MITSUBISHI ESTATE CO., LTD. ANNUAL REPORT 2002

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PROFILE

The Mitsubishi Estate Group is a comprehensive real estate developer whose consolidated businesses include building leasing, residential development and sales, and architecture, as well as real estate brokerage and hotels. Operations are carried out in Japan as well as in major cities of the United States and the United Kingdom.

Mitsubishi Estate's redevelopment of the Marunouchi district, Japan's premier business center, is a major project that will set the standard for urban design in the 21st century and embody the Company's philosophy, refined over the past 100 years, of developing multifaceted communities.

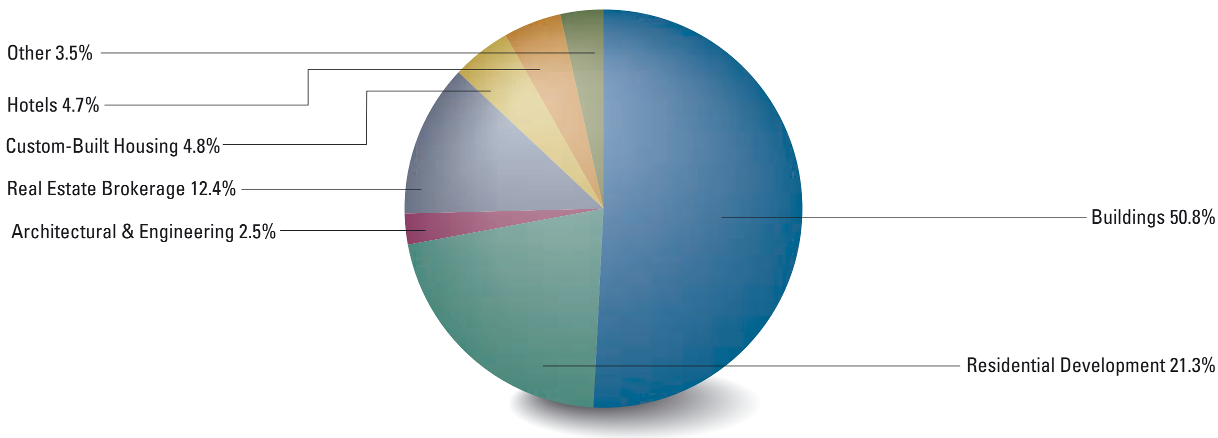
Forward-Looking and Cautionary Statements
Statements made in this annual report with respect to the Mitsubishi Estate Group's current plans, estimates and strategies are forward-looking statements about the future performance of the Mitsubishi Estate Group. These statements are based on management's 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

Years ended March 31	1997	1998	1999	2000	2001	Millions of yen 2002	Thousands of U.S. dollars 2002
Revenue from operations	¥559,119	¥548,731	¥565,259	¥574,396	¥630,990	¥631,564	$4,739,692
Net income	38,362	31,848	22,327	18,421	19,832	(71,058)	(533,268)
As a percentage of revenue from operations	6.9%	5.8%	3.9%	3.2%	3.1%	(11.3)%	—
As a percentage of shareholders' equity	9.2%	7.2%	4.9%	4.1%	4.1%	(10.5)%	—
Total assets	2,066,311	2,103,258	2,283,773	2,285,771	2,535,263	3,035,795	22,782,702
Total shareholders' equity	432,786	454,057	459,574	440,731	518,766	832,497	6,247,632
Common stock	86,534	86,534	86,534	86,534	86,534	86,534	649,411
						Yen	U.S. dollars
Per share amounts:							
Net income	¥29.53	¥24.51	¥17.19	¥14.18	¥15.26	¥(54.70)	$(0.41)
Cash dividends applicable to the year	8.00	8.00	8.00	8.00	8.00	8.00	0.06

Note: Yen amounts shown are translated into U.S. dollars, solely for convenience, at the prevailing exchange rate on March 31, 2002, of ¥133.25 to US$1.00.

Revenue by Segment (Percentage Share)



TO OUR SHAREHOLDERS

Advancement of
Marunouchi District Redevelopment
and Profit Restructuring

FINANCIAL RESULTS

During the fiscal year under review, Mitsubishi Estate Co., Ltd. and its consolidated subsidiaries recorded revenue from operations of ¥631,564 million (US$4,739.7 million), roughly equal to the previous fiscal year. Operating income decreased 4.6% to ¥76,921 million (US$577.3 million). Building Business operations recorded increases in revenue and profit, while condominium sales by Residential Development operations turned brisk. Overseas-based Real Estate Brokerage operations, however, saw declines in both revenue and profit due to the effects of the slowdown in the U.S. economy.

Net income showed a deficit of ¥71,058 million (US$533.3 million), but this was due to the recording of an extraordinary loss of ¥156,365 million (US$1,173.5 million) for impairment of property and equipment. In order to enhance the transparency and soundness of the balance sheet, the Company cleared away unrealized losses on land and buildings through a combination of revaluation of land and the impairment loss on property and equipment.

With this action the Mitsubishi Estate Group has eliminated all unrealized losses on land and buildings, completing the restructuring of its balance sheet.

OPERATING ENVIRONMENT

The market for leased office buildings in Japan has seen a slowdown in demand due to restructuring among domestic companies and the withdrawal of foreign companies, resulting in a general decline in revenue from rented properties. In 2003, when the peak for completion of large-scale buildings is reached, we expect the market to become polarized even further. The market for condominiums remains favorable, bolstered by demand for large-scale and high-rise condominiums in an era of low interest rates and tax measures promoting residence purchasing. However, the future direction of the market cannot be easily predicted.

The Mitsubishi Estate Group is responding to these operating conditions by looking for ways to strengthen its sales and product planning while working to improve profitability.

ANNOUNCEMENT OF THE MEDIUM-TERM MANAGEMENT PLAN

In March 2002, the Mitsubishi Estate Group announced its medium-term management plan for the three-year period beginning in the fiscal year ending March 31, 2003.

As the functions of ownership and management of real estate continue to separate due to the collapse of the myth of ever-higher land prices and the birth of the Japanese Real Estate Investment Trust (J-REIT), it has become necessary for real estate companies to change their business models.

Within the basic mission of the Mitsubishi Estate Group to "Create a Truly Meaningful Society Through Urban Development," we recognize that development is at the heart of future business expansion in this constantly changing business environment. And through our three basic management directives—increase corporate value based on cash flow, instill the principle of "customers first" to survive in a competitive market, and pursue collaborative management to realize higher added value—we aim to increase the value of the entire Group.

BUSINESS STRATEGY

Building Business operations will complete the Marunouchi Building, The Industry Club of Japan and Mitsubishi Trust and Banking Building Development Project, and the Tokyo-Station Marunouchi North-Entrance Development Project during the current management plan. The contribution from these new buildings and cost reductions in existing buildings will increase the profitability of Building Business operations, and by selling off unprofitable buildings we aim to optimize our asset portfolio.

Residential Development operations will focus on high-rise, large-scale condominiums in comfortable environments with convenient common facilities, and properties in urban areas with short-term development projects. This management plan includes projects such as the M.M. Towers located in the Minato Mirai 21 district in Yokohama, a high-rise condominium that will contribute to profitability.

Urban Development and Investment Management operations are focusing on the business of developing properties for real estate investors such as J-REITs. In addition, through Mitsubishi Jisho Investment Advisors, Inc., which was established in September 2001, we are strengthening our asset management solution functions in order to resolve any real estate difficulties faced by our customers.

