% and ROE rose to a level of almost 8%. Moreover, we anticipate that earnings per share in the final year of the Medium-Term Management Plan will be double its level of five years ago, reaching ¥100 for the first time, supported in part by the impact of share buyback, about which I will explain later.

Quantitative Targets

<table>
<thead>
<tr>
<th>Growth Potential</th>
<th>Operating Income</th>
<th>FY2019 (Actual)</th>
<th>FY2020 (Target)</th>
<th>FY2020 (Estimated)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Growth Efficiency</td>
<td>Operating Income / Total Assets (ROA)</td>
<td>4.0%</td>
<td>Around 3.5%</td>
<td>3.9%</td>
</tr>
<tr>
<td>Stability</td>
<td>Net Debt / EBITDA (Hybrid finance reflected)</td>
<td>6.7 times</td>
<td>Around 8.5 times</td>
<td>7.4 times</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Operating Income (Billions of yen)</th>
<th>ROA, ROE, and EPS</th>
</tr>
</thead>
<tbody>
<tr>
<td>FY2019 (Actual)</td>
<td>FY2020 (Target)</td>
</tr>
<tr>
<td>229.1</td>
<td>4%</td>
</tr>
<tr>
<td>229.1</td>
<td>7%</td>
</tr>
<tr>
<td>6.7 times</td>
<td>2.5 times</td>
</tr>
<tr>
<td>4%</td>
<td>7%</td>
</tr>
</tbody>
</table>

A More Strategic and Flexible Capital Policy

In order for the Group to drive the sustainable growth of its businesses, there are two requirements: capital efficiency that exceeds capital costs and financial stability that is based upon leveraging procurement strength when market conditions are favorable for buying. With the aim of further strengthening initiatives for balancing these two areas, we have set forth a more strategic and flexible capital policy.

The key to realizing a suitable capital policy is combining growth investments, asset sales, shareholder returns, and financing into the optimal form in accordance with real estate market conditions while aiming to enhance corporate value over the medium- to long-term. Specifically, we will accelerate property sales under the current market conditions, which are favorable for selling, and allocate the cash derived from those sales for increasing shareholder returns and minimizing the level of debt. In contrast, were a deterioration in market conditions to result in a temporary reduction in profits and shareholder returns, we would maximize our significant financial strength to conduct proactive investments to enable us to acquire real estate at comparatively cheap prices. Meanwhile, in our core business of ownership and long-term development of office buildings centered on the Marunouchi area, we aim to maintain a 25%-30% dividend payout ratio over the period of the Medium-Term Management Plan. However, taking into account factors including business performance and cash flow conditions, the dividend payout ratio for fiscal 2019 surpassed that upper limit to stand at 30.9%. For fiscal 2020, we will target a ratio of around 30%. Going forward, we intend to meet the expectations of shareholders by considering optimal shareholder returns commensurate with such factors as real estate market conditions and cash flow conditions.
Toward Governance That Places Importance on Dialogue with Capital Markets

In conjunction with a new capital policy, we are strengthening governance. (See Corporate Governance on pages 55–56.) The decision not to renew the countermeasure to large-scale acquisitions in May 2019 is one part of that strengthening process. Of course, as long as the businesses of the Group as a whole are contributing to the formation of social infrastructure, that is, cities, it is necessary to have a certain amount of consideration for maintaining the independence of the business’s nucleus. This decision not to renew the countermeasure program was made not to put in place systematic safeguards, but rather as an expression of our determination to enhance corporate value on a systematic perspective. In 2016, the Company transitioned to a “Company with a Nominating Committee, etc.,” and established three committees, all of which are composed of a majority of independent outside directors. Since June 2019, the Nominating Committee and the Remuneration Committee have comprised entirely independent outside directors, while the chairman of the Audit Committee is also an independent outside director. In addition, we are implementing the sale of strategic-holding stocks. In the past four years, we have sold a cumulative total of 25 stocks for the amount of ¥31.5 billion, and we project the amount in fiscal 2020 will be ¥10.0 billion.

Human Resource Development and Business Model Innovation

Urban Development Is People Development

It is our human resources—the Group’s most important management asset—that underpin our ongoing creation of value, and we have introduced a variety of measures to cultivate our human resources. (See Human Resource Development on pages 52–54.)

Nowadays, amid an increasing lack of transparency in society and the accelerating pace of technological innovation, we will not be able to keep up with the changing times by using orthodox or unimaginative approaches to doing business. In order to realize innovations under such conditions, it is necessary to be able to create “something” from “nothing.” To realize new value, we must embrace a diverse range of people, expose ourselves to original ways of thinking, and look for ways to cooperate with those who possess qualities that we do not. Going forward, I would like our employees to freely and promptly exchange opinions and ideas in a variety of fields and to grasp opportunities that could lead to new business development. As an example of our efforts to generate new value, in tandem with our head office relocation in January 2019, we adopted a group address system (under which a specific office space is allocated to a group or team) and increased shared office space for easier communication.

Moreover, through the New Business Proposal System, we are seeking business proposals and ideas from employees. The New Business Creation Department, which was repositioned in 2017 under my direct control, is in charge of new business development and also serves as a secretariat for the proposal system. As such, the proposal system helps nurture a corporate culture in which employees are encouraged to take on challenges. In fact, the Airport Business, one of the main projects of “business model innovation,”* adopted under the Medium-Term Management Plan, was originally a business derived from the New Business Creation Department. Going forward, in order to develop the Airport Business as one of the Company’s business pillars, we created the Hotel & Airport Business in fiscal 2018, while Miyako Shimojishima Airport Terminal was opened in March 2019 as scheduled. All other projects are progressing well.

* Includes developing new businesses and proactively entering new growth areas in order to realize further growth in the 2020s.

** Urban development does not end with the completion of a building. Developers must constantly breathe new life into cities and nurture them to ensure that they can deliver new value and attract a diverse array of people. Enhancing the value of cities vitalizes Japan, and the Mitsubishi Estate Group in turn receives rents and fees from companies that have grown after reaping the benefits. Perpetuating this virtuous cycle with a variety of stakeholders represents the essence of the Company’s approach to urban development and is in itself an ESG initiative. Furthermore, our approach to urban development, which embodies our basic mission “to contribute to society through urban development,” is consistent with our efforts to achieve the Sustainable Development Goals. Together with stakeholders who share this conviction, we will pursue sustainable growth while firmly maintaining our presence. We kindly ask for the continuing support of all our shareholders and investors in our endeavors.

President & Chief Executive Officer
Mitsubishi Estate Co., Ltd.

August 2019
The Mitsubishi Estate Group engages in the continuous redevelopment of the Marunouchi area, which plays a vital role at the heart of the Japanese economy, enabling it to maintain its high level of international competitiveness while continuing to function as a hub of new value creation. At the same time, the Group is beginning to take up the challenge of realizing new business fields that only it can.

By promoting urban development that heightens the value of the entire area, we will realize sustainable growth while responding to the changing needs of society.
The Marunouchi Nijubashi Building, completed in October 2018, represents the consolidation of three buildings: the Fuji Building, the Tokyo Chamber of Commerce and Industry Building, and the Tokyo Kaikan Building.

Located at the intersection of Marunouchi, Japan’s business center, and Yurakucho, which is adjacent to an area boasting many retail and cultural facilities, this building possesses offices with views of the Imperial Palace National Garden. It will also meet the needs of a diverse array of people through its MICE* facilities and enliven the surrounding area as a whole thanks to its integrated development with street-level retail facilities.

Moreover, the expansion of the utility tunnel that was carried out in conjunction with the development of this building has significantly improved the Marunouchi area’s disaster-management functions and environmental performance.

With the completion of this building, we will expand the redevelopment of the Marunouchi area to Yurakucho and will continue building a more attractive and internationally competitive urban area going forward.

* MICE: An acronym for Meetings, Incentives, Conferences (or Conventions), and Exhibitions. Refers to business events that attract large groups of people.
When leasing the building, we expected that the advantages of its location facing the front of the Imperial Palace National Garden and its proximity to the lively areas of Ginza and Hibiya, which boast many retail and cultural facilities, would prove to be major factors in attracting tenants. However, in addition to the aforementioned, we received a lot of feedback with regard to this office building’s attractive exterior and specifications as well as its sophistication and prestige. The diverse range of industries from which we have attracted tenants has exceeded our expectations.

Expanding the Redevelopment Area while Solving Social Issues

The utility tunnel that was expanded in tandem with the development of the Marunouchi Nijubashi Building is an important factor in heightening the value of the Marunouchi area. The disaster-management functions and environmental performance of the entire area have been greatly improved by connecting this building to the underground service tunnel. In earthquake-prone Japan, strengthening disaster-management functions in Marunouchi, the center of the Japanese economy, is an issue of which the government is strongly conscious. In addition, contemporary energy problems have led to calls for more efficient energy use. Responding to such social issues through the ongoing development of the utility tunnel is both the mission of the Company, which has for many years undertaken urban development together with stakeholders, and an important matter that must be addressed in order to flexibly advance the redevelopment of the Yurakucho area going forward.

Yurakucho, an already well-equipped district with excellent transportation infrastructure, possesses great potential for redevelopment. Moreover, it is adjacent to Ginza and Hibiya, lively areas with a strong commercial and cultural flavor that see a lot of pedestrian traffic. The question of how to organically connect Yurakucho to Marunouchi and Otemachi in order to revitalize the entire area, while leveraging those regional characteristics, is an issue needing consideration in the redevelopment of the Marunouchi area going forward. I think that this building, located between the two areas, can play a role in determining the direction of that redevelopment.

Amid increasing diversification of work styles, I believe that attractive cities in the future will be places where people can gather, meet with whom they want, and feel a sense of pride and positivity about working in such cities. In order to realize that vision, we must play a strategic role not only on the “hard front,” such as infrastructure development and property redevelopment, but also on the “soft front,” such as holding events and creating communities. Going forward, we will develop Marunouchi into an even more attractive area through open discussions on those issues that engage a variety of stakeholders, including the government, landowners, and tenants.

Realizing Value Creation Only Possible through Joint Development

Although the redevelopment of the Marunouchi area has been proceeding principally in Otemachi in recent years, we have given companywide consideration to expanding the area to Yurakucho. Against that backdrop, we launched the Marunouchi Nijubashi Building development project following discussions on the reconstruction of the Fuji Building, located at the intersection of Marunouchi and Yurakucho. Mitsubishi Estate, as the company responsible for the development and management of the Marunouchi area, considered development of the area while giving importance to enhancing the entire district’s sustainable value and improving its disaster-management functions and energy efficiency. As a result, we came up with a plan to consolidate three buildings—the Fuji Building and the buildings adjacent to it, the Tokyo Chamber of Commerce and Industry Building, and the Tokyo Kaikan Building—into one new building. For the Tokyo Chamber of Commerce and Industry and Tokyo Kaikan, this was a massive project that could not be allowed to fail as it involved the rebuilding of their respective head offices. Although there were inconveniences such as having to relocate while the rebuilding took place, we were able to embark upon this joint development because all of the parties involved knew our track record of developing the Marunouchi area over more than 100 years and the benefits of consolidating three buildings into one.

In carrying out this joint development, negotiations on facility plans and on costs ran into difficulties and some aspects of the project did not proceed as expected. However, the development concept was refined through repeated discussions and we were eventually able to complete an original building that adds new value to the Marunouchi area, which we would not have been able to achieve alone. For example, the large hall and banquet space that contribute to the strengthening of MICE functions, the front entrance allowing one to experience Tokyo Kaikan’s traditions, the scenic views of the lush green Imperial Palace National Garden, and other features all enhance the stature of the building, thereby helping attract a more diverse array of people.
A new value creation hub, Inspired. Lab, opened in February 2019 in the Otemachi Building, the most historic building in Tokyo’s Marunouchi area. Inspired. Lab aims to build an ecosystem that accelerates new innovations by being a place where start-up companies and large corporations possessing technologies that will transform the industrial structure of the future can gather and collaborate.

By adding the new function of “Technology Start-Up Hub” to the Marunouchi area, which has grown as the business center of Japan, we will develop Marunouchi into a vibrant, diverse, and attractive area.

Promoting the Prompt Realization of Purposeful Innovations

In addition to providing office space, Inspired. Lab features a workshop where ideas generated through design thinking* can be turned into prototypes on the spot, thereby facilitating the seamless development of new products and services. Moreover, participating companies can undertake demonstration tests at not only the Otemachi Building but also across the entire Marunouchi area.

In addition to the creation of open spaces and event spaces that attract a diverse mix of individuals, companies acting as mentors and partners are also taking part in Inspired. Lab. A system is thereby established for supporting the new businesses of start-up companies and large corporations through a variety of methods.

* An iterative, human-centered approach for creatively solving problems.
When establishing Inspired. Lab, my priority was to support start-ups capable of developing products that would invigorate Japanese industry and society as a whole. I worked with a niche to turn Tokyo’s Marunouchi area into Japan’s hub for technology start-ups. It was under those circumstances that I met Dr. Kamada, whose company was investing in and supporting technology start-ups, including WHILL. I consulted him about taking part in Inspired. Lab as a mentor supporting promising start-ups.

Kamada: Mr. Sakai contacted me just as I was thinking about how I wanted to create a place where start-ups could gather and collaborate. Marunouchi, with its ideal location, was the perfect fit. In the past, start-ups could gather and collaborate. Marunouchi, with its large corporations are gathered there in one location, was the perfect fit. In the past, start-ups were mainly thought of as businesses that did everything on the Internet, from developing games, social networking services, and so forth to providing services. They were mainly thought of as businesses that did everything on the Internet, from developing games, social networking services, and so forth. However, in order to optimize last-mile journeys from an existing means of transportation to a final destination, we believe that it is vital to not only enhance personal mobility devices but also link them to infrastructure. At the Otemachi Building, in cooperation with Mitsubishi Electric, WHILL has implemented a demonstration test in which an unmanned WHILL autonomous navigation vehicle (WHILL Autonomous Drive System) is being tested. The outcome is to establish a cycle whereby the products we can in order to accelerate the growth of industries and companies that should be further developed going forward. If the propagation of WHILL mobility products in society helps eradicate the hitherto psychologically and physically demanding aspects of travel, then society will be better for it. The ideal outcome is to establish a cycle whereby the products born of the Inspired. Lab ecosystem contribute to society while the Marunouchi area prospers together with the growth of the lab’s participating companies.

Dr. Tomy Kamada
Chief Executive Officer and Founder
TomyK Ltd.
Mr. Sakai joined Mitsubishi Estate in 2002. After five years in building development and planning, he was seconded to Rockefeller Group, Inc. in the United States. On returning to Japan, he set up FINOLAB, Japan’s first financial technology (FinTech) hub, managed by Mitsubishi Estate. In 2009, he launched the First University Incubator (FUI). Since then, he has been supporting technology start-ups. He has participated in building Inspired. Lab and its surrounding area could become the first testing site for this future. I am hoping for conditions in which a new platform provider could emerge through interactions with various robots and their developers.

Yoshio Sakai
Chairman and Representative Director
Mitsubishi Estate Co., Ltd.
Mr. Sakai contacted me just as I was thinking about how I wanted to create a place where start-ups could gather and collaborate. Marunouchi, with its ideal location, was the perfect fit. In the past, start-ups were mainly thought of as businesses that did everything on the Internet, from developing games, social networking services, and so forth to providing services. However, in order to optimize last-mile journeys from an existing means of transportation to a final destination, we believe that it is vital to not only enhance personal mobility devices but also link them to infrastructure. At the Otemachi Building, in cooperation with Mitsubishi Electric, WHILL has implemented a demonstration test in which an unmanned WHILL autonomous navigation vehicle (WHILL Autonomous Drive System) is being tested. The outcome is to establish a cycle whereby the products born of the Inspired. Lab ecosystem contribute to society while the Marunouchi area prospers together with the growth of the lab’s participating companies.
Since its opening in 1979, Shimojishima Airport has been used as Japan's only pilot-training airport, helping nurture a great many pilots. However, as the use of real planes for training declined due to the progress of simulator-based training, a need arose for the airport to be used in a different capacity. With the opening of the Miyako Shimojishima Airport Terminal in March 2019, the airport acquired a new role as the second gateway to the Miyako Archipelago in Okinawa, one of Japan’s leading resort destinations.

For the Mitsubishi Estate Group, which has adopted stock utilization as a Groupwide material issue, the Miyako Shimojishima Airport Terminal, which leverages existing infrastructure, is of considerable significance. In addition to creating new value, we aim to expand this business so that its operations go beyond the management of an airport passenger terminal while utilizing the insight and expertise we have accumulated thus far as a comprehensive developer.
Atsushi Hirano
Senior Executive Officer & General Manager, Planning Manager
Mitsubishi Estate Management Co., Ltd.
In 2005, when he joined Mitsubishi Estate Co., Ltd., he worked in the Property Development and Investment Department. After transferring to the Business Creation Department in October 2014, where he was in charge of the airport’s operations, he took up his current post in April 2018.

Potential as the Second Gateway to the Miyako Archipelago

The Miyako Shimojishima Airport Terminal originated with a broad invitation for business proposals from the private sector by the prefec tural government of Okinawa in 2014 on how to utilize Shimojishima Airport, the use of which for pilot training had declined considerably, and its surrounding area. Upon learning about this project, I realized how much impact the airport would have on Miyako Island, the largest island in the archipelago. I felt that if Shimojishima Airport’s wonderful facilities, such as its excellent runway, could be leveraged through the opening of an airport passenger terminal, it would help attract more domestic tourists as well as promote inbound tourism.

After repeatedly examining the issue of how best to utilize the airport from various angles, we established a policy in conjunction with Okinawa Prefecture to focus on domestic low-cost carrier (LCC) flights and international flights in order to develop the airport as the second gateway to the Miyako Archipelago, by incorporating new demand at Shimojishima Airport that could not be accommodated at Miyako Airport, which serves flights by the major domestic airlines from all over Japan. Miyako Island is one of Japan’s leading resort destinations and the route to Miyako Island is important for the major domestic airlines. The attraction of the Miyako Island route for LCCs, with their competitive pricing advantage, is obvious. In addition, although offering international flights was a long-held target by those in senior government positions in Okinawa Prefecture, it was difficult to realize that target due to such factors as the inadequate capacity of Miyako Airport.

There was some debate on whether having LCC flights to Shimojishima Airport would result in tourists who had flown with the major domestic airlines to Miyako Airport simply flying with LCCs to Shimojishima Airport instead. However, the 2013 opening of a new, expanded airport to accommodate LCC flights on Ishigaki Island, an outlying island also in Okinawa, dispelled those fears. The new, expanded airport had no adverse effects on tourist numbers to surrounding areas. In fact, the number of visitors is actually increasing as a result. For an outlying island, where points of entry are limited, an airport itself is a critical factor in determining tourist numbers, thus I believed that the positive results seen on Ishigaki Island could be replicated on Miyako Island. Ever-increasing demand resulting from inbound tourism and dramatically improved access from Shimojishima to Miyako Island due to the opening of the Irabu Bridge in 2015—also as well as the bridge’s potential to become a tourist attraction itself—were all advantageous to our proposal.

Although the history of our Airport Business is short, the high evaluation of our business proposal, our track record as a comprehensive developer, and, above all, our bold proposal to create new value while utilizing the existing Miyako Airport led to the approval of our proposal.

Energizing Miyako Island through Sustainable Urban Development

In addition to bolstering the operations of the airport terminal as the number of flights and terminal users increase, we intend to expand business activities, such as those of our resort hotel business, that further energizes the islands by leveraging the insight and expertise of the Group, which operates businesses in a variety of fields. On the other hand, it is a fact that as development expands, concerns about the environmental impact of such development will grow. For Miyako Island, whose abundant nature is its greatest tourist attraction, environmental destruction through overtourism is the biggest matter of concern. In response, we are promoting environmental preservation activities such as the conservation of coral reefs, the cleaning of beaches, and the protection of migratory birds in cooperation with our Sustainable Management and Promotion Department, The Nature Conservation Society of Japan, and non-profit organizations (NPOs). As we advance a business leveraging the social capital of an existing airport, I feel more determined to pursue business operations with an even greater awareness of sustainability.

Urban development, for which we are responsible, neither ends with the completion of a building nor is it something that we are capable of achieving on our own. Going forward, we intend to conduct business development in line with the pace of the islands while cooperating closely with involved parties, including Okinawa Prefecture, Miyakojima City, airline carriers, local people, and community organizations.
The Mitsubishi Estate Group operates the Office Building Business and various other businesses in Japan and overseas. We will enhance our earnings power in each segment through business strategies that leverage our competitive advantages, as well as actively working to establish new businesses that pursue synergies with our established businesses.

BUSINESS REVIEW
Office Building Business

The Office Building Business, Mitsubishi Estate’s core business, engages in the development, leasing, and property management of office buildings with state-of-the-art functions, mainly in major Japanese cities centering on the Marunouchi area. Our businesses involve three types of earnings models: our property development and leasing business, in which we ourselves develop office buildings and receive rental revenue from them; our capital recycling business, where we generate capital gains on the sale of properties we have developed; and our non-asset businesses, which center on office building operations and management. Through building development and operations, we are promoting urban development to increase the attractiveness of the entire surrounding area.

Overview

<table>
<thead>
<tr>
<th>Business Concept</th>
<th>Office buildings</th>
<th>Main non-asset type businesses</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenue from Operations</td>
<td>Operating Income / Operating Income Ratio</td>
<td></td>
</tr>
</tbody>
</table>

- **Competitive Advantages**
  - Ownership of about 30 office buildings in the Marunouchi area, a leading business area in Japan with one of the world’s greatest concentrations of companies.
  - Redevelopment in Marunouchi not requiring new land acquisition is largely unaffected by fluctuations in the real estate investment market, thus enabling stable and continuous redevelopment.
  - Development know-how and a track record cultivated through continuous urban development in the Marunouchi area for more than 100 years.
  - Tenant relationships and information networks built through the Group’s wide-ranging businesses, including development in the Marunouchi area.
  - Relationships with the central and local governments built through public and private sector cooperation in urban development.
  - Urban development and area management with advanced disaster-management functions centering on the Marunouchi area.

- **Business Strategies**
  - Generally, redevelopment enables rental revenue to be increased by expanding building floor space and raising rents per square meter. In the Marunouchi area, we aim to promote continuous redevelopment that raises value through individual redevelopment projects as well as by realizing synergies across the whole area.
  - We intend to strengthen the functions of Marunouchi through the “Open Innovation Field” initiative to cultivate new communities and undertake field trials with leading-edge technologies.

- **Main Office Areas in Japan**
  - We aim to strengthen our development pipeline by using the know-how we have accumulated through redevelopment in the Marunouchi and other areas.

- **Non-Asset Businesses and Others**
  - We intend to expand and strengthen non-asset businesses, including property management and master leases, and businesses that utilize existing stock, such as through the renovation of aged buildings.
  - We aim to leverage relationships built through office building development and the office building leasing business to expand other businesses and create new businesses.

**Revenue from Operations**

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Billions of yen</td>
<td>Billions of yen</td>
<td>%</td>
<td>%</td>
<td></td>
</tr>
<tr>
<td>Office buildings</td>
<td>Master leases</td>
<td>Property management</td>
<td>Other (mainly the capital recycling business)</td>
<td></td>
</tr>
</tbody>
</table>

**Operating Income / Operating Income Ratio**

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>%</td>
<td>%</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**TOPICS**

**Shinjuku Station South Project**

- Total Floor Area: 44,100 m²

**Marunouchi 1-3 Project**

- Total Floor Area: 174,100 m²

**Kita-Aoyama 2-Chome Project**

- Total Floor Area: 139,700 m²

**Tokyo Tokiwabashi Project**

- Total Floor Area: 686,000 m²

**Field Test of Self-Driving Taxi Conducted**

- See pages 20—23 for details.

In the Marunouchi area, we completed the construction of the new Marunouchi Nijubashi Building in October 2018. We also commenced the redevelopment of the Marunouchi 1-3 Project in January 2018 as well as the construction of Tokyo Tokiwabashi Project Building A in February of the same year.

Tokyo Tokiwabashi Project is a large-scale redevelopment project being conducted in phases during a period of over 10 years. It will be developed over a 3.1-ha area in front of Tokyo Station and connect the major business districts of Marunouchi and Yauco / Nihonbashi. For this project, we are creating 7,200 m² of open space and implementing various state-of-the-art initiatives toward strengthening disaster prevention and reducing environmental burden. In terms of environmental burden reduction efforts, we are aiming for Tokyo Tokiwabashi Project to become the first-ever integrated urban building development project in Japan to receive the SITES® certification, while being on course* to acquire the highest rating for the DBJ Green Building Certification, which is sponsored by the Development Bank of Japan and recognizes real estate properties with high environmental and social awareness.

Further, for the appropriation of funds to construct Building A, we issued publicly offered green bonds with a term of five years and in the amount of 100 billion in June 2018, becoming the first major real estate developer in Japan to do so.

* Building A, currently under construction, was awarded a five-star rating, the highest such designation, for “plan certification” in 2018.

**“Open Innovation Field” Initiative in the Marunouchi Area**

As one of the growth strategies for the Office Building Business in the Medium-Term Management Plan, we are promoting the “Open Innovation Field” initiative in the Marunouchi area. The initiative entails bringing people and companies that find opportunities in innovation together and interact. Accordingly, we aim to provide a constantly stimulating city environment that inspires creativity and a willingness to realize new possibilities and embrace change.

Specifically, we are focusing on the fields of AI, the Internet of Things (IoT), and robotics and seeking to actively promote practical tests with systems and services that utilize state-of-the-art technology. In the office building leasing business, we are providing small offices targeted at growing companies both in Japan and overseas as well as start-ups working on the application of advanced technologies. We are working to build a platform for providing a point of contact between different players and support the formation of networks for lively exchanges between start-ups and large companies.

See pages 24—27 for details.

**Non-Asset Businesses and Others**

- We intend to strengthen the functions of Marunouchi through the “Open Innovation Field” initiative to cultivate new communities and undertake field trials with leading-edge technologies.

**Shinjuku Station South Project**

- Total Floor Area: 44,100 m²

**Marunouchi 1-3 Project**

- Total Floor Area: 174,100 m²

**Kita-Aoyama 2-Chome Project**

- Total Floor Area: 139,700 m²

**Tokyo Tokiwabashi Project**

- Total Floor Area: 686,000 m²

**Field Test of Self-Driving Taxi Conducted**

- See pages 20—23 for details. We also commenced the redevelopment of the Marunouchi 1-3 Project in January 2018 as well as the construction of Tokyo Tokiwabashi Project Building A in February of the same year.

Tokyo Tokiwabashi Project is a large-scale redevelopment project being conducted in phases during a period of over 10 years. It will be developed over a 3.1-ha area in front of Tokyo Station and connect the major business districts of Marunouchi and Yauco / Nihonbashi. For this project, we are creating 7,200 m² of open space and implementing various state-of-the-art initiatives toward strengthening disaster prevention and reducing environmental burden. In terms of environmental burden reduction efforts, we are aiming for Tokyo Tokiwabashi Project to become the first-ever integrated urban building development project in Japan to receive the SITES® certification, while being on course* to acquire the highest rating for the DBJ Green Building Certification, which is sponsored by the Development Bank of Japan and recognizes real estate properties with high environmental and social awareness.

