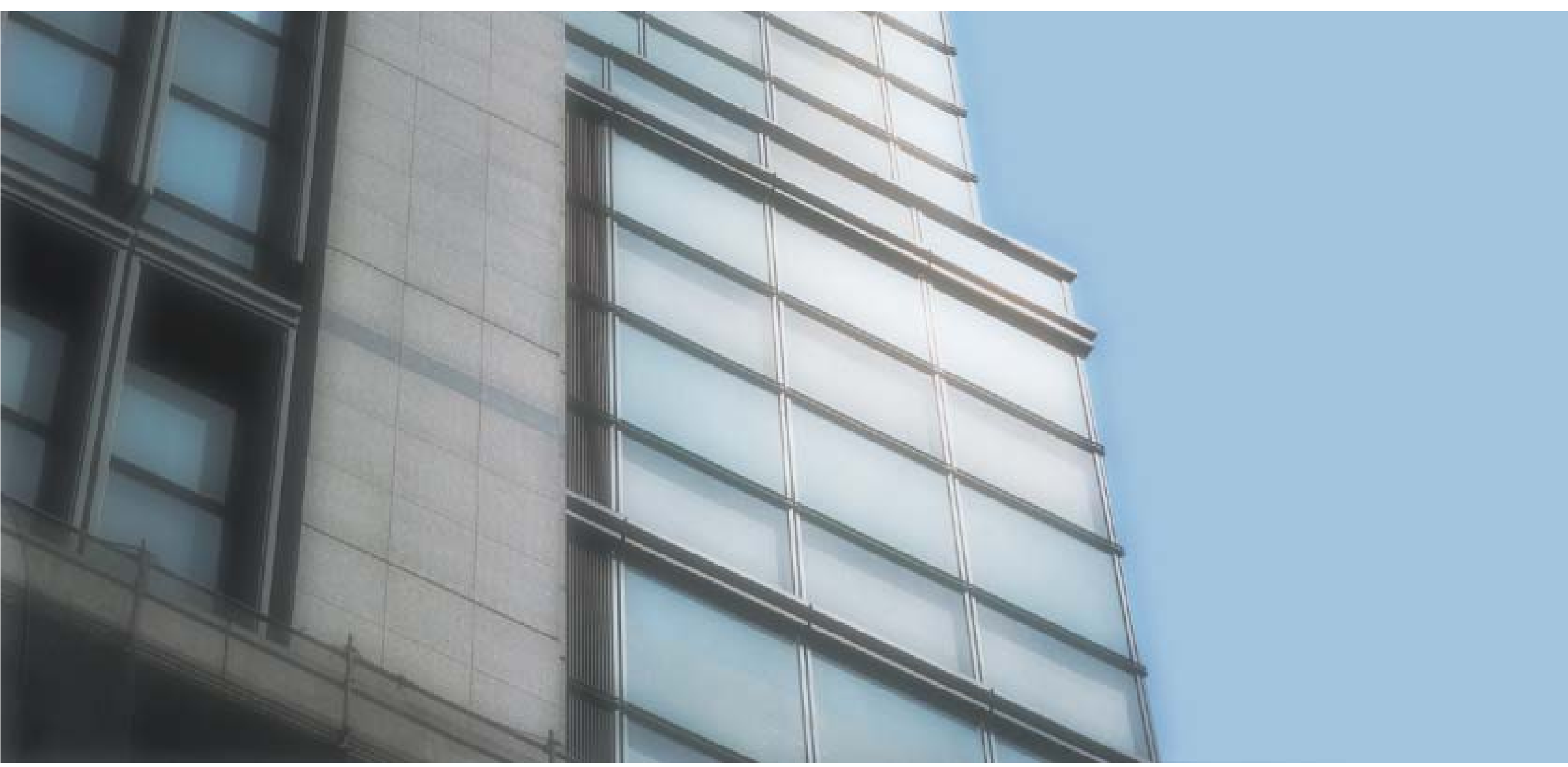
MITSUBISHI ESTATE CO., LTD. ANNUAL REPORT 2001



Contents

Forward-Looking and Cautionary Statements

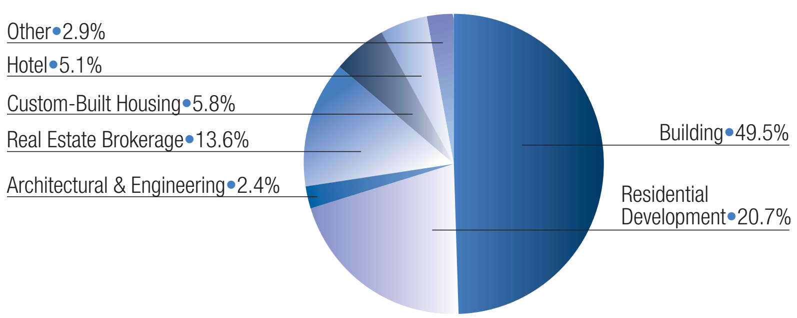
Statements made in this annual report with respect to the Mitsubishi Estate Group's current plans, estimates and strategies are forward-looking statements about the future performance of the Mitsubishi Estate Group. These statements are based on management's assumptions, which are founded on currently available information and therefore should not be unduly relied upon. The Mitsubishi Estate Group cautions that a number of significant factors could cause future results to differ from those in the forward-looking statements.

Financial Highlights

	Millions of yen		Thousands of U.S. dollars
Years ended March 31	2000	2001	2001
Revenue from operations	¥574,396	¥630,990	$5,092,736
Net income	18,421	19,832	160,065
As a percentage of revenue from operations	3.2%	3.1%	—
As a percentage of shareholders' equity	4.1%	4.1%	—
Total assets	2,285,771	2,535,263	20,462,171
Total shareholders' equity	440,731	518,766	4,186,974
Common stock	86,534	86,534	698,418
	Yen		U.S. dollars
Per share amounts:			
Net income	¥14.18	¥15.26	$0.123
Cash dividends applicable to the year	8.00	8.00	0.065

Note: Yen amounts shown are translated into U.S. dollars, solely for convenience, at the prevailing exchange rate on March 31, 2001, of ¥123.90 to US$1.00.

Revenue by Segment (Percentage Share)

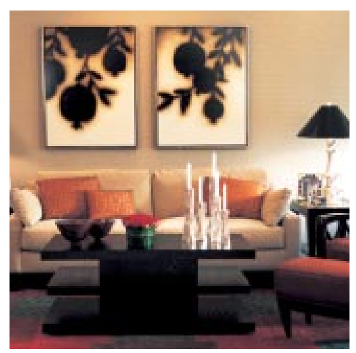


Building Segment

Revenue for the building segment comprises the leasing and management of office buildings in Japan, in the United States through the Rockefeller Group, Inc., parking lot operations, and district heating and cooling.

	Millions of yen		Thousands of U.S. dollars
Years ended March 31	2000	2001	2001
Revenue from operations	¥300,712	¥317,906	$2,565,827
Operating income	83,700	79,939	645,189

Residential Development Segment



Revenue for the residential development segment comprises the construction and sale of condominiums and single-unit homes; development and sale of residential, resort and commercial lots; management of condominiums and homes; and town development.

	Millions of yen		Thousands of U.S. dollars
Years ended March 31	2000	2001	2001
Revenue from operations	¥102,845	¥132,916	$1,072,768
Operating income	(1,430)	9,971	80,476

Architectural & Engineering Segment

Revenue for the architectural & engineering segment comprises the design and project supervision of building and civil engineering construction, and interior and building design services through MEC Design International Corporation.

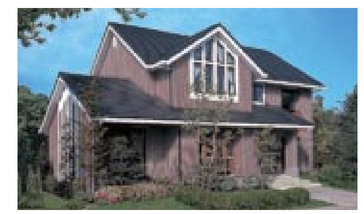
	Millions of yen		Thousands of U.S. dollars
Years ended March 31	2000	2001	2001
Revenue from operations	¥25,624	¥15,616	$126,037
Operating income	2,163	(32)	(258)

Real Estate Brokerage Segment

Revenue for the real estate brokerage segment comprises brokerage operations through Mitsubishi Real Estate Services Co., Ltd. and brokerage operations through Cushman & Wakefield Inc.

	Millions of yen		Thousands of U.S. dollars
Years ended March 31	2000	2001	2001
Revenue from operations	¥73,286	¥87,364	$705,117
Operating income	4,585	6,275	50,646

Custom-Built Housing



Revenue for the custom-built housing segment derives from the contract construction of custom-built housing through Mitsubishi Estate Home Co., Ltd.

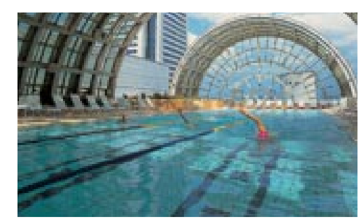
	Millions of yen		Thousands of U.S. dollars
Years ended March 31	2000	2001	2001
Revenue from operations	¥35,668	¥37,148	$299,822
Operating income	(9)	586	4,729

Hotel Segment

Revenue for the hotel segment derives from the operation of Royal Park Hotels.

	Millions of yen		Thousands of U.S. dollars
Years ended March 31	2000	2001	2001
Revenue from operations	¥32,952	¥32,604	$263,148
Operating income	(601)	699	(5,642)

Other Segment



Revenue for the other segment comprises the management of such leisure-related operations as golf courses and fitness clubs, real estate appraisal, and telecommunication operations through the Rockefeller Group, Inc.

	Millions of yen		Thousands of U.S. dollars
Years ended March 31	2000	2001	2001
Revenue from operations	¥18,107	¥18,395	$148,467
Operating income	(2,447)	(1,573)	(12,695)

A Message from the Chairman and President

Takeshi Fukuzawa
Chairman

Shigeru Takagi
President

The fiscal year ended March 31, 2001, was a significant turning point as the Mitsubishi Estate Group made great strides in improving Group management efficiency.

The Mitsubishi Estate Group has accelerated decision making through the introduction of a groupwide divisional structure and the clarification of authority and responsibility. We are striving to strengthen competitiveness by implementing management systems tailored to each business area, thereby improving asset efficiency. In our efforts to improve the asset efficiency of the Building Business Division in the redevelopment of the Marunouchi district, we announced reconstruction plans for two more buildings in March 2001 for a total of five reconstruction plans under way.

With the transfer of the Architectural Design & Engineering Division and the Hotel Business Division to subsidiaries, Group management is getting off to a full-scale start for the Mitsubishi Estate Group in the fiscal year ending March 31, 2002. On April 1, 2001, Takeshi Fukuzawa and Shigeru Takagi were appointed chairman and president, respectively, of Mitsubishi Estate. Under this new management system, we aim to promote the key Marunouchi redevelopment project, improve asset efficiency in each division and contribute to the value of society through community development activities.

August 2001

Takeshi Fukuzawa
Chairman

Shigeru Takagi
President

To Our Shareholders

Fiscal 2001 Results

During the fiscal year under review, Mitsubishi Estate and its consolidated subsidiaries recorded revenue from operations of ¥630,990 million (US$5,092.7 million), an increase of 9.9% from the previous fiscal year. Operating income increased 18.2% to ¥80,639 million (US$650.8 million). Brisk business in condominium operations for the Residential Development Division and notable contributions made by the International Business Division due to the booming U.S. economy were key factors in the increase. An extraordinary loss was recorded following the write-off of losses on non-performing fixed assets. However, extraordinary income was recorded due to gains on the sale of marketable securities and property and equipment. As a result, net income for the fiscal year under review totaled ¥19,832 million (US$160.1 million).

Operating Environment

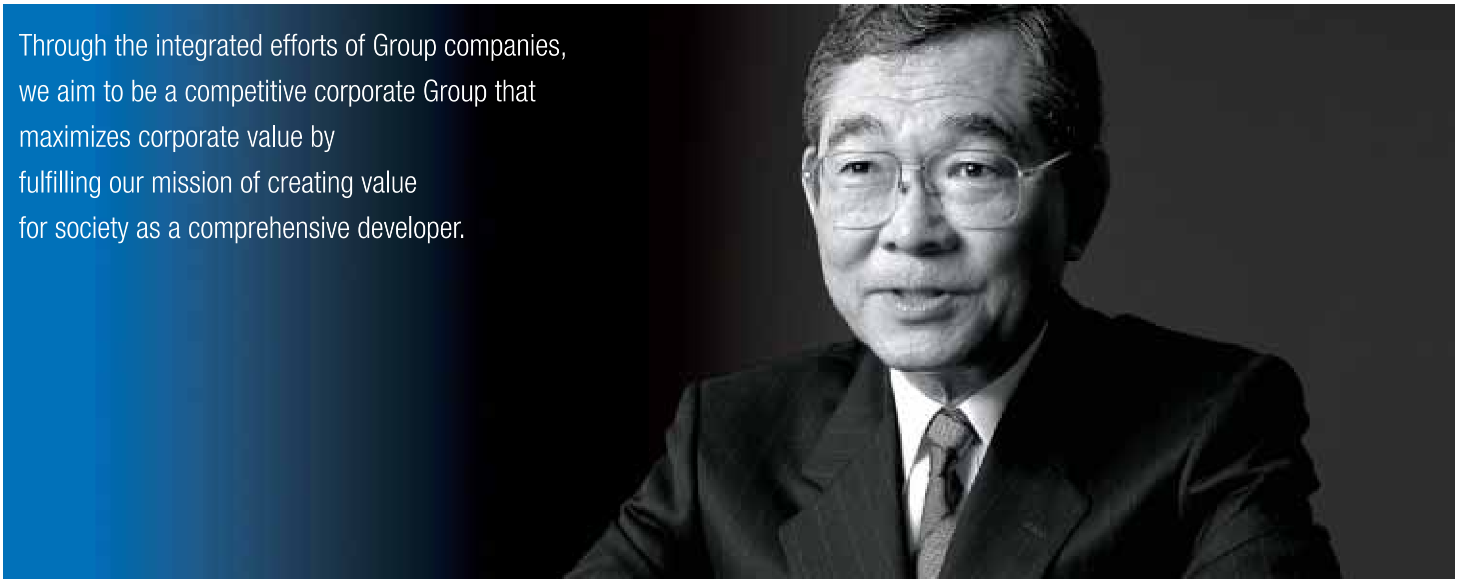
The business environment surrounding Mitsubishi Estate Group remains unpredictable. Although the vacancy rate for office buildings is improving, completions of large-scale office buildings will peak in 2003. Although the record-breaking condominium boom continues for the Residential Development Division, concerns have grown stronger over an impending deceleration in the condominium market. Amid forecasts of further market polarization, the Mitsubishi Estate Group is working hard to ensure profitability and improve operating and product planning capabilities.

In this operating environment, I believe the Mitsubishi Estate Group must work to effectively utilize management resources and strengthen Group management.

To maximize the effectiveness of management resources, we are promoting improvements in asset efficiency and pursuing efforts to invigorate human resources.

Improving Asset Efficiency in the Redevelopment of the Marunouchi District

The redevelopment of the Marunouchi district is a pivotal project in improving asset efficiency. The renewal of office buildings in the Marunouchi district, which is central to the Building Business Division and a fundamental business of the Group, is an undertaking we must quickly complete to increase the profitability and competitiveness of the Group.



Investing ¥500 billion over a ten-year period started in 1998, we are renovating these office buildings to meet tenant needs through the reconstruction of six buildings and the renewal of existing buildings. By flexibly responding to modern trends and user demands, we aim to create an attractive community through town-style management of the Marunouchi district. We believe that reconstruction of the buildings and a new approach to management will enhance profitability of the Marunouchi district.

The selection and concentration of businesses is another important issue. Although we transferred a majority of shares of our subsidiary Fuji International Speedway Co., Ltd. to Toyota Motor Corporation, we are examining options including sale or withdrawal when dealing with unprofitable or inefficient operations.

We are aggressively working to find new business opportunities. As the real estate investment trust (REIT) market begins in 2001, we are continuing to expedite the listing of REITs.

The Marunouchi Building under construction, which is scheduled for completion in August 2002.

Accompanying the creation of this market, new needs will arise for such fee-based businesses as asset and property management of buildings in real estate funds and the development of properties to be sold to REITs. By employing our expertise as a developer, we are making aggressive efforts to take advantage of business opportunities.