International Business operations are expecting increased revenues from the completion of the Paternoster Square Redevelopment Project in London in 2003 and the turnover of tenants in our New York properties. We also expect a rapid recovery, led by cost reductions, in the U.S.-centered global real estate brokerage business.

In the architectural and engineering, custom-built housing, hotel and other segments we are working to improve operating efficiency through cost reductions and increases in profitability.

A CLOSING WORD TO OUR SHAREHOLDERS

I believe that management means being responsive to change. With the keywords of "speed" and "flexibility" in mind, and by properly responding to the rapidly changing management environment, we will steadily realize the management plan outlined above. It is my intention to make the utmost effort to increase the value of the Company.

August 2002

Shigeru Takagi
President

EBITDA up 16%

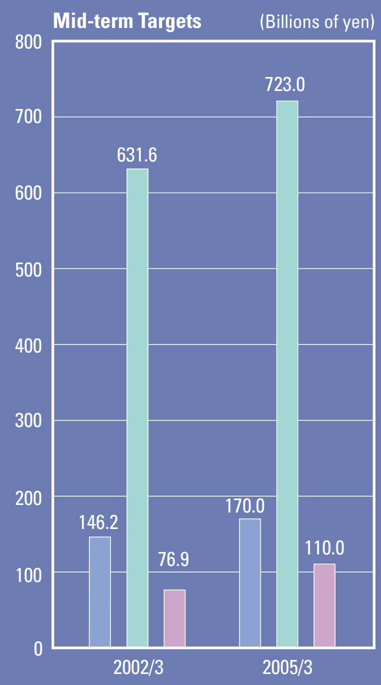
02/3 ¥146.2 billion
05/3 ¥170.0 billion

Revenue from operations up 14%

02/3 ¥631.6 billion
05/3 ¥723.0 billion

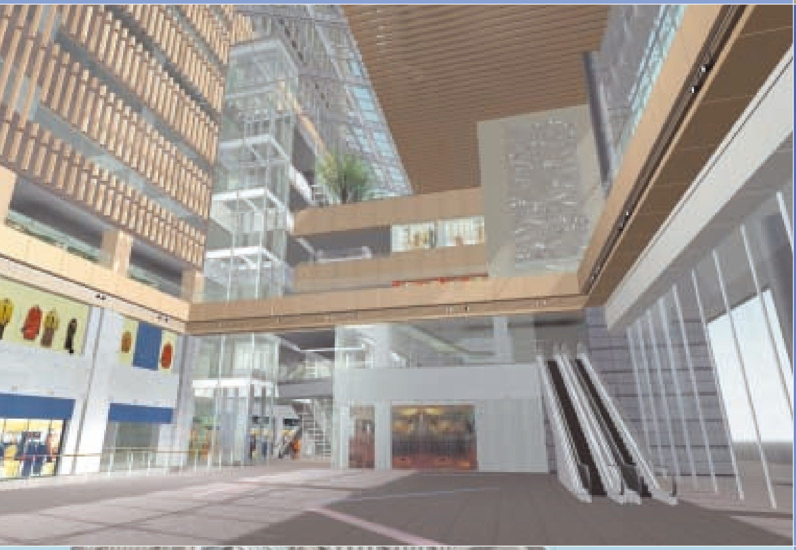
Operating income up 43%

02/3 ¥76.9 billion
05/3 ¥110.0 billion

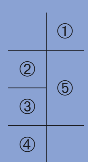


SPECIAL FEATURE

OPENING OF THE MARUNOUCHI BUILDING AND THE MARUNOUCHI REDEVELOPMENT PROJECT



① First-floor shopping zone
② First-floor atrium “MARUCUBE” (interior)
③ First-floor atrium “MARUCUBE “(exterior)
④ Entrance along Gyoko Dori
⑤ Exterior view of Marunouchi Building



THE FIRST PHASE OF THE MARUNOUCHI REDEVELOPMENT PROJECT: OPENING OF THE MARUNOUCHI BUILDING

In 1998 Mitsubishi Estate began work on the Marunouchi Redevelopment Project, investing ¥500 billion over ten years to rebuild six buildings and renovate others in the Marunouchi district. As the first phase of the project, the Marunouchi Building will open on September 6, 2002. At 37 stories above ground and 180 meters at its tallest point, this building gives form to the vibrant urban development envisioned for the Marunouchi of the future.

With the redevelopment of the Marunouchi district, Mitsubishi Estate aims to increase the added value of the city by strengthening its services not just in the construction of buildings, but also in the support and service functions for tenants. Specific measures include the establishment in April 2001 of the "Marunouchi Brand Management Office," a dedicated branding section that is the first of its kind in the real estate industry. The concept envisioned for "Marunouchi" was decided as "a district thriving with more interaction than any other in the world," and through the encouragement of such interaction, Mitsubishi Estate is providing high value-added business opportunities and "total quality life" for company employees and visitors. This brand strategy heightens the appeal of the city and sets it apart from other business areas.

THE MARUNOUCHI REDEVELOPMENT PROJECT

In addition to the Marunouchi Building, work is proceeding on the rest of the redevelopment project, with The Industry Club of Japan and Mitsubishi Trust and Banking Building Development Project due to be completed in February 2003 and the Tokyo-Station Marunouchi North-Entrance Development Project in August 2004.

Plans are also progressing with the rebuilding of the Tokyo Building and the Hibiya Park Building, which should be completed in the fiscal year ending March 31, 2007. The area on the side of Tokyo Station that includes Marunouchi, Otemachi and Yurakucho where these buildings are located has been designated by the city government as a special floor area ratio district, allowing buildings in that district to exceed the maximum amount of permitted floor space by transferring the unused air rights from buildings that do not use their full allotment. Because there is unused space above the historical Tokyo Station building, a portion of the floor area has been allocated to the Tokyo Building. Applying the idea of substitutional use, furthermore, the Hibiya Park Building is being designed with a focus on hotel use, while the Tokyo Building will contain mostly office space.

The Shin-Marunouchi Building, the sixth in the project, is scheduled to be completed in the fiscal year ending March 31, 2008. Mitsubishi Estate is continuing with the reconstruction of buildings in the Marunouchi district as it plans for the continued revitalization of district functions.

Overview of the Marunouchi Building Facilities

First-floor atrium "MARUCUBE"
A 30-meter cubical atrium facing Marunouchi Naka-dori, the main thoroughfare, will serve as a station to disseminate information about the district. As the district gateway for people visiting Marunouchi, this will be the venue for industry promotions, concerts and art events, a space overflowing with the excitement of the latest news and information from around the world.

Commercial facilities (B1 to 6th, 35th and 36th floors)
There will be commercial space for approximately 140 stores, 100 retail and service outlets and 40 restaurants and cafés. As the heart of the entertainment area of the district, these will operate 365 days a year.

From the B1 level to the 4th floor will be the shopping zone, a variety of domestic and international retail stores. There will be an array of stores from fashion and sundries to foods, each with its own theme and continually renewed message.

