

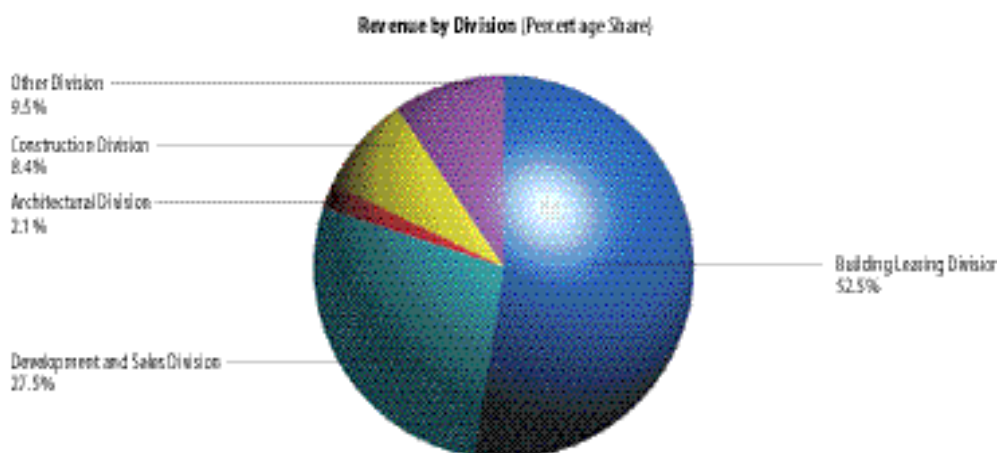
Financial Highlights (Consolidated)

MITSUBISHI ESTATE CO., LTD. AND CONSOLIDATED SUBSIDIARIES

Years ended March 31	Millions of yen		Thousands of U.S. dollars
	1998	1999	1999
Revenue from operations	I 548,731	I 565,259	\$ 4,689,000
Net income	31,848	22,327	185,209
As a percentage of revenue from operations	5.8%	3.9%	
As a percentage of shareholders' equity	7.0%	4.9%	
Total assets	2,103,258	2,283,773	18,944,611
Total shareholders' equity	454,057	459,574	3,812,311
Common stock	86,534	86,534	717,827

Per share amounts:	Yen		U.S. dollars
Net income	I24.51	I17.19	\$0.143
Cash dividends applicable to the year	8.00	8.00	0.066

Note: Yen amounts shown are translated into U.S. dollars, solely for convenience, at the prevailing exchange rate on March 31, 1999, of ¥120.55 to US\$1.00.



Financial Information

Financial Review

Analysis of Revenue

During the fiscal year ended March 31, 1999, Mitsubishi Estate recorded revenue from operations of I565,259 million (US\$4,689.0 million), an increase of 3.0%. Revenue in the Building Leasing Division rose 6.2% to I296,480 million (US\$2,459.4 million), spurred by growth in overseas leasing operations and an increase in the number of consolidated subsidiaries. In the Development and Sales Division, revenue increased 2.7% to I155,408 million (US\$1,289.2 million), supported by a recovery in domestic sales of condominiums and increased sales by overseas subsidiaries. Architectural Division revenue edged up 2.0% to I11,822 million (US\$98.1 million). In the Construction Division, revenue fell 28.5% to I47,467 million (US\$393.8 million), primarily due to the absence of a large-scale project completed and recorded as revenue in the previous term. Other Business revenue climbed 34.1% to I54,082 (US\$448.6 million) as a result of an increased number of consolidated subsidiaries.

Analysis of Income

Cost of revenue from operations declined 1.4% to I438,171 million (US\$3,634.8 million), with the gross profit margin improving 3.5 percentage points to 22.5%. Selling, general and administrative (SG&A) expenses rose 26.3% to I58,260 million (US\$483.3 million) as a result of the increase in consolidated subsidiaries. SG&A

expenses as a percentage of revenue from operations increased 1.9 percentage points to 10.3%.