Further, for the appropriation of funds to construct Building A, we issued publicly offered green bonds with a term of five years and in the amount of 100 billion in June 2018, becoming the first major real estate developer in Japan to do so.

* Building A, currently under construction, was awarded a five-star rating, the highest such designation, for “plan certification” in 2018.

**“Open Innovation Field” Initiative in the Marunouchi Area**

As one of the growth strategies for the Office Building Business in the Medium-Term Management Plan, we are promoting the “Open Innovation Field” initiative in the Marunouchi area. The initiative entails bringing people and companies that find opportunities in innovation together and interact. Accordingly, we aim to provide a constantly stimulating city environment that inspires creativity and a willingness to realize new possibilities and embrace change.

Specifically, we are focusing on the fields of AI, the Internet of Things (IoT), and robotics and seeking to actively promote practical tests with systems and services that utilize state-of-the-art technology. In the office building leasing business, we are providing small offices targeted at growing companies both in Japan and overseas as well as start-ups working on the application of advanced technologies. We are working to build a platform for providing a point of contact between different players and support the formation of networks for lively exchanges between start-ups and large companies. (See pages 20—23 for details.)
The Lifestyle Property Business handles assets excluding offices, residential properties, and hotels. Its activities center on the development and operation of retail properties and logistics facilities. The retail property portfolio spans three business formats: suburban shopping malls operated under the PREMIUM OUTLETS® brand, independent shopping centers such as MARK IS, and integrated urban facilities in the Marunouchi area. In our logistics facility business, we are continuing to expand our portfolio particularly under the Group’s Logicross brand while also undertaking joint developments with other companies.

Retail Properties
- We intend to make acquisitions of land and undertake leasing operations by making use of our multiple information networks and tenant relationships.
- We aim to generate stable capital gains by leveraging our logistics business platform to sell developed properties to Mitsubishi Estate Logistic REIT Investment Corporation, which is managed by Mitsubishi Jisho Investment Advisors, Inc., and other parties.
- We intend to generate synergies Groupwide by sharing the information networks and management know-how acquired by the Tokyo Ryutsu Center, which has been involved in logistics facility business operations for over 50 years.

Logistics Facilities
- We aim to capture inbound demand by taking various initiatives that give full play to the distinctive features of our facilities.

Retail Properties
- In November 2018, we opened MARK IS Fukuoka Momochi in Fukuoka City, Fukuoka Prefecture. Home to 163 stores, including new business formats and the first-aver locations in Fukuoka, MARK IS Fukuoka Momochi is the largest retail property for the MARK IS brand and the biggest MARK IS retail property within Fukuoka to the west of Tenjin. It also represents the Group’s first-aver complex development project combining a large-scale retail property with a housing complex. Meanwhile, construction of the WEST tower of The Parkkensa Fukuoka Towers—a housing complex featuring two towers consisting of 586 units—is scheduled for completion at the end of December 2019, while construction of the EAST tower is slated for completion at the end of December 2020. Through the project’s retail property and condominiums that leverage the Group’s collective strengths and know-how, we will contribute to enhancing the value of this area.

Logistic Facilities
- In January 2019, we completed the construction of Logicross Nagoya Kasadera in Nagoya City, Aichi Prefecture. This multi-tenant logistics facility is conveniently located near major roads and highways, and offers tremendous potential as a logistics base for deliveries not only within Nagoya City but also throughout the entire Chubu region. The facility comes equipped with ramps that allow vehicles to access storage areas on each floor and offers excellent versatility and functionality through the installation of LED lighting and other features throughout the building. Logicross Nagoya Kasadera also provides support to the region in the form of business continuity planning (BCP) with its designation as an emergency evacuation building in the case of a large tsunami.

In May 2019, we completed the construction of LOGIPORT Kawasaki Bay, a multi-tenant logistics facility, jointly developed with LaSalle Investment Management K.K. and NIPP0 Corporation. One of the largest logistics facilities in Japan, LOGIPORT Kawasaki Bay offers exceptional access to Tokyo and Yokohama, and this access is expected to further improve with the construction of the Pineko Road Hashi Ohashima Mizue-cho Line scheduled to be completed in fiscal 2024.
Residential Business

The Mitsubishi Estate Group has approximately 50 years of experience in the residential condominium business. We have established a value chain to meet housing-related needs spanning from new development and rebuilding and redevelopment projects to purchasing and sales, brokerage, and management. We are also developing a wide range of businesses to meet diversifying lifestyle needs. Such businesses include rental housing, renovation, our international business, and investment-purposed real estate.

We are also developing a wide range of businesses to meet diversifying lifestyle needs. Such businesses include rental housing, renovation, our international business, and investment-purposed real estate.

The Mitsubishi Estate Group has approximately 50 years of experience in the residential condominium business. We have established a value chain to meet housing-related needs spanning from new development and rebuilding and redevelopment projects to purchasing and sales, brokerage, and management. We are also developing a wide range of businesses to meet diversifying lifestyle needs. Such businesses include rental housing, renovation, our international business, and investment-purposed real estate.

The Parkhouse and The Parkhabio brands backed by outstanding technologies, uncompromising product quality control, and a long and extensive track record. The quality control of The Parkhouse brand at all stages of the development process—from design and construction to completion—with “Check Eyes,” our quality management and performance indication system, which reflects our dedication to all aspects of the properties we offer.

Product planning capabilities that ensure that our buildings keep people safe through resilience in natural disasters and offer both comfort and cost performance and which respect the environment and the local region by paying careful attention to preserving biodiversity and helping realize a low-carbon society.

Strong relationships with leading developers in Asian countries.

The ability to provide services to meet all housing-related needs.

Residential Condominiums, Domestic

- We aim to expand our customer base by strengthening our brand power through the enhancement of product appeal, reliability, and services and by leveraging said brand power to acquire loyal “fans.”
- We intend to optimize material costs and construction costs by utilizing our leading business scale in residential condominium development in Japan.
- We are promoting redevelopment projects that make full use of our abundant know-how related to real estate development and of the comprehensive capabilities of the Mitsubishi Estate Group.

Residential Condominiums, Overseas

- While exploring business opportunities through collaboration with leading developers in different countries, we are also pursuing growth by utilizing the Group’s planning capabilities and development and sales know-how.

Rental Apartments

- We are aiming to stabilize segment profits through capital gains from rental apartments and other investment-purposed properties in the condominium business.

Non-Asset Type Businesses

- We aim to strengthen non-asset type businesses involving existing properties in such areas as residence management, brokerage, custom-built housing, and renovation.

Residential Business Value Chain

- We are providing one-stop services as a group making full use of all the phases of the value chain, from land acquisition, development, sales, and management through to brokerage.

Rental Apartments (featuring CLT)

In February 2019, we completed the construction of PARK WOOD Takamori within the area of Izumi Park Town in Izumi-ku, Sendai City, Miyagi Prefecture. This 10-story rental apartment complex is the country’s first-ever high-rise building that uses CLT* as a flooring material. In addition to reducing the weight of the building and lowering the burden placed on frame construction, the use of CLT allowed us to shorten the construction schedule by around three months compared with construction using conventional reinforced concrete. For our use of CLT, we received subsidies from the Forestry Agency in fiscal 2017 and the Ministry of Land, Infrastructure, Transport and Tourism in fiscal 2018. Through efforts to promote the use of timber in buildings, we were able to reduce construction costs and shorten the time required for construction. In this way, PARK WOOD Takamori is socially recognized for contributing to the circulation of forestry resources in Japan.

Overseas Residences

Mitsubishi Estate Residence Co., Ltd. has formed an alliance with residential property developer Crown Group Holdings, based in Sydney, Australia, to develop a 374-unit condominium called Mastery.

Located within a four kilometer radius of Sydney’s central business district, Mastery offers exceptional convenience in the form of a subway station, retail properties, a large park, and other facilities all located within walking distance. The project was designed by Japanese architects Kengo Kuma and Kôichi Takada and features a Japanese restaurant and other products and amenities themed on Japan. Sales of units began on November 17, 2018, with construction of the entire property scheduled for completion in 2021.

International Business

The Mitsubishi Estate Group’s International Business began with the establishment of a company in the United States in the early 1970s. Its geographical coverage has since expanded to include the United Kingdom, mainland Europe, Asia and Oceania. We have been strengthening our portfolio with both management properties predicated on returns from rental fees and properties for sale premised on raising their value under a capital recycling business model. We are promoting business expansion with respect to the real estate trading rules and business customs of each country. We seek to apply optimal business models for each market based on macroeconomic data and analysis of capital and real estate markets to identify the right time to enter.

Overview

Revenue from Operations (Billions of yen)

Operating Income / Operating Income Ratio (%)

United States
- We are pursuing hands-on development centering on RGI.
- We aim to promote rental business based on two flagship office buildings owned in Manhattan and the development of properties in the United States under our capital recycling business model.
- We intend to strengthen investment with the Hybrid Investment Model* utilizing TA Realty’s resources.

Europe
- We aim to develop business particularly in markets where different functions are handled by separate professional enterprises as an asset manager responsible for overseeing all aspects of projects.
- We intend to expand our portfolio by acquiring properties with a view to redevelopment, centering on management properties in the Office Building Business.
- We aim to strengthen investment with the Hybrid Investment Model* utilizing Europa Capital’s resources.

Asia and Oceania
- We are expanding and diversifying our investment and development business jointly with leading local partners.
- In countries and regions where high and stable growth can be expected, we are focusing on asset types—and particularly properties for sale—that are likely to see strong demand given the particular characteristics of different areas.
- We aim to expand investment with our Hybrid Investment Model* through PA Realty, our joint venture with CLSARE.

Business Strategies

Competitive Advantages

United States
- The sourcing power of Rockefeller Group International, Inc. [RGI], and its development know-how and track record, as well as the name recognition it brings.
- TA Realty’s networks and track record in raising the value of properties.

Europe
- The sourcing power based on business achievements over a long period.
- The establishment of development teams and operational effectiveness.
- Europa Capital’s networks and track record in raising the value of properties.

Asia and Oceania
- Development know-how gained in the business in Japan.
- Acclaim the Group has won for its track record in Japan among businesses in leading cities in Asia excluding those in Japan.
- Relationships with leading local partners.
- The networks Pan Asia Realty Advisors (PA Realty) has established together with CLSAR’s Real Estate Partners (CLSARE), which handles the real estate fund management business in Asia and Oceania.

* Group companies under the Investment Management Business segment

* From fiscal 2016, the international investment management business was transferred from the International Business segment to the Investment Management Business segment.
Operating Income / Operating Income Ratio

Revenue from Operations

Mitsubishi Estate Logistics REIT Investment Corporation, for which Mitsubishi Jisho Investment Advisors, Inc., is the asset management company, listed on the Tokyo Stock Exchange REIT Market in September 2017. The investment corporation invests principally in logistics facilities. It aims for stable asset management by steadily building a portfolio of highly competitive logistics facilities. In doing so, it brings together the abundant experience Mitsubishi Jisho Investment Advisors has accumulated in managing real estate funds since its establishment in 2001 and the real estate development know-how of Mitsubishi Estate and the information networks built throughout its development of logistics facilities since 2011.

In Japan, we meet the needs of domestic and overseas investors by providing a diverse lineup of products, including listed REITs, private REITs, and private funds, as well as dependable asset management services.

Through the execution of M&A deals and other activities overseas, we have established a strategic global investment management platform. This enables us to provide global asset management services to clients by leveraging our expertise and achievements fostered in Japan, the United States, Europe, and Asia excluding Japan.

In Japan, the Investment Management Business offers specialist services. Mitsubishi Jisho Investment Advisors, Inc., provides asset management services across a wide range of investment products, including the country’s largest private REIT and a listed logistics REIT, while Japan Real Estate Asset Management Co., Ltd., manages Japan’s first publicly listed office REIT.

We established the Hotel & Airport Business segment in fiscal 2019, bringing together the Hotel Business segment and the Airport Business Group to generate synergies between the two. Royal Park Hotels and Resorts Company, Limited, which operates hotels throughout Japan, is moving from the Hotel Business segment to the Hotel & Airport Business and reinforcing the activities of the Airport Development Business. We also established the Hotel & Airport Business Group to generate synergies between the two. Royal Park Hotels and Resorts Company, Limited, which operates hotels throughout Japan, is moving from the Hotel Business segment to the Hotel & Airport Business and reinforcing the activities of the Airport Development Business. We also established the Hotel & Airport Business Group to generate synergies between the two. Royal Park Hotels and Resorts Company, Limited, which operates hotels throughout Japan, is moving from the Hotel Business segment to the Hotel & Airport Business and reinforcing the activities of the Airport Development Business.

In the Hotel Business, our main focus is the development of hotels under the Royal Park Hotels brand on sites we have acquired ourselves. We also actively look to lease properties to other operators and generate capital gains through the sale of properties after holding them for a certain period of time. With the Royal Park Hotels brand, we aim to steadily increase operating income by improving the operating income ratio at existing hotels while actively expanding hotel networks by leasing properties developed by other companies as well as utilizing various schemes, including management contracts and franchise contracts.

In the Airport Business, we aim to earn demand by enhancing the appeal of airports and their surrounding areas by working with appropriate partners and applying our experience in urban development and the management of commercial facilities.

• We are leveraging our development expertise and the tenant relationships we have built by handling diverse real estate assets as a comprehensive developer in order to acquire sites for hotels and promote hotel development.
• Applying more than 30 years of hotel management experience with the Royal Park Hotels brand, we have been expanding our networks of full-service hotels and accommodation-oriented, limited-service hotels.
• In our airport management operations, we are making full use of the experience we have gained with the development and management of diverse commercial facilities and the knowledge gained in businesses related to demand from inbound visitors to Japan in our outlet and hotel operations businesses.

In April 2018, in order to respond to the high demand for accommodation, we accelerated the expansion of the Hotel Business and reinforced the activities of the Airport Operation Business. We also established the Hotel & Airport Business Group to generate synergies between the two. Royal Park Hotels and Resorts Company, Limited, which operates hotels throughout Japan, is moving ahead with the expansion of new locations in Tokyo, Osaka, Kyoto, and other areas. The company plans to expand from its 3,047 units as of June 2019 to approximately 4,350 units in 2022.

In the Airport Business, we commenced operations of Takamatsu Airport in April 2018, which was followed by opening of the Miyako Shimojishima Airport Terminal in March 2019 and the start of operation of Mt. Fuji Shizuoka Airport in April 2019.

In April 2018, in order to respond to the high demand for accommodation, we accelerated the expansion of the Hotel Business and reinforced the activities of the Airport Operation Business. We also established the Hotel & Airport Business Group to generate synergies between the two. Royal Park Hotels and Resorts Company, Limited, which operates hotels throughout Japan, is moving ahead with the expansion of new locations in Tokyo, Osaka, Kyoto, and other areas. The company plans to expand from its 3,047 units as of June 2019 to approximately 4,350 units in 2022.

In the Airport Business, we commenced operations of Takamatsu Airport in April 2018, which was followed by opening of the Miyako Shimojishima Airport Terminal in March 2019 and the start of operation of Mt. Fuji Shizuoka Airport in April 2019.

• In the Hotel Business, our main focus is the development of hotels under the Royal Park Hotels brand on sites we have acquired ourselves. We also actively look to lease properties to other operators and generate capital gains through the sale of properties after holding them for a certain period of time. With the Royal Park Hotels brand, we aim to steadily increase operating income by improving the operating income ratio at existing hotels while actively expanding hotel networks by leasing properties developed by other companies as well as utilizing various schemes, including management contracts and franchise contracts.
• In the Airport Business, we aim to earn demand by enhancing the appeal of airports and their surrounding areas by working with appropriate partners and applying our experience in urban development and the management of commercial facilities.

We are leveraging our development expertise and the tenant relationships we have built by handling diverse real estate assets as a comprehensive developer in order to acquire sites for hotels and promote hotel development. Applying more than 30 years of hotel management experience with the Royal Park Hotels brand, we have been expanding our networks of full-service hotels and accommodation-oriented, limited-service hotels. In our airport management operations, we are making full use of the experience we have gained with the development and management of diverse commercial facilities and the knowledge gained in businesses related to demand from inbound visitors to Japan in our outlet and hotel operations businesses.

In the Hotel Business, our main focus is the development of hotels under the Royal Park Hotels brand on sites we have acquired ourselves. We also actively look to lease properties to other operators and generate capital gains through the sale of properties after holding them for a certain period of time. With the Royal Park Hotels brand, we aim to steadily increase operating income by improving the operating income ratio at existing hotels while actively expanding hotel networks by leasing properties developed by other companies as well as utilizing various schemes, including management contracts and franchise contracts.

In the Airport Business, we aim to earn demand by enhancing the appeal of airports and their surrounding areas by working with appropriate partners and applying our experience in urban development and the management of commercial facilities.
Architectural Design & Engineering Business

- As a full-service architectural design and engineering firm, we have extensive experience in urban planning covering such areas as the design and management of buildings for various applications and proposal-based consulting, including large-scale complex developments in the Marunouchi area, and designing underground spaces that take into account traffic conditions.
- We undertake design and management with an in-depth understanding of operation, maintenance, and management from the perspectives of business operators and clients based on experience cultivated at a developer’s in-house design office.
- We have access to a wealth of information on China and Southeast Asian countries through a network centered on local subsidiaries established in Shanghai and Singapore.

We provide technological support to Group companies and seek to generate synergies with those companies.

We aim to expand overseas business by making full use of the Mitsubishi Estate Group’s brand.

Besides construction management work involving the comprehensive management of projects such as construction schedules, budgets, and quality control, we are focusing on winning orders in renovation and other growth fields in order to expand our earnings base.

We aim to expand overseas business by making full use of the Mitsubishi Estate Group’s brand.

We provide technological support to Group companies and seek to generate synergies with those companies.

Real Estate Services Business

- The Real Estate Services Business provides one-stop real estate solutions by making full use of the Mitsubishi Estate Group's comprehensive strengths with a wide-ranging service menu spanning CRE* strategy support, including utilization of CRE information, real estate brokerage, leasing management, parking lot management, and real estate appraisal.
- We provide solutions throughout Japan using our nationwide branch network backed by specialist expertise and knowledge long nurtured as real estate professionals.

* Corporate Real Estate (CRE) refers to property held or used by a business enterprise or organization for its own operational purposes. In recent years, there has been growing interest in using CRE strategically to contribute to increasing corporate value.

We are aiming to be the top company in CRE strategy support, real estate consulting, and recreational land and recreational facility management by providing services to enterprises and high net worth individuals as our core customers.

We are strengthening our value chain, which combines a variety of service menus of the Business Development, Consulting & Solutions Group and of each of the Group’s businesses, while expanding the range of services we provide to existing customers.

The Real Estate Services Business is working closely with the Business Development, Consulting & Solutions Group to win new orders.

Consulting & Solutions Group to win new orders.

We are strengthening our value chain, which combines a variety of service menus of the Business Development, Consulting & Solutions Group and of each of the Group’s businesses, while expanding the range of services we provide to existing customers.

In February 2019, Mitsubishi Real Estate Services Co., Ltd., which operates the Real Estate Services Business, commenced the leasing of CIRCLES. Developed by Mitsubishi Estate, CIRCLES is a series of buildings featuring exceptionally designed and comfortable compact offices for companies that have grown out of their shared offices and other small office spaces.

Starting with the completion of CIRCLES Shiodome in August 2019, we are targeting the development of 30 towers, mainly in the five central Tokyo metropolitan wards, within the next five years. Through such efforts, we will move forward with our rental business backed by our comprehensive support system developed through Mitsubishi Real Estate Services' years of experience.
Business Creation Department

Entrepreneurship and Business Creation

- Mitsubishi Estate has vast experience and second-to-none specialist expertise in real estate development and management deriving from a long history in urban development that spans the whole spectrum, from finding tenants and facility management to cooperating closely with such stakeholders as business operators in nearby areas.
- We have created a platform for new business creation that embraces both in-house and external parties and supports sustainable innovation that goes beyond the boundaries of established business fields.

Business Strategies

- We aim to raise the added value of established businesses through innovative approaches that involve introducing new functions to existing buildings, utilizing new materials, and making use of the latest technology to offer new services and make maintenance more efficient.
- The Company has set a budget of ¥100.0 billion over three years for Groupwide business model innovation. We have also put in place a platform for new business creation to promote new businesses that go beyond the boundaries of our existing Group business framework.
- We are actively pursuing open innovation through cooperation with external partners.

Seven Focus Areas and Main Investment Targets for Creating New Businesses

- In February 2019, our investments in start-ups and venture companies in Japan and overseas, conducted mainly by our Business Creation Department, reached ¥10.0 billion (including commitments). As part of our efforts to create new businesses, we have
- commenced services at its facilities.
- promised, the Company has begun taking full-fledged measures to create new businesses with the provision of funding and
- them, we received 203 entries in the second round of applications held in August 2018. For the five proposals deemed to be most
- Further, in our Corporate Accelerator Program, in which we solicit proposals from venture companies and work closely with
- the boundaries of our existing Group business framework.

In its effort to create new businesses, the Company is pursuing the following focus areas and investment targets:

1. Real estate development
   - Development method proposals
   - Business plan support
   - Project management
   - Effective utilization / joint ventures (equivalent exchanges / term
   - Provisional use
   - Reconstruction

2. Real estate investment
   - Real estate investment strategy
   - Formation support
   - Market research and analysis
   - Due diligence
   - Acquisition support
   - Asset management

3. Real estate liquidity
   - Real estate-backed financial
   - Securitization
   - Specified real estate joint ventures
   - Sales and leaseback
   - Real estate brokerage

4. Design, supervision, and construction
   - Environmental assessment and
   - Consulting for urban development
   - Green finance initiatives (FFIs)
   - Consulting, design, and supervision for environmental
   - Civil-engineering solutions
   - Construction management
   - Design and supervision for buildings and structures
   - Design and supervision for interiors and exteriors
   - Single-use homes and rental
   - Corporate housing
   - Residential and office innovation

5. Comprehensive building analysis and renovation
   - Earthquake resistance analysis
   - Energy saving and IT utilization in
   - Interior and exterior renovation
   - Barrier-free facility construction
   - Protective measures for buildings
   - Facilitation
   - Building renovation business
   - Renovation of existing buildings and subsequent leasing

Business Development, Consulting & Solutions Group

Value Drivers

- Strategic sales organization comprising horizontally integrated segments
- Ability to identify problems through consulting
- Robust solutions using Groupwide resources

Scope of Activities

- The Business Development, Consulting & Solutions Group offers a wide range of services that make full use of the Mitsubishi Estate Group’s abundant experience and comprehensive capabilities to resolve all types of challenges facing customers, acting as a business contact point for the entire Mitsubishi Estate Group.
- Our main efforts involve making comprehensive assessments of real estate-related issues concerning customers, whether they are corporations or individuals, and proposing optimal approaches to their resolution that serve to raise corporate value by making use of wide-ranging businesses and resources. We are also actively undertaking development projects from a medium-to-long-term perspective and aiming to create new business opportunities that go beyond the bounds of the real estate field, thereby promoting joint business with customers while maximizing the use of our resources.

Business Flow of Consulting Services and Solutions

- In its effort to create new businesses, the Company is pursuing the following focus areas and investment targets:
- Real estate development
- Real estate investment
- Real estate liquidity
- Design, supervision, and construction
- Comprehensive building analysis and renovation
- Building operation and management
- New business development

Support for business promotion

Consultation

Decision-making

Communication

Identification of issues

Analysis and hypothesis

Proposal

Analysis and hypothesis

Consultation

Decision-making

Communication

Identification of issues
Identifying Materiality

The Mitsubishi Estate Group aims to build mutually profitable relationships with stakeholders and enhance corporate value over the long term by becoming a front-running, ESG-conscious corporation. With the goal of realizing a sustainable society and enhancing corporate value over the long term, we are accelerating initiatives designed to resolve social issues through our business activities. To that end, we established a Groupwide working group in fiscal 2019 to identify matters requiring close attention from the perspectives of the SDGs, materiality (important issues for sustainable management), and related opportunities and risks. (See pages 50—51.)

Meetings of the working group are attended by representatives from each of the Group’s businesses, with the president in attendance at the opening meeting of the project.

Process for Identifying Materiality

<table>
<thead>
<tr>
<th>Step</th>
<th>Process</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Formulate the processes for each business</td>
</tr>
<tr>
<td></td>
<td>Clarify Company strengths and characteristics (the source of value creation)</td>
</tr>
<tr>
<td>2</td>
<td>Identify social issues and trends such as the SDGs</td>
</tr>
<tr>
<td></td>
<td>Establish links between business processes and social issues and trends such as the SDGs</td>
</tr>
<tr>
<td></td>
<td>In addition to determining connections between business processes and social issues and trends, conduct screening of these issues and trends from the perspectives of the Medium-Term Management Plan and the secretariat</td>
</tr>
<tr>
<td>3</td>
<td>Identify business opportunities and risks associated with each social issue and trend</td>
</tr>
<tr>
<td></td>
<td>Categorize materiality taking into consideration opportunities and risks</td>
</tr>
<tr>
<td></td>
<td>Implement screening at the secretariat of the working group</td>
</tr>
<tr>
<td>4</td>
<td>Propose materiality and conduct interviews with stakeholders</td>
</tr>
<tr>
<td></td>
<td>Report progress to management</td>
</tr>
</tbody>
</table>

SDGs Initiatives

Among the 17 SDGs, No. 11, “Make cities and human settlements inclusive, safe, resilient, and sustainable,” is an indispensable goal that is of direct relevance to the Group’s business activities. We strive to steadily adhere to that goal through our business activities. Moreover, with regard to the other SDGs, we recognize that there are many areas to which we, as a comprehensive developer, can give consideration and contribute. We also had many discussions that incorporated SDI viewpoints when identifying materiality at meetings of the working group.

Furthermore, we signed the UN Global Compact in April 2018 to clearly demonstrate our stance on SDG initiatives and sustainable urban development. Meanwhile, the Mitsubishi Estate Group’s greenhouse gas emissions reduction targets were approved by the Science Based Targets initiative in April 2019.
At meetings of the Groupwide working group in fiscal 2019, 24 social issues and trends related to the Group’s business activities were determined and materiality and related opportunities and risks were identified, by classifying those issues and trends into seven categories. Going forward, we will establish new key performance indicators (KPIs) and revise current KPIs from the standpoint of sustainability as well as considering the Group’s vision for the future, thereby enhancing the promotion of sustainability activities. (More information regarding our ESG initiatives will be available on our website in due course.)