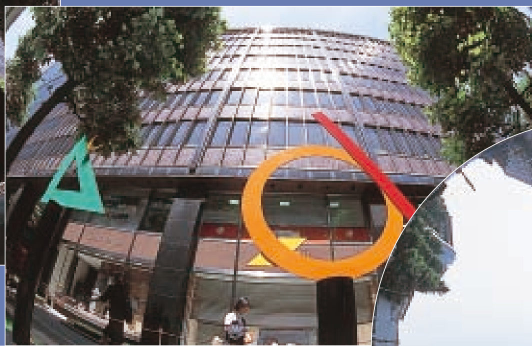
The 5th and 6th floors will be designated for restaurants, centered around an open plaza filled with light from the skylights above. The 35th and 36th floors will feature restaurants with spectacular views and will be suitable for business use.

Interactive Zone (7th and 8th floors)
The 7th and 8th floors will be an "Interactive Zone" where people can gather and interact. There will be a multipurpose hall on the 7th floor with a capacity for 400 persons and an assortment of meeting rooms on the 8th floor. The hall will be equipped with the latest audio-visual and IT facilities, an ideal space for presentations.

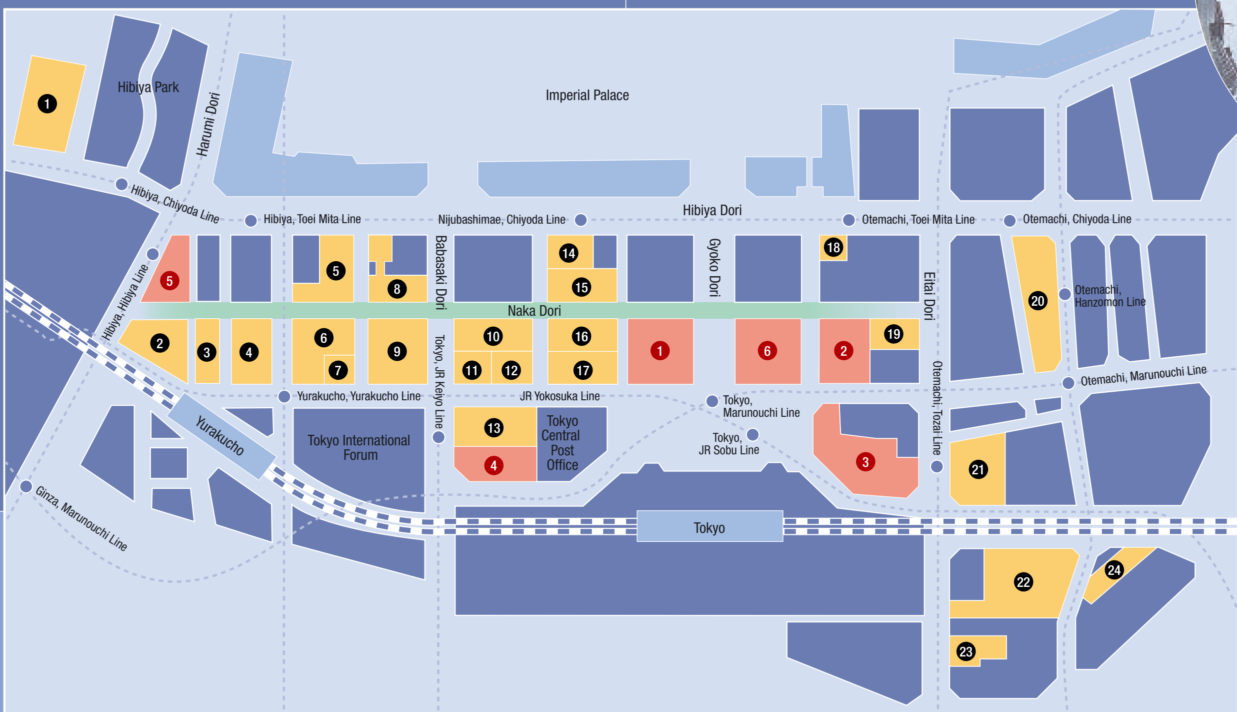
Office space (9th to 34th floors)
Total floor space is approximately 100,000 square meters, and the ceiling height of a standard floor is 2.8 meters. Offices are equipped with the highest standards of IT facilities, with approximately 2,000 square meters of open space without pillars. Tenants will mainly be leading companies that look to be major players in the next generation.

Marunouchi

Marunouchi City Campus
Established in cooperation with Keio University, the city campus has educational facilities in the business area. A cutting-edge educational environment, it provides a stage for the creation of new business models and lifestyles.



A street gallery on Naka Dori in Marunouchi featuring *Bound Rock* by Tomihisa Handa (above), and *They Laughed at Columbus* by Benbow Bullock (right), both from the collection of The Hakone Open-Air Museum



Leasing Buildings

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

	Reconstruction Projects	Start of Construction	Completion
1	Marunouchi Building	April 1999	August 2002
2	The Industry Club of Japan and Mitsubishi Trust and Banking Building Development Project	December 2000	February 2003
3	Tokyo Station Marunouchi North-Entrance Development Project	June 2001	August 2004
4	Tokyo Building	2004*	2007*
5	Hibiya Park Building	2004*	2007*
6	Shin-Marunouchi Building	2005*	2008*

*Years indicate fiscal years ending March 31.

DISTRICT BRAND STRATEGY

STRENGTHENING BUSINESS SUPPORT FUNCTIONS

Seeking to create business opportunities with a high degree of added value, the Shin-Marunouchi Building offers the "Shinmaru Conference Square" for all kinds of meetings, while the Yurakucho Building offers "Business Center Yurakucho," 28 small offices with secretary services, a common reception area and meeting rooms. These are used mainly by foreign companies as a base for startups, satellite offices or marketing.

Marunouchi Direct Access Co., Ltd. has laid a fiber-optic network connecting most of the buildings in the area. The Marunouchi district has the most developed fiber-optic communications environment in Japan, and tenants in the district are able to utilize services from a variety of communication providers. From May 2002 Mitsubishi Estate began providing offices fully supported by IT, a service capitalizing on this communications environment. By using the IT outlet plugs equipped in the office, tenants are able to outsource IT infrastructure and operations management, making it possible to drastically reduce costs relating to IT setup and administration.

SUPPORT FOR VENTURE BUSINESSES AND ALLIANCES WITH ACADEMIA

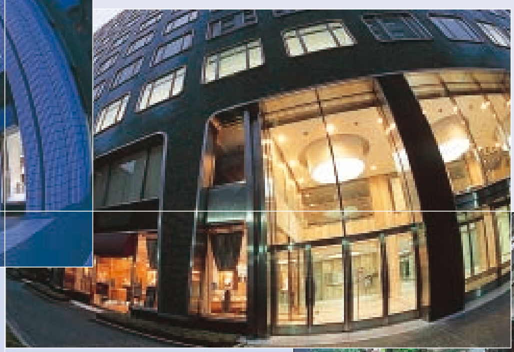
Mitsubishi Estate has also launched into support and cultivation of venture businesses, establishing "Marunouchi Frontier," a network of ten companies that specialize in the support of venture business.

As an alliance with academia, in April 2001 Mitsubishi Estate opened the Marunouchi City Campus in cooperation with Keio University as part of a plan to expand the educational facilities in the business square. Also established was "The Marunouchi Academic Suites," a place for university research departments on the 9th floor of the Marunouchi Building. Tenants include the Harvard Business School Japan Research Office, University of Tokyo Graduate School of Economics, and the Stockholm School of Economics European Institute of Japanese Studies, furthering corporate interaction with academia.