Invigorating Human Resources

Another important point in maximizing the effectiveness of management resources is the invigoration of human resources. In April 2000, Mitsubishi Estate moved to an employee salary system that emphasizes ability and performance. A performance-based compensation system tied to fulfillment of long-term management objectives has been in effect for directors as well. In addition, a stock option plan for directors was introduced in 2001. These initiatives are designed to stimulate directors' incentive to enhance corporate value over the medium and long term, thus increasing shareholder value.

In addition, Mitsubishi Estate has had in place an in-house venture capital system since 1999 to encourage entrepreneurial thinking. The system allows employees with business proposals to become the president of their own company. Established in April 2001 to effectively utilize company-owned resorts, the Shiki Resort Co., Ltd. was the first company created through this system.

In our new personnel system, we aim to invigorate human resources by aggressively shifting employees into such core operations as the Marunouchi redevelopment and the REIT business.

Reinforcing Group Management

The Mitsubishi Estate Group has proclaimed 2001 as the full-scale start of Group management.

In moving to a divisional structure in April 2000, we restructured businesses and promoted improvements to efficiency in aiming to clarify authority and speed up decision making. In the Hotel Business Division, we established Royal Park Hotels and Resorts Co., Ltd. to unify Group hotel management, which was previously done individually for each hotel. The Architectural Design & Engineering Division was transferred to the subsidiary Mitsubishi Jisho Sekkei Inc. We plan to strengthen competitiveness by instituting a management and organizational structure optimal for an architectural office.

Valuing Interaction with Stakeholders

We believe that communication between Mitsubishi Estate and all its stakeholders is very important in dealing with management issues. To this end, we have aggressively promoted information disclosure and aim for a high degree of transparency in Group operations. In April 2001, we established the Investor Relations Office to provide investors with timely information through the Internet and other means.

We are steadily advancing efforts to better respond to stakeholder concerns with speed and flexibility, with the ultimate goal of maximizing corporate value. We look forward to the support and cooperation of our shareholders.

S. Takagi

Shigeru Takagi
President

August 2001

Business Information

Building Business Operations

Advancement of Marunouchi District Redevelopment and Profit Restructuring

Yasuhiko Watanabe
Head Officer of
the Building Business Division
Senior Managing Director

The operations of Mitsubishi Estate Co., Ltd.'s Building Business Division are centered on the leasing and property management of office buildings, as well as management of large-scale shopping centers, parking lot operations and district heating and cooling in key metropolitan areas nationwide. The Group also aims to enrich urban functionality from a town management perspective.

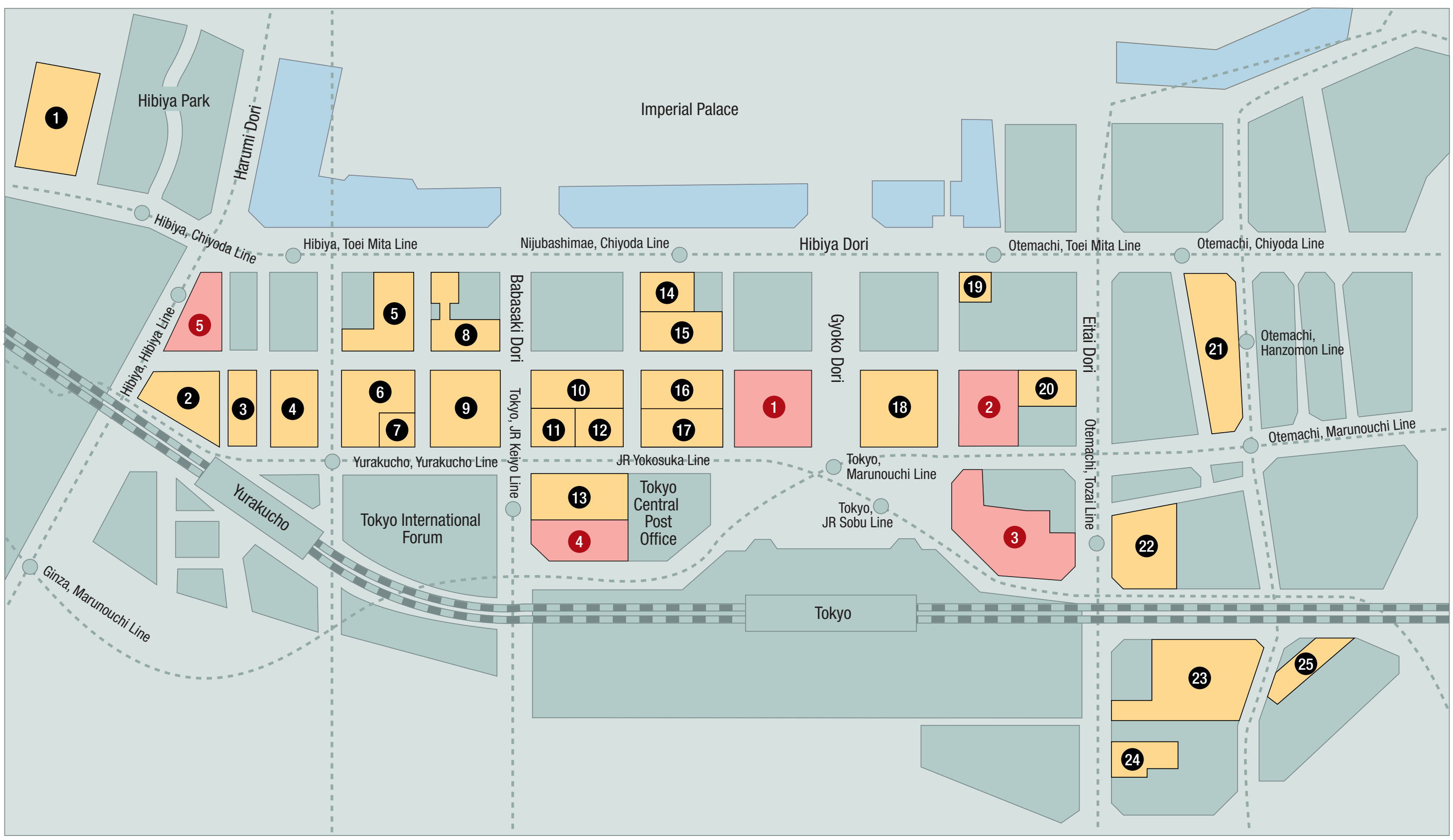
Two important issues facing the Division are building an optimal portfolio and honing professional expertise in each area, including development, operations and management. From these perspectives, we are currently focusing most of our efforts on advancing redevelopment of the Marunouchi district and reorganization of the profit structure.

Mitsubishi Estate's redevelopment of the Marunouchi district, Japan's premier business center that has grown successfully for many years, is a major project for the 21st century and a core asset of the Group. Investing ¥500 billion over the course of 10 years from 1998, we are advancing business function and amenity upgrades for our buildings through reconstruction and renewal projects and plan to speed up redevelopment through such means as shortening construction schedules and engaging in joint projects.

As the first stage of the redevelopment project, reconstruction of the Marunouchi Building is proceeding smoothly toward completion in August 2002. Construction schedules have been shortened by about one year for the joint reconstruction of the Eiraku Building and the adjacent hall owned by the Japan Industrial Club, which was initiated in December 2000 along with the Tokyo Station Marunouchi North Entrance Development Project, which began in June 2001.

In addition to the reconstruction of the Marunouchi Building, we unveiled reconstruction plans in March 2001 for the Tokyo Building and Hibiya Park Building. The Tokyo Building is

Redevelopment of the Marunouchi District



Leasing Buildings

1	Hibiya Kokusai Building
2	Yurakucho Denki Building
3	Yurakucho Building
4	New Yurakucho Building
5	Kokusai Building
6	New Kokusai Building
7	New Nisseki Building
8	Fuji Building
9	New Tokyo Building
10	Furukawa Building
11	Mitsubishi Shoji Building
12	Marunouchi Yaesu Building
13	Bank of Tokyo Mitsubishi, Headquarters
14	Kishimoto Building
15	Mitsubishi Denki Building
16	Mitsubishi Heavy Industries Building
17	Mitsubishi Building
18	New Marunouchi Building
19	Tokyo Ginko Kyokai Building
20	Togin Building
21	Otemachi Building
22	New Otemachi Building
23	Nippon Building
24	Nippon Steel Building
25	Kawatetsu Shoji Building

	Reconstruction Projects	Start of Construction	Completion
1	Marunouchi Building	April 1999	August 2002
2	The Japan Industrial Club and Eiraku Building Reconstruction Project	December 2000	February 2003
3	Tokyo Station Marunouchi North Entrance Development Project	June 2001	August 2004
4	Tokyo Building	2003	2006
5	Hibiya Park Building	2003	2006

to be reconstructed into a highly functional office building and the Hibiya Park Building transformed into a luxurious world-class hotel in a joint project with Peninsula Hotel. Both projects will begin in 2003 and be completed in 2006. In addition, one more building reconstruction is currently being planned.

While reconstruction continues, plans are being made for bolstering communications infrastructure and improving amenities in the district. To accelerate the advancement of IT and the expansion of e-commerce, the joint venture Marunouchi Direct Access Co., Ltd. was established by Mitsubishi Estate and Marubeni Corporation for the construction of a large-capacity high-speed communications network infrastructure to provide tenants of the Otemachi, Marunouchi and Yurakucho areas with fiber optic connections using heating utility tunnels and the Ministry of Land, Infrastructure and Transport's underground electric wire tunnels. The new company has acquired a type-1 telecommunications business license and began operations in July 2001.

With the movement toward retail electric power liberalization as a result of deregulation, the Group is making full use of the advantages of the number of buildings that are concentrated in the Marunouchi district by receiving low-cost electric power from new providers.

To enrich the amenities of Marunouchi and to create a flow of new people through the area, we are attracting brand-name stores, cafes and restaurants to Nakadori Avenue, the main street running through the district. We are putting substantial efforts into creating a brand that popularizes a new urban image for the district.

In our efforts to reorganize the profit structure, improving the earnings power of existing buildings, starting new operations and engaging in such fee-based businesses as the management of leased buildings are the most important. As a result of our efforts in strengthening marketing capabilities and aggressive leasing activities, we significantly improved the vacancy rate of our leased office buildings to 4.8% by the end of March 2001. We are considering to establish a more efficient profit structure, steadily implementing cost reductions that leverage Marunouchi's economies of scale and outsourcing building management operations. With the completion of the Marunouchi Building next summer, we plan to improve the efficiency of office building management by reviewing new management systems.

Through the above measures, the Company is reorganizing its assets to increase portfolio profitability in current building operations. In March 2001, the beneficiary rights of Mitsubishi Research Institute, Inc. Building were transferred to a special purpose company (SPC). We acquired a joint ownership stake in the centrally located Sanno Park Tower in Nagatacho, Tokyo and the Aoyama Building in Minato-ku, Tokyo, both of which have strong earnings power.

In the future, we aim to increase our portfolio profitability and foster Group professionalism as a developer.

Tokyo Station Marunouchi North Entrance Development Project

This project is a joint venture between Mitsubishi Estate and The Marunouchi Hotel Co., Ltd., Nippon Life Insurance Company, Chuo Real Estate Co., Ltd., and Asahi Mutual Life Insurance Company. While maintaining the fine urban environment characteristic of the area, we have already started construction of three office buildings and one building with hotel and shopping facilities in June 2001 and will complete construction in August 2004.

Marunouchi City Campus

One part of the redevelopment plans for the Marunouchi district, to enrich the educational functionality of the business area, was the opening of a joint collaboration with Keio University in April 2001 called Marunouchi City Campus. The research and development of innovative programs in continuing and adult education at Marunouchi City Campus are unseen anywhere else.

Outlet Mall Development

In 2000, Chelsea Japan Co., Ltd., a joint venture between Chelsea Property Group, Inc. of the United States, and Nissho Iwai Corporation, opened one of the most successful outlet malls in Japan-Gotemba Premium Outlets in Shizuoka Prefecture. This was followed by the opening of Rinku Premium Outlets near Osaka in the Kansai region. The possibility of opening a third and fourth premium outlet mall is currently under examination.

Residential Development Operations

Providing well-planned, spacious condominiums

Hiroshi Baba
Head Officer of the Residential Development Division
Executive Vice President

To provide high-quality residential environments that address diverse customer needs, the Residential Development Division develops and markets condominiums, single-unit homes and residential land from the customer's perspective. We also provide consulting services for the effective use of real estate and management of condominiums.

As favorable conditions in the market for the condominium business continue, sales of new residences totaled approximately 2,300 units for the fiscal year ended March 31, 2001. From April 2000, development periods have been further shortened and costs were reduced by moving to a new system in which each development team takes charge of every phase of a project, from land purchase to condominium sales, thereby improving the condominium business's gross profit margin to 19%.

The Group's condominiums have remained highly competitive for their high-added value and careful planning that reflects the increasing interest in durable residences. We have focused efforts on providing high-rise condominiums in convenient urban locations with pleasant surroundings and sweeping views. In the fiscal year ending March 31, 2002, while continuing to provide these amenities, we aim to increase the size of every residence we build. Currently, we are planning to build condominiums in Ginza and another centrally located area with an average size of roughly 90 square meters per unit and keeping prices down by using fixed-term land leaseholds. In the future, we intend to continue supplying affordable, spacious and well-planned housing.

We introduced our own housing performance quality indication system in fall 2000. Backed by strict quality management in design and construction for basic performance standards the Group has developed, Mitsubishi Estate's original system is promoted in each of the centrally-located condominiums we develop independently. Through our new system, condominium quality is explained to our customers in easy-to-understand information.

In the Residential Development Division, Mitsubishi Estate is making concerted efforts to foster fee-based businesses, provide contract and consulting services for the effective use of real estate and expand orders for due diligence services.

Izumi Park Town

The Izumi Park Town project has been under development since 1972 in Sendai, Miyagi Prefecture. The area measures 1,070 hectares and is one of the largest private multifunctional developments in Japan, with a population of approximately 50,000 residents. Through Mitsubishi Estate's community building efforts, Izumi Park Town provides convenient, comfortable living with the perfect balance among "living, working, resting, learning, gathering and enjoying."

M.M. Towers

M.M. Towers, located in Minato Mirai 21, Yokohama, consists of three high-rise towers with a total of 862 condominiums. From the opening of sales in April 2001, the condominiums quickly sold out. Various new technologies have been implemented, including the introduction of a registration application system over the Internet and the installation of fiber optic cables to each residence in addition to a variety of marketing tools and housing plans.

Fixed-Term Land Leasehold Condominiums

Currently planned for Funabashi, Chiba, Park House Prescia is a large-scale metropolitan fixed-term land leasehold project housing 325 condominiums. We aim to provide condominiums that make full and active living easier in a partnership with the Afternoon Tea brand. Approximately 40% of the condominiums will be larger than 100 square meters with an average size of 93 square meters.

Partner Program

With an emphasis on effective land use, we provide a wide range of know-how in such areas as leased condominiums for foreigners, commercial buildings and hotel development. In the fiscal year under review, the Company's projects included leased condominiums in Daikanyama, leased condominiums for foreigners in Omotesando, the Ito-Yokado store in Musashisakai, and a business hotel in Shin-Yokohama.

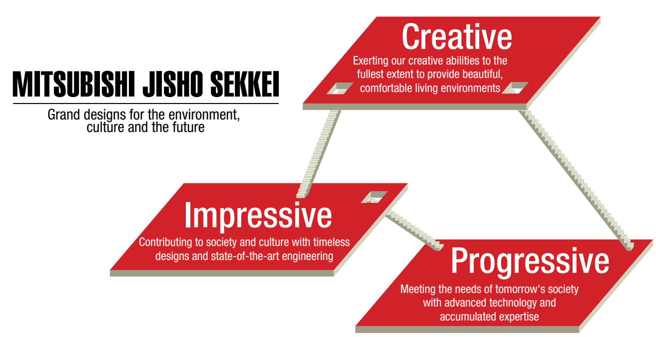
Architectural Design & Engineering Operations

Mitsubishi Jisho Sekkei Inc. is aiming to become the forerunner in the architecture industry.

Katsuhisa Shimada
Head Officer of
the Architectural Design & Engineering Division
President of Mitsubishi Jisho Sekkei Inc.
Senior Managing Director

Mitsubishi Estate's Architectural Design & Engineering Division was transferred to the subsidiary Mitsubishi Jisho Sekkei Inc. and began operations in June 2001. As expressed in the company slogan, "Grand designs for the environment, culture and the future," our employees aim to secure new customers and improve competitiveness with the spirit and excitement of entrepreneurship. By accumulating successes, we aim to become the world leader in architecture.