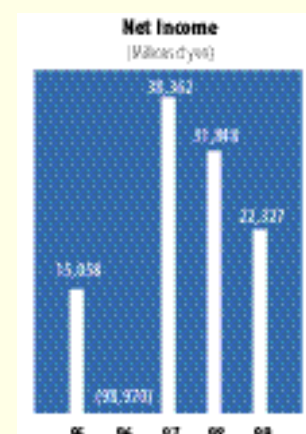
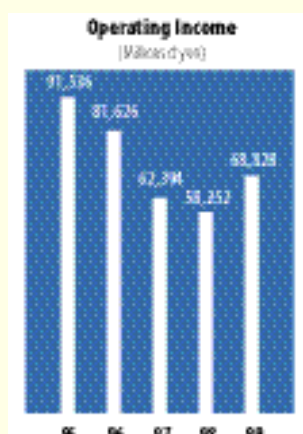
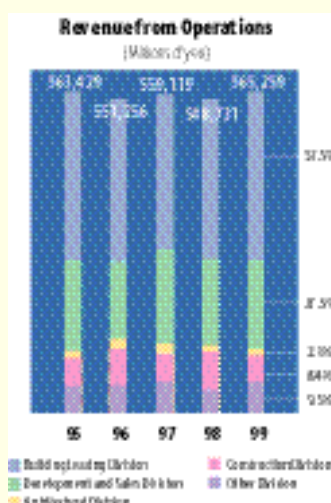
Operating income climbed 18.2% to I68,828 million (US\$570.9 million), mainly owing to substantially improved performance in the Building Leasing and Development and Sales Divisions. The operating income margin improved 1.6 percentage points to 12.2%.

Other income decreased 24.7% to I13,112 million (US\$108.8 million), while other expenses declined 10.3% to I50,124 million (US\$415.8 million). Interest expenses edged down 1.8% to I44,349 million (US\$367.9 million), reflecting historically low interest rates in Japan, and the interest coverage ratio improved 0.23 to 1.66. Overall, other expenses, net of other income, declined I1,460 million to I37,012 (US\$307.0 million).

Income before taxes and special items climbed 60.8% to I31,816 million (US\$263.9 million). However, owing to the absence of special profit, net, recorded during the previous fiscal year, net income declined 29.9% to I22,327 million (US\$185.2 million). Net income per share was I17.19 (US\$0.143), and management maintained cash dividends per share at I8.00 (US\$0.066).

Analysis of Financial Position

Net cash provided by operating activities rose 15.9% to I91,065 million (US\$755.4 million). Net cash used in investing activities increased 52.1% to I135,448 million



(US\$1,123.6 million), owing mainly to a decline in proceeds from property and equipment. Purchases of property and equipment were essentially unchanged at I148,324 million (US\$1,230.4 million). Net cash provided by financing activities increased 4.2% to I31,189 million (US\$258.7 million). Cash at end of year decreased 8.8% to I70,525 million (US\$585.0 million).

Consolidated interest-bearing debt increased 9.5% to I1,275,796 million (US\$10,583.1 million), primarily due to bond issues to finance real estate investment, including the acquisition of 50% ownership of two buildings and accompanying land from the Bank of Tokyo-Mitsubishi, Ltd. Total assets increased 8.6% to I2,283,773 million (US\$18,944.6 million), reflecting strategic investments in Japan and overseas, and an increased number of consolidated subsidiaries, while total shareholders' equity edged up 1.2% to I459,574 million (US\$3,812.3 million). The shareholders' equity ratio decreased 1.5 percentage points to 20.1%.

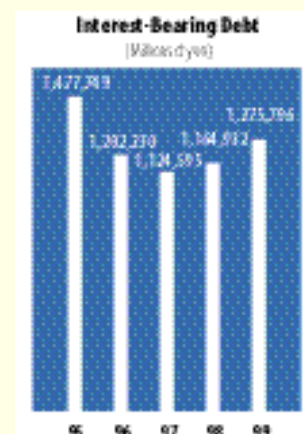
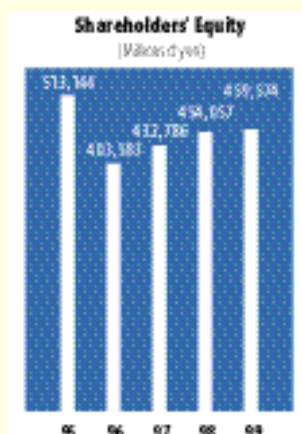
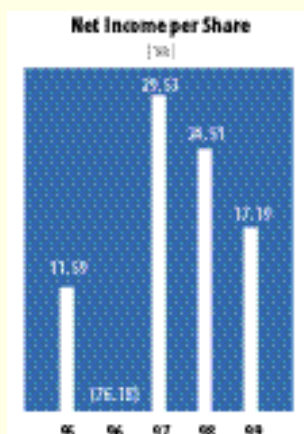
Management Initiatives

Mitsubishi Estate's core business, office building leasing operations, is characterized by substantial capital commitments for each project and long investment horizons. Consequently, controlling interest-bearing debt is a key management issue. As raising asset efficiency and managing risk are primary management concerns, we have introduced the use of return on assets (ROA) and the interest coverage ratio (ICR) as Company-wide management benchmarks.