A DISTRICT TO ENJOY OUTSIDE OF THE OFFICE AS WELL

Offering total quality life, the ground floors of buildings facing Marunouchi's Naka Dori, the main thoroughfare, are being converted into shops. There are approximately 40 shops along this street—various brand outlets, restaurants and cafés—turning Marunouchi into a lively district.

Over 1,000 people a day enjoy the Marunouchi Café, an open space unveiled in 1998 and managed by Mitsubishi Estate. A website for the area, Marunouchi.com, also provides a variety of information and promotes interaction both real and virtual.



Marunouchi Café

BUILDING BUSINESS OPERATIONS

Revitalizing Marunouchi and Increasing Profitability

① **Tokyo Building Reconstruction Project**
Currently under planning and expected to be completed in the fiscal year ending March 31, 2007, this will be the first building in Japan to take advantage of regulations allowing unused air rights to be transferred from other sites in the district to increase floor space.

② **Sanno Park Tower**
Completed in January 2001, this office building is 44 stories above ground and has a height of 194 meters. A large-scale office building in a prime location in the urban center.

③ **Rinku Premium Outlets**
A center for shopping operated by Chelsea Japan Co., Ltd. in a partnership between U.S.-based Chelsea Property Group, Inc. and Nissho Iwai Corporation. The center was expanded in March 2002, making it the largest of its kind in Japan.

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The Building Business Division handles leasing and property management of office buildings, management of large-scale shopping centers, operation of parking lots, and operation of heating and cooling services throughout Japan, enhancing the capabilities of a city from the standpoint of urban management.

THE MARUNOUCHI REDEVELOPMENT PROJECT

At the forefront of building business operations is the redevelopment of the Marunouchi district, a project to enhance the appeal of the area through the rebuilding and large-scale renovation of office buildings. Six buildings will be completely rebuilt, including the Marunouchi Building, which will open on September 6, 2002, and The Industry Club of Japan and Mitsubishi Trust and Banking Building Development Project, which will be completed in February 2003. We expect all six buildings to be completed by the fiscal year ending March 31, 2008.

Several buildings are currently being renovated. Renovation for one of these, the Shin-Otemachi Building, was completed in July 2001. Mitsubishi Estate's redevelopment of Marunouchi involves not only the rebuilding and renovation of buildings, but also extends to services and amenities intended to provide a complete brand strategy for the district.

IMPROVING EFFICIENCY

As part of our efforts to strengthen the property management function of the Building Business Division, the division will switch to a new management structure whereby a section of the Marunouchi area that includes the Marunouchi Building will be managed by Mitsubishi Estate Building Management Co., Ltd. This will cut building management costs and strengthen the property management functions of the Group, allowing us to more aggressively pursue external orders.

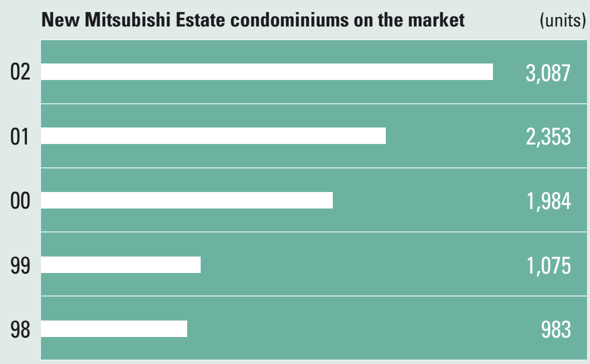
The division is also working to improve the efficiency of its assets, and in February 2002 sold its share of the Kanazawa Park Building. Furthermore, through a combination of land revaluation and a loss on impairment of property and equipment undertaken in the fiscal year ended March 31, 2002, we have brought the declared value of our property holdings much closer to their market value. We are also planning a review of our property portfolio by selling certain properties to further increase asset efficiency.

SHOPPING CENTER BUSINESS

The Building Business Division operates shopping centers in Tokyo and Yokohama, among others, and work is also proceeding on a plan to commercialize Naka-dori, the main thoroughfare of Marunouchi, as part of its redevelopment. Mitsubishi Estate is also in a partnership with U.S.-based Chelsea Property Group, Inc. and Nissho Iwai Corporation to form Chelsea Japan Co., Ltd., which operates outlet malls in Gotemba in Shizuoka Prefecture and in Izumisano in Osaka Prefecture. Floor space was increased at Rinku Premium Outlets in Osaka in March 2002, making it the largest outlet mall in Japan. Work is also scheduled to begin on Sano Premium Outlets in Sano, Tochigi Prefecture in the spring of 2003, as part of the continued expansion of the shopping center business.

RESIDENTIAL DEVELOPMENT OPERATIONS

Continued Growth in Condominiums



① **W Comfort Towers**
Now under construction in Shinonome in Tokyo's Koto Ward, the W Comfort Towers will be among the foremost high-rise condominiums in Japan, with 1,149 residence units available.

② **Ginza Tower**
The Ginza Tower is a 25-story building currently being constructed in the Ginza 1-chome district, with 180 condominiums offering a fixed-term land leasehold approximately 30% cheaper compared with general freehold ownership housing.

③ **Izumi Park Town**
Encompassing 1,070 hectares in total area, Izumi Park Town was first established for development in Sendai, Miyagi Prefecture in 1972 and is one of the largest multifunctional developments in the country, with a planned population of approximately 50,000 residents.

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The Residential Development Division, in its aim to fulfill its role as a provider of ideal living environments, develops and markets condominiums, single-unit homes and residential land, as well as engages in businesses such as condominium administration and consulting services for the optimal use of real estate.

FOR THE FIRST TIME, MORE THAN 3,000 NEW CONDOMINIUMS

As a result of the positive effects of low interest rates on housing loans and tax measures promoting residence purchasing, market conditions for condominiums experienced a favorable shift, and in the fiscal year ended March 31, 2002, the Company was able to bring to market more than 3,000 new condominiums for the first time in its history, concentrating its efforts in popular areas. Furthermore, gross profit margin for the condominium business continued its year-on-year improvement, reaching approximately 20% for the fiscal year under review, owing to the implementation of an integrated site acquisition-to-product planning system that shortens the development period and strengthens marketing power, as well as improvements in product planning such as cooperation with other types of businesses.

The division is focusing its efforts in the condominium business on high-rise, large-scale condominiums with spectacular views and featuring shared facilities with pleasant surroundings, as well as convenient condominiums in urban centers with short-term development periods. In the fiscal year under the review, furthermore, we continued our tradition of providing spacious and affordable housing by launching condominiums with a fixed-term land leasehold in the Ginza district in Tokyo's Chuo Ward and Funabashi City in Chiba Prefecture offering price levels approximately 30% lower than general freehold ownership housing.

ENSURING HIGH-QUALITY CONDOMINIUMS THAT ANSWER CUSTOMER NEEDS

Mitsubishi Estate is pushing forward with the introduction of its unique housing performance-quality indication system. This system was created to release easy-to-understand data to customers regarding quality standards from the design stage through construction and completion. It uses design-quality evaluation reports published by rating agencies as well as the Company's own performance-quality indication index and disclosure reports.