### 24 Social Issues and Trends

- Worsening of climate change
- Deterioration of the natural environment and depletion of natural resources
- Exhaustion of existing natural resources and resultant changes in energy configuration in society as a whole
- Increase in social unease due to terrorism and crime (including risks from the outbreak of infectious diseases)
- Increase in frequency of natural disasters (including earthquakes)
- Risk of rise in associated costs
- Further penetration of the Internet of Things (IoT) (including virtualization and acceleration of the proliferation of information)
- Improvements in artificial intelligence (AI) (including the spread of automated driving technology)
- Increase in e-commerce and omni-channel commerce, and diversification of payment methods
- Progress of globalization (including increases in inbound and outbound tourism and rise in immigration)
- Economic growth of emerging nations, principally in Asia
- Global population growth and shortage of food supplies
- Rise in interest in physical and mental health, medical care, and wellness
- Decline in the total population and working-age population of Japan
- Acceleration of the aging population and changing position of the elderly in society in Japan
- Emergence of risks in the supply chain (including worsening of human rights issues)
- Progress of the social advancement of women and the diversification of society
- Increase in number of foreign workers in Japan
- Growth in need for social integration and universal design
- Restructuring and revitalization of regional communities (including regional depopulation and population increases of major cities)
- Increase in prevalence of aging public infrastructure and housing stock (including vacant housing)
- Promotion of private sector vitality, as a result of the privatization of public facilities
- Changes in lifestyles and work styles
- Diversification of consumption patterns, such as the sharing economy

### Materiality

#### The environment
- Globality
- Community
- Diversity

#### The declining birth rate and an aging population

#### Leveraging existing properties

#### Digital innovation

### Main Opportunities

- Heightening of need for development and management of real estate with less environmental impact and superior resilience to natural disasters
- Increase in real estate investment and urban development opportunities overseas
- Rise in need for response to the needs of diverse consumers, including those from overseas
- Increase in need for real estate, urban development, and management with security that is highly resistant to acts of terrorism and crime
- Expansion in demand for facilities and services that respond to diverse lifestyles, work styles, and consumption styles
- Greater demand for cities that respond to changes in population movements
- Increased calls for redevelopment and renovation, and use of existing stock in major cities
- Potential utilization of smart communities, houses, and offices

### Main Ways to Provide Value

- Safe and peaceful cities of a sustainable and resilient nature
- Cities that conduct management of climate change, waste, and energy issues
- Borderless cities respecting the diverse backgrounds of all peoples
- Cities that provide interactive added value through knowledge accumulation and networks
- Cities conducive to realizing an inclusive society
- Pleasant and abundant cities responding to demographic and lifestyle changes
- Efficient and ecological cities where stock is utilized effectively
- Innovative cities acting as wellsprings for open innovation

### Main Risks

- Reduction in the value of assets and increase in costs of measures and maintenance stemming from a large-scale natural disaster
- Intensification of competition globally among cities
- Increase in country risks and compliance risks, including those related to supply chain management
- Deterioration of public order and reduction in the value of real estate in surrounding areas stemming from the aging of buildings and increase in vacant housing
- Changes in office needs as a result of a decline in the working-age population and the expansion of diverse work styles
- Changes in business practices and the employment environment due to the emergence of AI
Urban development with true value is predicated on understanding the needs of people working and living in the area while also having insight into how the times are changing. Such insight comes from our people being highly attuned to society. The Mitsubishi Estate Group seeks to nurture and strengthen diverse human resources as the source of new value creation and business growth by establishing an environment that inspires creativity and encourages people to take on challenges.

Approach to Human Resource Development

The Mitsubishi Estate Group recognizes that employees are its most important management capital. What we seek in our employees are the following five attributes: vision, professionalism, integrity, team building, and challenge and innovation.

We have implemented job rotation taking into account career growth stages and also set up systematic training programs in the workplace with training tailored to the needs of people in different positions and at various career stages. In addition to holding human resource development training sessions, which is one of the most important issues for managers, we are working on preparing division-specific human resource development plans.

A Compact Organization and a Dynamic Workforce

As of March 31, 2019, the Group had 9,639 employees, with Mitsubishi Estate alone having 899. That is only about 50%–70% of the levels at our major competitors in Japan. Relative to revenue, the per-capita contribution of each employee in the Group is large. To put it another way, productivity per employee is high. This is partly a reflection of the Group’s organizational culture in which all employees, including new recruits in their 20s, are assigned challenging work.

We aim to create an environment that spurs our people to take on challenges beyond established business frameworks, including developing new services that utilize the latest technology and embracing open innovation with venture companies.

(Reference) Productivity per Employee

<table>
<thead>
<tr>
<th>FY2019 (Millions of yen)</th>
<th>FY2017</th>
<th>FY2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenue from operations</td>
<td>229,178</td>
<td>134,608</td>
</tr>
<tr>
<td>Operating income</td>
<td>134,608</td>
<td>24.2</td>
</tr>
<tr>
<td>Profit attributable to owners of parent employees</td>
<td>14.2</td>
<td></td>
</tr>
</tbody>
</table>

Multifaceted Staff Education and Training

The Group has established a staff training system with the aim of developing the skills of each employee and raising awareness of their roles at the different stages of their careers. We provide a broad range of cross-group training programs, including those for new employees and newly appointed managers, aiming to create a framework to support high-level achievements and demonstrate the Mitsubishi Estate Group’s comprehensive strengths. In order to encourage the acquisition of business-related knowledge and skills for developing the capabilities of all staff, we offer a wide range of training programs throughout the Group aimed at developing the capabilities of all staff. These programs range from marketing and financial strategy to compliance and human rights awareness. Furthermore, we have been encouraging the development of human resources with the skills needed to perform on a global basis. For example, we have introduced programs under which employees gain practical experience by being appointed for one or two years to work in overseas offices of the Mitsubishi Estate Group or external companies. We have also been fostering human resources who will be able to perform effectively in a global setting by sending employees to study abroad. Moreover, we have introduced a self-development support system to help all employees with various backgrounds develop their capabilities and apply them to the fullest extent. We are working on multifaceted training programs to meet the needs of diverse human resources.

Cultivation of Broad Perspectives through Job Rotation

At Mitsubishi Estate, new graduates account for the great majority of new employees. For these new graduates, we have introduced a personnel system under which they work in three departments for a period of about 10 years after joining. Under the job rotation system, an employee might move from the Residential Business to the Office Building Business, or from development operations to a business management role. The intention here is to help young employees acquire broad practical knowledge and skills through on-the-job training. At the same time, by providing work experience across multiple fields, we are helping build a broad range of human networks connecting various stakeholders. These networks extend from within the Group to clients and business partners, to national and local governments in charge of urban planning, and to the communities in the areas we are developing. We hope, through this approach, that employees gain new insight and knowledge. Job rotation is a mechanism that creates valuable opportunities on a sustained basis and helps our people broaden their horizons and gain an understanding of the business of real estate developers from multiple perspectives.

New Business Proposal System Encouraging Employees to Take On Challenges

We launched our New Business Proposal System in 2019, which has evoked a wide range of proposals and ideas from our employees. The Business Creation Department has, since its establishment in 2014, worked as a secretariat for the proposal system at the same time as developing new businesses itself. It aims to prepare the ground for employees to take up the challenge of new value creation. Mitsubishi Estate Residence’s business of renovating second-hand condominium units was born out of a proposal put forward by an employee. After the proposal was passed in 2011, we examined the feasibility of the business from various angles. Doing so led to the establishment of the Property Renovation Department in 2014, and then the business took off. As a more recent example, a meditation studio business, Medicha, proposed in 2011 by two female employees in their fifth year of employment at the Company, started its operations in June 2019. We established a wholly owned subsidiary to operate this new business and appointed the two employees who proposed it as directors. We also plan to introduce a paid stock-option system for the first time.

The creation of new business was highlighted as an important theme for “business model innovation to achieve further growth in the 2020s” in the Medium-Term Management Plan that began in April 2017. We have updated and strengthened the New Business Proposal System to create an environment that is more conducive to employees taking up challenges as part of a new business creation platform, one of the measures in the Medium-Term Management Plan. Interest in this system among employees is higher than ever. More than 10 proposals have been submitted since its launch, 11 of which have been developed into businesses.
Work Style Reforms Facilitated by Office Environments

Mitsubishi Estate Co., Ltd. has been implementing work style reforms facilitated by office environments. These reforms include flexible working arrangements, open and direct communication, and natural gatherings and connections among people.

Engagement of a Diverse Workforce

When developing urban environments where a diverse range of people can live and work dynamically, it is important for the Company to maintain a diverse workforce to enable it to incorporate a variety of opinions and ideas. Mitsubishi Estate transitioned to a “Company with Nominating Committee,” and created three committees: the Nominating Committee, the Audit Committee, and the Remuneration Committee—all of which are composed of a majority of outside directors. Since then, the Company has continuously implemented initiatives to reinforce its corporate governance system, such as introducing remuneration systems for directors, enhancing the Restricted Stock Compensation System, and implementing a performance-based incentive plan (the “Phantom Stock Plan”), evaluating the effectiveness of the Board of Directors, and establishing the “Mitsubishi Estate Co., Ltd., Corporate Governance Guidelines.”

Message from the Chairman of the Board

Mitsubishi Estate transitioned to a “Company with Nominating Committee,” and created three committees: the Nominating Committee, the Audit Committee, and the Remuneration Committee—all of which are composed of a majority of outside directors. Since then, the Company has continuously implemented initiatives to reinforce its corporate governance system, such as introducing remuneration systems for directors, enhancing the Restricted Stock Compensation System, and implementing a performance-based incentive plan (the “Phantom Stock Plan”), evaluating the effectiveness of the Board of Directors, and establishing the “Mitsubishi Estate Co., Ltd., Corporate Governance Guidelines.”

Chairman of the Board

Hirotaka Sugiyama
Mitsubishi Estate Co., Ltd.
Directors
As of June 27, 2019

<table>
<thead>
<tr>
<th>Name</th>
<th>Position</th>
<th>Number of shares held</th>
<th>Appointment year</th>
</tr>
</thead>
<tbody>
<tr>
<td>Setsuko Egami</td>
<td>Outside Director</td>
<td>37 thousand shares</td>
<td>Jun. 2018</td>
</tr>
<tr>
<td>Hirotaka Sugiyama</td>
<td>Chairman of the Board</td>
<td>74 thousand shares</td>
<td>Apr. 2014</td>
</tr>
<tr>
<td>Hiroshi Katayama</td>
<td>Director</td>
<td>23 thousand shares</td>
<td>Apr. 1994</td>
</tr>
<tr>
<td>Shin Nagase</td>
<td>Director</td>
<td>32 thousand shares</td>
<td>Apr. 2012</td>
</tr>
<tr>
<td>Shin Ebihara</td>
<td>Outside Director</td>
<td>23 thousand shares</td>
<td>Jun. 2015</td>
</tr>
<tr>
<td>Tetsuo Narukawa</td>
<td>Outside Director</td>
<td>34 thousand shares</td>
<td>Apr. 2019</td>
</tr>
<tr>
<td>Junichi Yoshida</td>
<td>Director</td>
<td>56 thousand shares</td>
<td>Jun. 2015</td>
</tr>
<tr>
<td>Junichi Tanisawa</td>
<td>Director</td>
<td>54 thousand shares</td>
<td>Jun. 2015</td>
</tr>
<tr>
<td>Bunroku Naganuma</td>
<td>Director</td>
<td>43 thousand shares</td>
<td>Apr. 2014</td>
</tr>
<tr>
<td>Masaaki Shirakawa</td>
<td>Outside Director</td>
<td>37 thousand shares</td>
<td>Apr. 2014</td>
</tr>
<tr>
<td>Tetsuji Arimori</td>
<td>Director</td>
<td>20 thousand shares</td>
<td>Apr. 2010</td>
</tr>
<tr>
<td>Junichi Yoshida,</td>
<td>Outside Director</td>
<td>32 thousand shares</td>
<td>Apr. 2014</td>
</tr>
<tr>
<td>Toru Okusa</td>
<td>Director</td>
<td>20 thousand shares</td>
<td>Apr. 2010</td>
</tr>
<tr>
<td>Jo Kato</td>
<td>Director</td>
<td>30 thousand shares</td>
<td>Apr. 2010</td>
</tr>
<tr>
<td>Tsuyoshi Okamoto</td>
<td>Outside Director</td>
<td>32 thousand shares</td>
<td>Apr. 2019</td>
</tr>
<tr>
<td>Shin Nagase</td>
<td>Director</td>
<td>23 thousand shares</td>
<td>Apr. 1994</td>
</tr>
<tr>
<td>Bunroku Naganuma</td>
<td>Director</td>
<td>20 thousand shares</td>
<td>Apr. 2010</td>
</tr>
<tr>
<td>Hiroshi Katayama</td>
<td>Director</td>
<td>12 thousand shares</td>
<td>Apr. 1972</td>
</tr>
</tbody>
</table>

Shin Ebihara
Outside Director
2015 -
Apr. 2015

Setsuko Egami
Outside Director
2015 -
Apr. 2015

Jo Kato
Director
2010 -

Toru Okusa
Director
2010 -

Bunroku Naganuma
Director
2010 -

Hiroshi Katayama
Director
2010 -

Shin Nagase
Outside Director
2016 -

Tetsuo Narukawa
Outside Director
2014 -

Tsuyoshi Okamoto
Outside Director
2019 -

Junichi Yoshida, Toru Okusa
Outside Director
2013 -

Tetsuo Narukawa
Outside Director
2014 -

Shin Nagase
Outside Director
2016 -

Setsuko Egami
Outside Director
2015 -

Iwao Taka
Outside Director
2016 -

Junichi Yoshida
Outside Director
2013 -

Bunroku Naganuma
Director
2016 -

Hiroshi Katayama
Director
2016 -

Shin Nagase
Director
2016 -

Shin Ebihara
Outside Director
2015 -

Tetsuo Narukawa
Outside Director
2014 -

Tsuyoshi Okamoto
Outside Director
2019 -

Junichi Yoshida, Toru Okusa
Outside Director
2013 -

Tetsuo Narukawa
Outside Director
2014 -

Tsuyoshi Okamoto
Outside Director
2019 -

Junichi Yoshida, Toru Okusa
Outside Director
2013 -

Tetsuo Narukawa
Outside Director
2014 -

Tsuyoshi Okamoto
Outside Director
2019 -

Junichi Yoshida, Toru Okusa
Outside Director
2013 -
Overview of Corporate Governance System

Basic Policy

The Company aims to realize the enhancement of corporate value through a harmonious balance between corporate growth and the interests of its various stakeholders by following its brand slogan, “A Love for People. A Love for the City,” based on its basic mission of “contributing to society through urban development.” The Company shall position the development and promotion of the corporate governance system as one of the most important management issues in realizing this goal.

System Structure

As a “Company with Nominating Committee, etc.,” Mitsubishi Estate has established the Nominating Committee, the Audit Committee, and the Remuneration Committee, which are positioned under the Board of Directors and are membered by a majority of outside directors. These committees help promote high standards and ensure transparency of the decision-making process.

Board of Directors

The Board of Directors decides the basic policy of the Company’s management, and it also carries out supervision of the execution of duties by directors and corporate executive officers. As of June 27, 2019, the Board of Directors consists of 15 directors, of whom seven are outside directors. The role of chairman of the Board of Directors is held by the chairman of the Board of the Company, who does not concurrently serve as a corporate executive officer.

Nominating Committee, Audit Committee, and Remuneration Committee

The membership of each committee is as follows:

Nominating Committee

- Tetsuo Nakakawa (Committee Chairmanship)
- Setsuko Egami (Outside Director)
- Tetsuo Nakakawa (Committee Chairmanship)
- Masaaki Shirakawa (Outside Director)
- Shin Ebihara (Outside Director)
- Shin Ebihara (Outside Director)
- Setsuko Egami (Outside Director)

Audit Committee

- Tsuyoshi Okamoto (Committee Chairmanship)
- Shin Nagase (Outside Director)
- Setsuko Egami (Outside Director)
- Masaaki Shirakawa (Outside Director)
- Tsuyoshi Okamoto (Outside Director)
- Setsuko Egami (Outside Director)
- Ineza Takeda (Outside Director)

Remuneration Committee

- Shin Ebihara (Committee Chairmanship)
- Setsuko Egami (Outside Director)
- Masaaki Shirakawa (Outside Director)
- Setsuko Egami (Outside Director)

Composition of the Board of Directors

Various Measures Aimed at Reinforcing the Corporate Governance System

We have established a policy of implementing a more strategic and flexible capital policy in order to realize the Group’s ongoing growth, based on a recognition of the importance of striking a balance between capital efficiency and financial soundness. We have also determined the following measures aimed at reinforcing our corporate governance system.

1. Non-Renewal of Countermeasure Program against Possible Hostile Takeover Attempts

We decided not to renew the countermeasure program against possible hostile takeover attempts in May 2019, which was due to expire a month later. Going forward, we will enhance corporate value over the medium to long term by improving dialogue with capital markets and implementing appropriate policies.

2. Changes to the Composition of the Committees

Since June 2019, following the example of the Remuneration Committee, the Nominating Committee now com- prises entirely independent outside directors, while the chairman of the Audit Committee is an independent outside director. These changes were made with the aim of strengthening management supervisory functions and enhancing objectivity and transparency.

3. Sale of Shares Held for Strategic Purposes

In fiscal 2019, we sold shares held for strategic purposes for the amount of about ¥12.2 billion. With the aim of improving capital efficiency, we are moving ahead with the reduction of shares for which there is little meaning or rationality to hold. We project the amount for the sale of such shares in fiscal 2020 will be ¥10.0 billion.

Outside Directors

Reason for nomination

- Tsuyoshi Okamoto: The Company expects that he would carry out the supervision and check functions regarding the Company’s management from an objective viewpoint independent from management executives in charge of business affairs by leveraging his management experience at a comprehensive energy corporation.
- Shin Ebihara: The Company expects that he would carry out the supervision and check functions regarding the Company’s management from an objective viewpoint independent from management executives in charge of business affairs by leveraging his international experience and knowledge gained through his extensive years of service as a diplomat.
- Tetsuo Nakakawa: The Company expects that he would carry out the supervision and check functions regarding the Company’s management from an objective viewpoint independent from management executives in charge of business affairs by leveraging his international experience as well as management experience in financial institutions and real estate companies.
- Masaaki Shirakawa: The Company expects that he would carry out the supervision and check functions regarding the Company’s management from an objective viewpoint independent from management executives in charge of business affairs by leveraging his knowledge in finance and economics, among other fields, gained through his experience working at a central bank.
- Shin Nagase: The Company expects that he would carry out the supervision and check functions regarding the Company’s management from an objective viewpoint independent from management executives in charge of business affairs by leveraging his abundant knowledge of corporate strategy, marketing strategy, and human resource development.
- Setsuko Egami: The Company expects that she would carry out the supervision and check functions regarding the Company’s management from an objective viewpoint independent from management executives in charge of business affairs by leveraging her abundant knowledge of corporate strategy, marketing strategy, and human resource development.
- Ineza Takeda: The Company expects that she would carry out the supervision and check functions regarding the Company’s management from an objective viewpoint independent from management executives in charge of business affairs by leveraging her extensive knowledge regarding business ethics and compliance, among other fields.

Independence Standards for Independent Outside Directors

The candidates for outside directors shall fulfill duty of care of a prudent manager toward the Company, understand the Group’s basic mission of contributing to society through urban development as a “Company with Nominating Committee, etc.,” base their judgments and decision-making on the interests of all stakeholders, especially shareholders, and support the independent and objective activities of each committee. Moreover, the candidates for outside directors shall understand the Group’s business characteristics such as supporting urban development in the metropolitan areas, and have personal integrity and knowledge regarding the Group’s business, the environment, and the position as an independent outside director. The candidates for outside directors shall also understand and subscribe to the basic mission of the Group and the position as an independent outside director. The candidates for outside directors shall also understand and subscribe to the Group’s basic mission of contributing to society through urban development.

(1) A shareholder or executive member of an entity holding voting rights exceeding 5% of total voting rights of the Company
(2) A transaction party or executive member of an entity whose transactions with the Company exceed ¥10 million in the most recent fiscal year.
Overview of Activities in Fiscal 2019

Attendance by Outside Directors at Meetings of the Board of Directors and Committees (Meetings Attended / Total Meetings)

<table>
<thead>
<tr>
<th>Outside Directors</th>
<th>Board of Directors</th>
<th>Nominating Committee</th>
<th>Audit Committee</th>
<th>Remuneration Committee</th>
</tr>
</thead>
<tbody>
<tr>
<td>Shin Ebihara</td>
<td>9/9</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Shu Toyokawa</td>
<td>9/9</td>
<td>-</td>
<td>15/15</td>
<td>-</td>
</tr>
<tr>
<td>Takuro Narukawa</td>
<td>7/7</td>
<td>6/6</td>
<td>-</td>
<td>3/3</td>
</tr>
<tr>
<td>Masaaki Shirakawa</td>
<td>9/9</td>
<td>6/6</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Shin Nagase</td>
<td>9/9</td>
<td>-</td>
<td>15/15</td>
<td>-</td>
</tr>
<tr>
<td>Setsuko Egami</td>
<td>9/9</td>
<td>6/6</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Hideto Takahashi</td>
<td>9/9</td>
<td>-</td>
<td>15/15</td>
<td>-</td>
</tr>
</tbody>
</table>

Note: As Takuro Narukawa was appointed as a director on June 30, 2019, the number of Board of Directors’ meetings he was able to attend & those held by other directors.

Nominating Committee

<table>
<thead>
<tr>
<th>Duties</th>
<th>Deciding the details of the proposals of the general meeting of shareholders related to the election and dismissal of directors.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Major Activities</td>
<td>The Nominating Committee determined the details of the director nomination proposal put to the Ordinary General Meeting of Shareholders held in June 2019 based on standards established for nominating director candidates. In addition, reports and deliberations were conducted at meetings of the Nominating Committee with regard to the nomination of corporate executive officers prior to the resolution by the Board of Directors.</td>
</tr>
<tr>
<td>Number of Meetings</td>
<td>6</td>
</tr>
</tbody>
</table>

Audit Committee

<table>
<thead>
<tr>
<th>Duties</th>
<th>Conducting audits on the execution of duties by directors and corporate executive officers, creating the audit reports thereon, and deciding on the details of proposals of the general meeting of shareholders related to the appointment, dismissal, or non-reappointment of the accounting auditor.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Major Activities</td>
<td>Full-time members of the Audit Committee conducted audits based on the audit standards, policies, and plans formulated by the committee while also meeting periodically with the accounting auditor and the Internal Audit Office to foster coordination. Information gained through these activities was reported to the Audit Committee. Opinions were exchanged and important matters were discussed after the information had been shared with all committee members. The committee itself also fostered coordination by receiving regular reports on audit plans, systems, and results from the accounting auditor and the Internal Audit Office. Based on policies regarding the dismissal or non-reappointment of accounting auditors, the Audit Committee decided to re-elect the accounting auditor. The amount of remuneration of the accounting auditor was decided through a consensus reached after examining this matter as required.</td>
</tr>
<tr>
<td>Number of Meetings</td>
<td>15</td>
</tr>
</tbody>
</table>

Remuneration Committee

<table>
<thead>
<tr>
<th>Duties</th>
<th>Deciding the policy related to remuneration decisions for directors and corporate executive officers and on the remuneration amounts for each individual.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Major Activities</td>
<td>The Remuneration Committee determined the amounts of monetary and stock compensation to be issued to each director and corporate executive officer based on the policy related to such compensation.</td>
</tr>
<tr>
<td>Number of Meetings</td>
<td>3</td>
</tr>
</tbody>
</table>

Evaluation of the Effectiveness of the Board of Directors

The Company regularly conducts self-evaluations of each director with regard to the operation of the Board of Directors and the content of deliberation. The results of these evaluations shall be reported to the Board of Directors, and the Board of Directors analyzes and evaluates its effectiveness based on these self-evaluations and other information. The process and results of the evaluation of the effectiveness of the Board of Directors conducted in fiscal 2019 areas follows.

1. Process of Evaluation

   (1) Method of Evaluation

   All directors conducted self-evaluations in the form of a response to a questionnaire relating to the composition, operation, effectiveness, etc., of the Board of Directors and each of the Nominating, Audit, and Remuneration Committees, and taking these results into consideration, they discussed the issues with each other and examined proposed corrective measures at Board of Directors’ meetings.

   (2) Items of Evaluation

<table>
<thead>
<tr>
<th>Committee of the Board of Directors</th>
<th>Items of Evaluation</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>(1) Compositional Proportion of outside directors, number of members, and diversity</td>
</tr>
<tr>
<td></td>
<td>(2) Operational Frequency, required time, selection of agenda items, content of handouts, materials other than handouts provided, questions and answers, timing, etc.</td>
</tr>
<tr>
<td></td>
<td>(3) Effectiveness of the Board of Directors Management plan, details of authority to corporate executive officers, risk management systems, dialogue with shareholders and members, division and limitation of key management personnel, annual training plan, remuneration paid to officers, composition, operation, cooperation of each of the Nominating, Audit, and Remuneration committees, etc.</td>
</tr>
</tbody>
</table>

2. Results of Evaluation and Future Initiatives

   (1) Main Items Improved Since the Previous Evaluation

   As a result of examination and discussions at Board of Directors’ meetings, one point was identified.

   • Initiatives were conducted on the selection and scope of topics, revision of reporting frequency, and other areas related to the reporting status of the performance of duties by corporate executive officers in order to enhance deliberations at Board of Directors meetings.

   (2) Main Issues and Future Initiatives Aimed at Further Improvements in Effectiveness

   As a result of examination and discussions at Board of Directors’ meetings, two points were identified.

   • Change in disposal of shares held for strategic purposes to the value of approximately ¥31.5 billion.

   • As a result of examination and discussion at Board of Directors’ meetings, the Company decided on procedures to reduce the number of common shares and the number of shares held for strategic purposes from the current level. Moreover, the effect of such initiatives, including the sale of shares held for strategic purposes and the issuance of shares held for strategic purposes, will be reported to the Board of Directors at least once a year, and we are proceeding with sales in an appropriate manner.

   Furthermore, in the four years from fiscal 2016 to fiscal 2019, we conducted sales of shares held for strategic purposes to the value of approximately ¥11.5 billion.

Shares Held for Strategic Purposes

The Company acquires and holds shares for reasons other than purely investment purposes if it deems such shareholdings to be useful in facilitating the Group’s business activities smoothly in cases such as when seeking to maintain or reinforce medium- to long-term transactional relationships or in procuring funds on a stable basis. (See Details of Shareholdings on page 77.) In regard to the holding of listed shares as investment shares for reasons other than purely investment purposes, we examine the rationality of such holdings from the perspective of whether they are useful or not in facilitating the Group’s business activities smoothly, focusing on such aspects as the background of the acquisition, record of transactions, status of cooperative and collaborative relationships, and level of dividend payments. The findings of these examinations, as well as the number of reductions of such shares and the policy on reductions going forward, are reported to the Board of Directors at least once a year, and we are proceeding with sales in an appropriate manner.

Change in Disposal of Shares Held for Strategic Purposes

Billion yen

<table>
<thead>
<tr>
<th>Fiscal Year</th>
<th>Disposal Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>2016</td>
<td>¥1.8 billion</td>
</tr>
<tr>
<td>2017</td>
<td>¥1.6 billion</td>
</tr>
<tr>
<td>2018</td>
<td>¥1.4 billion</td>
</tr>
<tr>
<td>2019</td>
<td>¥1.0 billion</td>
</tr>
<tr>
<td>2020</td>
<td>¥1.2 billion</td>
</tr>
<tr>
<td>Total</td>
<td>¥7.5 billion</td>
</tr>
</tbody>
</table>
CORPORATE GOVERNANCE

Remuneration

Total Remuneration Paid to Directors, Corporate Executive Officers, and Statutory Auditors in Fiscal 2019

<table>
<thead>
<tr>
<th>Category</th>
<th>Total remuneration (Millions of yen)</th>
<th>Fixed remuneration (Millions of yen)</th>
<th>Performance-based remuneration (Millions of yen)</th>
<th>Recipients</th>
</tr>
</thead>
<tbody>
<tr>
<td>Internal directors</td>
<td>289</td>
<td>289</td>
<td>4</td>
<td>4</td>
</tr>
<tr>
<td>Corporate executive officers</td>
<td>1,142</td>
<td>568</td>
<td>573</td>
<td>14</td>
</tr>
<tr>
<td>Outside directors</td>
<td>107</td>
<td>107</td>
<td>--</td>
<td>8</td>
</tr>
</tbody>
</table>

Note: The above amounts include remuneration payments made to two directors, one of whom was an outside director, who retired from their positions as of the end of the 119th Ordinary General Meeting of Shareholders held on June 28, 2018.