Management aims to reduce interest-bearing debt to under I1 trillion yen on a non-consolidated basis by the fiscal year ending March 31, 2003, through liquidating assets and other measures. During the fiscal year ending March 31, 1999, the Company established a committed credit line with financial institutions to ensure available sources of short-term funding.

Steps are being taken in each operating division to improve performance and asset utilization through a focus on free cash flow generation. In the Building Leasing Division, the Marunouchi Redevelopment Plan calls for capital investment of approximately I500 billion over a 10-year period. As annual depreciation of the Division's assets is in the range of I50 billion, we expect to meet these funding requirements through internal cash flow. Redevelopment may be further accelerated through joint projects with other companies, securitization and other financing schemes. In the Development and Sales Division, land acquisition and construction costs will be held within the division's cash flow to reduce interest-bearing debt. Further, asset efficiency is being increased through a streamlining of the entire development process, securitization and other methods.

The reduction of overhead is one of the high priorities over the next three fiscal years. Measures will include shifting staff from administrative to operational divisions, especially areas related to the Marunouchi Redevelopment Plan.



Consolidated Balance Sheets
 MITSUBISHI ESTATE CO., LTD. AND CONSOLIDATED SUBSIDIARIES
 March 31, 1998 and 1999

ASSETS	Millions of yen		Thousands of U.S. dollars
	1998	1999	1999
Current assets:			
Cash	I 77,297	I 70,525	\$ 585,027
Marketable securities (Notes 2 (D) and 8)	105,927	97,236	806,603
Notes and accounts receivable ^Δ trade	32,124	44,317	367,623
Inventories (Notes 2 (C) and 7)	264,885	259,738	2,154,608
Advances on purchases	5,191	6,462	53,604
Other current assets	24,795	23,100	191,622
Less allowance for doubtful accounts (Note 6)	(6,423)	(7,604)	(63,078)
Total current assets	<u>503,796</u>	<u>493,774</u>	<u>4,096,009</u>
Investments:			
Investments in unconsolidated subsidiaries and affiliates (Notes 2 (A) and 8)	28,399	20,328	167,607
Investments in other securities (Notes 2 (D) and 8)	17,478	10,462	87,806
Other investments (Note 9)	134,494	131,762	1,093,007
Less allowance for doubtful accounts (Note 6)	(34)	(21)	(174)
Total investments	<u>180,337</u>	<u>162,531</u>	<u>1,348,246</u>
Property and equipment at cost (Notes 2 (E) and 10):			
Land	601,483	691,573	5,736,815
Buildings	1,190,080	1,324,436	10,986,611
Machinery and equipment	65,214	70,481	584,662
Others	13,040	12,835	106,470
Construction in progress	20,483	32,472	269,365
Total property and equipment at cost	<u>1,890,300</u>	<u>2,131,797</u>	<u>17,683,923</u>
Less accumulated depreciation	(501,307)	(568,118)	(4,712,717)
Net property and equipment at cost	<u>1,388,993</u>	<u>1,563,679</u>	<u>12,971,206</u>
Other assets	29,770	55,919	463,866
Translation adjustments	362	7,870	65,284
Total assets	<u>I2,103,258</u>	<u>I2,283,773</u>	<u>\$18,944,611</u>

See notes to consolidated financial statements.

LIABILITIES, MINORITY INTERESTS AND SHAREHOLDERS' EQUITY	Millions of yen		Thousands of U.S. dollars
	1998	1999	1999
Current liabilities:			
Short-term bank loans (Note 10)	I 62,690	I 73,621	\$ 610,709
Commercial paper	34,437	18,736	155,421
Current portion of long-term debt (Note 10)	179,738	126,029	1,045,450
Notes and accounts payable/trade	46,755	52,712	437,262
Accrued expenses.....	19,619	22,692	188,237
Accrued income taxes.....	5,668	3,231	26,802
Advances and deposits.....	48,658	48,716	404,114
Other current liabilities	13,949	17,400	144,338
Total current liabilities	411,514	363,137	3,012,333
Long-term debt (Note 10)	888,067	1,057,410	8,771,547
Guarantee deposits and lease deposits (Note 11)	266,813	297,808	2,470,411
Employees' retirement allowances (Note 2 (G))	30,019	30,047	249,249
Other long-term liabilities (Note 2 (G))	35,272	46,459	385,392
Total liabilities.....	1,631,685	1,794,861	14,888,932
Minority interests	17,516	29,338	243,368
Shareholders' equity (Note 13):			
Common stock, par value I50 per share			
Authorized 1,980,000,000 shares			
Issued and outstanding			
1,299,185,054 shares in 1998 and 1999	86,534	86,534	717,827
Capital surplus	115,195	115,195	955,579
Legal reserve	21,634	Δ	Δ
Retained earnings.....	230,703	257,854	2,138,980
Treasury stock	(9)	(9)	(75)
Total shareholders' equity.....	454,057	459,574	3,812,311
Contingent liabilities (Note 14)			
Total liabilities, minority interests and shareholders' equity ...	I2,103,258	I2,283,773	\$18,944,611