ARCHITECTURAL DESIGN & ENGINEERING OPERATIONS

Establishing Brand Presence as a Leading Company in the Design and Engineering Industry

Mitsubishi Estate's Architectural Design & Engineering Division is engaged in the business of design and administration of construction and engineering projects, services that support building renovation and urban and regional development, as well as comprehensive consulting. Formerly a division of Mitsubishi Estate, Mitsubishi Jisho Sekkei Inc. was made an independent subsidiary and began operations in June 2001. While making full use of its design and technology capabilities to support the Group's business as a comprehensive developer, Mitsubishi Jisho Sekkei has aggressively sought to expand since gaining an independent structure, increasing orders from new customers such as real estate developers and establishing brand presence as a leading company in the design and engineering industry.

Our policy as we move forward is to encourage positive exchanges with other major design companies both inside and outside Japan, and as a part of that policy in 2001 we formed an alliance with the major American design and engineering firm Sasaki Associates, Inc. Through the interchange of expertise with a company strong in the fields of landscape design, campus planning, and urban design, we are seeking to strengthen our operational structure in the field of environmental design centered on landscaping and create links to new business overseas.

Furthermore, to address environmental issues we acquired ISO 14001 certification in January 2002 and are integrating operations with the ISO 9001 certification already received as we work in an original way toward increasing customer satisfaction and harmonious existence with the global environment.

Targeting the interior design sector, MEC Design International Corporation not only provides interior design services but also functions as a strategic asset in the field of facility management, enabling the Group to form an optimized structure boasting multidimensional capabilities.

① **ADK SHOCHIKU SQUARE**
Scheduled completion date: October 2002
Two floors below ground, 23 above
Owner: Shochiku Co., Ltd.

② **NIHON TEREBI TOWER**
Scheduled completion date: April 2003
Four floors below ground, 32 above
Owner: Nippon Television Network Corporation (NTV)

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URBAN DEVELOPMENT AND INVESTMENT MANAGEMENT OPERATIONS

Expanding Business Along the Two Axes of Development and Management

Higashi-Azabu Residence (tentative)
Mitsubishi Estate entered the service apartment business in April 2002 with the establishment of Ascott International Management Japan Co., Ltd. a joint venture with Singapore-based the Ascott Group Limited to manage and operate service apartments in Japan. The Higashi-Azabu Residence service apartment is currently under construction in Minato-ku, with completion planned for February 2003.

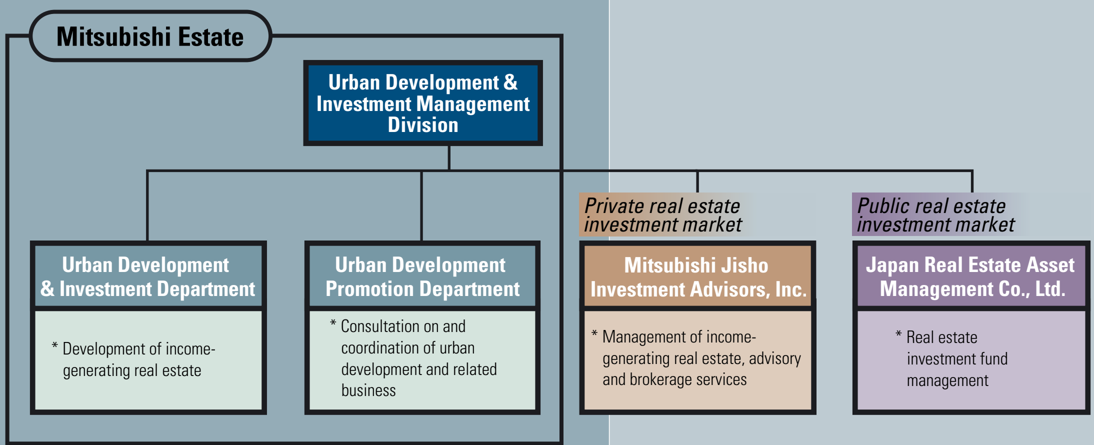
The fundamental strategy of the Urban Development and Investment Management Division is to respond to the needs of institutional and individual investors for income-generating real estate investments by providing superior growth-oriented real estate development and management services. Under this strategy, the division is pushing forward with a two-phase system encompassing planning, implementation and selling functions in development business and administration functions in the management business.

Although development operations form the core of Mitsubishi Estate's identity, the Company plans to expand beyond its traditional objective of long-term ownership to form a development business that generates capital gains through sales in the market following project completion and start of operations. The Company is planning to invest ¥10 billion on an annual basis through its equity base.

At the same time, we are pursuing fee-based management services through the operations of Japan Real Estate Asset Management Co., Ltd., the flagship management vehicle for Japan Real Estate Investment Corporation, the first J-REIT company listed on the Tokyo Stock Exchange, as well as Mitsubishi Jisho Investment Advisors Inc., recently established as a comprehensive real estate investment advisory company.

Recently a tremendous opportunity has emerged in response to the challenges of renewing urban redevelopment policy, reforming the tax and corporate accounting systems and boosting growth in the J-REIT fund market. To capitalize on this business opportunity, the division's development and management functions will work together to respond to the social and economic needs required for the revitalization of real estate investment markets and urban redevelopment.

Overview of Urban Development and Investment Management Operations



INTERNATIONAL BUSINESS OPERATIONS

Construction Commenced on Paternoster Square Redevelopment Project

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① **Paternoster Square Redevelopment Project**
Four complexes of offices and retail outlets being built on a 15,000 square-meter site in the City of London, the project is due to be completed in the first half of the fiscal year ending March 31, 2004.

② **777 Tower**
Designed by Cesar Pelli, this office building located in Los Angeles, California was completed in 1991.

The International Business Division leases the office buildings it owns in such cities as New York and Los Angeles, and conducts real estate development across the United States and in London through the Rockefeller Group, Inc. (RGI). In addition, the division operates a global network of comprehensive real estate services centered on the real estate brokerage services of RGI subsidiary Cushman & Wakefield, Inc.

After commencing construction in 2001, the Company is aiming to complete the Paternoster Square Redevelopment Project in London in the first half of the fiscal year ending March 31, 2004. The project is being built on a 15,000 square-meter site in the City of London next to St. Paul's Cathedral and will consist of office buildings, retail outlets and leisure accommodations in four complexes (82,000-m^2 total floor space), whose tenants will include the London Stock Exchange, Goldman Sachs International and CB Hillier Parker.

Furthermore, construction has been partially completed on a midtown New York property on 745 Seventh Avenue (32 floors, 98,000-m^2 total floor space). This project was co-developed by RGI and Lehman Brothers Inc., which started to move in from January 2002.

CUSTOM-BUILT HOUSING OPERATIONS

The Launch of “New Aerotech”

① **“u:D” Exterior**
A new type of home that maximizes the potential of the building lot. Leading designers make proposals for innovative homes.

② **“u:D” Interior**
Personalized living and dining rooms where families can relax and friends can visit.

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The Custom-Built Housing Division seeks to supply the kind of quality housing that is the foundation of a rich life. Through Mitsubishi Estate Home Co., Ltd, we carry out contracts for the building of homes for both individuals and housing development companies. Our mainstay product is two-by-four, single-unit houses. In January 2001 we launched a new brand, “Mitsubishi Home,“ in a move to position ourselves as the representative homebuilder of the Mitsubishi Group. From contract to post-purchase service, we are striving through close communication with customers to build homes that will satisfy our customers for years to come.