The new company will be divided into four divisions comprising the Design Division, Engineering Division, Consulting Division, and Interior Division. We plan to further strengthen the Design Division and Engineering Division, one of Japan's leading organizations boasting an impressive record of historical achievements. The newly established Consulting Division will be responsible for fostering Mitsubishi Estate's in-house urban development, construction management, environment and energy-related know-how to generate new sources of revenue. MEC Design International Corporation, a wholly owned subsidiary of Mitsubishi Jisho Sekkei, not only provides interior design services, but also is a strategic asset in the field of facility management to form an optimized Group structure. Until now, the Architectural Design & Engineering Division used its technological capabilities to support the Mitsubishi Estate Group's business as a comprehensive real estate developer. The Division covers a wide range of activities such as the design of buildings and civil-engineering structures, building renovation, urban planning and a variety of consulting services.



Urban Development and Investment Management Operations

We aim to create a real estate investment trust that meets investor needs.

Terutake Miyamoto
Head Officer of
the Urban Development
and Investment Management Division
Managing Director

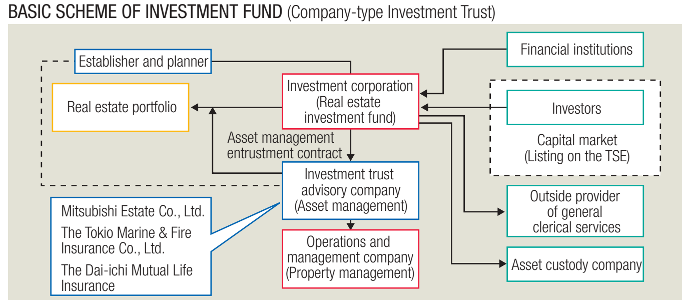
The Urban Development and Investment Management Division handles such fee-based businesses as consulting, project management, asset management, property management and real estate appraisal in each stage of planning, implementation and management in the development business. The Division also develops high-quality real estate for the real estate investment market while applying such new techniques as the securitization of real estate.

Full-fledged real estate funds began to appear in fiscal 2001 and we can expect more expansion in the real estate investment trust market. Mitsubishi Estate, Tokio Marine and Fire Insurance Co., Ltd. and The Dai-ichi Mutual Life Insurance Company formed Japan Real Estate Asset Management Co., Ltd. to undertake fund operations. The fund portfolio contains high-quality office buildings located in the heart of Tokyo and other centrally located urban areas with an estimated value of ¥100 billion. We aim for steady growth while bolstering investor confidence with fair, transparent operations.

We have launched projects in several Tokyo locations for development and management of real estate for the real estate investment market. Furthermore, we established the Urban Development Promotion Office in December 2000 as a specialized office with the purpose of unifying information gathering and customer relations for new large-scale multi-purpose projects.

Through the development and management of real estate in line with investor needs, we aim to contribute to the development of the real estate investment market and the securitization of prime real estate.

BASIC SCHEME OF INVESTMENT FUND (Company-type Investment Trust)



International Business Operations

Full-scale redevelopment has begun on Paternoster Square

Takayuki Hara
Head Officer of the International Business Division
Senior Managing Director

The International Business Division manages office buildings in the United States through the Rockefeller Group, Inc., headquartered in New York, and participates in the real estate brokerage business through a global network organized by real estate services provider Cushman & Wakefield, Inc.

In the fiscal year under review, construction work has begun on the common areas of the Paternoster Square Redevelopment Project in London, England. Plans for this project, located on a 15,000-square-meter site in the City of London next to St. Paul's Cathedral, consist of offices and retail outlets in four complexes. Construction of the buildings will begin when lease agreements with the major tenants are signed.

In a comprehensive alliance with Singapore-based CapitaLand Limited, joint projects in Tokyo and Singapore real estate investment and development have been agreed on and periodic information exchanges have already begun.

We are also looking forward to the completion of our midtown New York property on 745 Seventh Avenue in spring 2002.

While preserving the United States as our prime location, we intend to expand operations in Europe and Asia, and carry out developments tailored to each location's individual characteristics.

Paternoster Square Redevelopment Project

The Paternoster Square Redevelopment Project in London's financial district commenced in May 1999. The master plan, designed by the U.K. architect Sir William Whitfield, blends the beauty of the adjoining St. Paul's Cathedral with four complexes consisting of offices and retail outlets located around a central open space. Based on the concept of the master plan, we have designated different architects for each building to create a distinguished square.

Custom-Built Housing Operations

Kicking off the new brand
“Mitsubishi Home”

Taketo Yamazaki
Head Officer of
the Custom-Built Housing Division
President of
Mitsubishi Estate Home Co., Ltd.
Director

The Custom-Built Housing Division aims to provide high-quality housing to support a full life with operations in the construction and marketing of custom-built homes conducted principally by Mitsubishi Estate Home Co., Ltd. Our mainstay product is two-by-four single-unit houses. While maintaining close communication with our customers from the order to after-sales service, we strive to provide full satisfaction in home construction.

We have been selling the Eco-Feel brand of environmentally oriented homes since April 2000, and have expanded our ISO 14001 activities. We are also working hard to strengthen customer confidence and have started a 50-year building examination system, Home Dock 50.

In January 2001, Mitsubishi Estate Home kicked off its new brand “Mitsubishi Home.” By adopting the brand “Mitsubishi Home,” we have decided to represent the Mitsubishi Group in the manufacture of housing and help our customers realize their dreams in home building.

In spite of a cool down in the market in the current fiscal year, we were able to secure the usual number of orders through the successful implementation of the measures mentioned above. Although severe operating conditions continue, by making efforts to elevate brand status, expand orders and enhance cost management, we are establishing a foundation for management structure able to respond to the housing market.

三菱ホーム

Launching a New Brand
In January 2001, we changed the brand name for open design 2 X 4 homes from ASSET to Mitsubishi Home.

Hotel Business Operations

Expanding hotel chain development by creating an integrated company

Yutaka Nakamura
Head Officer of the Hotel Business Division
President of Royal Park Hotels and Resorts Co., Ltd.
Director

The Hotel Business Division is expanding the 2,054-room Royal Park Hotels chain in eight locations. In November 2000, the hotel management company, Royal Park Hotels and Resorts Co., Ltd., was established. Plans call for enhancing efficiency, accumulating management expertise and improving the level of operations through the integration of management and operations.

We plan to focus efforts on expanding fee-based businesses by improving the operational efficiency of existing hotels and by consulting and consignment of management activities through a new company. In March 2001, we received requests for consulting services for two hotels and in May 2001, we were contracted to manage the 131-room Hotel the Manhattan in Makuhari, Chiba.

Although competition in the hotel industry has intensified, by securing clients for our consulting services, we plan to expand our development of the Royal Park Hotels and Resorts chain while making significant efforts to bolster each hotel's specialization and competitiveness.

Yokohama Royal Park Hotel
Yokohama Royal Park Hotel is located in the high-rise Yokohama Landmark Tower in the Minato Mirai 21 district. Along with the Yokohama Royal Park Hotel Co., Ltd. becoming a wholly-owned subsidiary, the hotel's technical support contract with JAL Hotels Co., Ltd. ended in April 2001. We will actively use the Royal Park brand as the centerpiece of our hotel operations.

Recreational Facility Operations

Providing attractive recreational facilities centered on fitness operations

Kaoru Kohno
Head Officer of
the Recreational Facility Division
Senior Managing Director

While operating fitness and golf clubs, the Recreational Facility Division is developing operations to address the issues of increased leisure time and the aging of the population.

We are developing the fitness club chain Liv Sports Co., Ltd. by opening new large-scale suburban clubs where we can expect increased demand from families. We opened a second club in suburban Tokyo in December 2000 and a third opening is scheduled for August 2001 with plans for more club openings.

In our golf club operations and sales of resort villas, we aim to enhance operational efficiency and stability in the entire Group despite widespread severe operating conditions. For golf courses, we are proposing improvements to make the play environment more casual.

In December 2000, Toyota Motor Corporation took managerial control of Fuji International Speedway Co., Ltd. Toyota will take the leading role in its operation while aggressively renovating the facilities.

Liv Fitness Club in Hibarigaoka
Opened in December 2000, the Liv Fitness Club in Hibarigaoka is our second large-scale suburban fitness club.

Corporate Planning Operations

Promoting management that emphasizes shareholder value

Eiji Tan
Head Officer of
the Corporate Planning Division
Senior Managing Director

The Corporate Planning Division is responsible for the general management strategy of the Mitsubishi Estate Group. The division's principal duties include Group strategic planning, medium- and long-term policy-making, organizational and personnel-system design, performance management, investor and public relations and philantrophy.

To foster a business mindset in employees at Mitsubishi Estate, we are introducing an assistance fund of ¥100 million to support an intracompany venture system. As the first step in putting this system in motion, in February 2001, we established the Shiki Resort Co., Ltd. to effectively utilize company-owned resorts.

As part of our plans to strengthen investor relations, we set up the Investor Relations Office in April 2001 to promote management that emphasizes shareholder value and reflects investor concerns more than ever before.

Corporate Administration Operations

Taking a hands-on approach to service, support and business ethics

Hirofumi Okuizumi
Head Officer of
the Corporate Administration Division
Senior Managing Director

The Corporate Administration Division is responsible for service and support functions in operational activities and compliance with business ethics.

We provide service and support functions in legal matters, matters relating to stocks, liaison service, facility management, large-scale construction orders and secretarial work.

To promote business ethics, we have laid out the Code of Corporate Conduct expressing our basic mission to create a truly meaningful society through urban development and strive toward following the eight principles set forth in the Code to cultivate communication with society and act as a good corporate citizen.

In addition, we focus efforts on disaster prevention planning and have set up our own disaster countermeasures, which are practiced every September by all employees.

Promotion of Environmental Affairs and Corporate Philanthropy

Upholding Our Responsibility as a Corporate Citizen

The Mitsubishi Estate Group is conducting activities in line with management values that are founded on a commitment to environmental stewardship and corporate citizenship.

In January 2001, Mitsubishi Estate issued the first report on environmental preservation activities by a Japanese real estate company entitled *Mitsubishi Estate Environment Report 2000*. In this report, we introduce our construction projects, building management and demolition activities, as well as efforts to acquire ISO 14001 certification and environment-related training symposiums. We have also quantified the cost of environmental preservation in our operations through environmental accounting. According to environmental accounting, environment-related expenditures totaled ¥6.7 billion in the fiscal year ended March 31, 2001.

We have obtained ISO 14001 certification for all our office building operations in the Tokyo and Yokohama areas. Mitsubishi Estate Home has obtained ISO 14001 certification in all its operations.

In demolition work at our current Marunouchi construction site, we are promoting waste reduction and recycling through such activities as the recycling of pine columns used in the foundation of the previous Marunouchi building into raw material for paper.

Group employees act as community volunteers to support annual chamber music performances for the elderly and the physically handicapped and environmental study sessions for families in the community.

In cooperation with the Wild Bird Society of Japan, we established the Marunouchi Bird Song Plaza as a base for managing the Marunouchi Fun with Nature Club, which raises awareness about environmental preservation. We also conducted an event during Bird Week in May 2000 at the fashionable Marunouchi Café.

Furthermore, we co-sponsor the NHK Symphony Orchestra and operate cultural facilities in major cities in Japan, in such areas as Fukuoka and Yokohama.

As a first-rate corporate citizen, the Mitsubishi Estate Group will continue to carry out its philanthropy and cultural promotion activities to further develop relationships with local communities.

NHK Symphony Orchestra, co-sponsored by Mitsubishi Estate

Financial Review

Summary

In the fiscal year ended March 31, 2001, revenue and income increased in line with favorable performance in Mitsubishi Estate's condominium operations, brisk growth at affiliated companies Rockefeller Group, Inc. and Aqua City Co., Ltd. and profitable operations of Mitsubishi Real Estate Services Co., Ltd. and Mitsubishi Estate Home Co., Ltd.

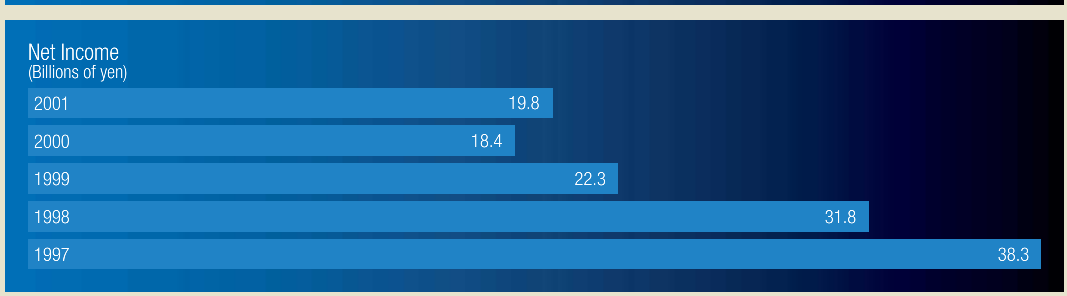
In the fiscal year ended March 31, 2000, to improve the soundness of the balance sheet we recorded a valuation loss on inventories of ¥32,614 million (US$263.2 million), which included the completion of writing off losses on real estate for sale. In the fiscal year ended March 31, 2001, we transferred non-performing fixed assets to inventories and disposed of losses on non-performing fixed assets by posting a valuation loss on inventories of ¥94,239 million (US$760.6 million).

Restructuring of affiliates with poor performance continued with the transfer of managerial control of Fuji International Speedway Co., Ltd. to Toyota Motor Corporation through capital participation, and Yokohama Royal Park Hotel Co., Ltd. began its three-year reform plan.

Analysis of Revenue

Revenue from operations rose 9.9% to ¥630,990 million (US$5,092.7 million). Results and conditions for each segment are discussed below.

Revenue from the building segment comprises 49.5% of total revenues. Revenue from this segment rose 5.7% to ¥317,906 million (US$2,565.8 million) owing to improvement in the



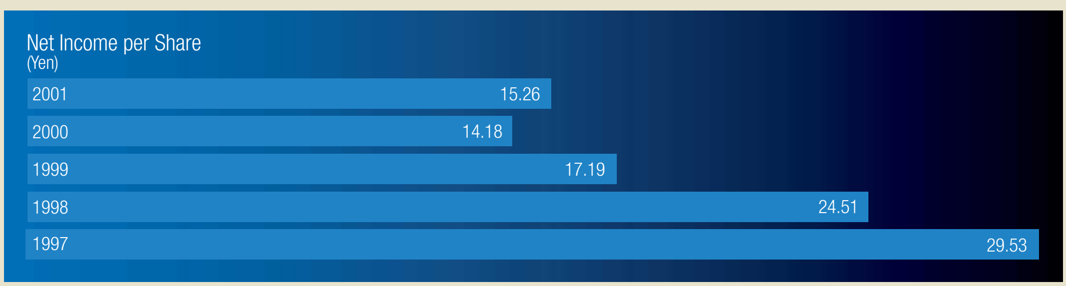
vacancy rate and operations of the Sanno Park Tower for a full fiscal year. Revenue from the residential development segment, which comprises 20.7% of total revenue, grew 29.2% to ¥132,916 million (US$1,072.8 million) from robust condominium sales. Revenue from the architectural and engineering segment fell 39.1% to ¥15,616 million (US$126.0 million) as sales of designs for large-scale properties were recorded in the previous fiscal year. Revenue from the real estate brokerage segment grew 19.2% to ¥87,364 million (US$705.1 million) mainly due to brisk revenue from Cushman & Wakefield, Inc. of the Rockefeller Group, Inc. Revenue from the custom-built housing segment, in line with increased revenue at Mitsubishi Estate Home, climbed 4.1% to ¥37,148 million (US$299.8 million). Revenue from the hotel segment stayed roughly in line with last year at ¥32,604 million (US$263.1 million). The other segment also remained relatively unchanged from the previous year at ¥18,395 million (US$148.5 million).

Analysis of Income

Operating income increased 18.2% to ¥80,639 million (US$650.8 million). This significant increase was largely due to brisk condominium sales that improved operating income by ¥11,401 million (US$92.0 million) for the residential development segment.

Other Income and Expenses

For the fiscal year under review, interest and dividend income totaled ¥3,777 million (US$30.5 million) and interest expense totaled ¥36,436 million (US$294.1 million).