Board Policies and Procedures in Determining the Remuneration of Senior Management and Directors

(ii) Procedures for Deciding Remuneration of Officers

The policy concerning decisions on the details of remuneration paid to directors and corporate executive officers of the Company and the details of remuneration for each person shall be decided upon by resolution at the Remuneration Committee, which comprises solely outside directors.

(iii) The Basic Policy for Deciding Remuneration for Officers

The basic policy for deciding remuneration for directors and corporate executive officers of the Company is as follows.

- The remuneration system shall be the one that is linked with our medium- to long-term performance targets, etc., aimed at in the management strategy and the Medium-Term Management Plan and realizes sustained corporate value improvement and the sharing of value with our shareholders.
- The remuneration system shall be the one that allows for giving incentives to management executives’ taking up of challenges and appropriate risk taking in line with the strategy’s targets and expectations of shareholders and other stakeholders.
- The remuneration system shall be the one that makes it possible to fulfill high accountability for the benefit of our shareholders and other stakeholders through objective deliberations and judgments at the Remuneration Committee.

Remuneration Systems for Officers

The remuneration systems for directors and corporate executive officers shall be separately established in consideration of respective functions and roles to be fulfilled for the purpose of achieving sustained corporate value improvement. In addition, directors who concurrently serve as corporate executive officers shall be paid remuneration as corporate executive officers.

Directors (excluding directors who concurrently serve as corporate executive officers) in consideration of their function and role of supervising the performance of duties by corporate executive officers and directors, they shall receive, in principle, only basic remuneration in the form of cash, and the standards shall be decided upon individually taking into account factors such as their position and responsibilities as directors and whether they are full-time or part-time.

Corporate executive officers

In consideration of their function and role of taking charge of business execution of the Company, their remuneration shall, in principle, comprise basic remuneration and variable remuneration. Variable remuneration comprises monetary compensation that is paid based on short-term performance, etc., and stock compensation, etc., including monetary compensation paid based on indicators such as stock price that is paid with a view to realizing the medium- to long-term sharing of value with shareholders. The standards and ratio of basic remuneration and variable remuneration, evaluation indicators for variable remuneration, and other matters shall be decided upon taking into account medium- to long-term performance targets, etc., aimed at in the management strategy and the Medium-Term Management Plan and factors such as position and responsibilities as corporate executive officers.

Composition of the Remuneration of Corporate Executive Officers

<table>
<thead>
<tr>
<th>Basic remuneration 50%</th>
<th>Short-term incentive remuneration</th>
<th>Medium- to long-term incentive remuneration</th>
<th>Performance-based remuneration</th>
</tr>
</thead>
<tbody>
<tr>
<td>Single-year, performance-based/incentive</td>
<td>Restricted stock compensation 15%</td>
<td>Phantom stock 15%</td>
<td></td>
</tr>
</tbody>
</table>
An Outside Director Discusses Mitsubishi Estate’s Governance

A Corporate Governance System with Improved Effectiveness

In the four years since I was appointed an outside director in June 2015, I believe that the Company’s corporate governance system has improved dramatically. Looking back to when I was appointed, discussions on how to address the wide-ranging demand of capital markets, such as those regarding the Corporate Governance Code, were often conducted from a passive stance. However, following the process for considering the transition to a “Company with Nominating Committee, etc.”, improvements in the efforts of management and the Board of Directors’ secretariat gradually began to appear, as the balance shifted to a proactive stance on the question of how best to create a leading-edge corporate governance system that contributes to enhancing corporate value.

Moreover, the bold promotion of the transfer of authority to corporate executive officers on matters related to business execution and the introduction of a Restricted Stock Compensation System as well as of a related to business execution and the introduction of a corporate governance system for corporate executive officers on matters outside directors, we are enhancing opportunities to make the status of business affairs more visible through measures such as holding explanatory meetings on business operations and carrying out local inspections. I believe that these measures are vital to heightening functions as a “Company with Nominating Committee, etc.” and the effectiveness of the monitoring system.

On the other hand, the Company sometimes dwells on past internal circumstances and matters more than necessary while, unfortunately, inward-looking discussions that fail to take into account the views of society as a whole or of capital markets have not yet been completely eliminated. Management that always carefully considers the direction in which a company should proceed while carrying out open discussions on a company-wide basis is critical to being a sustainable corporate entity. As an outside director, I intend to contribute to the creation of a leading-edge corporate governance system that enhances corporate value and to the development of a corporate culture that such a governance system realizes.

Expansion of Non-Financial Information Is the Key to Enhancing Corporate Value

In May 2019, after several rounds of discussions, the Company decided not to renew its countermeasure program against possible hostile takeover attempts that was introduced in 2007. This decision was an expression of our determination to further reinforce our corporate governance system going forward as well as our preparedness to meet the expectations of shareholders by sustainably enhancing corporate value. The Company, possessing assets in the Marunouchi area, the center of Japanese business, has a great responsibility to the corporations that have offices there and to the Japanese economy as a whole. There is currently a growing movement in capital markets, centered mainly on government pension funds, to correct the previous trend of short-term investment and encourage long-term investment in corporations that are able to fulfill their social responsibilities while realizing sustainable growth. There are calls for corporations that embrace such responsibilities to share their visions with investors and carry out management with a focus on enhancing corporate value.

Today, as changes in investors’ evaluation criteria occur and the diversification of investors continues, a climate is developing in which investment decisions are made by researching a company’s non-financial information. The Company has been actively disseminating information on its business operations in recent years; however, we recognize that it is necessary to further increase information disclosure, particularly of non-financial information, with investors in mind.

Expectations of Business Model Innovation

Amid the certain decline in the Japanese population, it will be essential to carry out operations going forward with a focus on not only existing businesses themselves but also services and other intangible aspects. The new businesses being launched by the Company possess the potential to spur next-generation business concepts and foster the transformation of existing businesses while leveraging our outstanding assets, superior expertise, and technological prowess. For example, we took up the audacious challenge of innovating the quality and methodology of the Company’s organizational structure and business practices, as well as work styles, and workplace culture and communication with the design of our new headquarters. That being said, those new businesses themselves being developed might be the buds of next-generation business models.

Going forward, changes to work styles and lifestyles in urban areas will take place at a speed beyond our imagination. We are already proceeding with urban development that anticipates these changes. We also hope to take on challenges that look even further into the future, including research and development on advanced scientific services as well as technological development.

Sustainable Growth Comes from the Relationship Capital of Groupwide Human Resources

As a result of the Company’s business expansion, there are now 10 times more employees at Group companies than there are at headquarters. Under the management plan of headquarters, Group company employees play the biggest role in achieving business goals on the front lines. As we move forward, it will be more important than ever to design a personnel system that heightens the motivation, sense of achievement, and sense of growth of employees throughout the entire Group.

In recent years, as changes in society, among other factors, have led to problems based on the act of communication in various organizations, there is a need to remember the importance of empathy, in addition to enhancing knowledge, technologies, and capabilities. An open organizational culture that cultivates the ability to empathize will lead to the avoidance of unnecessary risks and stronger relationships. I believe that creating a strong organization by fostering the ability to empathize across the entire Group, with its shared commitment to urban development, is an important issue for management.

Throughout my career, I have been involved in the design of personnel systems with a mission to help women realize their full potential and promote their participation while promoting the societal awareness of such systems. Additionally, in my work as an editor of a business magazine, I have learned about various human resource strategies and management perspectives by interviewing numerous company presidents as well as taking charge of innovation projects in several industries. I leverage the wide-ranging experience I have cultivated during my career in carrying out my duties as an outside director and member of the Company’s Nominating Committee and Remuneration Committee. Going forward, I will strive to help the Company pursue ongoing growth and corporate value enhancement, including from the perspective of Groupwide business activities.
RISK MANAGEMENT

The Mitsubishi Estate Group has established the Mitsubishi Estate Group Risk Management rules and has set up a risk management system to manage risks in all its business activities. Mitsubishi Estate has established the Risk Management & Compliance Committee to oversee the Group’s risk management and formed the Risk Management & Compliance Subcommittee as a working-level consulting body responsible for such matters as the collection of risk management-related information. The corporate officer in charge of risk management is appointed by resolution of the Board of Directors to take responsibility for overseeing risk management, and general managers of each business group and general managers from Group departments have been designated as risk management officers. We promote risk management activities through the Mitsubishi Estate Legal & Compliance Department, which serves as the secretariat. We have also established and implemented action guidelines, contact and initial response systems, and business continuity planning for use in times of crisis.

Risk Management and Compliance System

<table>
<thead>
<tr>
<th>Corporate Officer in Charge of Risk Management &amp; Compliance</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mitsubishi Estate Group Risk Management &amp; Compliance Committee</td>
</tr>
<tr>
<td>Risk Management &amp; Compliance Subcommittee and Decision-Making Body</td>
</tr>
<tr>
<td>Board of Directors</td>
</tr>
<tr>
<td>Outside Experts</td>
</tr>
<tr>
<td>Mitsubishi Estate Promotions Secretariat / Compliance Promotion Personnel</td>
</tr>
<tr>
<td>General Managers of Line and Staff Departments for Business Groups</td>
</tr>
<tr>
<td>Executive Committee</td>
</tr>
<tr>
<td>Strategic Investment Committee</td>
</tr>
</tbody>
</table>

Risk Management Activities

<table>
<thead>
<tr>
<th>Risk Management Activities of Each Individual Business Group and Group Company</th>
</tr>
</thead>
<tbody>
<tr>
<td>Individual Group companies and business groups identify important risks based on a risk analysis and carry out activities throughout the year to reduce the risks identified. In addition, general managers of each business group ascertain the status of risk management activities of different business companies under the jurisdiction of each business group and provide coordination and support.</td>
</tr>
</tbody>
</table>

Identification and Monitoring of Key Risks That Need Particular Attention from the Group

To accurately grasp the risks facing the Group as a whole, and by selecting and mapping key risks that require measures to be taken, the risks that must be addressed and their level of priority are brought to light. While monitoring risks throughout the year, particularly key risks, support is provided as necessary.

Risk Management Related to Investment Projects

Among the various risks recognized by the Group, risks related to investment projects are based on the assessment of business viability by Companypide research functions and under investment decision rules of the Strategic Investment Office. Prior to the elaboration of important investment projects by the Executive Committee, which is chaired by the president and CEO and is responsible for strategic planning for the entire Group and monitors the progress of each business toward realizing this strategy, the Strategic Investment Committee delimates and evaluates profitability, the nature of risks and related countermeasures, and other matters. At each phase, risk assessments are also conducted from legal and financial aspects in order to grasp an overall picture of the risks.

Strategic Investment Committee

In its deliberations, in addition to assessing the economic viability of the project using multiple indicators, the Strategic Investment Committee verifies the appropriateness of various aspect of premises, such as rents, unit selling prices, and construction costs. For risks, in particular, simulations of upside and downside scenarios are incorporated into investment decision rules. The difference between the scenario set by the responsible business group in charge of the project and the downside scenario is recognized as risk. The Strategic Investment Committee holds discussions on the acceptable limits of that risk.

Risk Evaluation Process for Individual Projects

<table>
<thead>
<tr>
<th>Risk Map</th>
</tr>
</thead>
<tbody>
<tr>
<td>Risk Impact</td>
</tr>
<tr>
<td>Moderate</td>
</tr>
<tr>
<td>Large</td>
</tr>
<tr>
<td>Candidates for risks needing countermeasures in the future</td>
</tr>
<tr>
<td>Ongoing risks requiring countermeasures during fiscal year</td>
</tr>
</tbody>
</table>

Business Groups

- Verification of individual investment projects
- Identification of compatibility with strategies of each business group
- Economic viability verification

Preparation of the responsible business group’s anticipated scenario with important investment projects and submission thereof to the Strategic Investment Committee

Strategic Investment Office

- Companypide research functions
- Preparation and use of investment decision rules

Where necessary, the Strategic Investment Office prepares separate scenarios and submits them to the Executive Committee.
Dealing with Major Risks
Below are some examples of risks that have come to light in the Group through risk management activities and various business activities and countermeasures that have been taken.

**Risks of Information Security**

The prevention of corruption is an important issue for our businesses both in Japan and overseas. To that end, we have established and announced the Mitsubishi Estate Group Anti-Corruption Guidelines and developed a system to prevent corruption across the organization. Under these guidelines, the Group has declared and put into practice several specific corruption prevention initiatives while thoroughly preventing any acts of bribery or acts that may be suspected as such. These initiatives include carrying out due diligence on counterparties deemed to meet certain conditions, incorporating corruption prohibition clauses into contracts, and establishing approval and reporting procedures for the provision of entertainment, gifts, and donations. In addition, we are seeking to gain a greater understanding of rules related to the prevention of corruption through training for directors and are also constantly monitoring this position.

The occurrence of such natural disasters as earthquakes, floods, or climate change, or man-made disasters including accidents or fires may impact the performance, financial position, or other aspects of the Group’s business. The Group is redeveloping its properties to install advanced disaster-management functions and has established disaster-response measures through area management.

In addition to those held in Japan, the Group is developing and holding assets in the United States, Europe, and Asia, for which the book values and income are accounted for in local currencies. Consequently, any fluctuation in exchange rates would affect the conversion rate used for foreign currency-denominated assets and liabilities and business transactions. The Group minimizes these risks of fluctuation in interest rates using such methods as borrowing funds in local currencies when procuring assets overseas.

The real estate market is closely correlated with movement in the economy. Deterioration in the economy has a strong impact on declines in real estate prices and rental fees and the increase in vacancy rates. In view of this correlation, the basic policy of the Group is to conclude relatively long-term lease contracts with customers in its office building leasing business. The prospects of stable lease revenue mitigate to a certain degree the risk of sharp movements in the economy.

The Group acquires funding for its operations by borrowing from financial institutions or issuing corporate bonds. The Bank of Japan (BOJ) has implemented a policy of quantitative and qualitative monetary easing in response to the credit crunch in financial markets and the slowdown in the global economy. Should interest rates rise, however, because of a change in the BOJ’s policy or a deterioration in the demand-supply balance for Japanese government bonds (JGBs) caused by growth in the issuance of JGBs, it may negatively affect the performance, financial position, or other aspects of the Group’s business.

The Group hedges interest rate risk on a certain portion of its variable interest rate financing through interest rate swaps to convert its interest rate payments into fixed payments. In the future, the Group plans to manage its interest rate risk by procuring funds based on a consideration of its fixed and variable interest rate borrowings and its outstanding corporate bond balances.

In light of society’s growing concerns over the appropriate protection of personal information and financial management, the Mitsubishi Estate Group comprehensively revised its rules related to information management in 2018 and updated its information management systems to ensure scrupulous management. We are aiming to further improve information management through continuous monitoring and supervision.

Moreover, in order to raise the IT security level of the entire Group, we have positioned our DX (Digital Transformation) Promotion Department at the center of efforts to standardize the Group’s IT systems and make it more secure. We are also enhancing collaboration among DX Promotion Department personnel and between the department and external security companies, thereby providing Groupwide support.

**Japan’s Real Estate Market**

In 2018, the supply of new large-scale office buildings in Tokyo’s 23 wards by floor area increased 204.7% year on year, to 1,490,000 m². Supply is expected to contract briefly in 2019, but demand is projected to hold firm as companies look to expand office space and gather together functions handled by decentralized offices against a backdrop of strong corporate earnings. Supply volume is expected to be at a high level once again in 2020, but to be low in 2021 and 2022. The average for the next five years (2020 to 2022) is expected to be on a par with past performance levels.

In the office building market, growth in demand for offices led to vacancy rates in the five central Tokyo metropolitan wards (Minato-ku, Chiyoda-ku, Chuo-ku, Shibuya-ku, and Shinjuku-ku), which all declined to 7.78%, the lowest level since December 1991. Average rents have also followed a steady positive trend as demand ran ahead of supply amid a growing sense of a shortage of vacancies.

In the housing market, the supply of condominiums in the Tokyo metropolitan area rose 3.4% year on year, to 37,102 units. Meanwhile, the average price of condominiums in the Tokyo metropolitan area decreased 0.6% year on year, to ¥58.71 million, despite high prices being maintained.

Although the real estate market remained brisk due to such factors as the Bank of Japan’s ongoing policy of monetary easing, an excessive decline in investment returns has led to concerns in some quarters that the real estate market may be overheating. The expected return (cap rate) was unchanged from the previous year for many classes of real estate and in many areas, with the cap rate for A-grade office buildings in the Marunouchi and Otemachi areas standing at 3.5% as of April 2019.
## Eleven-Year Summary of Selected Financial Data (Consolidated)

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenue from operations</td>
<td>¥ 942,626</td>
<td>¥1,013,415</td>
<td>¥988,447</td>
<td>¥1,033,069</td>
<td>¥927,157</td>
<td>¥1,075,285</td>
<td>¥1,110,279</td>
<td>¥1,009,408</td>
<td>¥1,125,405</td>
<td>¥1,110,259</td>
<td>¥1,194,049</td>
</tr>
<tr>
<td>Operating income</td>
<td>¥138,567</td>
<td>¥148,972</td>
<td>¥158,258</td>
<td>¥146,299</td>
<td>¥118,349</td>
<td>¥161,271</td>
<td>¥156,332</td>
<td>¥166,199</td>
<td>¥192,495</td>
<td>¥213,047</td>
<td>¥229,178</td>
</tr>
<tr>
<td>Ordinary income</td>
<td>¥108,624</td>
<td>¥117,881</td>
<td>¥130,831</td>
<td>¥120,665</td>
<td>¥92,381</td>
<td>¥139,638</td>
<td>¥133,113</td>
<td>¥144,851</td>
<td>¥169,405</td>
<td>¥190,506</td>
<td>¥206,387</td>
</tr>
</tbody>
</table>

## Financial Position (Millions of yen)

| Total assets                        | ¥4,429,070 | ¥4,355,065 | ¥4,245,209 | ¥4,387,015 | ¥4,711,521 | ¥4,765,368 | ¥4,901,526 | ¥5,311,840 | ¥5,484,115 | ¥5,801,450 | ¥5,774,193 |

## Cash Flows (Millions of yen)

| Cash flows from operating activities | ¥45,824 | ¥212,668 | ¥259,263 | ¥203,243 | ¥122,286 | ¥336,489 | ¥200,078 | ¥135,821 | ¥168,527 | ¥293,338 | ¥345,954 |
| Cash flows from financing activities | ¥141,055 | (¥106,852) | (¥140,269) | ¥57,189 | ¥27,150 | (¥177,514) | (¥189,109) | ¥309,237 | (¥4,921) | ¥37,203 | (¥192,473) |

| Cash and cash equivalents at the end of year | ¥184,552 | ¥177,825 | ¥229,062 | ¥215,771 | ¥191,837 | ¥224,739 | ¥198,489 | ¥412,392 | ¥243,341 | ¥286,859 | ¥179,108 |

## Per Share Amounts (Yen)

| Earnings | ¥32.90 | ¥8.58 | ¥46.27 | ¥40.72 | ¥32.79 | ¥46.34 | ¥52.85 | ¥60.13 | ¥74.00 | ¥86.78 | ¥96.97 |
| Cash dividends | ¥16.00 | ¥12.00 | ¥12.00 | ¥12.00 | ¥12.00 | ¥12.00 | ¥14.00 | ¥16.00 | ¥20.00 | ¥26.00 | ¥30.00 |

## Principal Financial Indicators

| EBITDA* (Millions of yen) | ¥209,522 | ¥230,730 | ¥237,109 | ¥222,885 | ¥200,587 | ¥246,332 | ¥239,934 | ¥252,034 | ¥279,718 | ¥302,424 | ¥320,641 |
| ROA* (Operating income / Total assets) | 3.2% | 3.4% | 3.7% | 3.4% | 2.6% | 3.4% | 3.2% | 3.3% | 3.6% | 3.8% | 4.0% |
| Interest coverage ratio* (Times) | 4.7 | 5.2 | 6.6 | 6.5 | 5.0 | 7.5 | 7.7 | 8.5 | 8.7 | 9.5 | 10.1 |

## Stock Information

| Stock price* (Yen) | ¥1,102 | ¥1,530 | ¥1,407 | ¥1,476 | ¥2,596 | ¥2,446 | ¥2,787 | ¥2,090 | ¥1,798.5 | ¥2,005.5 |

Notes:
*1 Total equity is calculated by deducting non-controlling interests and stock acquisition rights from total net assets.

*2 EBITDA is calculated as the sum total of operating income, interest and dividend income, equity in earnings of unconsolidated subsidiaries and affiliates, depreciation and amortization, and goodwill.

*3 ROA (Operating income / Total assets) is calculated based on the average total assets from the beginning to the end of the period.

*4 The interest coverage ratio (ICR) is calculated by dividing the sum total of operating income, interest and dividend income, and equity in earnings of unconsolidated subsidiaries and affiliates by the sum total of interest expenses and commercial paper interest.

*5 As of the last trading day in March

---

Mitsubishi Estate's Stock Price Changes on the Tokyo Stock Exchange

---

---
Financial Review

In fiscal 2019, the fiscal year ended March 31, 2019, consolidated revenue from operations amounted to ¥2,263,283 million, an increase of ¥81,233 million, or 5.8%, year on year. Consolidated operating income increased ¥6,131 million, or 7.6%, from the previous fiscal year to ¥92,719 million. The results for each business segment are as follows.

In the Office Building Business segment, revenue from operations increased ¥263,281 million year on year, to ¥1,994,089 million, and operating income increased ¥61,213 million, to ¥121,213 million. In the Hotel & Airport Business segment, we made progress in strengthening the management structure of each individual hotel under the Royal Park Hotels brand managed by Royal Park Hotels and Resorts, which oversees business activities in the segment, and in adding new hotels with a primary focus on accommodation. We opened The Royal Park Hotel Kyo Tojo Shigo in April 2018 and The Royal Park Hotel Hiroshima Riverside in October of the same year. However, a decrease in property sales in the Hotel Development Business compared with the previous fiscal year resulted in segment revenue from operations increasing ¥7,333 million, to ¥6,571 million, while operating income declined ¥764 million, to ¥2,671 million.

In the Lifestyle Property Business segment, revenue from operations increased ¥9,807 million year on year, to ¥23,860 million, and operating income increased ¥4,634 million, to ¥92,719 million. In the Architectural Design & Engineering Business segment, revenue from Mitsubishi Jisho Sekkei Inc.’s architectural design and engineering services rose supported by the booking of revenue for services related to the Marunouchi Nijubashi Building (Chiyoda-ku, Tokyo). In addition, the average amount received per brokerage transactions declined but average commissions per transaction rose. Consequently, segment revenue from operations increased ¥9,058 million year on year, to ¥26,671 million, and operating income increased ¥217 million, to ¥2,021 million.

In the Residential Business segment, revenue and income both increased in the domestic residential condominiums business. On the other hand, factors including a year-on-year increase in the number of rental apartment sales resulted in an overall rise in revenue from operations and operating income. As a result, segment revenue from operations increased ¥18,807 million year on year, to ¥249,105 million, and operating income increased ¥5,567 million, to ¥30,628 million.

In the International Business segment, revenue decreased following a decline in revenue from property sales and a fall in rental revenue from rental buildings in the United States that are undergoing renogation work. However, operating income rose overall due to an increase in income resulting from the Hybrid Investment Model and other factors. Accordingly, segment revenue from operations decreased ¥3,080 million year on year, to ¥89,864 million, but operating income increased ¥2,779 million, to ¥26,927 million.

In the Investment Management Business segment, revenue rose owing partly to property sales. As a result, revenue from operations in this segment jumped ¥28,922 million year on year, to ¥49,588 million, and operating income increased ¥4,634 million, to ¥92,213 million.

In the Other segment, revenue from operations fell ¥431 million year on year, to ¥96,182 million, and operating income also fell ¥480 million, to ¥167,691 million. In the Hotel & Airport Business segment, we made progress in strengthening the management structure of each individual hotel under the Royal Park Hotels brand managed by Royal Park Hotels and Resorts, which oversees business activities in the segment, and in adding new hotels with a primary focus on accommodation. We opened The Royal Park Hotel Kyo Tojo Shigo in April 2018 and The Royal Park Hotel Hiroshima Riverside in October of the same year. However, a decrease in property sales in the Hotel Development Business compared with the previous fiscal year resulted in segment revenue from operations increasing ¥7,333 million, to ¥6,571 million, while operating income declined ¥764 million, to ¥2,671 million.

In the Architectural Design & Engineering Business segment, revenue from Mitsubishi Jisho Sekkei Inc.’s architectural design and engineering services rose supported by the booking of revenue for services related to the Marunouchi Nijubashi Building (Chiyoda-ku, Tokyo). In addition, the average amount received per brokerage transactions declined but average commissions per transaction rose. Consequently, segment revenue from operations increased ¥9,058 million year on year, to ¥26,671 million, and operating income increased ¥217 million, to ¥2,021 million. In the Real Estate Services Business segment, the number of brokerage transactions declined but average commissions per transaction rose. Consequently, segment revenue from operations increased ¥8,001 million year on year, to ¥23,586 million, and operating income rose ¥1,085 million, to ¥2,603 million.

In the Other segment, revenue from operations fell ¥431 million year on year, to ¥96,182 million, and operating income also fell ¥480 million, to ¥167,691 million. In the Hotel & Airport Business segment, we made progress in strengthening the management structure of each individual hotel under the Royal Park Hotels brand managed by Royal Park Hotels and Resorts, which oversees business activities in the segment, and in adding new hotels with a primary focus on accommodation. We opened The Royal Park Hotel Kyo Tojo Shigo in April 2018 and The Royal Park Hotel Hiroshima Riverside in October of the same year. However, a decrease in property sales in the Hotel Development Business compared with the previous fiscal year resulted in segment revenue from operations increasing ¥7,333 million, to ¥6,571 million, while operating income declined ¥764 million, to ¥2,671 million.

In the Architectural Design & Engineering Business segment, revenue from Mitsubishi Jisho Sekkei Inc.’s architectural design and engineering services rose supported by the booking of revenue for services related to the Marunouchi Nijubashi Building (Chiyoda-ku, Tokyo). In addition, the average amount received per brokerage transactions declined but average commissions per transaction rose. Consequently, segment revenue from operations increased ¥9,058 million year on year, to ¥26,671 million, and operating income increased ¥217 million, to ¥2,021 million.