In April 2002 Mitsubishi Estate Home launched “New Aerotech,” an upgraded and more efficient model of Aerotech, the central heating and cooling system that has been installed in over 2,500 homes. Also in April 2002 we began marketing “u:D,” a new kind of urban home with fashionable and stylish designs to expand our product lineup and appeal to new customers.

The condominium and house renovation business saw increased orders, and is set to grow into a pillar of the business second only to custom-built houses.

We expect the difficult business environment to continue in the future, and will work to revive our business performance by reexamining cost structures such as marketing and administrative expenses, and by lowering the primary costs of building.

HOTEL BUSINESS OPERATIONS

The Royal Park Shiodome Tower to Open in July 2003

In the Hotel Business Division, the hotel management company Royal Park Hotels and Resorts Co., Ltd. has integrated its administration and management functions in a move to improve the efficiency of each hotel, accumulate administrative expertise, and improve the level of management. Hotels in the Royal Park Hotels chain have spread to eight locations including Tokyo, Yokohama and Sendai, and a second Tokyo location is due to begin operations in July 2003, the Royal Park Shiodome Tower in the Shiodome district.

The Royal Park Shiodome Tower will have 490 guest rooms and aims to be a new kind of hotel focused on lodging but with convenience facilities such as dedicated meeting rooms, laundry corners, a convenience store, business service center and a relaxation spa. With the completion of this hotel, our hotel chain will consist of nine hotels with a total of 2,543 guest rooms.

We have also moved into the new business of operating conferencing facilities in the Marunouchi district. This new business includes the management of rental conference rooms and event halls, drawing on our previous experience with other hotel services.

Moving forward, we plan to strengthen the functions of the hotel chain through the exchange of personnel and sponsoring simultaneous events at each hotel, as well as increasing the strength of the Royal Park Hotels brand through hotel consulting and contracted management of independently operated, luxurious hotels in the downtown area.

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① **Royal Park Shiodome Tower**
Located in Media City Shiodome, this new style of hotel will be created around the concepts of stylish space, a convenient environment and flexible service.

② **Yokohama Royal Park Hotel**
This hotel is located in the high-rise section of the Landmark Tower Yokohama in the Minato Mirai 21 district. Guest rooms on the 52nd to 67th floors are the highest in Japan at 210 meters, offering scenery that changes with the direction, season and time of day.

RECREATIONAL FACILITY OPERATIONS

Aggressive Expansion of Suburban Fitness Club Facilities

In response to growth in leisure time and the advent of a rapidly aging society, the Recreational Facility Division continues to expand its business in such facilities as fitness and golf clubs.

Our fitness club chain, Liv Sports Co., Ltd., operates seven branches of the Liv Fitness Club in the Tokyo metropolitan area. In recent years the chain has been aggressively proceeding with openings of large-scale suburban clubs to satisfy expectations of increased demand among families, and launched branches in Sagamihara, Kanagawa Prefecture in August 2001 and Asaka, Saitama Prefecture in May 2002.

While we are implementing such measures to augment facilities in our golf course operations as the introduction of electromagnetic induction-guided carts at our Shizuoka Prefecture-based Higashi-Fuji Country Club and Fuji International Golf Club, we are also progressing with efforts to improve management efficiency amid continued severe operating conditions through Groupwide cost reductions.

In addition, the division is developing urban recreational facilities business for such sports as "Futsal" (five-on-five soccer) and membership-based tennis clubs.

① **Liv Fitness Club**
This large-scale Liv fitness club opened in May 2002 features a 3,050-m² training gym and a variety of relaxation facilities. An all-around club complete with general-purpose spaces and other amenities.

② **Resort Park Onikobe Golf Course**
An 18-hole course located on a sprawling 144-hectare resort where one can enjoy the distinctive features of the front and back nine.

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FINANCIAL REVIEW

SUMMARY

In the fiscal year ended March 31, 2002, revenue and profit in the building segment increased, but the real estate brokerage segment saw declines in revenue and profit due to the effects of the economic downturn in the United States.

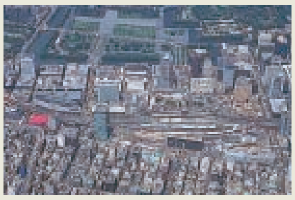
Over the last two fiscal years, in the creation of a healthy balance sheet, Mitsubishi Estate recorded valuation losses on inventories and transferred non-performing and under-performing fixed assets to inventories, recording valuation losses on those assets. At the end of the fiscal year ended March 31, 2002, with the aim of strengthening its financial position further Mitsubishi Estate revaluated its land at fair value in accordance with the "Enforcement Ordinance for the Law Concerning Revaluation Reserve for Land" and its amendments, as well as revalued property and equipment on income-generating properties such as leasing buildings. This clears away unrealized capital losses on land and properties on a consolidated basis, and completes the restructuring of the balance sheet.

ANALYSIS OF REVENUE

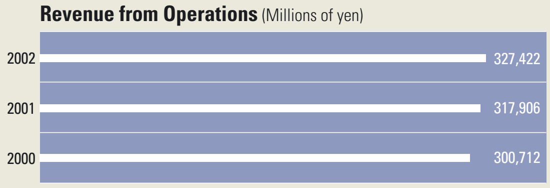
Revenue from operations for the fiscal year ended March 31, 2002 was ¥631,564 million (US$4,739.7 million), an increase of 0.1% from the previous fiscal year. Breakdown by segment and the background for these results are discussed below.

The building segment, the building leasing operation of Mitsubishi Estate, saw an increase in rental fees resulting from an improvement in the vacancy rate, and rising revenue at subsidiary Rockefeller Group, Inc. (RGI) that contributed to operating revenue of ¥327,422 million (US$2,457.2 million), an increase of 3.0% from the previous fiscal year. Revenue from the residential development segment increased 3.3% to ¥137,350 million (US$1,030.8 million) due to an upturn in condominium sales despite declining revenue from consignment business, and sales

Buildings Segment

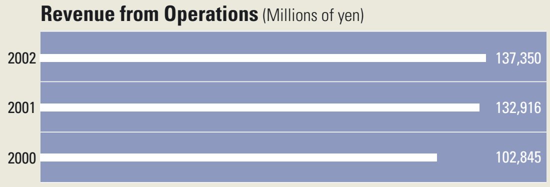


Revenue for the buildings segment comprises the leasing and management of office buildings in Japan, in the United States through the Rockefeller Group, Inc., parking lot operations, and district heating and cooling.



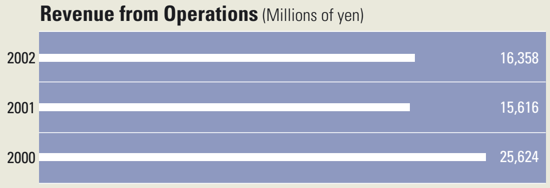
Residential Development Segment

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.



Architectural & Engineering Segment

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



of homes and residential lots. Revenue from the architectural and engineering segment increased 4.7% to ¥16,358 million (US$122.8 million) due to progress on large-scale projects. Revenue from the real estate brokerage segment fell 8.8% to ¥79,691 (US$598.1 million) due to a decline in revenue at Cushman & Wakefield, Inc., a subsidiary of RGI, which is feeling the effects of the business slowdown in the United States, and reflecting the economic effects in the Japanese market on brokerage business. Revenue from the custom-built housing segment declined 16.8% to ¥30,898 million (US$231.9 million) due to falling revenues at Mitsubishi Estate Home Co., Ltd. Revenue from the hotels segment fell 6.6% to ¥30,450 million (US$228.5 million), and revenue from the other segment increased 20.6% to ¥22,187 million (US$166.5 million) due to rising revenue from the telecommunications business of a subsidiary of RGI.