Net Income per Share
(Yen)

Shareholders' Equity
(Billions of yen)

Interest-Bearing Debt
(Billions of yen)

The Company recorded a net gain on sales of property and equipment of ¥43,440 million (US$350.6 million), net gain on sales of securities of ¥21,497 million (US$173.5 million) and gain on contribution of securities to employees' retirement benefit trust of ¥23,280 million (US$187.9 million). However, valuation loss on inventories totaled ¥94,239 million (US$760.6 million).

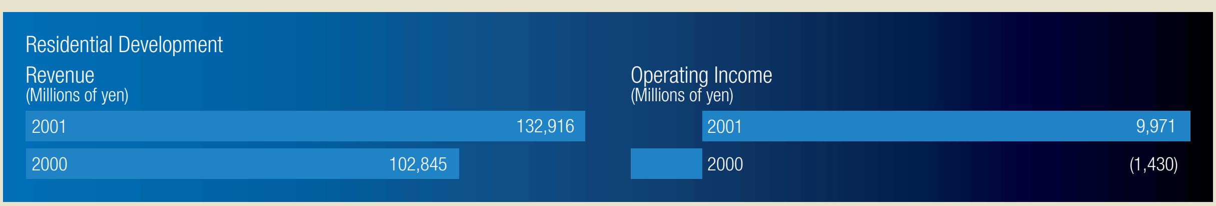
Net Income

Income before income taxes and minority interests totaled ¥33,140 million (US$267.5 million). Net income rose 7.7% to ¥19,832 million (US$160.1 million) and net income per share was ¥15.26 (US$0.12).

Analysis of Financial Position

Net cash provided by operating activities amounted to ¥107,643 million (US$868.8 million). Net cash used in investing activities totaled ¥49,169 million (US$396.8 million), mainly due to the ongoing redevelopment of the Marunouchi district and capital investment in the renewal of existing buildings. However, this was partially offset by proceeds from sales of property and equipment and sales of securities. Net cash provided by financing activities was ¥32,706 million (US$264.0 million). In aggregate, cash and cash equivalents at end of year was ¥178,922 million (US$1,444.1 million), compared with ¥86,457 million (US$697.8 million) a year earlier.

Interest-bearing debt at fiscal year-end rose ¥51,681 million (US$417.1 million) to ¥1,271,504 million (US$10,262.3 million) primarily due to the advanced procurement of funds



to increase liquidity. Total assets at fiscal year-end increased ¥249,492 million (US$2,013.6 million) to ¥2,535,263 million (US$20,462.2 million). Total shareholders' equity increased ¥78,035 million (US$629.8 million) to ¥518,766 million (US$4,187.0 million). This was mainly the result of posting an unrealized gain on securities of ¥63,156 million (US$509.7 million) in accordance with the introduction of a new accounting standard for financial instruments.

As a result, the shareholders' equity ratio rose 1.2 percentage points to 20.5%.

Management Initiatives and Financial Strategies

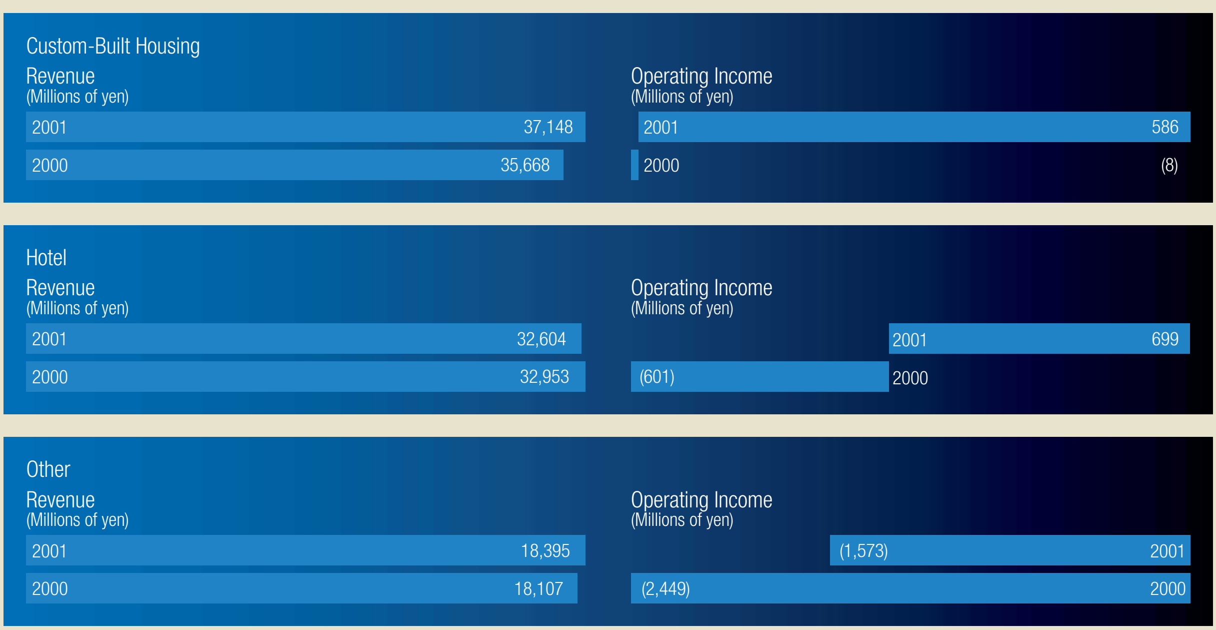
The Group's core business of building operations requires substantial capital investment over a long period of time. Owing to the need to continuously evaluate and improve asset efficiency, we have adopted return on assets (ROA) and interest coverage ratio (ICR) as management indicators to improve asset efficiency and evaluate risk management.

Compared with an ROA of 3.6% and an ICR of 2.4 times for the fiscal year under review, we are targeting an ROA of 3.9% and an ICR of 2.5 times by the fiscal year ending March 31, 2003.

To achieve this objective, management is placing priority on accelerating the redevelopment of the Marunouchi district and the construction of six new buildings scheduled for completion by 2008. In our robust residential development operations, the Company plans to improve the gross profit margin and increase condominium sales by focusing on condominiums with rapid turnover and high-rise condominium developments. In the J-REIT business, the Company is expanding orders in such fee-based businesses as asset management and property management, and is developing profitable real estate for sale to J-REITs.

To raise ROA through higher asset efficiency, the Company is shifting assets by selling non-performing and underutilized real estate as well as moving assets into J-REITs. The Company is considering measures to deal with unprofitable operations including the selling off and withdrawal of such businesses.

While using cash flows from sales of assets and higher profitability on operations to reduce interest-bearing debt, Mitsubishi Estate aims to improve its financial structure and raise its ICR by reducing interest expenses through flexible financing activities.



Financial Statements

Independent Auditors' Report

To the Shareholders and Board of Directors of
Mitsubishi Estate Co., Ltd.:

We have audited the consolidated balance sheet of Mitsubishi Estate Co., Ltd. and consolidated subsidiaries as of March 31, 2001 and the related consolidated statements of income, shareholders' equity and cash flows for the year ended March 31, 2001, all expressed in Japanese yen. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the accompanying consolidated financial statements referred to above present fairly, in all material respects, the financial position of Mitsubishi Estate Co., Ltd. and consolidated subsidiaries as of March 31, 2001, and the results of their operations and their cash flows for the year ended March 31, 2001 in conformity with accounting principles and practices generally accepted in Japan consistently applied during the period except for the change, with which we concur, in the grouping of business segments reclassified in terms of the nature of each operation and service as described in Note 16 to the consolidated financial statements.

As described in Note 1 to the consolidated financial statements, Mitsubishi Estate Co., Ltd. and consolidated subsidiaries have adopted new accounting standards for financial instruments including derivatives and retirement benefits in the preparation of their consolidated financial statements for the year ended March 31, 2001.

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2001 are presented solely for convenience. Our audits also included the translation of Japanese yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 3 to the consolidated financial statements.

Toyo & Co.

Toyo & Co.

Tokyo, Japan
June 28, 2001

See Note1 to the consolidated financial statements which explains the basis of preparation of the consolidated financial statements of Mitsubishi Estate Co., Ltd. and consolidated subsidiaries under Japanese accounting principles and practices.

Report of Independent Public Accountants
on the Consolidated Financial Statements

To The Board of Directors and Shareholders of
Mitsubishi Estate Co., Ltd.

We have audited the consolidated balance sheets of Mitsubishi Estate Co., Ltd. and consolidated subsidiaries as of March 31, 2000 and 1999, and the related consolidated statements of income, shareholders' equity, and cash flows for each of the three years in the period ended March 31, 2000, all expressed in yen. Our audits were made in accordance with auditing standards, procedures and practices generally accepted and applied in Japan and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the accompanying consolidated financial statements, expressed in yen, present fairly the consolidated financial position of Mitsubishi Estate Co., Ltd. and consolidated subsidiaries at March 31, 2000 and 1999, and the consolidated results of their operations and their cash flows for each of the three years in the period ended March 31, 2000, in conformity with accounting principles and practices generally accepted in Japan consistently applied during the period except for the changes, with which we concur, in the method of accounting for prior service cost of the pension plan and in the classification of certain expenses related to the hotel business in the statement of income as described in Note 2 to the consolidated financial statements, and in the grouping of business segments separately presenting brokerage segment from sales segment as described in Notes to segment information in Note 16 to the consolidated financial statements.

As described in Note 1 to the consolidated financial statements, Mitsubishi Estate Co., Ltd. adopted new accounting standards for tax-effect accounting in the preparation of its consolidated financial statements for the year ended March 31, 2000.

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2000, are presented solely for convenience. Our audit also included the translation of yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 3 to the consolidated financial statements.

Century Ota Showa & Co.

Century Ota Showa & Co.

Tokyo, Japan
June 29, 2000

See Note 1 to the consolidated financial statements which explains the basis of preparation of the consolidated financial statements of Mitsubishi Estate Co., Ltd. and consolidated subsidiaries under Japanese accounting principles and practices.

Consolidated Balance Sheets

Mitsubishi Estate Co., Ltd. and Consolidated Subsidiaries
March 31, 2001 and 2000

	Millions of yen		Thousands of U.S. dollars (Note 3)
Assets	**2001**	2000	**2001**
Current assets:			
Cash *(Note 14)*	**¥ 171,805**	¥ 74,582	**$ 1,386,642**
Marketable securities *(Note 4)*	**17,294**	87,585	**139,580**
Notes and accounts receivable – trade	**56,088**	49,274	**452,688**
Allowance for doubtful receivables	**(5,248)**	(4,744)	**(42,357)**
Inventories *(Note 5)*	**251,113**	235,297	**2,026,739**
Deferred income taxes *(Note 9)*	**64,008**	35,299	**516,610**
Other current assets	**23,636**	25,142	**190,767**
Total current assets	**578,696**	502,435	**4,670,669**
Investments:			
Investments in and advances to unconsolidated subsidiaries and affiliates	**21,011**	24,248	**169,580**
Investment securities *(Note 4)*	**193,117**	9,615	**1,558,652**
Other investments *(Notes 6 and 7)*	**148,781**	125,320	**1,200,816**
Total investments	**362,909**	159,183	**2,929,048**
Property and equipment *(Note 7)*:			
Land	**660,136**	693,207	**5,327,974**
Buildings and structures	**1,403,110**	1,368,962	**11,324,536**
Machinery and equipment	**88,290**	82,979	**712,591**
Construction in progress	**39,413**	31,460	**318,103**
Total property and equipment	**2,190,949**	2,176,608	**17,683,204**
Less accumulated depreciation	**(655,617)**	(607,305)	**(5,291,501)**
Property and equipment, net	**1,535,332**	1,569,303	**12,391,703**
Intangible and other assets *(Note 9)*	**58,326**	54,850	**470,751**
Total assets	**¥2,535,263**	¥2,285,771	**$20,462,171**

See accompanying notes to consolidated financial statements.

Liabilities, minority interests and shareholders' equity	Millions of yen 2001	2000	Thousands of U.S. dollars (Note 3) 2001
Current liabilities:			
Short-term borrowings and current portion of long-term debt *(Note 7)*	**¥ 234,360**	¥ 183,626	**$ 1,891,525**
Notes and accounts payable – trade	**59,865**	57,286	**483,172**
Accrued income taxes *(Note 9)*	**4,092**	3,172	**33,027**
Advances and deposits	**56,844**	51,796	**458,789**
Accrued expenses and other current liabilities *(Note 9)*	**61,178**	49,537	**493,769**
Total current liabilities	**416,339**	345,417	**3,360,282**
Long-term debt *(Note 7)*	**1,037,144**	1,036,197	**8,370,815**
Lease deposits	**319,464**	296,934	**2,578,402**
Employees' retirement allowances *(Note 8)*	**10,198**	29,356	**82,308**
Deferred income taxes *(Note 9)*	**146,736**	61,699	**1,184,310**
Other noncurrent liabilities	**45,993**	45,598	**371,211**
Total liabilities	**1,975,874**	1,815,201	**15,947,328**
Minority interests	**40,623**	29,839	**327,869**
Shareholders' equity *(Note 10)*:			
Common stock, par value ¥50:			
Authorized – 1,980,000,000 shares;			
Issued and outstanding – 1,299,185,054 shares	**86,534**	86,534	**698,418**
Capital surplus	**115,216**	115,195	**929,911**
Retained earnings	**264,091**	254,871	**2,131,485**
Unrealized gain on securities	**63,156**	—	**509,734**
Foreign currency translation adjustments	**(10,224)**	(15,860)	**(82,518)**
	518,773	440,740	**4,187,030**
Less treasury stock – 6,533 shares in 2001; 9,395 shares in 2000	**(7)**	(9)	**(56)**
Total shareholders' equity	**518,766**	440,731	**4,186,974**
Contingent liabilities *(Note 12)*			
Total liabilities, minority interests and shareholders' equity	**¥2,535,263**	¥2,285,771	**$20,462,171**

Consolidated Statements of Income

Mitsubishi Estate Co., Ltd. and Consolidated Subsidiaries
Years ended March 31, 2001, 2000 and 1999

	Millions of yen			Thousands of U.S. dollars (Note 3)
	2001	2000	1999	**2001**
Revenue from operations	**¥630,990**	¥574,396	¥565,259	**$5,092,736**
Cost of revenue from operations	**507,447**	463,708	438,171	**4,095,617**
Selling, general and administrative expenses	**42,904**	42,487	58,260	**346,279**
Operating income	**80,639**	68,201	68,828	**650,840**
Other income (expenses):				
Interest and dividend income	**3,777**	4,310	4,713	**30,484**
Interest expense	**(36,436)**	(40,318)	(44,349)	**(294,076)**
Other, net *(Note 13)*	**(14,840)**	4,355	2,624	**(119,774)**
Total	**(47,499)**	(31,653)	(37,012)	**(383,366)**
Income before income taxes and minority interests	**33,140**	36,548	31,816	**267,474**
Income taxes *(Notes 1 and 9)*:				
Current	**8,383**	8,887	7,944	**67,659**
Deferred	**2,839**	7,531	—	**22,914**
Total	**11,222**	16,418	7,944	**90,573**
Minority interests	**2,086**	1,709	1,545	**16,836**
Net income	**¥ 19,832**	¥ 18,421	¥ 22,327	**$ 160,065**

	Yen			U.S. dollars (Note 3)
Net income per share:				
Basic	**¥15.26**	¥14.18	¥17.19	**$0.123**
Diluted	**14.84**	—	—	**0.120**
Cash dividends per share	**8.00**	8.00	8.00	**0.065**

See accompanying notes to consolidated financial statements.