Consolidated Statements of Income
 MITSUBISHI ESTATE CO., LTD. AND CONSOLIDATED SUBSIDIARIES
 Years Ended March 31, 1997, 1998 and 1999

	Millions of yen			Thousands of U.S. dollars
	1997	1998	1999	1999
Revenue from operations	I559,119	I548,731	I565,259	\$4,689,000
Cost of revenue from operations	447,360	444,359	438,171	3,634,766
Selling, general and administrative expenses	49,365	46,120	58,260	483,285
Operating income	62,394	58,252	68,828	570,949
Other income:				
Interest	5,417	2,834	2,399	19,900
Dividends.....	3,680	3,421	2,313	19,187
Other	10,352	11,153	8,400	69,681
Total	19,449	17,408	13,112	108,768
Other expenses:				
Interest	51,893	45,179	44,349	367,889
Other	9,547	10,701	5,775	47,905
Total	61,440	55,880	50,124	415,794
Income before taxes and special items	20,403	19,780	31,816	263,923
Special profit (loss), net (Note 5)	20,950	23,086	△	△
Net income before taxes and others.....	41,353	42,866	31,816	263,923
Income taxes (Notes 2 (F) and 12)	(490)	8,264	7,944	65,898
Amortization of goodwill*	1,361	1,321	△	△
Minority interests	2,120	1,433	1,545	12,816
Net income.....	I 38,362	I 31,848	I 22,327	\$ 185,209

	Yen			U.S. dollars
Net income and dividends				
per share (Note 2 (I)):				
Net income per share	I 29.53	I 24.51	I 17.19	\$ 0.143
Net income per share assuming full dilution.....	△	△	△	△
Cash dividends per share applicable to the year	8.00	8.00	8.00	0.066
Interest coverage ratio**	1.38	1.43	1.66	

*In accordance with a change in accounting standards for the preparation of consolidated financial statements, beginning with the fiscal year ended March 31, 1999, amortization of goodwill is included in selling, general and administrative expenses.

**Interest coverage ratio is calculated by dividing the sum of operating income, interest income and dividends by interest expense.
 See notes to consolidated financial statements.

Consolidated Statements of Shareholders' Equity

MITSUBISHI ESTATE CO., LTD. AND CONSOLIDATED SUBSIDIARIES
Years Ended March 31, 1997, 1998 and 1999

	Millions of yen			Thousands of U.S. dollars
	1997	1998	1999	1999
Common stock:				
Balance at beginning of the period	I 86,534	I 86,534	I 86,534	\$ 717,827
Conversion of convertible bonds:				
During fiscal 1997: 0 shares	0	△	△	△
During fiscal 1998: 0 shares	△	0	△	△
During fiscal 1999: 0 shares	△	△	0	0
Balance at end of the period	<u>I 86,534</u>	<u>I 86,534</u>	<u>I 86,534</u>	<u>\$ 717,827</u>
Capital surplus:				
Balance at beginning of the period	I115,195	I115,195	I115,195	\$ 955,579
Conversion of convertible bonds.....	0	0	0	0
Balance at end of the period	<u>I115,195</u>	<u>I115,195</u>	<u>I115,195</u>	<u>\$ 955,579</u>
Legal reserve*:				
Balance at beginning of the period	I 21,634	I 21,634	I △	\$ △
Transfer from unappropriated retained earnings	△	△	△	△
Balance at end of the period	<u>I 21,634</u>	<u>I 21,634</u>	<u>I △</u>	<u>\$ △</u>
Retained earnings:				
Balance at beginning of the period	I180,238	I209,435	I230,703	\$1,913,753
Legal reserve at beginning of the year*	△	△	21,634	179,461
Add△Net income	38,362	31,848	22,327	185,209
△Change in consolidated subsidiaries and equity-method companies	1,234	△	8,965	74,368
Deduct△Cash dividends.....	(10,393)	(10,393)	(10,393)	(86,213)
△Change in consolidated subsidiaries and equity-method companies	△	△	(15,201)	(126,097)
△Directors' and statutory auditors' bonuses	(6)	(187)	(181)	(1,501)
Balance at end of the period	<u>I209,435</u>	<u>I230,703</u>	<u>I257,854</u>	<u>\$2,138,980</u>