ANALYSIS OF INCOME

Operating income declined 4.6% to ¥76,921 million (US$577.3 million). The decline in income is mainly a result of the effect of the performance of Cushman & Wakefield on the real estate brokerage segment, even though operating income from the building segment rose.

OTHER INCOME AND EXPENSES

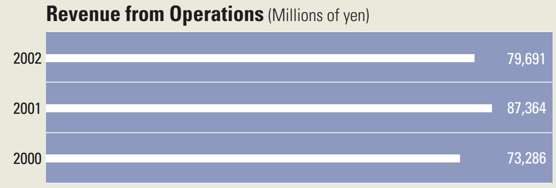
For the fiscal year under review, interest and dividend income totaled ¥2,622 million (US$19.7 million) and interest expense totaled ¥32,639 million (US$244.9 million).

Loss on impairment of property and equipment totaled ¥156,365 million (US$1,173.5 million). There was ¥9,680 million (US$72.6 million) for valuation loss on inventories and ¥4,048 million (US$30.4 million) for unrealized loss on securities.

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.

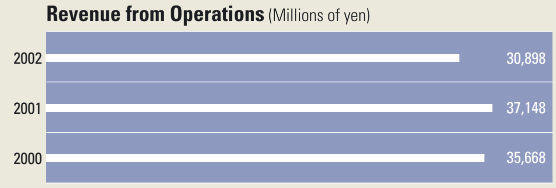
Revenue from Operations (Millions of yen)



Custom-Built Housing Segment

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

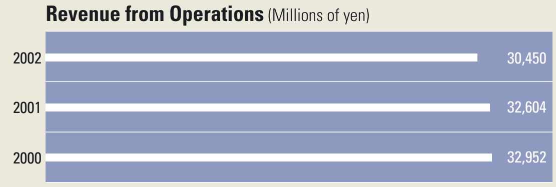
Revenue from Operations (Millions of yen)



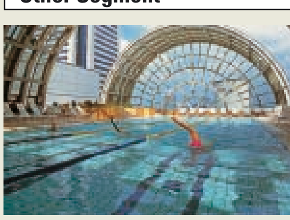
Hotels Segment

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

Revenue from Operations (Millions of yen)

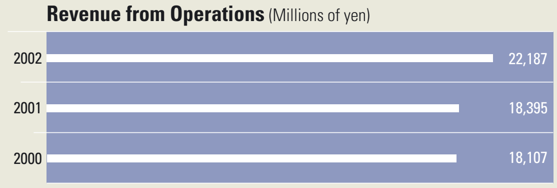


Other Segment



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.

Revenue from Operations (Millions of yen)



NET INCOME

Income before income taxes and minority interests totaled a loss of ¥126,848 million (US$952.0 million). Net income fell ¥90,890 million from the previous fiscal year to a net loss of ¥71,058 million (US$533.3 million), and net income per share ended at a loss of ¥54.70 (US$0.41).

ANALYSIS OF FINANCIAL POSITION

(1) Consolidated Cash Flows

Cash and cash equivalents for the fiscal year under review (hereafter "cash") declined 26.6% from the fiscal year to ¥131,374 million (US$985.9 million) owing to the purchase of property and equipment and investment securities, redemption of corporate bonds, and repayment of long-term borrowings, despite increases in cash from corporate bond issuance and loans for short and long-term borrowings.

Cash flows from operating activities

In the fiscal year under review, cash provided by operating activities was ¥104,106 million (US$781.3 million), down ¥3,537 million from the previous fiscal year. Although income before income taxes and minority interests was a loss of ¥126,848 million (US$952.0 million), this was principally due to the non-cash items of depreciation and amortization, valuation loss on inventories and loss on impairment of property and equipment. Cash was also provided by decreases in notes and accounts receivables and inventories.

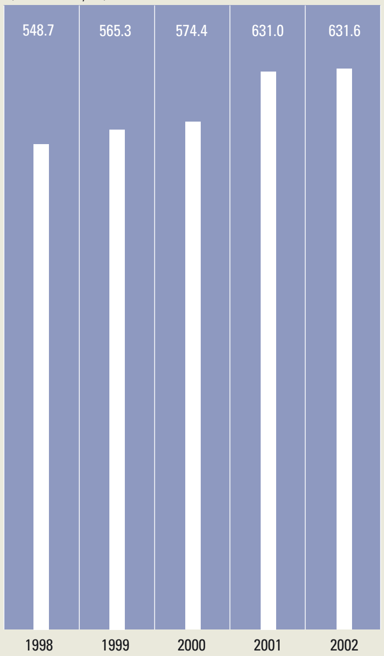
Cash flows from investing activities

In the fiscal year under review, cash used in investing activities was ¥120,532 million (US$904.6 million), down ¥71,363 million from the previous fiscal year. This ¥120,532 million is mainly due to the construction of the Marunouchi Building in the course of the Marunouchi Redevelopment Project, payments for the acquisition of interests in the Sanno Park Tower and the Aoyama Building, and renewal of existing buildings owned by Mitsubishi Estate. Also, to utilize idle funds the Company made purchases of interest-bearing bonds and investment in the J-REIT of Japan Real Estate Investment Corporation. Capital expenditures were also made for the Paternoster Square Redevelopment Project in the United Kingdom, an integrated development project by a foreign subsidiary.

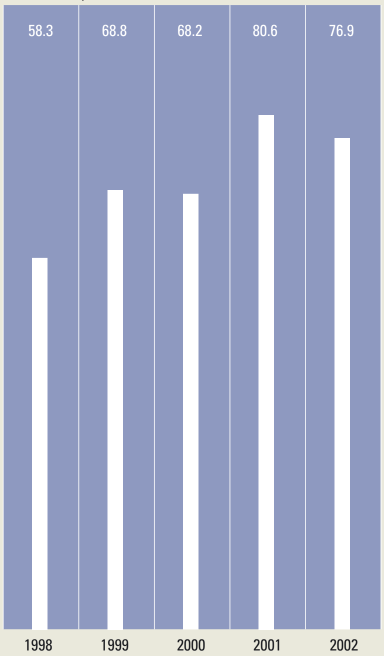
Cash flows from financing activities

In the fiscal year under review, cash used in financing activities was ¥35,150 million (US$263.8 million), down

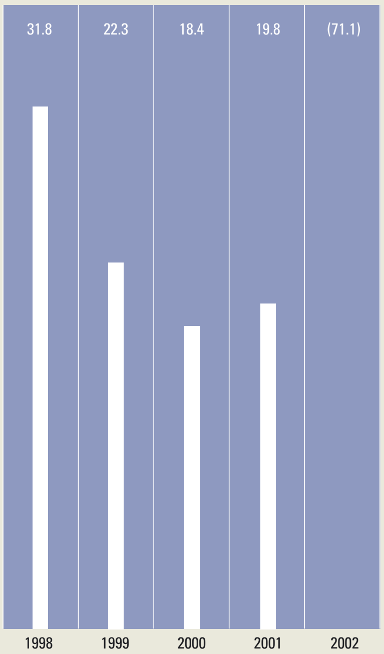
Revenue from Operations
(Billions of yen)



Operating Income
(Billions of yen)



Net Income
(Billions of yen)



¥67,856 million from the previous fiscal year. This ¥35,150 million is mainly due to a net increase of short and long-term borrowings, a net decrease for redemption and issuance of corporate bonds, repurchase of bonds and cash dividends paid.