Consolidated Statements of Changes in Shareholders' Equity

Mitsubishi Estate Co., Ltd. and Consolidated Subsidiaries
Years ended March 31, 2001, 2000 and 1999

Millions of yen

	Common Stock	Capital Surplus	Retained Earnings	Unrealized Gain on Securities	Foreign Currency Translation Adjustments	Treasury Stock	Total Shareholders' Equity
Balance at March 31, 1998	¥86,534	¥115,195	¥252,337	¥ —	¥(362)	¥(9)	¥453,695
Net income	—	—	22,327	—	—	—	22,327
Foreign currency translation adjustments	—	—	—	—	(7,509)	—	(7,509)
Change in consolidated subsidiaries and companies accounted for by the equity method (Note 1)	—	—	(6,236)	—	—	—	(6,236)
Cash dividends paid	—	—	(10,393)	—	—	—	(10,393)
Directors' and statutory auditors' bonuses	—	—	(181)	—	—	—	(181)
Balance at March 31, 1999	86,534	115,195	257,854	—	(7,871)	(9)	451,703
Net income	—	—	18,421	—	—	—	18,421
Foreign currency translation adjustments	—	—	—	—	(7,989)	—	(7,989)
Change in consolidated subsidiaries and companies accounted for by the equity method (Note 1)	—	—	2	—	—	—	2
Cash dividends paid	—	—	(10,393)	—	—	—	(10,393)
Directors' and statutory auditors' bonuses	—	—	(183)	—	—	—	(183)
Cumulative effect of adopting tax-effect accounting (Note 1)	—	—	(10,830)	—	—	—	(10,830)
Balance at March 31, 2000	**86,534**	**115,195**	**254,871**	**—**	**(15,860)**	**(9)**	**440,731**
Net income	**—**	**—**	**19,832**	**—**	**—**	**—**	**19,832**
Foreign currency translation adjustments	**—**	**—**	**—**	**—**	**5,636**	**—**	**5,636**
Cumulative effect of adopting fair value accounting for other securities	**—**	**—**	**—**	**63,156**	**—**	**—**	**63,156**
Change in consolidated subsidiaries and companies accounted for by the equity method (Note 1)	**—**	**21**	**(36)**	**—**	**—**	**—**	**(15)**
Cash dividends paid	**—**	**—**	**(10,393)**	**—**	**—**	**—**	**(10,393)**
Directors' and statutory auditors' bonuses	**—**	**—**	**(183)**	**—**	**—**	**—**	**(183)**
Treasury stock	**—**	**—**	**—**	**—**	**—**	**2**	**2**
Balance at March 31, 2001	**¥86,534**	**¥115,216**	**¥264,091**	**¥63,156**	**¥(10,224)**	**¥(7)**	**¥518,766**

Thousands of U.S. dollars (Note 3)

	Common Stock	Capital Surplus	Retained Earnings	Unrealized Gain on Securities	Foreign Currency Translation Adjustments	Treasury Stock	Total Shareholders' Equity
Balance at March 31, 2000	**$698,418**	**$929,742**	**$2,057,070**	**$ —**	**$(128,006)**	**$(73)**	**$3,557,151**
Net income	**—**	**—**	**160,065**	**—**	**—**	**—**	**160,065**
Foreign currency translation adjustments	**—**	**—**	**—**	**—**	**45,488**	**—**	**45,488**
Cumulative effect of adopting fair value accounting for other securities	**—**	**—**	**—**	**509,734**	**—**	**—**	**509,734**
Change in consolidated subsidiaries and companies accounted for by the equity method (Note 1)	**—**	**169**	**(291)**	**—**	**—**	**—**	**(122)**
Cash dividends paid	**—**	**—**	**(83,882)**	**—**	**—**	**—**	**(83,882)**
Directors' and statutory auditors' bonuses	**—**	**—**	**(1,477)**	**—**	**—**	**—**	**(1,477)**
Treasury stock	**—**	**—**	**—**	**—**	**—**	**17**	**17**
Balance at March 31, 2001	**$698,418**	**$929,911**	**$2,131,485**	**$509,734**	**$(82,518)**	**$(56)**	**$4,186,974**

See accompanying notes to consolidated financial statements.

Consolidated Statements of Cash Flows

Mitsubishi Estate Co., Ltd. and Consolidated Subsidiaries
Years ended March 31, 2001, and 2000

	Millions of yen		Thousand of U.S. dollars (Note 3)
	2001	2000	**2001**
Operating activities			
Income before income taxes and minority interests	**¥ 33,140**	¥36,548	**$ 267,474**
Depreciation and amortization	**65,728**	64,167	**530,492**
Net gain on sales of property and equipment	**(43,440)**	(37,407)	**(350,605)**
Net gain on sales of securities	**(21,497)**	(18,012)	**(173,503)**
Unrealized loss on securities	**1,664**	2,166	**13,430**
Valuation loss on inventories	**94,239**	32,614	**760,605**
Equity in net income of affiliates	**(1,507)**	(1,689)	**(12,163)**
Gain on contribution of securities to employees retirement benefit trust	**(23,280)**	—	**(187,893)**
Net change in allowances	**10,899**	(2,431)	**87,966**
Interest and dividend income	**(3,777)**	(4,310)	**(30,484)**
Interest expense	**36,436**	40,318	**294,076**
Increase in notes and accounts receivable	**(4,514)**	(8,267)	**(36,433)**
(Increase) decrease in inventories	**(6,106)**	399	**(49,282)**
(Decrease) increase in notes and accounts payable	**(1,129)**	12,000	**(9,112)**
Increase (decrease) in lease deposits	**22,003**	(893)	**177,587**
Other	**(10,023)**	2,685	**(80,896)**
Subtotal	**148,836**	117,888	**1,201,259**
Interest and dividends received	**3,962**	3,948	**31,977**
Interest paid	**(37,400)**	(40,706)	**(301,856)**
Income taxes paid	**(7,755)**	(8,729)	**(62,591)**
Net cash provided by operating activities	**107,643**	72,401	**868,789**
Investing activities			
Proceeds from sales of marketable securities	**2,417**	24,183	**19,508**
Purchases of marketable securities	**(13,593)**	(2,938)	**(109,709)**
Proceeds from sales of property and equipment	**56,749**	68,866	**458,022**
Purchases of property and equipment	**(105,644)**	(102,160)	**(852,655)**
Proceeds from sales of investment securities	**35,250**	1,950	**284,504**
Purchases of investment securities	**(20,160)**	(1,529)	**(162,712)**
Purchases of land use rights	**(4,235)**	(2,581)	**(34,181)**
Other	**47**	2,598	**379**
Net cash used in investing activities	**(49,169)**	(11,611)	**(396,844)**
Financing activities			
Net increase in short-term borrowings	**2,311**	5,290	**18,652**
Net decrease in commercial paper	**—**	(17,000)	**—**
Increase in long-term borrowings	**12,961**	77,508	**104,609**
Repayment of long-term borrowings	**(32,207)**	(120,770)	**(259,944)**
Proceeds from issuance of corporate bonds	**141,391**	62,929	**1,141,170**
Repayment of corporate bonds	**(81,440)**	(55,619)	**(657,304)**
Cash dividends paid	**(10,393)**	(10,393)	**(83,882)**
Other	**83**	724	**670**
Net cash provided by (used in) financing activities	**32,706**	(57,331)	**263,971**
Effect of exchange rate changes on cash and cash equivalents	**1,150**	(3,744)	**9,282**
Net increase (decrease) in cash and cash equivalents	**92,330**	(285)	**745,198**
Cash and cash equivalents at beginning of year	**86,457**	86,695	**697,796**
Increase in cash and cash equivalents due to mergers and acquisitions	**135**	47	**1,090**
Cash and cash equivalents at end of year (Note 14)	**¥178,922**	¥86,457	**$1,444,084**

See accompanying notes to consolidated financial statements.

Year ended March 31, 1999

	Millions of yen
	1999
Operating activities	
Net income	¥22,327
Adjustments to reconcile net income to net cash provided by operating activities:	
Depreciation and amortization	63,050
Provision for reserve for retirement benefits	(627)
Other	8,364
Changes in assets and liabilities:	
Increase in notes and accounts receivable	(11,505)
Decrease in inventories	4,163
Increase in other current assets	(233)
Increase in notes and accounts payable	5,509
Decrease in accrued income taxes	(2,683)
Other	2,881
Payment of directors' bonuses	(181)
Net cash provided by operating activities	91,065
Investing activities	
Purchases of property and equipment	(148,324)
Proceeds from sales of property and equipment	629
Decrease in marketable securities	4,642
Increase in lease deposits	4,811
Decrease in loans to unconsolidated subsidiaries and affiliates	1,448
Other	1,346
Net cash used in investing activities	(135,448)
Financing activities	
Increase in bonds and notes	41,669
Increase in long-term borrowings	19,153
Decrease in commercial paper	(15,701)
Decrease in short-term borrowings	(3,539)
Cash dividends paid	(10,393)
Net cash provided by financing activities	31,189
Net decrease in cash	(13,194)
Increase in cash due to change in scope of consolidation	6,422
Cash at beginning of year	77,297
Cash at end of year	¥70,525

Notes to Consolidated Financial Statements

Mitsubishi Estate Co., Ltd. and Consolidated Subsidiaries
March 31, 2001

1. Significant Accounting Policies

Basis of preparation

Mitsubishi Estate Co., Ltd. (the "Company") and its domestic subsidiaries maintain their accounting records and prepare their financial statements in accordance with accounting principles and practices generally accepted and applied in Japan, while its foreign subsidiaries do so in accordance with those of their countries of domicile. The accompanying consolidated financial statements have been compiled from the consolidated financial statements prepared by the Company as required by the Securities and Exchange Law of Japan and have been prepared in accordance with accounting principles and practices generally accepted in Japan, which may differ in certain material respects from accounting principles and practices generally accepted in countries and jurisdictions other than Japan. Certain reclassifications have been made to present the accompanying consolidated financial statements in a format which is familiar to readers outside Japan.

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

Principles of consolidation

Until the year ended March 31, 1998, the consolidated financial statements included the accounts of the Company and its significant subsidiaries (owned more than 50%), and investments in certain unconsolidated subsidiaries and significant affiliates (owned 20% to 50%) were accounted for by the equity method.

Effective April 1, 1998, the Company initially adopted a new accounting standard for consolidation in Japan, under which consolidated financial statements include the accounts of the Company and significant companies controlled directly or indirectly by the Company. 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. As a result, retained earnings as of April 1, 1998 decreased by ¥6,236 million. The prior years' financial statements have not been restated.

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

Use of estimates

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

Foreign currency transactions and translation

(Foreign currency transactions)

Until the year ended March 31, 2000, short-term receivables and payables denominated in foreign currencies had been translated into Japanese yen at the exchange rates prevailing at the balance sheet date. Long-term receivables and payables denominated in foreign currencies had been translated at their historical exchange rates, except that long-term debt hedged by forward foreign exchange contracts was translated at the respective contracted forward rate.

Effective April 1, 2000, the Company adopted a new accounting standard for foreign currency translation, which requires all receivables and payables denominated in foreign currencies to be translated into Japanese yen at the exchange rates prevailing at the balance sheet date. The adoption of this new accounting standard had no effect on the consolidated financial position or results of operations.

(Translation of foreign currency financial statements)

The assets and liabilities of the foreign consolidated subsidiaries and affiliates are translated into Japanese yen at the rates of exchange prevailing at the balance sheet date, except for the components of shareholders' equity which are translated at their historical exchange rates. Revenue and expense accounts are translated at the average exchange rate for the year. In accordance with the new accounting standard for foreign currency translation which was adopted early by the Company during the year ended March 31, 2000, the Company has included foreign currency translation adjustments in stockholders' equity.

Cash flow statements and cash equivalents

The Company prepared consolidated statements of cash flows for the years ended March 31, 2001 and 2000 as required by and in accordance with the "Accounting Standards for Consolidated Statements of Cash Flows" which became effective the year ended March 31, 2000. The consolidated statement of cash flows for the year ended March 31, 1999, which was not customarily prepared in Japan and was not required to be filed with Ministry of Finance prior to the year ended March 31, 2000, was prepared for the purpose of inclusion in the consolidated financial statements in a form familiar to readers outside Japan. Significant differences between the consolidated statements of cash flows for the years ended March 31, 2001 and 2000 and that for the year ended March 31, 1999 include the following: the use of cash and cash equivalents and income (loss) before income taxes in 2001 and 2000 instead of cash and time deposits and net income in 1999, and the disclosure in cash flows from operating activities of interest expense, interest and dividend income and proceeds from interest and dividend income in 2001 and 2000. A reconciliation between cash in the balance sheets and cash equivalents at March 31, 2001 and 2000 is presented in Note 14. The consolidated statement of cash flows for the year ended March 31, 1999 has not been restated.

Marketable securities and investment securities

Prior to the year ended March 31, 2001, marketable securities in current and noncurrent portfolios had been valued principally at the lower of cost or market, cost being determined mainly by the moving average method, and other securities had been stated at cost determined by the moving average method.

In January 1999, the Business Accounting Deliberation Council of Japan issued a new accounting standard for financial instruments, which requires the Company to classify its investments in debt and equity securities into three categories: trading securities, held-to-maturity securities, or other securities. Under the new standard, trading securities are carried at fair value, with unrecognized gains and losses included in earnings, and held-to-maturity securities are carried at amortized cost. Marketable securities classified as other securities are carried at fair value with unrealized holding gains and losses, net of income taxes, directly included in stockholders' equity. Non-marketable securities classified as other securities are carried at cost.

In applying the new accounting standard for financial instruments as of April 1, 2000, the Company and its consolidated subsidiaries assessed the appropriate classification of their investments in securities and made certain reclassifications.

Cost of securities sold is determined by the moving average method.

The adoption of a new accounting standard for financial instruments related to securities decreased income before income taxes by ¥329 million ($2,655 thousand) for the year ended March 31, 2001.

Inventories

Inventories are mainly stated at cost, determined by the identified cost method; however, when the fair value is substantially less than cost and the decline in fair value is considered to be permanent, inventories are revalued at fair value.

Property and equipment and depreciation

Domestic property and equipment is stated at cost, less accumulated depreciation. Foreign subsidiaries primarily in the United States have adopted Financial Accounting Standards Board Statement No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed of," which requires impaired losses to be recorded as long-lived assets used in operations when indicators of impairment are present and the undiscounted cash flows estimated to be generated by those assets are less than the assets' carrying value.

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

Leases

Noncancelable leases are primarily accounted for as operating leases (whether such leases are classified as operating or finance leases) except that leases which stipulate the transfer of ownership of the leased assets to the lessee are accounted for as finance leases.

Intangible and other assets

Intangible and other assets primarily consist of goodwill and land use rights. Goodwill is stated on the basis of cost and is being amortized over periods ranging from 5 to 25 years on a straight-line basis. Land use rights are stated on the basis of cost.

Pension and severance plans

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

Prior to the year ended March 31, 2001, employees' retirement allowances were stated at the amount which would be required to be paid if all eligible employees covered by the unfunded benefit plan voluntarily terminated their employment as of the balance sheet date. Costs with respect to the funded pension plans were determined actuarially and charged to income when paid.

Effective April 1, 2000, the Company and its domestic consolidated subsidiaries adopted a new accounting standard for retirement benefits, which requires the Company and its domestic consolidated subsidiaries to accrue employees' severance and retirement benefits for the amount calculated based on the actuarially determined retirement benefit obligation and the fair value of the plan assets as adjusted for the unrecognized net retirement benefit obligation at transition, unrecognized net actuarial gain or loss and unrecognized prior service cost. The Company expensed the net retirement benefit obligation at transition of ¥4,714 million ($38,047 thousand) in the year ended March 31, 2001. Actuarial gain or loss is amortized by the straight-line method over a period which is less than the average remaining years of service of the employees. The adoption of this new standard for retirement benefits decreased income before income taxes by ¥4,587 million ($37,022 thousand) for the year ended March 31, 2001.

In order to improve the funded status of the pension plan, the Company contributed marketable securities in the amount of ¥29,000 million ($234,060 thousand) to the employees' retirement benefit trust during the year ended March 31, 2001. The difference between the book value of ¥5,720 million ($46,166 thousand) and the market value at the time of the contribution of ¥29,000 million ($234,060 thousand) has been recorded as a gain in the consolidated statement of income for the year ended March 31, 2001.

In addition, directors and statutory auditors are customarily entitled to lump-sum payments under the Company's internal regulations. Accrued severance benefits for these officers of the Company have been provided at estimated amounts and are included in other noncurrent liabilities.

Income taxes

Effective April 1, 1999, the Company and its domestic subsidiaries adopted a new accounting standard for deferred income taxes. Under this standard, deferred tax assets and liabilities are determined based on the financial statements and the tax bases of assets and liabilities, using the enacted tax rates in effect for the year in which the temporary differences are expected to reverse. Deferred tax assets are also recognized for the estimated future tax effects attributable to operating loss carryforwards. Valuation allowances are established to reduce deferred tax assets if it is more likely than not that some or all of the deferred tax assets will not be realized.