In the Residential Business segment, revenue and income both increased in the domestic residential condominiums business. On the other hand, factors including a year-on-year increase in the number of rental apartment sales resulted in an overall rise in revenue from operations and operating income. As a result, segment revenue from operations increased ¥18,807 million year on year, to ¥249,105 million, and operating income increased ¥5,567 million, to ¥30,628 million.

In the International Business segment, revenue decreased following a decline in revenue from property sales and a fall in rental revenue from rental buildings in the United States that are undergoing renogation work. However, operating income rose overall due to an increase in income resulting from the Hybrid Investment Model and other factors. Accordingly, segment revenue from operations decreased ¥3,080 million year on year, to ¥89,864 million, but operating income increased ¥2,779 million, to ¥26,927 million.
FINANCIAL SECTION

Analysis of Financial Position

(1) Consolidated Cash Flows

On a consolidated basis, cash and cash equivalents at the end of the fiscal year amounted to ¥1,957,303 million, a decrease of ¥31,551 million compared with the previous fiscal year-end. This decrease was the result of a rise in expenditures stemming from the repayment of short-term and long-term borrowings, despite a rise in cash flows from operating activities due to an increase in income before income taxes and minority interests and a decrease in inventories and other factors.

(Cash Flows from Operating Activities)

Net cash provided by operating activities was ¥345,954 million, up ¥52,616 million year on year. Income before income taxes and minority interests amounted to ¥210,939 million, while depreciation and amortization—a non-cash item—totaled ¥80,336 million. This result can be attributed mainly to the repayment of long-term borrowings and the redemption of corporate bonds.

(Cash Flows from Investing Activities)

Net cash used in investing activities was ¥179,308 million, a decrease of ¥107,551 million compared with the previous fiscal year-end. That decrease was the result of a rise in expenditures stemming from the repayment of long-term and short-term borrowings, despite a rise in cash flows from operating activities due to an increase in income before income taxes and minority interests and a decrease in inventories and other factors.

Net cash provided by operating activities was ¥345,954 million, up ¥52,616 million year on year. Income before income taxes and minority interests amounted to ¥210,939 million, while depreciation and amortization—a non-cash item—totaled ¥80,336 million.

These and other cash inflows were adjusted to reflect a decline in inventories, corporate tax payable, lease deposits received, and other items.

(Cash Flows from Investing Activities)

Net cash used in investing activities totaled ¥271,083 million, down ¥15,707 million from the previous fiscal year. The net cash was used primarily for purchases of property and equipment.

(Cash Flows from Financing Activities)

Net cash used in financing activities was ¥179,308 million, a decrease of ¥107,551 million compared with the previous fiscal year-end. That decrease was the result of a rise in expenditures stemming from the repayment of long-term and short-term borrowings and the redemption of corporate bonds.

Note: From the first quarter of fiscal 2019 to Partial Amendments to Accounting Standard for Tax Effect Accounting announced on February 16, 2018, have been applied. Thus, figures on the consolidated balance sheets, as of the end of March 2018 have also been revised accordingly.

(2) Consolidated Balance Sheets

Total assets stood at ¥5,774,193 million on March 31, 2019, down ¥172,554 million from a year earlier, principally as a result of the operating, investing, and financing activities previously identified and related changes in assets and liabilities.

Total liabilities decreased ¥78,017 million year on year. The balance of interest-bearing debt as of March 31, 2019, stood at ¥2,319,577 million, a decrease of ¥162,078 million compared with the year-end balance in fiscal 2018. Sourcing cash and cash equivalents, the balance of net interest-bearing debt of March 31, 2019, was ¥2,140,288 million, a decrease of ¥56,527 million year on year.
Matters Related to Rental Properties

Mitsubishi Estate and some of its consolidated subsidiaries own office buildings and rental facilities in Tokyo and other major cities in Japan as well as overseas, with the aim of obtaining rental revenue from these buildings and facilities. Because certain leased office buildings among these are used by the Company or some of its consolidated subsidiaries, the Company has classified such buildings as rental properties containing self-use space.

The following table shows the year-end amounts, changes in these amounts during the period under review, and the fair values of investment and rental properties and other real estate that includes portions used as investment and rental properties.

### Rental Properties

<table>
<thead>
<tr>
<th>Months Ended</th>
<th>Rental Properties</th>
<th>Rental Properties Containing Self-Use Space</th>
</tr>
</thead>
<tbody>
<tr>
<td>March 31, 2019</td>
<td>3,644,937,000</td>
<td>25,480,000,000</td>
</tr>
<tr>
<td>March 31, 2018</td>
<td>3,480,147,000</td>
<td>23,127,000,000</td>
</tr>
</tbody>
</table>

**Note:** Rental Properties includes portions used as investment and rental properties and other real estate that includes portions used as investment and rental properties. Rental Properties Containing Self-Use Space includes portions used for the purpose of good relationships, principally in the Office Building Business. Rental Costs include amounts to be paid by tenants of the properties, principally the Office Building Business.

### Rental Properties

- **Note:** Rental Revenue includes rental revenue from properties that are owned by Mitsubishi Estate and its subsidiaries. Rental Revenue excludes amounts shown on the balance sheet for specific investment shares and deemed holdings of equity securities for investment purposes.

### Rental Properties Containing Self-Use Space

- **Note:** Rental Revenue includes rental revenue from properties that are owned by Mitsubishi Estate and its subsidiaries and are used by Mitsubishi Estate and some of its consolidated subsidiaries for the purpose of good relationships, principally in the Office Building Business.

### Balance of Interest-Bearing Debt

<table>
<thead>
<tr>
<th>Millions of yen</th>
<th>Fiscal Year Ended March 31, 2019</th>
<th>Fiscal Year Ended March 31, 2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Interests due 2019</td>
<td>3,288,478</td>
<td>3,544,796</td>
</tr>
<tr>
<td>Interests due 2020</td>
<td>1,239,676</td>
<td>1,304,080</td>
</tr>
<tr>
<td>Interests due 2021</td>
<td>1,300,567</td>
<td>1,247,529</td>
</tr>
<tr>
<td>Interests due 2022</td>
<td>1,300,567</td>
<td>1,247,529</td>
</tr>
<tr>
<td>Interest rate (2019)</td>
<td>2.5%</td>
<td>3.0%</td>
</tr>
</tbody>
</table>

### Unrealized Gain on Rental Properties

<table>
<thead>
<tr>
<th>Millions of yen</th>
<th>Balance Year-End</th>
<th>Unrealized Gain on Rental Properties</th>
</tr>
</thead>
<tbody>
<tr>
<td>March 31, 2019</td>
<td>3,480,147,000</td>
<td>54,800,000</td>
</tr>
<tr>
<td>March 31, 2018</td>
<td>3,480,147,000</td>
<td>54,800,000</td>
</tr>
</tbody>
</table>

### Status of Shareholdings

For the fiscal year ended March 31, 2019, the Company held rental properties and other real estate that includes portions used as investment and rental properties for the purpose of raising corporate value through business partnerships and joint businesses.

### Deemed Holdings of Equity Securities

- **Note:** Deemed Holdings of Equity Securities include various types of equity shares and deemed holdings of equity securities for investment purposes.
### Consolidated Balance Sheets
Mitsubishi Estate Co., Ltd. and Consolidated Subsidiaries  
March 31, 2019 and 2018

<table>
<thead>
<tr>
<th>Assets</th>
<th>Millions of yen</th>
<th>Thousands of U.S. dollars (Note 2)</th>
<th>2019</th>
<th>2018</th>
<th>2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Current assets:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash on hand and in banks (Notes 13 and 15)</td>
<td>176,814</td>
<td>287,153</td>
<td>1,593,068</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Notes and accounts receivable–trade (Note 13)</td>
<td>62,603</td>
<td>44,670</td>
<td>60,977</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Marketable securities (Notes 13 and 14)</td>
<td>6,767</td>
<td>8,219</td>
<td>60,977</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Allowance for doubtful receivables</td>
<td>(218)</td>
<td>(224)</td>
<td>(1,968)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Inventories (Note 3)</td>
<td>361,455</td>
<td>434,638</td>
<td>3,256,645</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Equity investments (Notes 13 and 14)</td>
<td>387,385</td>
<td>365,933</td>
<td>3,490,272</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Other current assets</td>
<td>78,061</td>
<td>77,299</td>
<td>703,323</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total current assets</td>
<td>1,072,869</td>
<td>1,217,690</td>
<td>9,666,362</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Investments and other assets:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Investments in and advances to unconsolidated subsidiaries and affiliates (Note 13)</td>
<td>18,351</td>
<td>18,140</td>
<td>165,342</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Investment securities (Notes 13 and 14)</td>
<td>240,826</td>
<td>255,290</td>
<td>2,169,807</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Asset for retirement benefits (Note 6)</td>
<td>23,935</td>
<td>20,280</td>
<td>215,657</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Deferred income taxes (Note 7)</td>
<td>20,766</td>
<td>22,953</td>
<td>187,100</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Other investments (Notes 4 and 13)</td>
<td>214,230</td>
<td>190,981</td>
<td>1,930,177</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total investments</td>
<td>518,110</td>
<td>507,646</td>
<td>4,668,085</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Property and equipment (Note 5):</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Land</td>
<td>2,105,797</td>
<td>2,063,202</td>
<td>18,972,860</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Land in trust</td>
<td>676,572</td>
<td>678,420</td>
<td>6,095,797</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Buildings and structures</td>
<td>2,711,109</td>
<td>2,538,917</td>
<td>24,426,610</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Machinery and equipment and other</td>
<td>143,884</td>
<td>135,004</td>
<td>1,296,369</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Construction in progress</td>
<td>80,674</td>
<td>142,127</td>
<td>726,860</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Less accumulated depreciation</td>
<td>1,629,953</td>
<td>(3,575,800)</td>
<td>(14,685,589)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Property and equipment, net</td>
<td>4,088,084</td>
<td>3,981,871</td>
<td>36,832,908</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Intangible</td>
<td>95,128</td>
<td>94,241</td>
<td>857,089</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total assets</td>
<td>¥ 5,774,193</td>
<td>¥ 5,801,450</td>
<td>¥ 52,024,445</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

See accompanying notes to consolidated financial statements.

### Liabilities and net assets

<table>
<thead>
<tr>
<th>Liabilities and net assets</th>
<th>Millions of yen</th>
<th>Thousands of U.S. dollars (Note 2)</th>
<th>2019</th>
<th>2018</th>
<th>2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Current liabilities:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Short-term borrowings and current portion of long-term debt [Notes 5 and 13]</td>
<td>392,221</td>
<td>372,992</td>
<td>3,533,847</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Notes and accounts payable–trade [Note 13]</td>
<td>57,967</td>
<td>61,169</td>
<td>522,274</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Accrued income taxes [Note 7]</td>
<td>19,620</td>
<td>27,675</td>
<td>176,773</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Advances and deposits</td>
<td>139,293</td>
<td>137,570</td>
<td>1,255,005</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Accrued expenses and other current liabilities</td>
<td>79,840</td>
<td>85,684</td>
<td>719,346</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total current liabilities</td>
<td>688,942</td>
<td>665,091</td>
<td>6,207,248</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Long-term liabilities:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Long-term debt [Notes 5 and 13]</td>
<td>1,922,783</td>
<td>2,103,893</td>
<td>17,323,936</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Lease deposits received [Note 13]</td>
<td>440,058</td>
<td>474,390</td>
<td>3,964,349</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Liability for retirement benefits [Note 6]</td>
<td>26,573</td>
<td>26,847</td>
<td>239,419</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Deferred income taxes [Note 7]</td>
<td>497,699</td>
<td>467,986</td>
<td>4,484,183</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Negative goodwill</td>
<td>92,423</td>
<td>95,992</td>
<td>832,720</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Other non-current liabilities</td>
<td>148,607</td>
<td>128,159</td>
<td>1,338,922</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total long-term liabilities</td>
<td>3,128,145</td>
<td>3,257,270</td>
<td>28,184,031</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total liabilities</td>
<td>3,817,088</td>
<td>3,981,871</td>
<td>36,832,908</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net assets:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Shareholders' equity (Note 8):</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Common stock, without par value: Authorized – 1,980,000,000 shares; Issued – 1,391,038,170 shares in 2019 and 1,390,908,105 shares in 2018</td>
<td>142,023</td>
<td>141,898</td>
<td>1,279,603</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Capital surplus</td>
<td>162,498</td>
<td>161,819</td>
<td>1,464,079</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Retained earnings</td>
<td>858,581</td>
<td>763,277</td>
<td>7,735,663</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Less treasury stock, at cost</td>
<td>(5,278)</td>
<td>(5,294)</td>
<td>(47,556)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total shareholders' equity</td>
<td>1,157,824</td>
<td>1,061,700</td>
<td>10,431,799</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Accumulated other comprehensive income:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Unrealized holding gain on securities</td>
<td>115,452</td>
<td>123,787</td>
<td>1,040,207</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Deferred gain (loss) on hedging instruments</td>
<td>(64)</td>
<td>369</td>
<td>(584)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Land revaluation reserve</td>
<td>526,623</td>
<td>526,623</td>
<td>4,744,782</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Foreign currency translation adjustments</td>
<td>(30,144)</td>
<td>(12,227)</td>
<td>(271,596)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Retirement benefits liability adjustments [Note 6]</td>
<td>952</td>
<td>95</td>
<td>8,579</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total accumulated other comprehensive income</td>
<td>612,819</td>
<td>614,648</td>
<td>5,521,290</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Stock acquisition rights</td>
<td>302</td>
<td>326</td>
<td>2,721</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total net assets</td>
<td>1,957,105</td>
<td>1,879,088</td>
<td>17,633,166</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total liabilities and net assets</td>
<td>¥ 5,774,193</td>
<td>¥ 5,801,450</td>
<td>¥ 52,024,445</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
### Consolidated Statements of Income

Mitsubishi Estate Co., Ltd. and Consolidated Subsidiaries
Years ended March 31, 2019 and 2018

<table>
<thead>
<tr>
<th>Fiscal Year</th>
<th>Total comprehensive income (loss) attributable to:</th>
<th>Millions of yen</th>
<th>Thousands of U.S. dollars (Note 2)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2019</td>
<td>¥127,778</td>
<td>¥1,194,049</td>
<td>$1,381,956</td>
</tr>
<tr>
<td>2018</td>
<td>¥153,461</td>
<td>¥1,713,749</td>
<td>$2,070,300</td>
</tr>
</tbody>
</table>

#### Comprehensive income (Note 21)
- Cash dividends paid: $(31,920)
- Profit attributable to owners of parent: $120,443
- Purchase of treasury stock: $(70)
- Disposal of treasury stock: $22
- Land revaluation reserve (Note 1-h): $509
- Changes in the scope of consolidation:
  - Changes in equity related to transactions with non-controlling shareholders: $103
  - Net change in equity other than those in shareholders' equity: $12
- Total of changes in the year: $151,981

**Consolidated Statements of Changes in Net Assets**

#### Balance at March 31, 2019
- Profit attributable to owners of parent: $124
- Cash dividends paid: $(37,477)
- Purchase of treasury stock: $(16)
- Land revaluation reserve (Note 1-h): $(9)
- Changes in the scope of consolidation:
  - Changes in equity related to transactions with non-controlling shareholders: $55
  - Net change in equity other than those in shareholders' equity: $(6,334)
- Total of changes in the year: $141,898

#### Balance at April 1, 2018
- Profit attributable to owners of parent: $141,659
- Cash dividends paid: $(15,174)
- Purchase of treasury stock: $(16)
- Land revaluation reserve (Note 1-h): $(11,818)
- Changes in the scope of consolidation:
  - Changes in equity related to transactions with non-controlling shareholders: $55
  - Net change in equity other than those in shareholders' equity: $(6,334)
- Total of changes in the year: $1,937,105

#### Balance at March 31, 2019
- Profit attributable to owners of parent: $110,779
- Cash dividends paid: $(31,920)
- Purchase of treasury stock: $(16)
- Land revaluation reserve (Note 1-h): $(15)
- Changes in the scope of consolidation:
  - Changes in equity related to transactions with non-controlling shareholders: $55
  - Net change in items other than those in shareholders' equity: $(17,916)
- Total of changes in the year: $302

---

See accompanying notes to consolidated financial statements.
**FINANCIAL SECTION**

### Consolidated Statements of Changes in Net Assets (continued)

Mitsubishi Estate Co., Ltd. and Consolidated Subsidiaries

**Years ended March 31, 2019 and 2018**

<table>
<thead>
<tr>
<th>Year</th>
<th>Common stock</th>
<th>Capital surplus</th>
<th>Retained earnings</th>
<th>Treasury stock</th>
<th>Total shareholders' equity</th>
<th>Accumulated other comprehensive income</th>
<th>Dividend paid on ordinary shares</th>
<th>Dividend paid on securities and instruments</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Balance at April 1, 2017</strong></td>
<td>$1,279,603</td>
<td>$1,464,079</td>
<td>$7,735,663</td>
<td>$(47,556)</td>
<td>$10,431,789</td>
<td>$1,097,279</td>
<td>$2,247</td>
<td>$5,521,390</td>
</tr>
<tr>
<td><strong>Changes in the year</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Issuance of new shares</td>
<td>2,155</td>
<td>2,153</td>
<td></td>
<td></td>
<td>4,308</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash dividends paid</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Profit attributable to owners of parent</td>
<td>$337,869</td>
<td>1,085,176</td>
<td></td>
<td></td>
<td>1,423,045</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Purchase of treasury stock</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Disposal of treasury stock</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Land revaluation reserve (Note 1-h)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Changes in the scope of consolidation</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Changes in equity related to transactions with non-controlling shareholders</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net change in items other than those in shareholders' equity</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Total of changes in the year</strong></td>
<td>$1,278,479</td>
<td>1,457,967</td>
<td>6,876,991</td>
<td>$(47,705)</td>
<td>9,565,732</td>
<td>1,097,279</td>
<td>2,668</td>
<td>$1,279,603</td>
</tr>
<tr>
<td><strong>Balance at April 1, 2018</strong></td>
<td>$4,744,782</td>
<td>$2,771,390</td>
<td>$8,579</td>
<td>$5,321,390</td>
<td>$2,727</td>
<td>$5,677</td>
<td>$10,707</td>
<td>$17,613,366</td>
</tr>
</tbody>
</table>

---

### Consolidated Statements of Cash Flows

Mitsubishi Estate Co., Ltd. and Consolidated Subsidiaries

**Years ended March 31, 2019 and 2018**

<table>
<thead>
<tr>
<th>Year</th>
<th>Cash flows from operating activities</th>
<th>Net cash provided by operating activities</th>
<th>Cash flows from investing activities</th>
<th>Net cash provided by (used in) investing activities</th>
<th>Cash flows from financing activities</th>
<th>Net cash used in financing activities</th>
<th>Net cash provided by (used in) investing activities</th>
</tr>
</thead>
<tbody>
<tr>
<td>2019</td>
<td>$210,919</td>
<td>$191,457</td>
<td>$1,800,529</td>
<td></td>
<td></td>
<td></td>
<td>$2,424,414</td>
</tr>
<tr>
<td>2018</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

- **Net cash provided by operating activities**
  - **Cash flows from operating activities**
    - Profit before income taxes
    - Depreciation and amortization
    - Gain on sales of properties and equipment
    - Gain on sales of subsidiaries
    - Gain on sales of other businesses
  - **Net cash provided by operating activities**
    - Increase (decrease) in current assets
    - Increase (decrease) in current liabilities
    - Net cash provided by operating activities
  - **Cash flows from investing activities**
    - Proceeds from sales of marketable securities
    - Proceeds from sales of property and equipment
    - Purchase of property and equipment
    - Proceeds from sales of investments securities
  - **Net cash provided by (used in) investing activities**
    - Purchase of investments in subsidiaries and businesses
    - Repayment of corporate bonds
    - Net cash provided by (used in) investing activities
  - **Cash flows from financing activities**
    - Proceeds from issuance of common shares
    - Proceeds from issuance of preferred shares
    - Proceeds from issuance of long-term bonds
    - Proceeds from issuance of short-term borrowings
  - **Net cash used in financing activities**
    - Proceeds from issuance of common shares
    - Proceeds from issuance of preferred shares
    - Proceeds from issuance of long-term bonds
    - Net cash used in financing activities

---

See accompanying notes to consolidated financial statements.
Notes to Consolidated Financial Statements
Mitsubishi Estate Co., Ltd. and Consolidated Subsidiaries
Years ended March 31, 2019 and 2018

Significant Accounting Policies
a. Basis of preparation
The accompanying consolidated financial statements of Mitsubishi
Estate Co., Ltd. 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
disclaimer 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 Exchanges Act of Japan.

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

b. Principles of consolidation
The accompanying consolidated financial statements include the
accounts of the Company and its consolidated 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 rate.

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 rate of exchange in effect at the balance
sheet date. The components of shareholders’ equity are translated
at historical exchange rates.
e. Cash equivalents
The Company and its consolidated subsidiaries consider all highly
liquid investments that are readily convertible into cash and have
an original maturity of less than 3 months or less to be cash equivalents.

Reconciliation between cash in the balance sheets and cash equivalents
at March 31, 2019 and 2018 is presented in Note 15.
f. Marketable securities and investment securities
Securities other than those described in note (e) are classified into
two 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,
including 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
sheets is written down to the net realizable value of inventories.
h. Property, equipment, depreciation and improvement
Property and equipment, except for land as discussed below, is stated
at cost less accumulated depreciation. Depreciation of property, plant
and equipment is calculated principally by the declining-balance
method based on the estimated useful lives and the residual value
determined by the Company, except for certain buildings of the
Company and domestic consolidated subsidiaries acquired on or after
April 1, 1998 and facilities attached to buildings and other non-building
structures acquired on or after April 1, 2016, which are depreciated
by the straight-line method. 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 and its consolidated subsidiaries have 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 reallocated 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 and its consolidated subsidiaries review their 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. They perform cash
flows to determine if impairment exists. If impairment is determined
not exist, any related loss on impairment is calculated based on
the cash flow analysis.

The useful lives of property and equipment are summarized as follows:
Buildings and structures: 2 to 75 years
i. Intangible
Intangible primarily consists of goodwill and land use rights. Goodwill is
stated on the decrease if and when amortized over a period of 5
years or an estimated economical period on a straight-line basis. A
loss is recognized if the carrying amount is below the carrying amount.
Land use rights are stated on a cost basis.

j. Retirement benefits
Accrued retirement benefits and prepaid pension cost for employees
have been recognized using the amount calculated based on
the retirement benefit obligation and the fair value of the pension plan
assets as of the balance sheet date.

The retirement benefit obligation for employees is attributed to each
period by the benefit formula method.

Actuarial gain or loss is amortized in the year following the year in
which the gain or loss is recognized primarily by the straight-line
method over periods (mainly 1 year through 15 years), which are
shorter than the average remaining years of service of employees.

Certain foreign consolidated subsidiaries have adopted the corridor
approach for the amortization of actuarial gain and loss.

Prior service cost is being amortized as incurred by the straight-line
method over periods (mainly 1 year through 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 if, based on a full valuation allowance or a deferred tax
loss carry forwards. Valuation allowances are established to reduce
deferred tax assets if it is more likely that not the same portion or
dollars 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
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 revenues 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.
(c) Revenue from commission services for residential
sales performed by the real estate services 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 time of conclusion.
(d) Revenue from real estate brokerage is recognized when an
underlying
lease agreement goes into force or the underlying units are delivered.
(e) Revenue from construction contracts, of which the percentage
of completion can be reliably estimated, is recognized by the
percentage
of-completion method. The percentage of-completion method is
calculated at the cost incurred by the end of the consolidated fiscal
year as a percentage of estimated total cost. The completed
contract method continues to be applied for other contracts for
which the percentage of completion cannot be reliably estimated.
(f) Revenue from finance lease transactions and related costs are
recognized upon receipt of lease payments.
(g) Other operating revenue is recognized on an accrual basis.

US Dollar Amounts
Translation of yen amounts into U.S. dollar amounts is included solely for
comparative purposes and relates to arithmetic calculation only, at the rate of
¥1=109.9=U.S.$1.00, the approximate rate of exchange prevailing on
March 31, 2019.

The inclusion of such amounts is not intended to imply that any such amounts
have been or could be readily converted, realized or settled in U.S. dollars at the above
or any other rate.
Other investments at March 31, 2019 and 2018 were as follows:

<table>
<thead>
<tr>
<th>Million of yen</th>
<th>Thousands of U.S. dollars</th>
</tr>
</thead>
<tbody>
<tr>
<td>Real estate for sale</td>
<td>¥84,104</td>
</tr>
<tr>
<td>Land and housing projects in progress</td>
<td>¥268,152</td>
</tr>
<tr>
<td>Land held for development</td>
<td>¥996</td>
</tr>
<tr>
<td>Other</td>
<td>¥8,201</td>
</tr>
<tr>
<td>Total</td>
<td>¥361,455</td>
</tr>
</tbody>
</table>

Write-downs of inventories as a result of a decrease in profitability for the years ended March 31, 2019 and 2018 were ¥2,223 million ($29,042 thousand) and ¥1,950 million, respectively, and recognized in cost of revenue from operations.

Inventories at March 31, 2019 and 2018 were as follows:

<table>
<thead>
<tr>
<th>Million of yen</th>
<th>Thousands of U.S. dollars</th>
</tr>
</thead>
<tbody>
<tr>
<td>Real estate for sale</td>
<td>¥80,000</td>
</tr>
<tr>
<td>Land and housing projects in progress</td>
<td>¥271,132</td>
</tr>
<tr>
<td>Land held for development</td>
<td>¥10,000</td>
</tr>
<tr>
<td>Other</td>
<td>¥10,000</td>
</tr>
<tr>
<td>Total</td>
<td>¥361,132</td>
</tr>
</tbody>
</table>

Inventories at March 31, 2019 and 2018 were as follows:

<table>
<thead>
<tr>
<th>Million of yen</th>
<th>Thousands of U.S. dollars</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total</td>
<td>¥361,132</td>
</tr>
</tbody>
</table>

Short-Term Borrowings and Long-Term Debt

At March 31, 2019 and 2018, short-term borrowings and the current portion of long-term debt consisted of the following:

<table>
<thead>
<tr>
<th>Million of yen</th>
<th>Thousands of U.S. dollars</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total</td>
<td>¥214,230</td>
</tr>
</tbody>
</table>

At March 31, 2019 and 2018, long-term debt consisted of the following:

<table>
<thead>
<tr>
<th>Million of yen</th>
<th>Thousands of U.S. dollars</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total</td>
<td>¥1,922,783</td>
</tr>
</tbody>
</table>

The weighted-average interest rates per annum on short-term borrowings outstanding at March 31, 2019 and 2018 were 0.63% and 0.76%, respectively. Short-term borrowings are principally unsecured.