*In accordance with a change in accounting standards for the preparation of consolidated financial statements, beginning with the fiscal year ended March 31, 1999, legal reserve is included in retained earnings.
See notes to consolidated financial statements.



Consolidated Statements of Cash Flows

MITSUBISHI ESTATE CO., LTD. AND CONSOLIDATED SUBSIDIARIES
Years Ended March 31, 1997, 1998 and 1999

	Millions of yen			Thousands of U.S. dollars
	1997	1998	1999	1999
Cash flows from operating activities:				
Net income.....	I 38,362	I 31,848	I 22,327	\$ 185,209
Adjustment to reconcile net income to net cash provided by operating activities:				
Gain from sales of fixed asset	(65,937)	(49,159)	△	△
Gain from sales of affiliated companies' stock	△	(7,715)	△	△
Loss from sales of fixed assets.....	10,856	△	△	△
Loss from write-down on fixed asset.....	6,292	33,789	△	△
Loss related to the reconstruction of Marunouchi Building	9,017	△	△	△
Loss from provision for bad debt.....	4,494	△	△	△
Loss from prepayment of bonds under debt assumption agreements.....	14,327	△	△	△
Depreciation and amortization.....	53,117	53,932	63,050	523,020
Provision for reserve for retirement benefits	3,150	646	(627)	(5,201)
Others.....	430	(4,783)	8,364	69,382
Changes in assets and liabilities:				
Increase/decrease in notes and accounts receivables ..	14,291	(1,392)	(11,505)	(95,438)
Increase in inventories	11,965	33,462	4,163	34,533
Increase/decrease in other current assets.....	3,798	(198)	(233)	(1,933)
Increase/decrease in notes and accounts payable.....	(2,155)	3,423	5,509	45,699
Increase/decrease in accrued income taxes	(8,172)	3,391	(2,683)	(22,256)
Others.....	3,055	(18,476)	2,881	23,899
Payment of directors' bonuses.....	(6)	(187)	(181)	(1,501)
Net cash provided by operating activities	I 96,884	I 78,581	I 91,065	\$ 755,413
Cash flows from investing activities:				
Purchases of property and equipment	I (78,569)	I(148,023)	I(148,324)	\$(1,230,394)
Proceeds from property and equipment	77,401	51,360	629	5,218
Acquisition of minority interest in consolidated subsidiaries.....	(18,522)	△	△	△
Proceeds from sales of affiliated companies' stock	△	8,477	△	△
Increase/decrease in marketable securities.....	2,617	(1,253)	4,642	38,507
Increase in guarantee deposits and lease deposits.....	(4,152)	(7,209)	4,811	39,909
Increase/decrease in loans to unconsolidated subsidiaries and affiliates	(711)	10,851	1,448	12,011
Others.....	(10,491)	(3,261)	1,346	11,165
Net cash used in investing activities.....	I (32,427)	I (89,058)	I(135,448)	\$(1,123,584)
Cash flows from financing activities:				
Increase/decrease in bonds and notes	I (68,913)	I 75,072	I 41,669	\$ 345,657
Loss from prepayment of bonds under debt assumption agreements.....	(14,327)	△	△	△
Increase/decrease in long-term borrowings	(40,331)	(34,549)	19,153	158,880
Increase/decrease in commercial paper	48,282	(21,360)	(15,701)	(130,244)
Increase/decrease in short-term borrowings	(16,673)	21,174	(3,539)	(29,357)
Cash dividends paid	(10,393)	(10,393)	(10,393)	(86,213)
Net cash provided by (used in) financing activities.....	I(102,355)	I 29,944	I 31,189	\$ 258,723
Changes in cash	I (37,898)	I 19,467	I (13,194)	\$ (109,448)
Increase in cash from addition of consolidated companies.....	△	△	6,422	53,273
Cash at beginning of the year.....	95,728	57,830	77,297	641,203
Cash at end of the year	I 57,830	I 77,297	I 70,525	\$ 585,027

See notes to consolidated financial statements.