Derivative financial instruments

The Company utilizes derivative financial instruments for the purpose of hedging its exposure to adverse fluctuations in foreign currency exchange rates and interest rates, but does not enter into such transactions for speculative or trading purposes.

Effective April 1, 2000, the Company and its domestic consolidated subsidiaries adopted a new accounting standard for financial instruments including derivatives. The new accounting standard requires the Company and its domestic consolidated subsidiaries to recognize all derivatives on the balance sheet at fair value with certain exceptions. Derivatives which are not hedges must be adjusted to fair value through income. If the derivative is a hedge, changes in the fair value of derivatives are deferred until the underlying hedged item is recognized in earnings. The adoption of this new accounting standard decreased income before income taxes by ¥24 million ($194 thousand) for the year ended March 31, 2001.

Revenue recognition

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

(a) Revenue from the leasing of office space is recognized as rent accrued over the leasing period.
(b) Revenue from sales of condominiums, residential houses and land is recognized when the units are delivered and accepted by the customers.
(c) Revenue from real estate brokerage is recognized when an underlying lease agreement goes into force or the underlying units are delivered.
(d) Revenue from architectural design and supervision is recognized at the date of completion of each relevant project.
(e) Revenue from construction contracts is recognized at the date of completion of each contract.
(f) Other operating revenue is recognized on an accrual basis.

Net income per share

In computing net income per share assuming no dilution, the average number of shares outstanding during each year, adjusted to give retroactive effect to any free distribution of shares, has been used. Net income per share assuming full dilution has been computed on the assumption that all convertible bonds were converted into common stock at the beginning of the year, or at the time of issuance in the case of newly issued bonds, with an appropriate adjustment of the related interest expense, net of income taxes, for such convertible bonds.

Diluted net income per share for the years ended March 31, 2000 and 1999 has not been presented since conversion of the outstanding convertible bonds would have had no dilutive effect.

Appropriation of retained earnings

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

Reclassifications

Certain reclassifications have been made to the 2000 and 1999 financial statements in order to conform them to the 2001 presentation.

2. Accounting Changes

(1) Effective April 1, 1999, the Company changed its method of accounting for prior service cost with respect to its funded pension plans from expensing these upon payment, to recognizing such costs as expense when actuarially determined. This change was made in order to establish a solid financial position for the Company, considering the amount of the unfunded prior service cost of the pension plan. The cumulative effect of this change in method of accounting amounted to ¥8,664 million at April 1, 1999 and was charged to income for the year ended March 31, 2000, resulting in an increase in operating income of ¥1,765 million and a decrease in income before income taxes of ¥6,899 million.
(2) Effective April 1, 1999, the Company changed its classification of certain expenses related to its hotel business in the statement of income and began including these expenses in cost of revenue from operations instead of in selling, general and administrative expenses. This change was made to achieve a more accurate presentation of the operating results of the Company and its consolidated subsidiaries as these expenses are directly related to the revenue from the hotel business operations. The effect of this change was to increase cost of revenue from operations and to decrease selling, general and administrative expenses by ¥13,503 million. This change, however, had no effect on income before income taxes for the year ended March 31, 2000. The prior years' statements of income have not been restated.

3. U.S. Dollar Amounts

Translation of yen amounts into U.S. dollar amounts is included solely for convenience, as a matter of arithmetic computation only, at the rate of ¥123.90 = U.S.$1.00, the approximate rate of exchange prevailing on March 31, 2001. The inclusion of such amounts is not intended to imply that yen amounts have been or could be readily converted, realized or settled in U.S. dollars at the above or any other rate.

4. Marketable Securities and Investment Securities

Information regarding marketable securities classified as other securities at March 31, 2001 was as follows:

	Millions of yen			Thousands of U.S. dollars		
	Cost	Fair value	Unrealized gain (loss)	Cost	Fair value	Unrealized gain (loss)
Securities whose fair value exceeds their cost:						
Equity securities	¥51,177	¥161,707	¥110,530	$413,051	$1,305,141	$892,090
Debt securities:						
Government bonds	—	—	—	—	—	—
Corporate bonds	455	455	0	3,672	3,672	0
Other	—	—	—	—	—	—
Subtotal	51,632	162,162	110,530	416,723	1,308,813	892,090
Securities whose cost exceeds their fair value:						
Equity securities	¥7,136	¥6,303	¥(833)	$57,595	$50,872	$(6,723)
Debt securities:						
Government bonds	—	—	—	—	—	—
Corporate bonds	—	—	—	—	—	—
Other	—	—	—	—	—	—
Subtotal	7,136	6,303	(833)	57,595	50,872	(6,723)
Total	¥58,768	¥168,465	¥109,697	$474,318	$1,359,685	$885,367

Proceeds from sales of securities classified as other securities totaled ¥34,274 million ($276,626 thousand), with gross realized gain of ¥20,392 million ($164,584 thousand) and gross realized loss of ¥385 million ($3,107 thousand) for the year ended March 31, 2001.

Information regarding marketable debt securities classified as held-to-maturity securities at March 31, 2001 was as follows:

	Millions of yen			Thousands of U.S. dollars		
	Amortized cost	Fair value	Unrealized gain (loss)	Amortized cost	Fair value	Unrealized gain (loss)
Debt securities whose fair value exceeds their cost:						
Government bonds	¥ 315	¥ 321	¥ 6	$ 2,542	$ 2,591	$ 49
Corporate bonds	18	20	2	145	161	16
Other	99	99	0	800	800	0
Subtotal	432	440	8	3,487	3,552	65
Debt securities whose cost exceeds their fair value:						
Government bonds	—	—	—	—	—	—
Corporate bonds	11,000	10,949	(51)	88,781	88,369	(412)
Other	1,916	1,912	(4)	15,464	15,432	(32)
Subtotal	12,916	12,861	(55)	104,245	103,801	(444)
Total	¥13,348	¥13,301	¥(47)	$107,732	$107,353	$(379)

Information regarding securities recorded at cost at March 31, 2001 was as follows:

	Millions of yen	Thousands of U.S. dollars
Other securities:		
Nonmarketable equity securities (other than equity securities listed on the over-the-counter market)	¥18,543	$149,661
Mutual funds	6,209	50,113
Commercial paper	2,018	16,287
MMF	1,209	9,758
Other	119	961
Held-to-maturity securities:		
Bonds	500	4,035
Total	¥28,598	$230,815

The redemption schedule for securities classified as other securities at March 31, 2001 is summarized as follows:

	Millions of yen			Thousands of U.S. dollars		
	Due within one year or less	Due after one year through five years	Due after five years or more	Due within one year or less	Due after one year through five years	Due after five years or more
Government bonds	¥ 100	¥ 196	¥19	$ 807	$ 1,582	$153
Corporate bonds	5,729	6,249	—	46,239	50,436	—
Commercial paper	2,018	—	—	16,287	—	—
Other debt securities	2,028	—	—	16,368	—	—
Total	¥9,875	¥6,445	¥19	$79,701	$52,018	$153

The cost and related fair value of current and noncurrent marketable securities at March 31, 2000 were as follows:

	Millions of yen		
	Cost	Fair value	Unrealized gain (loss)
Current:			
Equity securities	¥69,694	¥255,277	¥185,583
Debt securities	3,200	3,292	92
Subtotal	72,894	258,569	185,675
Noncurrent:			
Debt securities	67	70	3
Total	¥72,961	¥258,639	¥185,678

5. Inventories

Inventories at March 31, 2001 and 2000 are summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2001	2000	**2001**
Real estate for sale	**¥172,649**	¥152,741	**$1,393,454**
Land and housing projects in progress	**42,309**	38,274	**341,477**
Land held for development	**23,999**	31,638	**193,697**
Other	**12,156**	12,644	**98,111**
Total	**¥251,113**	¥235,297	**$2,026,739**

6. Other Investments

Other investments at March 31, 2001 and 2000 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2001	2000	**2001**
Lease deposits	**¥ 86,054**	¥ 75,382	**$ 694,544**
Long-term prepaid expenses and other	**62,727**	49,938	**506,272**
Total	**¥148,781**	¥125,320	**$1,200,816**

7. Short-Term Borrowings and Long-Term Debt

At March 31, 2001 and 2000, short-term borrowings and the current portion of long-term debt consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2001	2000	**2001**
Loans, principally from banks	**¥ 72,031**	¥ 68,151	**$ 581,364**
Commercial paper	**1,721**	1,536	**13,890**
Current portion of long-term debt	**160,608**	113,939	**1,296,271**
Total	**¥234,360**	¥183,626	**$1,891,525**

The annual interest rates applicable to short-term borrowings outstanding at March 31, 2001 and 2000 ranged principally from 0.183% to 7.900% and from 0.382% to 6.675%, respectively.

At March 31, 2001 and 2000, long-term debt consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2001	2000	**2001**
1.5% convertible bonds due 2003	**¥ 92,682**	¥ 92,682	**$ 748,039**
Zero coupon convertible bonds due 2006	**100,000**	—	**807,103**
4.9% mortgage bonds due 2000	**—**	35,000	**—**
3.85% mortgage bonds due 2000	**—**	35,000	**—**
5.6% mortgage bonds due 2004	**50,000**	50,000	**403,551**
8.625% mortgage bonds due 2001	**28,000**	28,000	**225,989**
4.4% mortgage bonds due 2001	**10,000**	10,000	**80,710**
2.7% mortgage bonds due 2001	**5,000**	5,000	**40,355**
2.95% mortgage bonds due 2002	**10,000**	10,000	**80,710**
4% mortgage bonds due 2002	**20,000**	20,000	**161,421**
5.275% mortgage bonds due 2005	**50,000**	50,000	**403,551**
4.8% mortgage bonds due 2005	**50,000**	50,000	**403,551**
2.125% unsecured bonds due 2002	**10,000**	10,000	**80,710**
1.5% unsecured bonds due 2002	**10,000**	10,000	**80,710**
1.675% unsecured bonds due 2002	**10,000**	10,000	**80,710**
2.55% unsecured bonds due 2003	**10,000**	10,000	**80,710**
2.35% unsecured bonds due 2003	**20,000**	20,000	**161,421**
2.05% unsecured bonds due 2003	**20,000**	20,000	**161,421**
1.775% unsecured bonds due 2003	**10,000**	10,000	**80,710**
1.7% unsecured bonds due 2003	**10,000**	10,000	**80,710**
3.1% unsecured bonds due 2003	**10,000**	10,000	**80,710**
3.05% unsecured bonds due 2003	**15,000**	15,000	**121,065**

	Millions of yen		Thousands of U.S. dollars
	2001	2000	**2001**
2.55% unsecured bonds due 2004	**¥ 10,000**	¥ 10,000	**$ 80,710**
1.7% unsecured bonds due 2004	**10,000**	10,000	**80,710**
0.9% unsecured bonds due 2004	**10,000**	10,000	**80,710**
2.125% unsecured bonds due 2005	**10,000**	10,000	**80,710**
3.4% unsecured bonds due 2006	**10,000**	10,000	**80,710**
3% unsecured bonds due 2006	**10,000**	10,000	**80,710**
2.21% unsecured bonds due 2006	**10,000**	10,000	**80,710**
1.325% unsecured bonds due 2006	**10,000**	10,000	**80,710**
2.975% unsecured bonds due 2007	**30,000**	30,000	**242,131**
3.1% unsecured bonds due 2008	**10,000**	10,000	**80,710**
2.575% unsecured bonds due 2008	**10,000**	10,000	**80,710**
2.525% unsecured bonds due 2008	**10,000**	10,000	**80,710**
3.075% unsecured bonds due 2009	**10,000**	10,000	**80,710**
1.82% unsecured bonds due 2009	**10,000**	10,000	**80,710**
2% unsecured bonds due 2009	**10,000**	10,000	**80,710**
1.985% unsecured bonds due 2009	**10,000**	10,000	**80,710**
1.9% unsecured bonds due 2010	**10,000**	—	**80,710**
1.55% unsecured bonds due 2011	**10,000**	—	**80,710**
3.275% unsecured bonds due 2012	**10,000**	10,000	**80,710**
3.125% unsecured bonds due 2017	**10,000**	10,000	**80,710**
3% unsecured bonds due 2018	**10,000**	10,000	**80,710**
2.5% unsecured bonds due 2020	**10,000**	—	**80,710**
0.86% unsecured bonds due 2000 (payable in US dollars)	**—**	882	**—**
0.4% unsecured bonds due 2000 (payable in US dollars)	**—**	2,590	**—**
0.3% unsecured bonds due 2000 (payable in US dollars)	**—**	1,718	**—**
0.2% unsecured bonds due 2000 (payable in US dollars)	**—**	1,751	**—**
0.2% unsecured bonds due 2001 (payable in US dollars)	**—**	3,922	**—**
7.37% unsecured bonds due 2008 (payable in US dollars)	**5,148**	4,970	**41,550**
Floating rate bonds due 2001 (payable in US dollars)	**7,463**	6,660	**60,234**
Floating rate bonds due 2003 (payable in US dollars)	**1,147**	1,024	**9,258**
Floating rate bonds due 2001 (payable in US dollars)	**2,502**	2,232	**20,194**
Floating rate bonds due 2001 (payable in US dollars)	**1,724**	—	**13,915**
Floating rate bonds due 2001 (payable in US dollars)	**2,869**	—	**23,156**
Floating rate bonds due 2001 (payable in US dollars)	**1,783**	—	**14,391**
Floating rate bonds due 2001 (payable in US dollars)	**3,270**	—	**26,393**
Floating rate bonds due 2002 (payable in US dollars)	**2,488**	—	**20,081**
Floating rate bonds due 2004 (payable in US dollars)	**1,721**	—	**13,891**
Floating rate bonds due 2005 (payable in US dollars)	**1,090**	—	**8,798**
Floating rate bonds due 2009 (payable in US dollars)	**1,087**	970	**8,774**
Loans from banks and insurance companies:			
Secured	**105,160**	98,504	**848,749**
Unsecured	**279,557**	304,164	**2,256,312**
Loans from tenants	**61**	67	**492**
Total	**1,197,752**	1,150,136	**9,667,086**
Less current portion	**(160,608)**	(113,939)	**(1,296,271)**
Total long-term debt	**¥1,037,144**	¥1,036,197	**$8,370,815**

The agreements under which the 1.5% convertible bonds and zero coupon convertible bonds were issued provide for conversion into shares of common stock at current conversion prices per share of ¥2,600 ($21) and ¥1,200 ($10), respectively, subject to adjustment for certain events including free distributions of shares and stock dividends declared as a result of stock splits.

The aggregate annual maturities of long-term debt subsequent to March 31, 2001 are summarized as follows:

	Millions of yen	Thousands of U.S. dollars
Year ending March 31:		
2002	¥ 160,608	$1,296,271
2003	202,652	1,635,609
2004	154,410	1,246,247
2005	179,944	1,452,333
2006 and thereafter	500,138	4,036,626
Total	¥1,197,752	$9,667,086

The assets pledged as collateral for short-term borrowings of ¥1,500 million ($12,107 thousand), long-term debt of ¥105,160 million ($848,749 thousand) and other noncurrent liabilities of ¥6,000 million ($48,426 thousand) at March 31, 2001 were as follows:

	Millions of yen	Thousands of U.S. dollars
Other investments	¥ 422	$ 3,406
Land	24,085	194,391
Buildings	146,816	1,184,955
Machinery and equipment	5,716	46,134
Total	¥177,039	$1,428,886

Additionally, all assets of the Company are subject to the terms of an enterprise mortgage for mortgage bonds which amounted to ¥150,000 million ($1,210,654 thousand) at March 31, 2001.