Loans, principally from banks:

<table>
<thead>
<tr>
<th>Million of yen</th>
<th>Thousands of U.S. dollars</th>
</tr>
</thead>
<tbody>
<tr>
<td>Loans from banks and insurance companies: Secured</td>
<td>¥136,770</td>
</tr>
<tr>
<td>Unsecured</td>
<td>¥1,283,161</td>
</tr>
</tbody>
</table>

Other investments at March 31, 2019 and 2018 were as follows:

<table>
<thead>
<tr>
<th>Million of yen</th>
<th>Thousands of U.S. dollars</th>
</tr>
</thead>
<tbody>
<tr>
<td>Lease deposits</td>
<td>¥114,713</td>
</tr>
<tr>
<td>Long-term prepaid expenses and other</td>
<td>¥99,516</td>
</tr>
<tr>
<td>Total</td>
<td>¥214,230</td>
</tr>
</tbody>
</table>

Loans, principally from banks:

<table>
<thead>
<tr>
<th>Million of yen</th>
<th>Thousands of U.S. dollars</th>
</tr>
</thead>
<tbody>
<tr>
<td>0.54% unsecured bonds due 2020</td>
<td>¥10,000</td>
</tr>
<tr>
<td>1.16% unsecured bonds due 2020</td>
<td>¥10,000</td>
</tr>
<tr>
<td>0.57% unsecured bonds due 2021</td>
<td>¥10,000</td>
</tr>
<tr>
<td>0.56% unsecured bonds due 2021</td>
<td>¥10,000</td>
</tr>
</tbody>
</table>

Other investments at March 31, 2019 and 2018 were as follows:

<table>
<thead>
<tr>
<th>Million of yen</th>
<th>Thousands of U.S. dollars</th>
</tr>
</thead>
<tbody>
<tr>
<td>Lease deposits</td>
<td>¥114,713</td>
</tr>
<tr>
<td>Long-term prepaid expenses and other</td>
<td>¥99,516</td>
</tr>
<tr>
<td>Total</td>
<td>¥214,230</td>
</tr>
</tbody>
</table>

Loans, principally from banks:

<table>
<thead>
<tr>
<th>Million of yen</th>
<th>Thousands of U.S. dollars</th>
</tr>
</thead>
<tbody>
<tr>
<td>0.54% unsecured bonds due 2020</td>
<td>¥10,000</td>
</tr>
<tr>
<td>1.16% unsecured bonds due 2020</td>
<td>¥10,000</td>
</tr>
<tr>
<td>0.57% unsecured bonds due 2021</td>
<td>¥10,000</td>
</tr>
<tr>
<td>0.56% unsecured bonds due 2021</td>
<td>¥10,000</td>
</tr>
</tbody>
</table>
The aggregate annual maturities of long-term debt subsequent to March 31, 2019 are summarized as follows:

<table>
<thead>
<tr>
<th>Year ending March 31,</th>
<th>Millions of yen</th>
<th>Thousands of U.S. dollars</th>
</tr>
</thead>
<tbody>
<tr>
<td>2020</td>
<td>¥306,065</td>
<td>$2,757,594</td>
</tr>
<tr>
<td>2021</td>
<td>¥208,455</td>
<td>1,878,146</td>
</tr>
<tr>
<td>2022</td>
<td>185,469</td>
<td>1,671,045</td>
</tr>
<tr>
<td>2023</td>
<td>153,507</td>
<td>1,383,076</td>
</tr>
<tr>
<td>2024</td>
<td>217,164</td>
<td>1,956,611</td>
</tr>
<tr>
<td>2025 and thereafter</td>
<td>1,358,186</td>
<td>10,435,056</td>
</tr>
<tr>
<td>Total</td>
<td>¥2,218,849</td>
<td>$20,081,531</td>
</tr>
</tbody>
</table>

The aggregate annual maturities of long-term debt subsequent to March 31, 2019 are summarized as follows:

<table>
<thead>
<tr>
<th>Year ending March 31,</th>
<th>Millions of yen</th>
<th>Thousands of U.S. dollars</th>
</tr>
</thead>
<tbody>
<tr>
<td>2020</td>
<td>¥306,065</td>
<td>$2,757,594</td>
</tr>
<tr>
<td>2021</td>
<td>¥208,455</td>
<td>1,878,146</td>
</tr>
<tr>
<td>2022</td>
<td>185,469</td>
<td>1,671,045</td>
</tr>
<tr>
<td>2023</td>
<td>153,507</td>
<td>1,383,076</td>
</tr>
<tr>
<td>2024</td>
<td>217,164</td>
<td>1,956,611</td>
</tr>
<tr>
<td>2025 and thereafter</td>
<td>1,358,186</td>
<td>10,435,056</td>
</tr>
<tr>
<td>Total</td>
<td>¥2,218,849</td>
<td>$20,081,531</td>
</tr>
</tbody>
</table>

The assets pledged as collateral for short-term borrowings of ¥1,827 million ($16,664 thousand), long-term debt of ¥136,770 million ($1,232,278 thousand) and other current liabilities of ¥9,106 million ($86,490 thousand) at March 31, 2019 were as follows:

<table>
<thead>
<tr>
<th>Million of yen</th>
<th>Thousands of U.S. dollars</th>
</tr>
</thead>
<tbody>
<tr>
<td>Buildings and structures</td>
<td>¥208,427</td>
</tr>
<tr>
<td>Machinery and equipment</td>
<td>1,157</td>
</tr>
<tr>
<td>Land</td>
<td>210,172</td>
</tr>
<tr>
<td>Land in trust</td>
<td>128,591</td>
</tr>
<tr>
<td>Other property and equipment</td>
<td>2</td>
</tr>
<tr>
<td>Total</td>
<td>¥434,562</td>
</tr>
</tbody>
</table>

The following borrowings are non-recourse loans at March 31, 2019 and 2018, which are secured by collaterals as the sole source of recovery.

<table>
<thead>
<tr>
<th>Million of yen</th>
<th>Thousands of U.S. dollars</th>
</tr>
</thead>
<tbody>
<tr>
<td>Buildings and structures</td>
<td>¥24,529</td>
</tr>
<tr>
<td>Total</td>
<td>¥24,529</td>
</tr>
</tbody>
</table>

The assets pledged as collateral for the above non-recourse loans at March 31, 2019 and 2018 were as follows:

<table>
<thead>
<tr>
<th>Million of yen</th>
<th>Thousands of U.S. dollars</th>
</tr>
</thead>
<tbody>
<tr>
<td>Buildings and structures</td>
<td>¥29,900</td>
</tr>
<tr>
<td>Land</td>
<td>17,361</td>
</tr>
<tr>
<td>Construction in progress</td>
<td>—</td>
</tr>
<tr>
<td>Other property and equipment</td>
<td>—</td>
</tr>
<tr>
<td>Total</td>
<td>¥43,462</td>
</tr>
</tbody>
</table>

The following borrowings are non-recourse loans at March 31, 2019 and 2018, which are secured by collaterals as the sole source of recovery.

<table>
<thead>
<tr>
<th>Million of yen</th>
<th>Thousands of U.S. dollars</th>
</tr>
</thead>
<tbody>
<tr>
<td>Buildings and structures</td>
<td>¥24,529</td>
</tr>
<tr>
<td>Total</td>
<td>¥24,529</td>
</tr>
</tbody>
</table>

The assets pledged as collateral for the above non-recourse loans at March 31, 2019 and 2018 were as follows:

<table>
<thead>
<tr>
<th>Million of yen</th>
<th>Thousands of U.S. dollars</th>
</tr>
</thead>
<tbody>
<tr>
<td>Buildings and structures</td>
<td>¥25,900</td>
</tr>
<tr>
<td>Land</td>
<td>17,561</td>
</tr>
<tr>
<td>Construction in progress</td>
<td>—</td>
</tr>
<tr>
<td>Other property and equipment</td>
<td>—</td>
</tr>
<tr>
<td>Total</td>
<td>¥434,562</td>
</tr>
</tbody>
</table>

The following table sets forth the funded status of the plans and the amounts recognized in the consolidated balance sheets as of March 31, 2019 and 2018 for the Company’s and the consolidated subsidiaries’ defined benefit plans:

<table>
<thead>
<tr>
<th>Million of yen</th>
<th>Thousands of U.S. dollars</th>
</tr>
</thead>
<tbody>
<tr>
<td>Buildings and structures</td>
<td>¥119,159</td>
</tr>
<tr>
<td>Machinery and equipment</td>
<td>5,361</td>
</tr>
<tr>
<td>Land</td>
<td>849</td>
</tr>
<tr>
<td>Land in trust</td>
<td>657</td>
</tr>
<tr>
<td>Other property and equipment</td>
<td>221</td>
</tr>
<tr>
<td>Total</td>
<td>¥139,360</td>
</tr>
</tbody>
</table>

The following table sets forth the funded status of the plans and the amounts recognized in the consolidated balance sheets as of March 31, 2019 and 2018 for the Company’s and the consolidated subsidiaries’ defined benefit plans:

<table>
<thead>
<tr>
<th>Million of yen</th>
<th>Thousands of U.S. dollars</th>
</tr>
</thead>
<tbody>
<tr>
<td>Buildings and structures</td>
<td>¥135,633</td>
</tr>
</tbody>
</table>

The following borrowings are non-recourse loans at March 31, 2019 and 2018, which are secured by collaterals as the sole source of recovery.

<table>
<thead>
<tr>
<th>Million of yen</th>
<th>Thousands of U.S. dollars</th>
</tr>
</thead>
<tbody>
<tr>
<td>Buildings and structures</td>
<td>¥24,529</td>
</tr>
<tr>
<td>Total</td>
<td>¥24,529</td>
</tr>
</tbody>
</table>

The assets pledged as collateral for the above non-recourse loans at March 31, 2019 and 2018 were as follows:

<table>
<thead>
<tr>
<th>Million of yen</th>
<th>Thousands of U.S. dollars</th>
</tr>
</thead>
<tbody>
<tr>
<td>Buildings and structures</td>
<td>¥25,900</td>
</tr>
<tr>
<td>Land</td>
<td>17,561</td>
</tr>
<tr>
<td>Construction in progress</td>
<td>—</td>
</tr>
<tr>
<td>Other property and equipment</td>
<td>—</td>
</tr>
<tr>
<td>Total</td>
<td>¥434,562</td>
</tr>
</tbody>
</table>

The following table sets forth the funded status of the plans and the amounts recognized in the consolidated balance sheets as of March 31, 2019 and 2018 for the Company’s and the consolidated subsidiaries’ defined benefit plans:

<table>
<thead>
<tr>
<th>Million of yen</th>
<th>Thousands of U.S. dollars</th>
</tr>
</thead>
<tbody>
<tr>
<td>Buildings and structures</td>
<td>¥119,159</td>
</tr>
<tr>
<td>Machinery and equipment</td>
<td>5,361</td>
</tr>
<tr>
<td>Land</td>
<td>849</td>
</tr>
<tr>
<td>Land in trust</td>
<td>657</td>
</tr>
<tr>
<td>Other property and equipment</td>
<td>221</td>
</tr>
<tr>
<td>Total</td>
<td>¥139,360</td>
</tr>
</tbody>
</table>

The following table sets forth the funded status of the plans and the amounts recognized in the consolidated balance sheets as of March 31, 2019 and 2018 for the Company’s and the consolidated subsidiaries’ defined benefit plans:

<table>
<thead>
<tr>
<th>Million of yen</th>
<th>Thousands of U.S. dollars</th>
</tr>
</thead>
<tbody>
<tr>
<td>Buildings and structures</td>
<td>¥135,633</td>
</tr>
</tbody>
</table>

The following table sets forth the funded status of the plans and the amounts recognized in the consolidated balance sheets as of March 31, 2019 and 2018 for the Company’s and the consolidated subsidiaries’ defined benefit plans:

<table>
<thead>
<tr>
<th>Million of yen</th>
<th>Thousands of U.S. dollars</th>
</tr>
</thead>
<tbody>
<tr>
<td>Buildings and structures</td>
<td>¥119,159</td>
</tr>
<tr>
<td>Machinery and equipment</td>
<td>5,361</td>
</tr>
<tr>
<td>Land</td>
<td>849</td>
</tr>
<tr>
<td>Land in trust</td>
<td>657</td>
</tr>
<tr>
<td>Other property and equipment</td>
<td>221</td>
</tr>
<tr>
<td>Total</td>
<td>¥139,360</td>
</tr>
</tbody>
</table>

The following table sets forth the funded status of the plans and the amounts recognized in the consolidated balance sheets as of March 31, 2019 and 2018 for the Company’s and the consolidated subsidiaries’ defined benefit plans:

<table>
<thead>
<tr>
<th>Million of yen</th>
<th>Thousands of U.S. dollars</th>
</tr>
</thead>
<tbody>
<tr>
<td>Buildings and structures</td>
<td>¥135,633</td>
</tr>
</tbody>
</table>
The components of retirement benefit expense for the years ended March 31, 2019 and 2018 are as follows:

<table>
<thead>
<tr>
<th></th>
<th>2019</th>
<th>2018</th>
<th>2019</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Millions of yen</td>
<td>Thousands of U.S. dollars</td>
<td>Millions of yen</td>
</tr>
<tr>
<td>Service cost</td>
<td>$5,361</td>
<td>$4,140</td>
<td>$48,107</td>
</tr>
<tr>
<td>Interest cost</td>
<td>849</td>
<td>766</td>
<td></td>
</tr>
<tr>
<td>Expected return on plan assets</td>
<td>3,085</td>
<td>2,908</td>
<td>27,800</td>
</tr>
<tr>
<td>Amortization of actuarial loss</td>
<td>1,312</td>
<td>1,714</td>
<td>11,849</td>
</tr>
<tr>
<td>Amortization of prior service cost</td>
<td>(106)</td>
<td>(287)</td>
<td>(956)</td>
</tr>
<tr>
<td>Other</td>
<td>140</td>
<td>178</td>
<td>1,150</td>
</tr>
<tr>
<td>Retirement benefit expenses</td>
<td>$4,482</td>
<td>$6,447</td>
<td>$40,187</td>
</tr>
</tbody>
</table>

(*) Approximately 44% and 44% of total plan assets were held in the retirement benefit trust as of March 31, 2019 and 2018, respectively.

The fair values of plan assets, by major category, as a percentage of total plan assets as of March 31, 2019 and 2018 are as follows:

<table>
<thead>
<tr>
<th></th>
<th>2019</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Millions of yen</td>
<td>Thousands of U.S. dollars</td>
</tr>
<tr>
<td>Bonds</td>
<td>14%</td>
<td>14%</td>
</tr>
<tr>
<td>Stocks</td>
<td>54%</td>
<td>55%</td>
</tr>
<tr>
<td>General accounts</td>
<td>10%</td>
<td>10%</td>
</tr>
<tr>
<td>Other</td>
<td>22%</td>
<td>21%</td>
</tr>
<tr>
<td>Total</td>
<td>100%</td>
<td>100%</td>
</tr>
</tbody>
</table>

The expected return on plan assets has been estimated based on the anticipated allocation to each asset class and the expected long-term returns on assets held in each category.

The assumptions used in accounting for the above plans were as follows:

<table>
<thead>
<tr>
<th></th>
<th>2019</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Discount rates</td>
<td>0.0%</td>
<td>0.0%</td>
</tr>
<tr>
<td>Expected rates of return on plan assets</td>
<td>1.0%</td>
<td>1.0%</td>
</tr>
<tr>
<td>Rates of salary increase</td>
<td>0.4%</td>
<td>0.4%</td>
</tr>
</tbody>
</table>

The effective tax rates reflected in the consolidated statements of income for the years ended March 31, 2019 and 2018 differ from the effective statutory tax rates for the following reasons:

<table>
<thead>
<tr>
<th></th>
<th>2019</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Statutory tax rate</td>
<td>30.62%</td>
<td>30.86%</td>
</tr>
<tr>
<td>Increase (decrease) in income taxes resulting from:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Different tax rates applied</td>
<td>(0.35)</td>
<td>1.63</td>
</tr>
<tr>
<td>Expenses not deductible for income tax purposes</td>
<td>0.21</td>
<td>0.22</td>
</tr>
<tr>
<td>Revenues deductible for income tax purposes</td>
<td>(0.11)</td>
<td>(0.46)</td>
</tr>
<tr>
<td>Change in valuation allowance</td>
<td>(0.59)</td>
<td>(0.94)</td>
</tr>
<tr>
<td>Undistributed earnings of affiliates</td>
<td>0.28</td>
<td>0.30</td>
</tr>
<tr>
<td>Equity income</td>
<td>(0.20)</td>
<td>(0.32)</td>
</tr>
<tr>
<td>Gain on negative goodwill</td>
<td>(0.31)</td>
<td>—</td>
</tr>
<tr>
<td>Effect of enacted changes in tax laws and rates on Japanese tax</td>
<td>(0.04)</td>
<td>(2.12)</td>
</tr>
<tr>
<td>Other</td>
<td>(1.48)</td>
<td>(1.09)</td>
</tr>
<tr>
<td>Effective tax rate</td>
<td>27.95%</td>
<td>28.05%</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th>2019</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Deferred tax assets:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net operating loss carry forwards</td>
<td>$1,974</td>
<td>$2,474</td>
</tr>
<tr>
<td>Liability for retirement benefits</td>
<td>$11,521</td>
<td>$11,274</td>
</tr>
<tr>
<td>Valuation loss on inventories</td>
<td>$4,075</td>
<td>$7,248</td>
</tr>
<tr>
<td>Unrealized loss on property and equipment</td>
<td>$66,685</td>
<td>$68,180</td>
</tr>
<tr>
<td>Unrealized loss on property and equipment by consolidation</td>
<td>$10,644</td>
<td>$10,807</td>
</tr>
<tr>
<td>Loss on valuation of investment securities</td>
<td>$2,626</td>
<td>$2,895</td>
</tr>
<tr>
<td>Loss on valuation of equity investments</td>
<td>$548</td>
<td>$2,743</td>
</tr>
<tr>
<td>Land revaluation reserve</td>
<td>$23,903</td>
<td>$23,903</td>
</tr>
<tr>
<td>Accrued bonuses</td>
<td>$3,324</td>
<td>$2,892</td>
</tr>
<tr>
<td>Other</td>
<td>$63,993</td>
<td>$66,174</td>
</tr>
<tr>
<td>Total gross deferred tax assets</td>
<td>$189,299</td>
<td>$198,396</td>
</tr>
<tr>
<td>Valuation allowance</td>
<td>$(7,915)</td>
<td>$(7,948)</td>
</tr>
<tr>
<td>Total deferred tax assets</td>
<td>$181,384</td>
<td>$188,448</td>
</tr>
</tbody>
</table>

Deferred tax liabilities:

<table>
<thead>
<tr>
<th></th>
<th>2019</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Deferred tax liabilities:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Reserves under Special Taxation Measures Law</td>
<td>$16,893</td>
<td>$16,552</td>
</tr>
<tr>
<td>Land revaluation reserve</td>
<td>$(266,314)</td>
<td>$(265,679)</td>
</tr>
<tr>
<td>Unrealized gain on property and equipment by consolidation</td>
<td>$(110,019)</td>
<td>$(109,050)</td>
</tr>
<tr>
<td>Unrealized gain on property and equipment</td>
<td>$(64,134)</td>
<td>$(64,134)</td>
</tr>
<tr>
<td>Unrealized gain on securities</td>
<td>$(110,019)</td>
<td>$(109,050)</td>
</tr>
<tr>
<td>Other</td>
<td>$(36,831)</td>
<td>$(32,774)</td>
</tr>
<tr>
<td>Total deferred tax liabilities</td>
<td>$(587,107)</td>
<td>$(580,988)</td>
</tr>
<tr>
<td>Net deferred tax liabilities</td>
<td>$(347,913)</td>
<td>$(345,012)</td>
</tr>
<tr>
<td>Other</td>
<td>$(4,297,082)</td>
<td>—</td>
</tr>
</tbody>
</table>
The Companies Act of Japan 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 ¥162,498 million ($1,644,079 thousand), and the legal reserve amounted to ¥216,633 million ($195,166 thousand) at March 31, 2019. 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.

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.

Future minimum lease payments subsequent to March 31, 2019 on noncancelable operating leases are summarized as follows:

<table>
<thead>
<tr>
<th>Year ending March 31</th>
<th>Millions of yen</th>
<th>Thousands of U.S. dollars</th>
</tr>
</thead>
<tbody>
<tr>
<td>2020</td>
<td>¥7,318</td>
<td>$693,318</td>
</tr>
<tr>
<td>2021</td>
<td>¥132,313</td>
<td>$1,212,803</td>
</tr>
<tr>
<td>2022</td>
<td>¥341,985</td>
<td>$3,177,173</td>
</tr>
<tr>
<td>2023</td>
<td>¥1,349,862</td>
<td>$12,162,023</td>
</tr>
<tr>
<td>Total</td>
<td>¥2,318,263</td>
<td>$21,466,710</td>
</tr>
</tbody>
</table>

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, 2019 on noncancelable operating leases is summarized as follows:

<table>
<thead>
<tr>
<th>Year ending March 31</th>
<th>Millions of yen</th>
<th>Thousands of U.S. dollars</th>
</tr>
</thead>
<tbody>
<tr>
<td>2020</td>
<td>¥7,318</td>
<td>$693,318</td>
</tr>
<tr>
<td>2021</td>
<td>¥132,313</td>
<td>$1,212,803</td>
</tr>
<tr>
<td>2022</td>
<td>¥341,985</td>
<td>$3,177,173</td>
</tr>
<tr>
<td>2023</td>
<td>¥1,349,862</td>
<td>$12,162,023</td>
</tr>
<tr>
<td>Total</td>
<td>¥2,318,263</td>
<td>$21,466,710</td>
</tr>
</tbody>
</table>

Contingent Liabilities

At March 31, 2019, the Company and its consolidated subsidiaries had the following contingent liabilities:

1. Guarantee of loans

<table>
<thead>
<tr>
<th>Guaranteed by company</th>
<th>Loans from banks</th>
<th>Millions of yen</th>
<th>Thousands of U.S. dollars</th>
</tr>
</thead>
<tbody>
<tr>
<td>Other</td>
<td>Guaranteed loans</td>
<td>¥61,088</td>
<td>$550,397</td>
</tr>
<tr>
<td>Total</td>
<td></td>
<td>¥61,097</td>
<td>$550,481</td>
</tr>
</tbody>
</table>

2. Guarantee for business undertakings

<table>
<thead>
<tr>
<th>Guarantees of house purchasers’ loans from banks</th>
<th>Millions of yen</th>
<th>Thousands of U.S. dollars</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mitsubishi Estate Asia Pte. Ltd. and MEA Commercial Holdings Pte. Ltd.</td>
<td>¥12,344</td>
<td>$111,224</td>
</tr>
</tbody>
</table>

Other Income (Expenses)

The components of “Other, net” in “Other income (expenses)” for the years ended March 31, 2019 and 2018 were as follows:

<table>
<thead>
<tr>
<th>Year ending March 31</th>
<th>Millions of yen</th>
<th>Thousands of U.S. dollars</th>
</tr>
</thead>
<tbody>
<tr>
<td>2019</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Gain on sales of fixed assets</td>
<td>—</td>
<td>$18,903</td>
</tr>
<tr>
<td>Gain on sales of investment securities</td>
<td>$6,052</td>
<td>$61,713</td>
</tr>
<tr>
<td>Gain on exchange from business combination</td>
<td>—</td>
<td>$5,153</td>
</tr>
<tr>
<td>Loss on disposal of fixed assets</td>
<td>$(5,761)</td>
<td>$(5,746) $(51,910)</td>
</tr>
<tr>
<td>Loss related to retirement of fixed assets</td>
<td>$(3,816)</td>
<td>$(3,359) $(34,400)</td>
</tr>
<tr>
<td>Impairment loss(*)</td>
<td>—</td>
<td>$(5,508)</td>
</tr>
<tr>
<td>Other, net</td>
<td>$(1,183)</td>
<td>$(10,553)</td>
</tr>
<tr>
<td>Total</td>
<td>¥(1,550)</td>
<td>$23,249</td>
</tr>
</tbody>
</table>

(*) Impairment loss

The Company recorded consolidated impairment losses for the following asset groups for the year ended March 31, 2019:

<table>
<thead>
<tr>
<th>Asset group</th>
<th>Impairment loss (total 18 groups)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Land, Buildings, etc.</td>
<td>¥238,263 ($2,146,710)</td>
</tr>
<tr>
<td>Leased assets, etc.</td>
<td>¥5,508</td>
</tr>
<tr>
<td>Major Application Category Location</td>
<td></td>
</tr>
<tr>
<td>— Arizona, U.S.A., etc.</td>
<td></td>
</tr>
<tr>
<td>— Rockefeller Group International Inc.</td>
<td></td>
</tr>
</tbody>
</table>

Future cash flows mainly discounted at a rate of 5% are used to compute the use value.

The collectible amounts of asset groups are measured using net sale value or use value, and the net sale value is principally expressed as an appraised value by a real estate appraiser.
**Financial Section**

**Financial Instruments**

<table>
<thead>
<tr>
<th>Overview</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>(1) Policy for financial instruments</strong></td>
</tr>
<tr>
<td>In consideration of plans for capital investment, the Group raises funds mainly through bank borrowings and bond issues. In terms of fund management, the Group makes every effort to avoid market risks by emphasizing liquidity and shortening the fund management period. The Group uses derivatives for the purpose of hedging exposure to interest rates, reducing interest expenses, and hedging the risk of fluctuations in foreign exchange rates and does not enter into deriva-</td>
</tr>
<tr>
<td>tives for speculative purposes.</td>
</tr>
<tr>
<td><strong>(2) Types of financial instruments and related risk</strong></td>
</tr>
<tr>
<td>Trade receivables – notes and accounts receivable – are exposed to credit risk in relation to customers. Trade receivables denominated in foreign currencies, which arise from overseas operation, are exposed to foreign currency exchange risk.</td>
</tr>
<tr>
<td>Marketable securities and investment securities are exposed to market risk. These securities are composed of mainly held-to-maturity debt securities and the shares of common stock of other companies with which the Group has business relationships.</td>
</tr>
<tr>
<td>Derivative transactions include interest rate swaps, currency swaps and forward foreign exchange contracts. The Group also enters into interest rate swap and currency swap transactions. For marketable securities and investment securities, the Group periodically reviews the fair values of such financial instruments and the financial position of the issuers (business partners). In addition, the Group continues to evaluate whether securities other than those classified as held-to-maturity should be maintained taking into account their fair values and relationships with the issuers (business partners).</td>
</tr>
<tr>
<td><strong>(3) Risk management for financial instruments</strong></td>
</tr>
<tr>
<td>(a) Monitoring of credit risk (the risk that customers or counterparties may default) In accordance with the internal policies for managing credit risk of the Group arising from receivables and lease and guarantee deposits, each related division in each business segment monitors credit worthiness of their main customers periodically and monitors due dates and outstanding balances by individual customer. In addition, the Group is making efforts to identify and mitigate risks of bad debts from customers who are having financial difficulties.</td>
</tr>
<tr>
<td>(b) Monitoring of market risks (the risks arising from fluctuations in foreign exchange rates, interest rates and others) In order to mitigate the interest rate risk for loans payable and bonds bearing interest at variable rates, the Group may also enter into interest rate swap and currency swap transactions. For marketable securities and investment securities, the Group periodically reviews the fair values of such financial instruments and the financial position of the issuers (business partners). In addition, the Group continues to evaluate whether securities other than those classified as held-to-maturity should be maintained taking into account their fair values and relationships with the issuers (business partners).</td>
</tr>
<tr>
<td>(c) Monitoring of liquidity risk (the risk that the Group may not be able to meet its obligations on scheduled due dates) Based on the report from each division, the Group prepares and updates its cash flow plans on a timely basis and stabilizes liquidity to manage liquidity risk.</td>
</tr>
<tr>
<td>(d) Supplementary explanation of the estimated fair value of financial instruments The fair value of financial instruments is based on the quoted market price, if available. When there is no quoted market price available, fair value is reasonably estimated. Since various assumptions and factors are reflected in estimating the fair value, different assumptions and factors could result in different fair value.</td>
</tr>
</tbody>
</table>

**Estimated Fair Value of Financial Instruments**

Carrying value of financial instruments on the consolidated balance sheet as of March 31, 2019 and unrealized gains (losses) are shown in the following table. The following table does not include financial instruments for which it is extremely difficult to determine the fair value. (Please refer to Note B below).