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

8. Pension and Severance Plans

The following table sets forth the funded status of the plans, and the amounts recognized in the consolidated balance sheet at March 31, 2001 for the Company's and its consolidated subsidiaries' defined benefit pension plans:

	Millions of yen	Thousands of U.S. dollars
Retirement benefit obligation	¥(63,467)	$(512,244)
Plan assets at fair value	52,700	425,343
Unfunded retirement benefit obligation	(10,767)	(86,901)
Unrealized net benefit obligation at transition	646	5,214
Unrecognized actuarial loss	(148)	(1,194)
Unrecognized prior service cost	71	573
Amounts recognized in the consolidated balance sheet	¥(10,198)	$ (82,308)

The components of expenses related to the pension and severance plans for the year ended March 31, 2001 were as follows:

	Millions of yen	Thousands of U.S. dollars
Service cost	¥ 2,762	$22,292
Interest cost	2,148	17,337
Expected return on plan assets	(1,019)	(8,224)
Amortization of net retirement benefit obligation at transition	4,750	38,337
Other	706	5,698
Total	¥ 9,347	$75,440

The assumptions used in accounting for the pension and severance plans for the year ended March 31, 2001 were as follows:

Discount rate	3.00 ~ 7.50%
Expected return on plan assets	2.25 ~ 7.50%

9. Income Taxes

Income taxes in Japan applicable to the Company and its domestic consolidated subsidiaries consist of corporation tax, inhabitants' taxes and enterprise tax, which in the aggregate, resulted in statutory tax rates of approximately 42% for 2001 and 2000, and 48% for 1999. Income taxes of the foreign consolidated subsidiaries are based generally on the tax rates applicable in their countries of incorporation. The effective tax rate reflected in the accompanying consolidated statement of income for the year ended March 31, 1999 differs from the statutory tax rate primarily because of the effect of temporary differences in the recognition of certain income and expenses for tax and financial reporting purposes and the effects of permanently nondeductible expenses.

The effective tax rates reflected in the consolidated statements of income for the years ended March 31, 2001 and 2000 differ from the statutory tax rate for the following reasons:

	2001	2000
Statutory tax rate	**42.05%**	42.05%
Increase (decrease) in income taxes resulting from:		
Change in valuation allowance	**(5.88)**	1.32
Different tax rates applied	**1.70**	1.78
Revenues deductible for income tax purposes	**(2.37)**	(1.65)
Expenses not deductible for income tax purposes	**1.13**	1.18
Other	**(2.77)**	0.24
Effective tax rates	**33.86%**	44.92%

The significant components of deferred tax assets and liabilities as of March 31, 2001 and 2000 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2001	2000	**2001**
Deferred tax assets:			
Net operating loss carryforwards	**¥ 32,108**	¥ 50,975	**$ 259,145**
Accrued retirement allowances and pension costs	**13,099**	11,605	**105,722**
Valuation loss on inventories	**52,856**	13,714	**426,602**
Unrealized loss on property and equipment	**10,869**	9,823	**87,724**
Other	**10,644**	8,213	**85,908**
Subtotal	**119,576**	94,330	**965,101**
Valuation allowance	**(29,019)**	(28,293)	**(234,213)**
Total deferred tax assets	**90,557**	66,037	**730,888**
Deferred tax liabilities:			
Reserves under Special Taxation Measures Law	**(65,858)**	(51,419)	**(531,542)**
Unrealized gain on property and equipment	**(41,030)**	(35,249)	**(331,154)**
Unrealized gain on securities	**(46,940)**	—	**(378,854)**
Other	**(17,924)**	(5,487)	**(144,665)**
Total deferred tax liabilities	**(171,752)**	(92,155)	**(1,386,215)**
Net deferred tax liabilities	**¥(81,195)**	¥(26,118)	**$ (655,327)**

10. Legal Reserve and Capital Surplus

In accordance with the Commercial Code of Japan, the Company has provided a legal reserve as an appropriation of retained earnings. The Code provides that neither capital surplus nor the legal reserve is available for dividends, but both may be used to reduce or eliminate a deficit by resolution of the shareholders or may be transferred to common stock by resolution of the Board of Directors. Retained earnings in the accompanying consolidated financial statements include the legal reserve of ¥21,658 million ($174,802 thousand) and ¥21,633 million as of March 31, 2001 and 2000, respectively.

11. Leases

The following pro forma amounts represent the acquisition costs, accumulated depreciation and net book value of the leased assets as of March 31, 2001 and 2000, which would have been reflected in the consolidated balance sheets if finance lease accounting had been applied to the finance leases currently accounted for as operating leases:

	Millions of yen			Thousands of U.S. dollars		
	Acquisition costs	Accumulated depreciation	Net book value	Acquisition costs	Accumulated depreciation	Net book value
March 31, 2001						
Buildings and structures	**¥1,159**	**¥800**	**¥359**	**$9,354**	**$6,457**	**$2,897**
Machinery and equipment	**8,232**	**4,570**	**3,662**	**66,441**	**36,884**	**29,557**
Total	**¥9,391**	**¥5,370**	**¥4,021**	**$75,795**	**$43,341**	**$32,454**
March 31, 2000						
Buildings and structures	¥1,360	¥887	¥473			
Machinery and equipment	7,504	4,211	3,293			
Total	¥8,864	¥5,098	¥3,766			

Lease payments relating to finance leases accounted for as operating leases in the accompanying consolidated financial statements amounted to ¥1,877 million ($15,149 thousand), ¥1,750 million and ¥1,786 million for the years ended March 31, 2001, 2000 and 1999, respectively. If finance lease accounting had been adopted, depreciation of the leased assets over the respective lease terms would have amounted to ¥1,877 million ($15,149 thousand), ¥1,750 million and ¥1,786 million for the years ended March 31, 2001, 2000 and 1999, respectively.

Future minimum lease payments subsequent to March 31, 2001 on noncancelable operating leases and finance leases accounted for as operating leases are summarized as follows:

	Millions of yen		Thousands of U.S. dollars	
	Finance leases	Operating leases	Finance leases	Operating leases
Year ending March 31:				
2002	¥1,608	¥ 3,884	$12,978	$ 31,348
2003 and thereafter	2,413	31,965	19,476	257,990
Total	¥4,021	¥35,849	$32,454	$289,338

The Company and its consolidated subsidiaries lease office buildings and commercial properties and earn lease income. Future minimum lease income subsequent to March 31, 2001 for noncancelable operating leases are summarized as follows:

	Millions of yen	Thousands of U.S. dollars
Year ending March 31:		
2002	¥ 30,559	$ 246,642
2003 and thereafter	340,420	2,747,539
Total	¥370,979	$2,994,181

12. Contingent Liabilities

At March 31, 2001, the Company and its consolidated subsidiaries had the following contingent liabilities:

	Millions of yen	Thousands of U.S. dollars
Guarantees of affiliates' loans from banks	¥1,140	$ 9,201
Guarantees of employees' housing loans from banks and others	1,344	10,847
Other	546	4,407
Total	¥3,030	$24,455

In addition to the above, at March 31, 2001, the Company was committed to provide guarantees for the following bonds which were transferred to banks under debt assumption agreements.

	Millions of yen	Thousands of U.S. dollars	Date of agreement
7.05% unsecured bonds due 2001	¥30,000	$242,131	Sept. 20, 1994
6.0% unsecured bonds due 2002	50,000	403,551	Feb. 28, 1997

13. Other Income (Expenses)

The components of "Other, net" in "Other income (expenses)" for each of the three years in the period ended March 31, 2001 were as follows:

	Millions of yen			Thousands of U.S. dollars
	2001	2000	1999	**2001**
Equity in net income of unconsolidated subsidiaries and affiliates	**¥ 1,507**	¥ 1,689	¥ 512	**$ 12,163**
Net realized gain on sales of property and equipment	**43,440**	37,407	—	**350,605**
Valuation loss on inventories	**(94,239)**	(32,614)	—	**(760,605)**
Net realized gain on sales of securities	**21,497**	18,012	2,870	**173,503**
Unrealized loss on securities	**(1,664)**	(2,166)	—	**(13,430)**
Gain (loss) on investments in affiliates	**1,793**	(7,015)	—	**14,471**
Amortization of prior service cost of pension plan	**—**	(8,664)	—	**—**
Amortization of net retirement benefit obligation at transition	**(4,714)**	—	—	**(38,047)**
Gain on contribution of securities to employees' retirement benefit trust	**23,280**	—	—	**187,893**
Other	**(5,740)**	(2,294)	(758)	**(46,327)**
Total	**¥(14,840)**	¥ 4,355	¥2,624	**$(119,774)**

14. Supplemental Cash Flow Information

The following table represents a reconciliation of cash and cash equivalents as of March 31, 2001 and 2000:

	Millions of yen		Thousands of U.S. dollars
	2001	2000	**2001**
Cash	**¥171,805**	¥74,582	**$1,386,642**
Time deposits with maturities of more than three months	**(2,319)**	(887)	**(18,716)**
Marketable securities with maturities of three months or less	**9,436**	12,762	**76,158**
Cash and cash equivalents	**¥178,922**	¥86,457	**$1,444,084**

15. Derivative Financial Instruments

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

The Company is exposed to credit loss in the event of nonperformance by the counterparties to the derivatives, but any loss would not be material because the Company enters into such transactions only with financial institutions with high credit ratings. The notional amounts of the derivatives do not necessarily represent the amounts exchanged by the parties and, therefore, are not a direct measure of the Company's risk exposure in connection with derivatives.

Summarized below are the notional amounts and the estimated fair value of the interest-related derivative positions outstanding at March 31, 2001 and 2000:

	Millions of yen			Thousands of U.S. dollars		
	Notional amount	Fair value	Unrealized gain (loss)	Notional amount	Fair value	Unrealized gain (loss)
March 31, 2001						
Interest rate swaps:						
Receive/floating and pay/fixed	**¥ 5,000**	**¥(108)**	**¥(108)**	**$ 40,355**	**$ (872)**	**$ (872)**
Receive/fixed and pay/floating	**5,000**	**236**	**236**	**40,355**	**1,905**	**1,905**
Receive/floating and pay/floating	**5,000**	**(12)**	**(12)**	**40,355**	**(97)**	**(97)**
Total	**¥15,000**	**¥ 116**	**¥ 116**	**$121,065**	**$ 936**	**$ 936**

	Millions of yen		
March 31, 2000			
Interest rate swaps:			
Receive/floating and pay/fixed	¥11,101	¥ 73	¥ 73
Receive/fixed and pay/floating	11,024	(41)	(41)
Receive/floating and pay/floating	5,000	(31)	(31)
Total	¥27,125	¥ 1	¥ 1

Due to the adoption of this new accounting standard, the notional amounts and estimated fair value of the interest rate swaps to which hedge accounting has been applied have been excluded from the in 2001 presentation in the above table.

16. Segment Information

Business segment

The Company and its consolidated subsidiaries are primarily engaged in the real estate business. The Company changed its business segments in the year ended March 31, 2001 and these are now classified in terms of the nature of each operation and service and consist of seven segments: (1) building; (2) residential development; (3) architectural and engineering; (4) real estate brokerage; (5) custom-built housing; (6) hotel; and (7) other business. The 2000 segment information has been restated to conform to the 2001.

The revised business segment information of the Company and its consolidated subsidiaries for the years ended March 31, 2001 and 2000 are summarized as follows:

	Millions of yen									
	2001									
	Building	Residential development	Architectural & engineering	Real estate brokerage	Custom-built housing	Hotel	Other	Total	Eliminations or corporate	Consolidated
Revenue and operating income										
Revenue from:										
External customers	**¥ 313,227**	**¥132,216**	**¥14,296**	**¥87,003**	**¥34,886**	**¥32,524**	**¥ 16,838**	**¥ 630,990**	**¥ —**	**¥ 630,990**
Intersegment or transfers	**4,679**	**700**	**1,320**	**361**	**2,262**	**80**	**1,557**	**10,959**	**(10,959)**	**—**
Total revenue	**317,906**	**132,916**	**15,616**	**87,364**	**37,148**	**32,604**	**18,395**	**641,949**	**(10,959)**	**630,990**
Operating expense	**237,967**	**122,945**	**15,648**	**81,089**	**36,562**	**31,905**	**19,968**	**546,084**	**4,267**	**550,351**
Operating income (loss)	**¥ 79,939**	**¥ 9,971**	**¥ (32)**	**¥ 6,275**	**¥ 586**	**¥ 699**	**¥ (1,573)**	**¥ 95,865**	**¥ (15,226)**	**¥ 80,639**
Total assets, depreciation, and capital expenditures										
Assets	**¥1,611,727**	**¥279,633**	**¥19,549**	**¥70,874**	**¥13,870**	**¥42,527**	**¥119,809**	**¥2,157,989**	**¥377,274**	**¥2,535,263**
Depreciation	**56,650**	**887**	**44**	**2,368**	**154**	**2,035**	**1,960**	**64,098**	**615**	**64,713**
Capital expenditures	**105,072**	**2,854**	**146**	**2,755**	**343**	**856**	**4,256**	**116,282**	**1,432**	**117,714**

										Thousands of U.S. dollars
										2001
	Building	Residential development	Architectural & engineering	Real estate brokerage	Custom-built housing	Hotel	Other	Total	Eliminations or corporate	Consolidated
Revenue and operating income										
Revenue from:										
External customers	$2,528,063	$1,067,118	$115,383	$702,203	$281,566	$262,502	$135,901	$ 5,092,736	$ —	$ 5,092,736
Intersegment or transfers	37,764	5,650	10,654	2,914	18,256	646	12,566	88,450	(88,450)	—
Total revenue	2,565,827	1,072,768	126,037	705,117	299,822	263,148	148,467	5,181,186	(88,450)	5,092,736
Operating expense	1,920,638	992,292	126,295	654,471	295,093	257,506	161,162	4,407,457	34,439	4,441,896
Operating income (loss)	$ 645,189	$ 80,476	$ (258)	$ 50,646	$ 4,729	$ 5,642	$ (12,695)	$ 773,729	$ (122,889)	$ 650,840
Total assets, depreciation, and capital expenditures										
Assets	$13,008,289	$2,256,925	$157,780	$572,026	$111,945	$343,236	$966,982	$17,417,183	$3,044,988	$20,462,171
Depreciation	457,224	7,159	355	19,112	1,243	16,425	15,819	517,337	4,963	522,300
Capital expenditures	848,039	23,035	1,178	22,236	2,768	6,909	34,350	938,515	11,558	950,073

										Millions of yen
										2000
	Building	Residential development	Architectural & engineering	Real estate brokerage	Custom-built housing	Hotel	Other	Total	Eliminations or corporate	Consolidated
Revenue and operating income										
Revenue from:										
External customers	¥ 294,217	¥101,974	¥22,914	¥73,029	¥32,681	¥32,894	¥ 16,687	¥ 574,396	¥ —	¥ 574,396
Intersegment or transfers	6,495	871	2,710	257	2,987	58	1,420	14,798	(14,798)	—
Total revenue	300,712	102,845	25,624	73,286	35,668	32,952	18,107	589,194	(14,798)	574,396
Operating expense	217,012	104,275	23,461	68,701	35,677	33,553	20,554	503,233	2,962	506,195
Operating income (loss)	¥ 83,700	¥ (1,430)	¥ 2,163	¥ 4,585	¥ (9)	¥ (601)	¥ (2,447)	¥ 85,961	¥ (17,760)	¥ 68,201
Total assets, depreciation, and capital expenditures										
Assets	¥1,539,678	¥316,282	¥19,794	¥53,169	¥14,074	¥42,304	¥140,840	¥2,126,141	¥159,630	¥2,285,771
Depreciation	55,695	886	27	1,123	134	2,146	2,296	62,307	396	62,703
Capital expenditures	103,932	1,332	76	2,250	274	627	2,239	110,730	682	111,412

Geographical segments

The Company and its consolidated subsidiaries operate primarily in Japan, the United States and certain other areas. The geographical segment information of the Company and its consolidated subsidiaries for the years ended March 31, 2001 and 2000 is summarized as follows:

						Millions of yen
						2001
	Japan	United States	Other	Total	Eliminations or corporate	Consolidated
Revenue and operating income						
Revenue from:						
External customers	¥ 510,990	¥102,036	¥17,964	¥ 630,990	¥ —	¥ 630,990
Intersegment or transfers	686	161	298	1,145	(1,145)	—
Total revenue	511,676	102,197	18,262	632,135	(1,145)	630,990
Operating expenses	431,737	86,650	17,695	536,082	14,269	550,351
Operating income	¥ 79,939	¥ 15,547	¥ 567	¥ 96,053	¥ (15,414)	¥ 80,639
Total assets	¥1,861,545	¥260,368	¥21,287	¥2,143,200	¥392,063	¥2,535,263

						Thousands of U.S. dollars
						2001
	Japan	United States	Other	Total	Eliminations or corporate	Consolidated
Revenue and operating income						
Revenue from:						
External customers	**$ 4,124,213**	**$ 823,535**	**$144,988**	**$ 5,092,736**	**$ —**	**$ 5,092,736**
Intersegment or transfers	**5,537**	**1,300**	**2,405**	**9,241**	**(9,241)**	**—**
Total revenue	**4,129,750**	**824,835**	**147,393**	**5,101,977**	**(9,241)**	**5,092,736**
Operating expenses	**3,484,560**	**699,355**	**142,817**	**4,326,731**	**115,165**	**4,441,896**
Operating income	**$ 645,190**	**$ 125,480**	**$ 4,576**	**$ 775,246**	**$ (124,406)**	**$ 650,840**
Total assets	**$15,024,576**	**$2,101,437**	**$171,808**	**$17,297,821**	**$3,164,350**	**$20,462,171**

						Millions of yen
						2000
	Japan	United States	Other	Total	Eliminations or corporate	Consolidated
Revenue and operating income						
Revenue from:						
External customers	¥ 466,192	¥ 92,889	¥15,314	¥ 574,396	¥ —	¥ 574,396
Intersegment or transfers	961	260	210	1,430	(1,430)	—
Total revenue	467,153	93,149	15,524	575,826	(1,430)	574,396
Operating expenses	395,023	79,846	14,225	489,093	17,102	506,195
Operating income	¥ 72,130	¥ 13,303	¥ 1,299	¥ 86,733	¥ (18,532)	¥ 68,201
Total assets	¥1,870,283	¥218,721	¥17,957	¥2,106,962	¥178,809	¥2,285,771

Unallocatable operating expenses included under "Eliminations or corporate" for the years ended March 31, 2001 and 2000 amounted to ¥15,630 million ($126,150 thousand) and ¥17,078 million, respectively, and consisted of operating expenses incurred in the Administration Department of the Company. Corporate assets included under "Eliminations or corporate" for the years ended March 31, 2001 and 2000 amounted to ¥392,135 million ($3,164,931 thousand) and ¥193,728 million, respectively, and consisted principally of cash, marketable securities, investments in other securities and deferred income taxes of the Company.