<table>
<thead>
<tr>
<th>Financial Instruments</th>
<th>Million yen</th>
<th>Thousand of U.S. dollars</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash and cash equivalents</td>
<td>¥1,388,666</td>
<td>$14,031,476</td>
</tr>
<tr>
<td>Notes and accounts receivable</td>
<td>¥231,065</td>
<td>$2,081,857</td>
</tr>
<tr>
<td>Short-term borrowings</td>
<td>¥86,156</td>
<td>$776,253</td>
</tr>
<tr>
<td>Long-term bonds</td>
<td>¥731,916</td>
<td>$6,612,459</td>
</tr>
<tr>
<td>Long-term borrowings</td>
<td>¥1,188,866</td>
<td>$12,175,704</td>
</tr>
<tr>
<td>Total liabilities</td>
<td>¥4,419,671</td>
<td>$40,805,693</td>
</tr>
</tbody>
</table>

**Allowance for doubtful receivables**

<table>
<thead>
<tr>
<th>Financial Instruments</th>
<th>Million yen</th>
<th>Thousand of U.S. dollars</th>
</tr>
</thead>
<tbody>
<tr>
<td>Notes and accounts receivable</td>
<td>¥287,153</td>
<td>$2,715,655</td>
</tr>
<tr>
<td>Short-term borrowings</td>
<td>¥274,022</td>
<td>$2,071,967</td>
</tr>
<tr>
<td>Long-term bonds</td>
<td>¥2,081,857</td>
<td>$18,577,977</td>
</tr>
<tr>
<td>Long-term borrowings</td>
<td>¥2,081,857</td>
<td>$18,577,977</td>
</tr>
<tr>
<td>Total liabilities</td>
<td>¥8,395,051</td>
<td>$75,449,954</td>
</tr>
</tbody>
</table>

**Allowance for doubtful receivables**

<table>
<thead>
<tr>
<th>Financial Instruments</th>
<th>Million yen</th>
<th>Thousand of U.S. dollars</th>
</tr>
</thead>
<tbody>
<tr>
<td>Notes and accounts receivable</td>
<td>¥287,153</td>
<td>$2,715,655</td>
</tr>
<tr>
<td>Short-term borrowings</td>
<td>¥274,022</td>
<td>$2,071,967</td>
</tr>
<tr>
<td>Long-term bonds</td>
<td>¥2,081,857</td>
<td>$18,577,977</td>
</tr>
<tr>
<td>Long-term borrowings</td>
<td>¥2,081,857</td>
<td>$18,577,977</td>
</tr>
<tr>
<td>Total liabilities</td>
<td>¥8,395,051</td>
<td>$75,449,954</td>
</tr>
</tbody>
</table>

Note B: The value of notes and accounts receivable trade is shown at net value, after deducting allowance for doubtful accounts.
Note A: Indicate the text that needs to be converted. Note B: Indicate the text that needs to be converted.

**FINANCIAL SECTION**

**Note B: Financial instruments for which it is extremely difficult to determine the fair value**

The fair value of bonds is based on the quoted market price. The fair value of long-term borrowings with fixed interest rates is calculated based on the present value of future cash flows. Since these items are settled in a short period of time, their carrying value approximates fair value.

The fair value of equity investments is based mainly on prices provided by the financial institutions making markets in these securities. For information on securities classified as held-to-maturity, please refer to Note 16. "Derivatives and Hedging Activities." Since variable interest rates of certain long-term borrowings are determined based on similar new borrowings were entered into.

Corporates

<table>
<thead>
<tr>
<th>Item</th>
<th>2019</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bonds</td>
<td>$1,593,068</td>
<td>$1,776,414</td>
</tr>
<tr>
<td>Liabilities</td>
<td>$1,413,690</td>
<td>$1,085,407</td>
</tr>
<tr>
<td>Total</td>
<td>$2,081,857</td>
<td>$5,863,771</td>
</tr>
</tbody>
</table>

**Note C: Redemption schedule for receivables and marketable securities with maturities**

Since these items are settled in a short period of time, their carrying value approximates fair value.

**MARKETABLE SECURITIES AND INVESTMENT SECURITIES**

The redemption schedule for receivables and marketable securities with maturities

Marketable and investment securities classified as other securities at March 31, 2019 and 2018 are summarized as follows:

<table>
<thead>
<tr>
<th>Item</th>
<th>2019</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bonds</td>
<td>$1,593,068</td>
<td>$1,776,414</td>
</tr>
<tr>
<td>Liabilities</td>
<td>$1,413,690</td>
<td>$1,085,407</td>
</tr>
<tr>
<td>Total</td>
<td>$2,081,857</td>
<td>$5,863,771</td>
</tr>
</tbody>
</table>

**Note D: Redemption schedule for receivables and marketable securities with maturities**

Since these items are settled in a short period of time, their carrying value approximates fair value.

**MARKETABLE SECURITIES AND INVESTMENT SECURITIES**

The redemption schedule for receivables and marketable securities with maturities

Marketable and investment securities classified as other securities at March 31, 2019 and 2018 are summarized as follows:

<table>
<thead>
<tr>
<th>Item</th>
<th>2019</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bonds</td>
<td>$1,593,068</td>
<td>$1,776,414</td>
</tr>
<tr>
<td>Liabilities</td>
<td>$1,413,690</td>
<td>$1,085,407</td>
</tr>
<tr>
<td>Total</td>
<td>$2,081,857</td>
<td>$5,863,771</td>
</tr>
</tbody>
</table>

**Note E: Financial instruments for which it is extremely difficult to determine the fair value**

The fair value of bonds is based on the quoted market price. The fair value of long-term borrowings with fixed interest rates is calculated based on the present value of future cash flows. Since these items are settled in a short period of time, their carrying value approximates fair value.

The fair value of equity investments is based mainly on prices provided by the financial institutions making markets in these securities. For information on securities classified as held-to-maturity, please refer to Note 16. "Derivatives and Hedging Activities." Since variable interest rates of certain long-term borrowings are determined based on similar new borrowings were entered into.

Corporates

<table>
<thead>
<tr>
<th>Item</th>
<th>2019</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bonds</td>
<td>$1,593,068</td>
<td>$1,776,414</td>
</tr>
<tr>
<td>Liabilities</td>
<td>$1,413,690</td>
<td>$1,085,407</td>
</tr>
<tr>
<td>Total</td>
<td>$2,081,857</td>
<td>$5,863,771</td>
</tr>
</tbody>
</table>

**Note C: Redemption schedule for receivables and marketable securities with maturities**

Since these items are settled in a short period of time, their carrying value approximates fair value.

**MARKETABLE SECURITIES AND INVESTMENT SECURITIES**

The redemption schedule for receivables and marketable securities with maturities

Marketable and investment securities classified as other securities at March 31, 2019 and 2018 are summarized as follows:

<table>
<thead>
<tr>
<th>Item</th>
<th>2019</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bonds</td>
<td>$1,593,068</td>
<td>$1,776,414</td>
</tr>
<tr>
<td>Liabilities</td>
<td>$1,413,690</td>
<td>$1,085,407</td>
</tr>
<tr>
<td>Total</td>
<td>$2,081,857</td>
<td>$5,863,771</td>
</tr>
</tbody>
</table>

**Note D: Redemption schedule for receivables and marketable securities with maturities**

Since these items are settled in a short period of time, their carrying value approximates fair value.

**MARKETABLE SECURITIES AND INVESTMENT SECURITIES**

The redemption schedule for receivables and marketable securities with maturities

Marketable and investment securities classified as other securities at March 31, 2019 and 2018 are summarized as follows:

<table>
<thead>
<tr>
<th>Item</th>
<th>2019</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bonds</td>
<td>$1,593,068</td>
<td>$1,776,414</td>
</tr>
<tr>
<td>Liabilities</td>
<td>$1,413,690</td>
<td>$1,085,407</td>
</tr>
<tr>
<td>Total</td>
<td>$2,081,857</td>
<td>$5,863,771</td>
</tr>
</tbody>
</table>

**Note E: Financial instruments for which it is extremely difficult to determine the fair value**

The fair value of bonds is based on the quoted market price. The fair value of long-term borrowings with fixed interest rates is calculated based on the present value of future cash flows. Since these items are settled in a short period of time, their carrying value approximates fair value.

The fair value of equity investments is based mainly on prices provided by the financial institutions making markets in these securities. For information on securities classified as held-to-maturity, please refer to Note 16. "Derivatives and Hedging Activities." Since variable interest rates of certain long-term borrowings are determined based on similar new borrowings were entered into.

Corporates

<table>
<thead>
<tr>
<th>Item</th>
<th>2019</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bonds</td>
<td>$1,593,068</td>
<td>$1,776,414</td>
</tr>
<tr>
<td>Liabilities</td>
<td>$1,413,690</td>
<td>$1,085,407</td>
</tr>
<tr>
<td>Total</td>
<td>$2,081,857</td>
<td>$5,863,771</td>
</tr>
</tbody>
</table>

**Note C: Redemption schedule for receivables and marketable securities with maturities**

Since these items are settled in a short period of time, their carrying value approximates fair value.

**MARKETABLE SECURITIES AND INVESTMENT SECURITIES**

The redemption schedule for receivables and marketable securities with maturities

Marketable and investment securities classified as other securities at March 31, 2019 and 2018 are summarized as follows:

<table>
<thead>
<tr>
<th>Item</th>
<th>2019</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bonds</td>
<td>$1,593,068</td>
<td>$1,776,414</td>
</tr>
<tr>
<td>Liabilities</td>
<td>$1,413,690</td>
<td>$1,085,407</td>
</tr>
<tr>
<td>Total</td>
<td>$2,081,857</td>
<td>$5,863,771</td>
</tr>
</tbody>
</table>

**Note D: Redemption schedule for receivables and marketable securities with maturities**

Since these items are settled in a short period of time, their carrying value approximates fair value.

**MARKETABLE SECURITIES AND INVESTMENT SECURITIES**

The redemption schedule for receivables and marketable securities with maturities

Marketable and investment securities classified as other securities at March 31, 2019 and 2018 are summarized as follows:

<table>
<thead>
<tr>
<th>Item</th>
<th>2019</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bonds</td>
<td>$1,593,068</td>
<td>$1,776,414</td>
</tr>
<tr>
<td>Liabilities</td>
<td>$1,413,690</td>
<td>$1,085,407</td>
</tr>
<tr>
<td>Total</td>
<td>$2,081,857</td>
<td>$5,863,771</td>
</tr>
</tbody>
</table>

**Note E: Financial instruments for which it is extremely difficult to determine the fair value**

The fair value of bonds is based on the quoted market price. The fair value of long-term borrowings with fixed interest rates is calculated based on the present value of future cash flows. Since these items are settled in a short period of time, their carrying value approximates fair value.

The fair value of equity investments is based mainly on prices provided by the financial institutions making markets in these securities. For information on securities classified as held-to-maturity, please refer to Note 16. "Derivatives and Hedging Activities." Since variable interest rates of certain long-term borrowings are determined based on similar new borrowings were entered into.

Corporates

<table>
<thead>
<tr>
<th>Item</th>
<th>2019</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bonds</td>
<td>$1,593,068</td>
<td>$1,776,414</td>
</tr>
<tr>
<td>Liabilities</td>
<td>$1,413,690</td>
<td>$1,085,407</td>
</tr>
<tr>
<td>Total</td>
<td>$2,081,857</td>
<td>$5,863,771</td>
</tr>
</tbody>
</table>

**Note C: Redemption schedule for receivables and marketable securities with maturities**

Since these items are settled in a short period of time, their carrying value approximates fair value.
Supplemental Cash Flow Information

The following table represents a reconciliation of cash and cash equivalents as of March 31, 2019 and 2018:

<table>
<thead>
<tr>
<th></th>
<th>2019</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>¥179,308</td>
<td>¥286,859</td>
<td>$1,615,538</td>
</tr>
<tr>
<td>3,496</td>
<td>98</td>
<td>31,501</td>
</tr>
<tr>
<td>Marketable securities with maturities of three months or less</td>
<td>¥176,814</td>
<td>¥287,153</td>
</tr>
<tr>
<td>Cash on hand and in banks</td>
<td>7,240</td>
<td>7,245</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>¥7,240</strong></td>
<td><strong>¥7,245</strong></td>
</tr>
</tbody>
</table>

Debt securities whose cost exceeds their fair value:

<table>
<thead>
<tr>
<th></th>
<th>2019</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>¥49,400</td>
<td>¥49,400</td>
<td>$(14,089)</td>
</tr>
<tr>
<td>Fixed liabilities</td>
<td>70,551</td>
<td>¥86</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>¥70,551</strong></td>
<td><strong>¥86</strong></td>
</tr>
</tbody>
</table>

Gain on negative goodwill

<table>
<thead>
<tr>
<th></th>
<th>2019</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>¥1,285</td>
<td>—</td>
<td>(11,585)</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>¥1,285</strong></td>
<td><strong>(11,585)</strong></td>
</tr>
</tbody>
</table>

Calculation method of fair value is based on the data obtained from financial institutions.

Derivatives and Hedging Activities

(1) Currency related transactions

<table>
<thead>
<tr>
<th></th>
<th>Subject to hedge accounting</th>
<th>2019</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Currency swap contracts by allocation method</td>
<td>Corporate bonds and payment in JPY and receipt in USD</td>
<td>¥15,718</td>
<td>¥15,718</td>
</tr>
<tr>
<td>Fixed rate payment and floating rate receipt Long-term borrowings</td>
<td>$14,624</td>
<td>$14,624</td>
<td></td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>¥15,718</strong></td>
<td><strong>$14,624</strong></td>
<td><strong>$14,624</strong></td>
</tr>
</tbody>
</table>

Calculation method of fair value is based on the data obtained from financial institutions.

(2) Interest related transactions

<table>
<thead>
<tr>
<th></th>
<th>Subject to hedge accounting</th>
<th>2019</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Interest rate swap contracts</td>
<td>Long-term borrowings</td>
<td>¥70,703</td>
<td>¥70,551</td>
</tr>
<tr>
<td>Fixed rate payment and floating rate receipt</td>
<td>$637,025</td>
<td>$635,656</td>
<td>$777</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>¥70,703</strong></td>
<td><strong>$637,025</strong></td>
<td><strong>$635,656</strong></td>
</tr>
</tbody>
</table>

Calculation method of fair value is based on the data obtained from financial institutions.

(3) Interest and currency related transaction

<table>
<thead>
<tr>
<th></th>
<th>Subject to hedge accounting</th>
<th>2019</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Interest rate swap contracts by short-cut method</td>
<td>Long-term borrowings</td>
<td>¥68,614</td>
<td>¥68,614</td>
</tr>
<tr>
<td>Fixed rate payment and floating rate receipt Long-term borrowings</td>
<td>$141,624</td>
<td>$141,624</td>
<td>$(137)</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>¥68,614</strong></td>
<td><strong>$141,624</strong></td>
<td><strong>$141,624</strong></td>
</tr>
</tbody>
</table>

Calculation method of fair value is based on the data obtained from financial institutions.

The value of assets and liabilities for other companies that were newly consolidated as result of the acquisition of shares is immaterial, and has therefore been omitted. Disclosure for the year ended March 31, 2018 is omitted due to immateriality.
Segment Information

The reportable segments of the Group are components for which discrete financial information is available and whose operating results are regularly reviewed by the Board of Directors and other committees to make decisions about resource allocation and to assess performance. Business performances are aggregated according to business areas that consist of multiple business groups and defined as organizational units having common business objectives and management responsibilities within the Group, and such aggregated business areas are disclosed as reportable segments.

The Company and its consolidated subsidiaries are primarily engaged in the real estate business. Their business segments are classified in terms of the nature of each operation or service and consist of the following segments: (1) Office Building Business; (2) Lifestyle Property Business; (3) Residential Business; (4) International Business; (5) Investment Management Business; (6) Hotel and Airport Business; (7) Architectural Design and Engineering Business; (8) Real Estate Services Business; and (9) Other businesses.

Due to partial changes in the organization of the Company, the Company changed the segment classification from the year ended March 31, 2019. The hotel development business, which had been included in the lifestyle property business segment until the previous fiscal year, the hotel operation business, which had been included in the hotel business segments until the previous fiscal year, and the resort hotel development business, airport operation business, etc., which had been under evaluation as potential new businesses, were transferred into the newly established Hotel and Airport Business segment.

Segment information for the year ended March 31, 2019 has been restated to reflect these changes.

The following tables present the amortization and balance of goodwill as of and for the years ended March 31, 2019 and 2018 by reportable segments.

Impairment losses of the Company and its consolidated subsidiaries on fixed assets by reportable segments for the years ended March 31, 2019 and 2018 are summarized as follows:

Gains on Negative Goodwill

Disclosure for the year ended March 31, 2019 is omitted due to immateriality.

Products and Service Information

Refer to reportable segment information.

Geographic Area Information

Geographic area information has been omitted since revenue from external customers in Japan and property and equipment located in Japan accounted for more than 90% of revenue from operations on the consolidated statements of income and property and equipment on the consolidated balance sheets, respectively.

Major Customer Information

The Company does not have any major customers whose share of revenue from operations accounted for more than 10% of revenue from operations shown on the consolidated statements of income. Accordingly, major customer information has been omitted.

The “Partial Amendments to Accounting Standard for Tax Effect Accounting” (IASB) Statement No. 28, February 14, 2018 and relevant guidelines have been applied from the year ended March 31, 2019, and segment information for the year ended March 31, 2018 reflects retrospective application of these accounting standards.
### 1. Rental Properties

The company and some of its consolidated subsidiaries own office buildings for lease, commercial facilities for lease and others in Tokyo and other areas including overseas countries (the United States and the United Kingdom, etc.) for the purpose of obtaining revenue from leases.

Some office buildings for lease in Japan are regarded as real estate including space used as rental properties since they are used by the company and some of its consolidated subsidiaries.

The carrying value on the consolidated balance sheet as of March 31, 2019 and the fair value of these rental properties and real estate including space used as rental properties are as follows:

<table>
<thead>
<tr>
<th></th>
<th>Millions of yen</th>
<th>Thousands of U.S. dollars</th>
</tr>
</thead>
<tbody>
<tr>
<td>Carrying value</td>
<td>Fair value</td>
<td></td>
</tr>
<tr>
<td>Real estate</td>
<td>Rental properties</td>
<td></td>
</tr>
<tr>
<td>April 1, 2019</td>
<td>Net Change</td>
<td>March 31, 2019</td>
</tr>
</tbody>
</table>

The carrying value represents the acquisition cost less accumulated depreciation and accumulated impairment loss.

### 2. Transaction terms are determined in consideration with market prices, the same as general transactions.

The company has related party transactions with key management personnel of the company and major individual shareholders.

<table>
<thead>
<tr>
<th></th>
<th>Millions of yen</th>
<th>Thousands of U.S. dollars</th>
</tr>
</thead>
<tbody>
<tr>
<td>Balance at the beginning of the year</td>
<td>$3,355</td>
<td>$2,936</td>
</tr>
<tr>
<td>Increase due to the acquisition of property and equipment</td>
<td>2,814</td>
<td>58</td>
</tr>
<tr>
<td>Adjustments due to the passage of time</td>
<td>66</td>
<td>62</td>
</tr>
<tr>
<td>Decrease due to the fulfillment of asset retirement obligations</td>
<td>(48)</td>
<td>(43)</td>
</tr>
<tr>
<td>Other</td>
<td>(328)</td>
<td>341</td>
</tr>
<tr>
<td>Balance at the end of the year</td>
<td>$5,059</td>
<td>$3,355</td>
</tr>
</tbody>
</table>

### 2. Related Party Transactions

The company has related party transactions with key management personnel of the company and major individual shareholders.

The corresponding balances as of March 31, 2019 and 2018 and the amounts of these transactions for the years then ended are summarized as follows:

<table>
<thead>
<tr>
<th></th>
<th>Millions of yen</th>
<th>Thousands of U.S. dollars</th>
</tr>
</thead>
<tbody>
<tr>
<td>Balance outstanding</td>
<td>$207</td>
<td>—</td>
</tr>
</tbody>
</table>

### 3. Financial Section

#### 1. Outline of asset retirement obligations

Asset retirement obligations include obligations of restoration related to leasehold and rental contracts.

- **2. Calculation method for asset retirement obligations**
  - Asset retirement obligations are calculated based on the remaining contract years as an expected use period with a discount rate between 0.0% and 2.0%.

#### 3. Changes in asset retirement obligations during the years ended March 31, 2019 and 2018 are as follows:

<table>
<thead>
<tr>
<th></th>
<th>Millions of yen</th>
<th>Thousands of U.S. dollars</th>
</tr>
</thead>
<tbody>
<tr>
<td>Balance at the beginning of the year</td>
<td>$3,355</td>
<td>$2,936</td>
</tr>
<tr>
<td>Increase due to the acquisition of property and equipment</td>
<td>2,814</td>
<td>58</td>
</tr>
<tr>
<td>Adjustments due to the passage of time</td>
<td>66</td>
<td>62</td>
</tr>
<tr>
<td>Decrease due to the fulfillment of asset retirement obligations</td>
<td>(48)</td>
<td>(43)</td>
</tr>
<tr>
<td>Other</td>
<td>(328)</td>
<td>341</td>
</tr>
<tr>
<td>Balance at the end of the year</td>
<td>$5,059</td>
<td>$3,355</td>
</tr>
</tbody>
</table>

#### 3. Changes in asset retirement obligations during the years ended March 31, 2019 and 2018 are as follows:

<table>
<thead>
<tr>
<th></th>
<th>Millions of yen</th>
<th>Thousands of U.S. dollars</th>
</tr>
</thead>
<tbody>
<tr>
<td>Balance at the beginning of the year</td>
<td>$3,355</td>
<td>$2,936</td>
</tr>
<tr>
<td>Increase due to the acquisition of property and equipment</td>
<td>2,814</td>
<td>58</td>
</tr>
<tr>
<td>Adjustments due to the passage of time</td>
<td>66</td>
<td>62</td>
</tr>
<tr>
<td>Decrease due to the fulfillment of asset retirement obligations</td>
<td>(48)</td>
<td>(43)</td>
</tr>
<tr>
<td>Other</td>
<td>(328)</td>
<td>341</td>
</tr>
<tr>
<td>Balance at the end of the year</td>
<td>$5,059</td>
<td>$3,355</td>
</tr>
</tbody>
</table>

### 4. Related Party Transactions

The company has related party transactions with key management personnel of the company and major individual shareholders.

The corresponding balances as of March 31, 2019 and 2018 and the amounts of these transactions for the years then ended are summarized as follows:

<table>
<thead>
<tr>
<th></th>
<th>Millions of yen</th>
<th>Thousands of U.S. dollars</th>
</tr>
</thead>
<tbody>
<tr>
<td>Balance outstanding at year end</td>
<td>$207</td>
<td>—</td>
</tr>
</tbody>
</table>

1. Obligation to remove asbestos that is used for some properties and equipment in a particular may required by the ordinance on Preventing Asbestos Hazards.

For such properties, the company has an obligation to remove asbestos at demolition of buildings. However, no demolition has taken place in the past other than those related to redevelopment or other projects involving many other business associates. It is therefore difficult to reasonably estimate the timing to fulfill such obligation based on the physical useful of the assets caused by aging and it is impossible to estimate the timing without specific business plans. Although the company has been voluntarily conducting asbestos removal work when that is feasible due to such as termination of tenancy, it is impractical to make a reasonable estimation of progress of such voluntary removal work based on the actual record of the tenancy termination and of the remaining amount of asbestos at demolition. Moreover, it is difficult to distinguish costs of asbestos removal from total costs of demolition.

Although the company made the best estimation taking into account all the evidence available as of March 31, 2019, these obligations are excluded from recognition of asset retirement obligations since the probability of obligations in terms of scope and amount was not reasonably estimated.

2. Obligation of restoration based on some real estate rental agreements.

For some commercial facilities, the company has an obligation of restoration at the termination of leasehold rental agreements. However, the timing to fulfill the obligation is uncertain since it is practically possible to continue to use these facilities by re-negotiating contracts and some contracts set forth a special provision to reduce the possibility to fulfill the obligation. Furthermore, given its business strategies and the current business environment, the company intends to continue its operation and not to fulfill the obligation. Although the company made the best estimation taking into account all the evidence available as of March 31, 2019, these obligations are excluded from recognition of asset retirement obligations since the probability of the obligations in terms of scope and amount could not be reasonably estimated.

### 5. Financial Section

#### 1. Outline of asset retirement obligations

Asset retirement obligations include obligations of restoration related to leasehold and rental contracts.

- **2. Calculation method for asset retirement obligations**
  - Asset retirement obligations are calculated based on the remaining contract years as an expected use period with a discount rate between 0.0% and 2.0%.

#### 3. Changes in asset retirement obligations during the years ended March 31, 2019 and 2018 are as follows:

<table>
<thead>
<tr>
<th></th>
<th>Millions of yen</th>
<th>Thousands of U.S. dollars</th>
</tr>
</thead>
<tbody>
<tr>
<td>Balance at the beginning of the year</td>
<td>$3,355</td>
<td>$2,936</td>
</tr>
<tr>
<td>Increase due to the acquisition of property and equipment</td>
<td>2,814</td>
<td>58</td>
</tr>
<tr>
<td>Adjustments due to the passage of time</td>
<td>66</td>
<td>62</td>
</tr>
<tr>
<td>Decrease due to the fulfillment of asset retirement obligations</td>
<td>(48)</td>
<td>(43)</td>
</tr>
<tr>
<td>Other</td>
<td>(328)</td>
<td>341</td>
</tr>
<tr>
<td>Balance at the end of the year</td>
<td>$5,059</td>
<td>$3,355</td>
</tr>
</tbody>
</table>

#### 3. Changes in asset retirement obligations during the years ended March 31, 2019 and 2018 are as follows:

<table>
<thead>
<tr>
<th></th>
<th>Millions of yen</th>
<th>Thousands of U.S. dollars</th>
</tr>
</thead>
<tbody>
<tr>
<td>Balance at the beginning of the year</td>
<td>$3,355</td>
<td>$2,936</td>
</tr>
<tr>
<td>Increase due to the acquisition of property and equipment</td>
<td>2,814</td>
<td>58</td>
</tr>
<tr>
<td>Adjustments due to the passage of time</td>
<td>66</td>
<td>62</td>
</tr>
<tr>
<td>Decrease due to the fulfillment of asset retirement obligations</td>
<td>(48)</td>
<td>(43)</td>
</tr>
<tr>
<td>Other</td>
<td>(328)</td>
<td>341</td>
</tr>
<tr>
<td>Balance at the end of the year</td>
<td>$5,059</td>
<td>$3,355</td>
</tr>
</tbody>
</table>

### 4. Related Party Transactions

The company has related party transactions with key management personnel of the Company and major individual shareholders.

The corresponding balances as of March 31, 2019 and 2018 and the amounts of these transactions for the years then ended are summarized as follows:

<table>
<thead>
<tr>
<th></th>
<th>Millions of yen</th>
<th>Thousands of U.S. dollars</th>
</tr>
</thead>
<tbody>
<tr>
<td>Balance outstanding at year end</td>
<td>$207</td>
<td>—</td>
</tr>
</tbody>
</table>

1. Obligation to remove asbestos that is used for some properties and equipment in a particular may required by the ordinance on Preventing Asbestos Hazards.

For such properties, the company has an obligation to remove asbestos at demolition of buildings. However, no demolition has taken place in the past other than those related to redevelopment or other projects involving many other business associates. It is therefore difficult to reasonably estimate the timing to fulfill such obligation based on the physical useful of the assets caused by aging and it is impossible to estimate the timing without specific business plans. Although the company has been voluntarily conducting asbestos removal work when that is feasible due to such as termination of tenancy, it is impractical to make a reasonable estimation of progress of such voluntary removal work based on the actual record of the tenancy termination and of the remaining amount of asbestos at demolition. Moreover, it is difficult to distinguish costs of asbestos removal from total costs of demolition.

Although the company made the best estimation taking into account all the evidence available as of March 31, 2019, these obligations are excluded from recognition of asset retirement obligations since the probability of obligations in terms of scope and amount was not reasonably estimated.

2. Obligation of restoration based on some real estate rental agreements.

For some commercial facilities, the company has an obligation of restoration at the termination of leasehold rental agreements. However, the timing to fulfill the obligation is uncertain since it is practically possible to continue to use these facilities by re-negotiating contracts and some contracts set forth a special provision to reduce the possibility to fulfill the obligation. Furthermore, given its business strategies and the current business environment, the company intends to continue its operation and not to fulfill the obligation. Although the company made the best estimation taking into account all the evidence available as of March 31, 2019, these obligations are excluded from recognition of asset retirement obligations since the probability of the obligations in terms of scope and amount could not be reasonably estimated.
### Other Comprehensive Income

The following table presents reclassification and tax effects allocated to each component of other comprehensive income for the years ended March 31, 2019 and 2018:

<table>
<thead>
<tr>
<th>Component</th>
<th>2019 (¥ millions)</th>
<th>2018 (¥ millions)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Unrealized holding gain (loss) on securities:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Reclassification adjustments for gains and losses included in net income</td>
<td>(6,061)</td>
<td>(54,069)</td>
</tr>
<tr>
<td>Amount before tax effects</td>
<td>(6,749)</td>
<td>(78,834)</td>
</tr>
<tr>
<td>Tax effects</td>
<td>2,412</td>
<td>21,731</td>
</tr>
<tr>
<td>Unrealized holding gain (loss) on securities:</td>
<td>(6,337)</td>
<td>(57,103)</td>
</tr>
</tbody>
</table>

- **Deferred gain (loss) on hedging instruments:**
  - Amount arising during the year: 528 (1,637)
  - Amount before tax effects: 521 (2,225)
  - Tax effects: 77 (1,762)

- **Foreign currency translation adjustments:**
  - Amount arising during the year: 310 (157,314)
  - Amount before tax effects: 310 (157,314)
  - Tax effects: 77 (1,762)

- **Land revaluation reserve:**
  - Amount arising during the year: 310 (157,314)
  - Amount before tax effects: 310 (157,314)
  - Tax effects: 77 (1,762)

- **Retirement benefits liability adjustments:**
  - Amount arising during the year: 11 (958)
  - Amount before tax effects: 1,218 (10,974)
  - Tax effects: (378) (3,411)

- **Retirement benefits liability adjustments:**
  - Amount arising during the year: 355 (8,226)

- **Total other comprehensive income (loss):**
  - Amount arising during the year: (24,202) (57,103)

### Business Combinations

#### 1. Acquisition

Consolidation of Marunouchi Hotel, Co., Ltd.

- **(1) Outline of business combination**
  - i. Name and business of acquired entity
    - Name: Marunouchi Hotel, Co., Ltd.
    - Business: Management of Marunouchi Hotel
  - ii. Objective of acquisition
    - To pursue further growth of the hotel business and improvement of the added value in the Marunouchi area through strengthening collaboration by purchasing the common stocks through a tender offer of Marunouchi Hotel, Co., Ltd., which was an equity method affiliate of the Company.
  - iii. Date of acquisition
    - April 27, 2018
  - iv. Legal form of acquisition
    - Purchase of common stocks
  - v. Name of acquired entity subsequent to acquisition
    - Marunouchi Hotel, Co., Ltd.
  - vi. Change in voting rights ratio
    - Before the acquisition: 31.38%
    - After the acquisition: 76.93%
  - vii. Determination of acquirer
    - As a result of the purchase of the common stocks, the Company obtained the substantial control of Marunouchi Hotel, Co., Ltd.

- **(2) Period for which operating results of acquiree were included in consolidated financial statements of the Company**
  - From April 1, 2018 to March 31, 2019

- **(3) Consideration transferred for the acquisition**
  - Fair value of common stocks already held before the acquisition date: 892 (8,044)
  - Cash on hand and in banks: 1,296 (11,676)
  - Acquisition cost: 12,144 (109,711)
  - (4) Major acquisition related cost
    - Omitted due to immateriality
  - (5) Loss on step acquisitions due to difference between acquisition cost and total amount of acquisition cost for each transaction during acquisition of ¥67 million ($6,352 thousand)
  - (6) Amount of negative goodwill recorded and its cause
    - Amount: ¥2,079 million ($18,101 thousand)
    - Cause: The consideration transferred was less than the fair value of the net assets acquired.
  - (7) Assets acquired and liabilities assumed at the acquisition date
    - Current assets
      - Amount: ¥1,049 million ($9,597 thousand)
    - Fixed assets
      - Amount: 8,995 ($81,045 thousand)
    - Total assets: 10,045 ($90,583 thousand)
    - Current liabilities
      - Amount: ¥551 ($4,972 thousand)
    - Total liabilities: 9,482 ($84,299 thousand)

#### 2. Consolidation of Urban Life Co., Ltd.

- **(1) Outline of business combination**
  - i. Name and business of acquired entity
    - Name: Urban Life Co., Ltd.
    - Business: Planning of mid-to-high-rise apartments, buildings, and stores, development, sales, and leasing of buildings, renting of stores, and management of parking lots, etc.
  - ii. Objective of acquisition
    - The purchase of the common stocks of the acquiree through a tender offer is expected to early establish and strengthen housing value chain for satisfying clients over their lifetimes in responding to diversifying needs such as remodeling, second-hand house distribution, etc. in the Kansai area.
  - iii. Date of acquisition
    - September 10, 2018
  - iv. Legal form of acquisition
    - Purchase of common stocks
  - v. Name of acquired entity subsequent to acquisition
    - Urban Life Co., Ltd.
  - vi. Change in voting rights ratio
    - Before the acquisition: 0%
    - After the acquisition: 98.89%
  - vii. Determination of acquirer
    - As a result of the purchase of the common stocks, the Company obtained the substantial control of Urban Life Co., Ltd.

- **(2) Period for which operating results of acquiree were included in consolidated financial statements of the Company**
  - As the deemed acquisition date is set to September 30, 2018, business results from October 1, 2018 to March 31, 2019 are included into a consolidated statement of income in current consolidated fiscal year.

- **(3) Consideration transferred for the acquisition**
  - Cash on hand and in banks: 7,363 ($66,543 thousand)
  - Acquisition cost: 7,363 ($66,543 thousand)
  - (4) Major acquisition related cost
    - Omitted due to immateriality
  - (5) Amount of goodwill recorded and its cause
    - i. Amount: ¥1,104 million ($9,947 thousand)
    - ii. Cause: The consideration transferred was more than the fair value of the net assets acquired.
  - (6) Amortization method and period: Straight line method for 10 years

- **(7) Assets acquired and liabilities assumed at the acquisition date**
  - Current assets: 7,147 ($61,292 thousand)
  - Fixed assets: 10,945 ($98,619 thousand)
  - Total assets: 18,164 ($160,911 thousand)
  - Current liabilities: 7,084 ($63,827 thousand)
  - Total liabilities: 7,947 ($71,695 thousand)

- **(7) Pro forma impact on consolidated statement of income assuming the business combination was completed at the beginning of the fiscal year**
  - Omitted due to immateriality. The pro forma impact was not subject to audit certification.
Purchase of treasury stock

The Company resolved at the meeting of its Board of Directors held on May 14, 2019 on matters regarding the purchase of treasury stock, based on the provisions of Article 156 of the Companies Act, as applied by replacing the relevant terms pursuant to the provisions of Article 165, paragraph 3 of the same Act, as follows:

(1) Reason for purchase of treasury stock
   To increase capital efficiency and shareholder return

(2) Details of matters regarding the purchase
   i. Type of shares subject to purchase
      Common stock
   ii. Total number of shares to be purchased
      65,000,000 shares maximum (4.68% of total issued shares excluding treasury stock)
   iii. Total amount for share purchase
      ¥100,000 million maximum
   iv. Purchase period
      May 15, 2019 to March 31, 2020
   v. Method of purchase
      Open-market purchase on the Tokyo Stock Exchange

(3) Status of the purchase (up to May 31, 2019 (trade date basis))
   i. Type of purchased shares
      Common stock
   ii. Total number of purchased shares
      3,093,400 shares
   iii. Total amount for share purchase
      ¥6,407 million
   iv. Method of purchase
      Open-market purchase on the Tokyo Stock Exchange

We have audited the accompanying consolidated financial statements of Mitsubishi Estate Co., Ltd. and its consolidated subsidiaries, which comprise the consolidated balance sheet as at March 31, 2019, and the consolidated statements of income, comprehensive income, changes in net assets, and cash flows for the year then ended and a summary of significant accounting policies and other explanatory information, all expressed in Japanese yen.

Management’s Responsibility for the Consolidated Financial Statements
Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in Japan, and for designing and operating internal control as management determines is necessary to enable the preparation and fair presentation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor’s Responsibility
Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in Japan. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor’s judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. The purpose of an audit of the consolidated financial statements is not to express an opinion on the effectiveness of the entity’s internal control, but in making these risk assessments the auditor considers internal controls relevant to the entity’s preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion
In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Mitsubishi Estate Co., Ltd. and its consolidated subsidiaries as at March 31, 2019, and their consolidated financial performance and cash flows for the year then ended in conformity with accounting principles generally accepted in Japan.

We have reviewed the translation of these consolidated financial statements into U.S. dollars, presented for the convenience of readers, and, in our opinion, the accompanying consolidated financial statements have been properly translated on the basis described in Note 2.

June 27, 2019
Tokyo, Japan

Ernst & Young Shinnihon LLC
1-1-2 Yurakucho, Chiyoda-ku
Tokyo 100-0006, Japan
Tel: +81 3 3563 1200
Fax: +81 3 3503 1628
### Corporate Data

**Principal Mitsubishi Estate Group Companies**

<table>
<thead>
<tr>
<th>Corporate Data</th>
<th>Address</th>
<th>Phone</th>
<th>Business Activities</th>
<th>Share of voting (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Office Building Business</strong></td>
<td>Marunouchi Nakanishi Building, 2-3, Marunouchi</td>
<td>+81-3-3287-4111</td>
<td>Comprehensive building operation and management</td>
<td>100.0</td>
</tr>
<tr>
<td></td>
<td>2-chome, Chiyoda-ku, Tokyo 104-8500</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Yokohama Development Co., Ltd.</td>
<td>+81-4-5227-7948</td>
<td>Management and operation of business properties other than buildings</td>
<td>100.0</td>
</tr>
<tr>
<td></td>
<td>1-9, Shinkongai, Yokohama-ku, Yokohama</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>230-0010</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Studio Building Kid Co., Ltd.</td>
<td>+81-3-3277-7161</td>
<td>Management and operation of the Studio Building Kid Group</td>
<td>100.0</td>
</tr>
<tr>
<td></td>
<td>2-10-1, Nakanocho, Chiyoda-ku, Tokyo</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>100-0075</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Outside Building Management Co., Ltd.</td>
<td>+81-3-3234-2971</td>
<td>Management and operation of the Outside Building Management Co.</td>
<td>100.0</td>
</tr>
<tr>
<td></td>
<td>2-3, Marunouchi 2-chome, Chiyoda-ku, Tokyo</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>100-0004</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Building Leasing Business</strong></td>
<td>World Import Mart Building, Sunshine City, 1-1,</td>
<td>+81-3-3999-3221</td>
<td>Management of Sunshine City and other buildings</td>
<td>43.2</td>
</tr>
<tr>
<td></td>
<td>Utsunomiya, Tochigi, Japan</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Marunouchi 1-chome, Chiyoda-ku, Tokyo</td>
<td>+81-3-3252-0205</td>
<td>Management of Marunouchi 1-chome, Chiyoda-ku, Tokyo</td>
<td>100.0</td>
</tr>
<tr>
<td></td>
<td>100-0005</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Parking Business</strong></td>
<td>Sanno Grand Building, 14-2, Nogata-cho 2-chome,</td>
<td>+81-3-3580-6410</td>
<td>Operation and management of parking and use of various pipeline products</td>
<td>54.9</td>
</tr>
<tr>
<td></td>
<td>Komatsugawa, Chiyoda-ku, Tokyo 106-8414</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>District Heating and Cooling Business</strong></td>
<td>Marunouchi Riverside Supply Co., Ltd.</td>
<td>+81-3-3287-2288</td>
<td>Heating and cooling business services</td>
<td>64.2</td>
</tr>
<tr>
<td></td>
<td>1-9, Marunouchi 2-chome, Chiyoda-ku, Tokyo</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>100-8500</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Higashi Tokyo Heat and Cooling Co., Ltd.</td>
<td>+81-3-3287-2288</td>
<td>Heating and cooling business services</td>
<td>100.0</td>
</tr>
<tr>
<td></td>
<td>1-9, Marunouchi 2-chome, Chiyoda-ku, Tokyo</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>100-8500</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>O.A.P. D.H.C. Supply Co., Ltd.</strong></td>
<td>OAP Tower, 8-30, Tenmabashi 1-chome, Kita-ku,</td>
<td>+81-3-3287-2288</td>
<td>Heating and cooling business services</td>
<td>100.0</td>
</tr>
<tr>
<td></td>
<td>Osaka, Osaka 530-6004</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Life Style Property Business</strong></td>
<td>Soka Koubun Building, 2-1, Soka-cho, Chiyoda-ku</td>
<td>+81-3-3274-8881</td>
<td>Cold storage and data center housing business, businesses in the Marunouchi and Chiyoda</td>
<td>31.8</td>
</tr>
<tr>
<td></td>
<td>Tokyo 100-0045</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Residential Business</strong></td>
<td>Mitsubishi Real Estate Co., Ltd.</td>
<td>+81-3-6261-4000</td>
<td>Real estate development, sales, leasing, and management</td>
<td>100.0</td>
</tr>
<tr>
<td></td>
<td>Chuo Financial City Grand Cube 9-2, Chiyoda-ku,</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Tokyo 100-8191</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Custom-Built Housing</strong></td>
<td>Kibetsu-Kun Akiha Building, Yoshidahigashi, 2-27,</td>
<td>+81-4-5887-8300</td>
<td>Design and construction of single-three-family, housing, renovation of homes</td>
<td>100.0</td>
</tr>
<tr>
<td></td>
<td>Inawashiro, Fukushima, Tohoku 970-0022</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Mitsubishi Estate Home Co., Ltd.</strong></td>
<td>Mita Projector Naka 1-chome, Chiyoda-ku</td>
<td>+81-3-3211-4000</td>
<td>Management and operation of the Mita Projector Naka 1-chome, Chiyoda-ku</td>
<td>50.0</td>
</tr>
<tr>
<td></td>
<td>Tokyo 100-8201</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Residence Management Business</strong></td>
<td>4-1, Sarucho-cho, Chiyoda-ku, Tokyo 102-0077</td>
<td>+81-3-3580-1661</td>
<td>Business management and operation related to the residence management business</td>
<td>71.5</td>
</tr>
<tr>
<td></td>
<td>100-0075</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Recreational Facilities</strong></td>
<td>MGC Uruma Resort Tsubaki Co., Ltd.</td>
<td>+81-49-377-1141</td>
<td>Operation and management of Uruma Park Tsubaki, Uruma, Okinawa</td>
<td>100.0</td>
</tr>
<tr>
<td></td>
<td>3-1, Abeyakuro-cho, Tsubaki, Okinawa.</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Others</strong></td>
<td>Keiyo Tochi Kaihatsu Co., Ltd.*</td>
<td>+81-4-5892-7330</td>
<td>Management of Tokyo Kotsu Kaikan and other buildings</td>
<td>100.0</td>
</tr>
<tr>
<td></td>
<td>3-1, Keiyo-cho, Chiba-ku, Kanto Prefecture</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>237-0036</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**Others**

- Mitsubishi Jisho (Shanghai) Ltd.*
  - 1805 Room Raffles City, 268 Xizang Middle Road, Shanghai 200001, PRC
- Keiyo Tochi Kaihatsu Co., Ltd.*
  - 3-1, Keiyo-cho, Chiba-ku, Kanto Prefecture 237-0036
- MEC Information Development Co., Ltd.*
  - 5-1, Marunouchi 2-chome, Chiyoda-ku, Tokyo 100-0004
- MEC Design International Corporation
  - Inui Building Kachidoki, 13-1, Kachidoki 1-chome, Chiyoda-ku, Tokyo 100-0006
- Takamatsu Airport Co., Ltd.*
  - 1312-7, Oka, Konan-cho, Takamatsu, Kagawa 771-0841
- Marunouchi Hotel Co., Ltd.
  - 6-3, Marunouchi 1-chome, Chiyoda-ku, Tokyo 100-0004
- Royal Park Hotel Co., Ltd.
  - 1-1, Kakigaracho 2-chome, Nihonbashi, Chuo-ku, Tokyo 103-8520
- Tohoku Royal Park Hotel Co., Ltd.
  - 2-1, Teraoka 6-chome, Izumi-ku, Sendai, Miyagi Prefecture 981-3204
- Europa Capital LLP
  - 15 Sloane Square, London SW1W 8ER, U.K.
  - +44-20-7881-6800
- Mitsubishi Jisho House Net Co., Ltd.
  - Shinjuku Front Tower, 21-1, Kita-Shinjuku 2-chome, Shinjuku-ku, Tokyo 169-0074
- Mitsubishi Jisho Community Co., Ltd.
  - 1-9, Otemachi 1-chome, Chiyoda-ku, Tokyo 100-0004
- Mitsubishi Jisho Real Estate Asset Management Co., Ltd.
  - 80 Raffles Place, #18-01, UOB PLAZA 1, Singapore 048946
- MITSUBISHI ESTATE CO., LTD.
  - Integrated Report 2019
- Mitsubishi Jisho (Shanghai) Ltd.*
  - 1805 Room Raffles City, 268 Xizang Middle Road, Shanghai 200001, PRC
- Mitsubishi Jisho House Net Co., Ltd.
  - Shinjuku Front Tower, 21-1, Kita-Shinjuku 2-chome, Shinjuku-ku, Tokyo 169-0074
- Mitsubishi Jisho House Net Co., Ltd.
  - 1805 Room Raffles City, 268 Xizang Middle Road, Shanghai 200001, PRC

**Real Estate Services Business**

- Mitsubishi Real Estate Services Co., Ltd.
  - Chiyoda-ku, Tokyo 101-8501
- Mitsubishi Real Estate Services Co., Ltd.
  - 1805 Room Raffles City, 268 Xizang Middle Road, Shanghai 200001, PRC
- Mitsubishi Real Estate Services Co., Ltd.
  - 1805 Room Raffles City, 268 Xizang Middle Road, Shanghai 200001, PRC
- Mitsubishi Real Estate Services Co., Ltd.
  - 1805 Room Raffles City, 268 Xizang Middle Road, Shanghai 200001, PRC
- Mitsubishi Real Estate Services Co., Ltd.
  - 1805 Room Raffles City, 268 Xizang Middle Road, Shanghai 200001, PRC

**Others**

- Mitsubishi Jisho House Net Co., Ltd.
  - 1805 Room Raffles City, 268 Xizang Middle Road, Shanghai 200001, PRC
- Mitsubishi Jisho House Net Co., Ltd.
  - 1805 Room Raffles City, 268 Xizang Middle Road, Shanghai 200001, PRC
- Mitsubishi Jisho House Net Co., Ltd.
  - 1805 Room Raffles City, 268 Xizang Middle Road, Shanghai 200001, PRC
- Japan Real Estate Asset Management Co., Ltd.
  - 80 Raffles Place, #18-01, UOB PLAZA 1, Singapore 048946
Corporative History

1893
Completed Mitsubishi Ichigokan, offering the first Western-style office architecture in Marunouchi.

1937
Completed Marunouchi Building.

1959
Completed Shin-Marunouchi Building.

1962
Completed Hokkaido Building.

1973
Completed Toshiba Building.

1986
Yokohama Office established (reorganized as Yokohama Branch in April 2000).

1989
Kyushu Branch established.

1990
Yokohama Landmark Tower completed. Yokohama Royal Park Hotel opened.

1995
Capital investment in Rockefeller Group, Inc., initiated. Participation in the City of London's Paternoster Square Project announced.

1996
Completed Hokkaido Building.

1998
Reconstruction of Marunouchi Building announced.

2001
Mitsubishi Jisho Investment Advisors, Inc., established.

2003
Tsukishima Office opened (renamed Tsukishima Office on April 22, 2013) in Yokohama City

2004
OMOTEMACHI PLAZA OFFICE completed.

2005
Tokyo Building opened.

2006
Marunouchi Building opened.

2008
Shin-Marunouchi Building opened.

2009
Chelsea Japan Co., Ltd., became a Mitsubishi Estate consolidated subsidiary.

2011
Mitsubishi Real Estate Services Co., Ltd., established.

2012
Tenjin MM Building (IMS) opened in Fukuoka City.

2013
Mark IS shizuoka and Mark IS minatomirai opened.

2014
Mark IS osaka opened.

2015
Property Management integrated.

2016
OTOCHI FINANCIAL CITY GRAND CUBE completed.

2017
Dai Nagoya Building completed.

2018
OTEMACHI FINANCIAL CITY (North Tower, South Tower) opened.

2019
The Peninsula Tokyo opened.

Organization

As of April 1, 2019
**Corporate Information**

As of March 31, 2019

**Stock Information**

Stock Details

- Number of authorized shares: 1,980,000,000 shares
- Number of shares issued and outstanding: 1,391,038,170
  (130,065 increase in number of shares from the previous fiscal year-end)
- Number of shareholders: 62,298
  (Decrease of 5,583 shareholders compared with the end of the previous fiscal year)

**Company Name**
Mitsubishi Estate Co., Ltd.

**Date of Establishment**
May 7, 1937

**Paid-in Capital**
¥142,023 million

**Business Activities**

- Development, leasing, and management of office buildings, retail, and other facilities
- Development of real estate for investment purposes and asset management
- Development and sale of land for housing, research, and other facility use
- Management of leisure and other facilities
- Sale and brokerage of real estate and related consulting services

**Number of Employees**
Non-consolidated: 899
Consolidated: 9,439

**URL**
http://www.mec.co.jp/index_e.html

**Head Office**
Otemachi Park Building, 1-1, Otemachi 1-chome, Chiyoda-ku, Tokyo 100-8133
Phone: +81-3-3287-5100

**Hokkaido Branch**
Hokkaido Building, 4-1, Kita 2-jou Nishi, Chuo-ku, Sapporo, Hokkaido 060-0002
Phone: +81-11-221-6101

**Tohoku Branch**
Sendai Park Building, 6-1, Kokubun-cho 3-chome, Aoba-ku, Sendai, Miyagi Prefecture 980-0803
Phone: +81-22-261-1361

**Yokohama Branch**
Yokohama Landmark Tower, 2-1, Minato Mirai 2-chome, Nishi-ku, Yokohama, Kanagawa Prefecture 220-8115
Phone: +81-45-224-2211

**Chubu Branch**
Nagoya Hirokoji Building, 3-1, Sakae 2-chome, Nakaku, Nagoya, Aichi Prefecture 460-0008
Phone: +81-52-218-7750

**Kansai Branch**
OAP Tower, 8-30, Tenmabashi 1-chome, Kita-ku, Osaka, Osaka Prefecture 530-6009
Phone: +81-6-6881-1360

**Chushikoku Branch**
Hiroshima Park Building, 7-5, Otemachi 3-chome, Naka-ku, Hiroshima, Hiroshima Prefecture 730-0051
Phone: +81-82-245-1241

**Kyushu Branch**
Tenjin Twin Building, 6-8, Tenjin 1-chome, Chuo-ku, Fukuoka, Fukuoka Prefecture 810-0001
Phone: +81-92-731-2211

**Shareholder Composition**

<table>
<thead>
<tr>
<th>Shareholder Type</th>
<th>Number of Shares Held (Thousands of shares)</th>
<th>Shareholding Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Individuals and other</td>
<td>62.84%</td>
<td>62.84%</td>
</tr>
<tr>
<td>Government and public authorities</td>
<td>0.08%</td>
<td>0.08%</td>
</tr>
<tr>
<td>Foreign individuals and companies</td>
<td>11.16%</td>
<td>11.16%</td>
</tr>
<tr>
<td>Financial institutions</td>
<td>34.02%</td>
<td>34.02%</td>
</tr>
<tr>
<td>Financier and operating companies</td>
<td>1.69%</td>
<td>1.69%</td>
</tr>
</tbody>
</table>

**Major Shareholders**

- The Master Trust Bank of Japan, Ltd. (Trust account) 109,963 7.92%
- Japan Trustee Services Bank, Ltd. (Trust account) 67,146 4.83%
- Meiji Yasuda Life Insurance Company 46,882 3.37%
- JP MORGAN CHASE BANK 380055 45,357 3.26%
- Japan Trustee Services Bank, Ltd. (Trust account) 27,138 1.95%
- SSBT CLIENT OMNIBUS ACCOUNT 23,629 1.70%
- STATE STREET BANK WEST CLIENT - TREATY 100236 22,604 1.62%
- MUFJ Bank, Ltd. 22,267 1.60%
- Japan Trustee Services Bank, Ltd. (Trust account) 21,564 1.55%
- Tokio Marine & Nichido Fire Insurance Co., Ltd. 20,300 1.46%

**Number of Employees**
Non-consolidated: 899
Consolidated: 9,439

**About Our Website**

**Mitsubishi Estate Group Corporate Website**
http://www.mec.co.jp/index_e.html

**Sustainability Information**
http://www.mec.co.jp/e/csr/index.html

Our website contains sustainability-related information on the entire Group and CSR reports that summarize initiatives based on important CSR themes.

**Note:** From Fiscal 2020, we plan to change the name of our CSR Report to Sustainability Report.

**IR Information**
http://www.mec.co.jp/e/investor/index.html

In addition to financial information, the site contains various IR explanatory materials and an Asset Book.