Overseas revenue

The following table represents overseas revenue earned by the Company's consolidated subsidiaries in foreign countries during the years ended March 31, 2001 and 2000.

			Millions of yen
			2001
	United States	Other areas	Total
Overseas revenue			
Overseas revenue	**¥102,186**	**¥17,820**	**¥120,006**
Consolidated revenue			**¥630,990**
% of overseas revenue to consolidated revenue	**16.2%**	**2.8%**	**19.0%**

			Thousands of U.S. dollars
Overseas revenue			
Overseas revenue	**$824,746**	**$143,825**	**$ 968,571**
Consolidated revenue			**$5,092,736**

			Millions of yen
			2000
	United States	Other areas	Total
Overseas revenue			
Overseas revenue	¥98,963	¥15,343	¥114,306
Consolidated revenue			¥574,396
% of overseas revenue to consolidated revenue	17.2%	2.7%	19.9%

17. Subsequent Event

On June 21, 2001, the Company issued a ¥10,000 million ($80,710 thousand) 1.44% unsecured corporate bond which is due in 2011. The Company intends to use the proceeds from the issuance of the corporate bond for the repayment of borrowings and the redemption of other corporate bonds which fall due in the year ending March 31, 2002.

Non-Consolidated Balance Sheets

Mitsubishi Estate Co., Ltd.
March 31, 2001 and 2000

Assets	Millions of yen 2001	Millions of yen 2000	Thousands of U.S. dollars 2001
Current assets:			
Cash	**¥ 117,968**	¥ 37,182	**$ 952,123**
Marketable securities	**6,916**	69,665	**55,819**
Notes and accounts receivable – trade	**22,011**	25,469	**177,651**
Allowance for doubtful receivables	**(957)**	(958)	**(7,724)**
Inventories	**247,319**	228,242	**1,996,118**
Deferred income taxes	**62,947**	34,795	**508,047**
Other current assets	**9,838**	12,244	**79,403**
Total current assets	**466,042**	406,639	**3,761,437**
Investments:			
Investments in and advances to subsidiaries and affiliates	**179,653**	180,277	**1,449,984**
Investment securities	**180,033**	8,916	**1,453,051**
Lease deposits	**75,497**	65,414	**609,338**
Other investments	**21,252**	19,246	**171,525**
Allowance for doubtful accounts	**(1,627)**	(6)	**(13,131)**
Total investments	**454,808**	273,847	**3,670,767**
Property and equipment:			
Land	**568,200**	616,037	**4,585,956**
Buildings and structures	**1,144,296**	1,113,689	**9,235,642**
Machinery and equipment	**21,284**	21,309	**171,784**
Construction in progress	**31,918**	28,992	**257,611**
Total property and equipment	**1,765,698**	1,780,027	**14,250,993**
Less accumulated depreciation	**(540,267)**	(501,380)	**(4,360,509)**
Property and equipment, net	**1,225,431**	1,278,647	**9,890,484**
Intangible and other assets	**10,411**	10,375	**84,027**
Total assets	**¥2,156,692**	¥1,969,508	**$17,406,715**

Liabilities and shareholders' equity	Millions of yen 2001	2000	Thousands of U.S. dollars 2001
Current liabilities:			
Short-term borrowings and current portion of long-term debt	**¥ 190,682**	¥ 147,596	**$ 1,538,999**
Accounts payable – trade	**28,610**	32,876	**230,912**
Advance and deposits	**36,645**	35,729	**295,763**
Accrued expenses and other current liabilities	**35,716**	28,592	**288,265**
Total current liabilities	**291,653**	244,793	**2,353,939**
Long-term debt	**925,700**	911,764	**7,471,348**
Lease deposits	**268,828**	249,527	**2,169,717**
Employees' retirement allowances	**399**	22,464	**3,220**
Deferred income taxes	**101,866**	28,133	**822,163**
Other noncurrent liabilities	**24,621**	26,397	**198,717**
Total liabilities	**1,613,067**	1,483,078	**13,019,104**
Shareholders' equity:			
Common stock, par value ¥50:			
Authorized – 1,980,000,000 shares;			
Issued and outstanding – 1,299,185,054 shares	**86,534**	86,534	**698,418**
Capital surplus	**115,216**	115,194	**929,911**
Legal Reserve	**21,658**	21,633	**174,802**
Retained earnings	**262,395**	263,078	**2,117,797**
Unrealized gain on securities	**57,829**	—	**466,739**
	543,632	486,439	**4,387,667**
Less treasury stock – 6,533 shares in 2001; 9,395 shares in 2000	**(7)**	(9)	**(56)**
Total shareholders' equity	**543,625**	486,430	**4,387,611**
Contingent liabilities			
Total liabilities and shareholders' equity	**¥2,156,692**	¥1,969,508	**$17,406,715**

Non-Consolidated Statements of Income

Mitsubishi Estate Co., Ltd.
Years ended March 31, 2001, 2000 and 1999

	Millions of yen			Thousands of U.S. dollars
	2001	2000	1999	**2001**
Revenue from operations	**¥ 389,995**	¥ 359,078	¥ 363,732	**$ 3,147,659**
Cost of revenue from operations	**(315,002)**	(289,060)	(288,974)	**(2,542,389)**
Selling, general and administrative expenses	**(21,893)**	(22,518)	(23,273)	**(176,699)**
Operating income	**53,100**	47,500	51,485	**428,571**
Other income (expenses):				
Interest and dividend income	**2,627**	2,522	2,866	**21,203**
Interest expense	**(29,499)**	(32,404)	(34,823)	**(238,087)**
Other, net	**(16,191)**	1,967	2,245	**(130,678)**
	(43,063)	(27,915)	(29,712)	**(347,562)**
Income before income taxes	**10,037**	19,585	21,773	**81,009**
Income taxes:				
Current	**(19)**	(26)	(28)	**(153)**
Deferred	**(3,615)**	(7,778)	—	**(29,177)**
	(3,634)	(7,804)	(28)	**(29,330)**
Net income	**¥ 6,403**	¥ 11,781	¥ 21,745	**$ 51,679**

Mitsubishi Estate Corporate Data

Directors and Statutory Auditors

Chairman of the Board
Takeshi Fukuzawa*

President
Shigeru Takagi*

Executive Vice President
Hiroshi Baba*

Senior Managing Directors
Hirofumi Okuizumi*
Katsuhisa Shimada*
Takayuki Hara*
Eiji Tan*
Kaoru Kohno*
Yasuhiko Watanabe*

Managing Directors
Atsushi Morimoto
Terutake Miyamoto
Satoshi Oyama
Kazuo Odagawa
Yasuto Suzuki

Directors
Shigeo Shimizu
Taketo Yamazaki
Masahiro Yamanaka
Yutaka Nakamura
Mikio Aoki
Toshiaki Hara
Hajime Ito
Hiroharu Koinuma
Hirotaka Kanki
Keiji Kimura
Nobuyuki Iizuka
Takaya Endo
Toshio Nagashima
Seiichiro Suzuki

Statutory Auditors
Yasuo Satake
Kunihiro Inoue
Terumichi Tsuchida
Satoru Kishi
Hiroshi Hayashi

*Representative Director

(as of June 28, 2001)

Corporate Information

Head Office:
Tokyo Building, 7-3, Marunouchi 2-chome, Chiyoda-ku,
Tokyo 100-8330, Japan
Telex: MECDIA J22174
Internet Home Page: http://www.mec.co.jp
Phone: (03) 3287-5100

Date of Establishment:
May 7, 1937

Paid-in Capital:
¥86,534 million

Number of Shares of Common Stock Issued:
1,299,185,054 shares

Number of Shareholders:
94,266 (excluding shareholders with less than 1,000 shares)

Major Shareholders:	% of total
Japan Trustee Services Bank, Ltd. (Trust Account)	5.01
The Bank of Tokyo-Mitsubishi, Limited	4.76
The Meiji Mutual Life Insurance Company	4.50
The Mitsubishi Trust and Banking Corporation	3.44
The Tokio Marine and Fire Insurance Co., Ltd.	3.29
The Mitsubishi Trust and Banking Corporation (Trust Account)	2.68
Obayashi Corporation	2.31
Taisei Corporation	2.25
Takenaka Corporation	2.17
Shimizu Corporation	1.87

Major Consolidated Subsidiaries:
Mitsubishi Real Estate Services Co., Ltd.
Mitsubishi Estate Home Co., Ltd.
Yokohama Royal Park Hotel Co., Ltd.
Aqua City Co., Ltd.
Marunouchi Heat Supply Co., Ltd.
Yokohama Sky Building Co., Ltd.
Royal Park Hotel Co., Ltd.
Rockefeller Group, Inc.

Stock Exchange Listings:
Tokyo Stock Exchange and other major Japanese stock exchanges

Transfer Agent and Registrar:
The Mitsubishi Trust and Banking Corporation
11-1, Nagatacho 2-chome, Chiyoda-ku, Tokyo 100-8212, Japan

Auditor:
Toyo & Co.

(as of March 31, 2001)

Organization

- Meeting of Shareholders
  - Board of Directors
    - Chairman of the Board
      - President
        - Executive Committee
        - Building Business Division
          - Building Business Promotion Department
            - Building Fund Office
          - Regional Business Planning & Promotion Office
            - Marunouchi Brand Management Office
          - Building Management Department
            - Transference Management Office
          - Marunouchi Area Building Management Office I
          - Marunouchi Area Building Management Office II
          - Yurakucho Area Building Management Office I
          - Yurakucho Area Building Management Office II
          - Otemachi Area Building Management Office I
          - Otemachi Area Building Management Office II
          - Aoyama Area Building Management Office
          - Metropolitan Area Building Management Office
          - Building Leasing Department
          - Shopping Center Business Department
          - Marunouchi Development Promotion Department
          - City Planning Project Office
        - Residential Development Division
          - Residential Development Promotion Department
          - Condominium Development Department
          - Master-Planned Development Department
            - Chiba Liaison Office
          - PARTNER System Department
          - Residential Planning & Marketing Department
            - Customer Service Office
        - Urban Development & Investment Management Division
          - Urban Development & Investment Management Department
          - Urban Development Promotion Office
          - Appraisal Service Office
        - International Business Division
          - International Business Department
        - Recreational Facility Division
          - Recreational Facility Office
        - Corporate Planning Division
          - Corporate Planning Department
          - Affiliated Companies Business Planning Department
          - Personnel Planning Department
          - Finance & Accounting Department
          - Corporate Communications Department
            - Investor Relations Office
          - Corporate Philanthropy & Environment Affairs Promotion Office
        - Corporate Administration Division
          - General Affairs Department
            - Secretary Office
          - Purchasing Management Office
          - Corporate Ethics Office
        - Sapporo Branch
        - Tohoku Branch
        - Yokohama Branch
        - Nagoya Branch
        - Osaka Branch
        - Chugoku Branch
        - Kyushu Branch
- Board of Statutory Auditors
- Statutory Auditor
  - Office of Statutory Auditors

(as of June 28, 2001)

Mitsubishi Estate Group

Mitsubishi Estate Co., Ltd.

Building Business

Building Leasing Business
- ● Aqua City Co., Ltd.
- ● Hokuriku Estate Co., Ltd.
- ● Yokohama Sky Building Co., Ltd.
- ● Keiyo Tochi Kaihatsu Co., Ltd.
- ■ Tokyo Kotsu Kaikan Co., Ltd.
- ■ IMS Co., Ltd.
- ■ Chelsea Japan Co., Ltd.
- ■ ACT CITY CORPORATION

Building Management Business
- ● Mitsubishi Estate Building Management Yokohama Co., Ltd.
- ● Ryoei Building Management Co., Ltd.
- ● MEC Building Management Co., Ltd.
- ● MEC Building Facilities Co., Ltd.
- ● Marunouchi Tatemono Kanri Co., Ltd.
- ● Chiyoda Tatemono Kanri Co., Ltd.
- ● Hokuryo City Service Co., Ltd.
- ● Hibiya City Co., Ltd.
- ● Yuden Building Kanri Co., Ltd.
- ■ O.A.P. Management Co., Ltd.

Parking Business
- ● Marunouchi Parking Co., Ltd.
- ● Grand Parking Center Co., Ltd.
- ● Hibiya City Parking Co., Ltd.
- ● Tokyo Garage Co., Ltd.

District Heating and Cooling Business
- ● Marunouchi Heat Supply Co., Ltd.
- ■ O.A.P. D.H.C. Supply Co., Ltd.
- ■ Minato Mirai 21 D.H.C Co., Ltd.

(10 other companies)

Architectural Design & Engineering
- ● Mitsubishi Jisho Sekkei Inc.
- ● MEC Design International Corporation
- (1 other company)

Custom-Built Housing
- ● Mitsubishi Estate Home Co., Ltd.
- ● Mitsubishi Estate Housing Component Co., Ltd.

Hotel Business
- ● Royal Park Hotels and Resorts Co., Ltd.
- ● Ryoei Kanko Development Co., Ltd.
- ● Tohoku Royal Park Hotel Co., Ltd.
- ● Yokohama Royal Park Hotel Co., Ltd.
- ● Royal Park Inn Nagoya Co., Ltd.
- ● Royal Park Hotel Co., Ltd.
- ■ Okayama International Hotel Co., Ltd.

Recreational Facility
- ● Higashinihon Kaihatsu Co., Ltd.
- ● MEC Urban Resort Tohoku Co., Ltd.
- ● Liv Sports Co., Ltd.
- ■ Kume Country Club, Co., Ltd.
- ■ Fuji International Speedway Co., Ltd.
- (4 other companies)

International Business
- ● Rockefeller Group, Inc. (RGI)
- (● 146 other companies
- ■ 16 other companies)

Others
- ● MEC Finance Co., Ltd.
- ● MEC Information Development Co., Ltd.
- ■ MEC Human Resources, Inc.
- (10 other companies)

Residential Development
- ● Izumi Park Town Service Co., Ltd.
- ● Daiya Community Co., Ltd.
- ● Mitsubishi Real Estate Services Co., Ltd.
- ● Ryoei Life Service Co., Ltd.
- ■ Otaru Toshi Kaihatsu Kosha Co., Ltd.
- (2 other companies)

● Consolidated Subsidiaries
■ Equity-method Affiliates

(as of June 28, 2001)

Mitsubishi Estate Company, Limited
Tokyo Building, 7-3, Marunouchi 2-chome, Chiyoda-ku, Tokyo 100-8330, Japan
http://www.mec.co.jp

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