(2) Consolidated Balance Sheets

In addition to the increases and decreases in assets and liabilities in operating, investing and financing activities outlined above, during the fiscal year under review Mitsubishi Estate conducted a revaluation of land and recorded an impairment loss on property and equipment, valuation loss on inventories and an unrealized loss on securities for investment, brought IMS Co., Ltd. under consolidation as a subsidiary and removed Hokuriku Estate Co., Ltd. from consolidation. As a result, assets increased ¥500,532 million to ¥3,035,795 million (US$22,782.7 million).

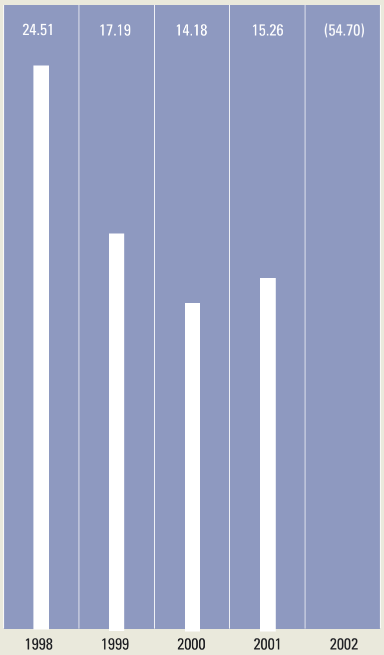
Liabilities increased ¥184,412 million to ¥2,160,286 million (US$16,212.3 million) due to deferred income taxes, and minority interests increased ¥2,389 million to ¥43,012 million (US$322.8 million). Shareholders' equity increased ¥313,731 million to ¥832,497 million (US$6,247.6 million), due to the recording of a land revaluation reserve and despite a decrease in an unrealized gain in securities.

MANAGEMENT INITIATIVES AND FINANCIAL STRATEGIES

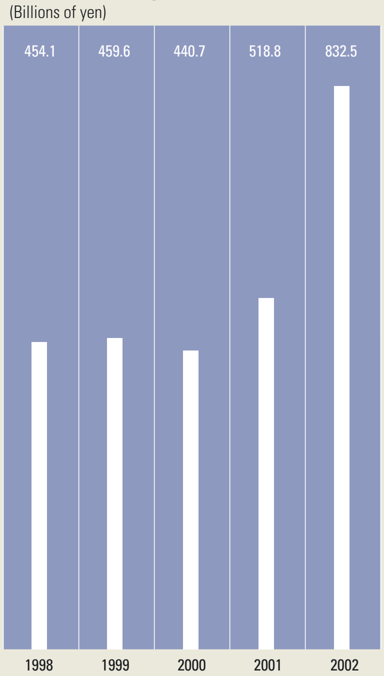
Mitsubishi Estate's three-year business plan was announced in March 2002, setting the goal of EBITDA (Earnings before interest, taxes, depreciation, and amortization) of ¥170 billion by March 31, 2005. This assumes revenue from operations of ¥723 billion, operating income of ¥110 billion, and an interest-bearing debt balance of ¥1,160 billion. Mitsubishi Estate will achieve its goals through the management strategies of merging its asset and non-asset businesses, strengthening asset-solution functions and strengthening management systems.

The Mitsubishi Estate Group encourages management that places importance on shareholder value, and seeks to increase the value of the entire Group.

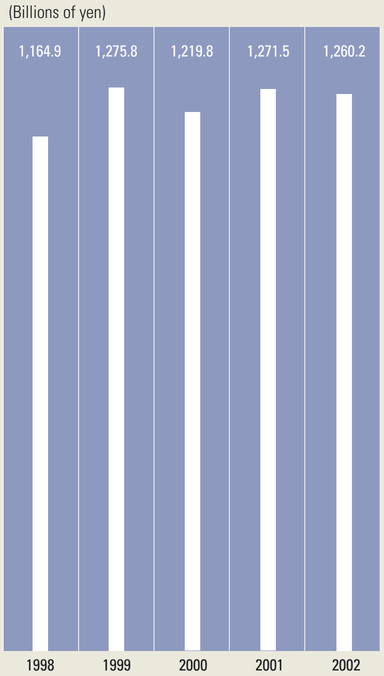
Net Income per Share
(Yen)



Shareholders' Equity
(Billions of yen)



Interest-Bearing Debt
(Billions of yen)



INDEPENDENT AUDITORS' REPORT

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

We have audited the consolidated balance sheets of Mitsubishi Estate Co., Ltd. and consolidated subsidiaries as of March 31, 2002 and 2001 and the related consolidated statements of operations, shareholders' equity and cash flows for the years then ended, 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. As more fully described in Notes 2 and 16 to the consolidated financial statements, effective in the year ended March 31, 2002, the Company has changed its method of accounting for revenue recognition policy concerning certain long-term projects from the completion method to the percentage of completion method. Furthermore, as more fully described in Note 16 to the consolidated financial statements, effective in the year ended March 31, 2002, the Company has changed its classification of certain personnel expenses in the segment information.

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, 2002 and 2001, and the results of their operations and their cash flows for the years then ended in conformity with accounting principles and practices generally accepted in Japan consistently applied during the period except for the changes , with which we concur, as described in the preceding paragraphs.

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, 2002 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 27, 2002

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.

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, 2002 and 2001

	Millions of yen		Thousands of U.S. dollars (Note 3)
Assets	**2002**	2001	**2002**
Current assets:			
Cash (Note 14)	**¥ 131,738**	¥ 171,805	**$ 988,653**
Marketable securities (Note 4)	**28,862**	17,294	**216,600**
Notes and accounts receivable—trade	**49,793**	56,088	**373,681**
Allowance for doubtful receivables	**(5,008)**	(5,248)	**(37,583)**
Inventories (Note 5)	**242,405**	251,113	**1,819,174**
Deferred income taxes (Note 9)	**50,440**	64,008	**378,537**
Other current assets	**32,147**	23,636	**241,253**
Total current assets	**530,377**	578,696	**3,980,315**
Investments:			
Investments in and advances to unconsolidated subsidiaries and affiliates	**23,206**	21,011	**174,154**
Investment securities (Note 4)	**164,458**	193,117	**1,234,206**
Other investments (Notes 6 and 7)	**161,633**	148,781	**1,213,006**
Total investments	**349,297**	362,909	**2,621,366**
Property and equipment (Note 7):			
Land	**1,341,163**	660,136	**10,065,013**
Buildings and structures	**1,443,094**	1,403,110	**10,829,973**
Machinery and equipment	**94,000**	88,290	**705,441**
Construction in progress	**57,601**	39,413	**432,278**
	2,935,858	2,190,949	**22,032,705**
Less accumulated depreciation	**(858,384)**	(655,617)	**(6,441,906)**
Property and equipment, net	**2,077,474**	1,535,332	**15,590,799**
Intangible and other assets (Note 9)	**78,647**	58,326	**590,222**
Total assets	**¥3,035,795**	¥2,535,263	**$22,782,702**

See accompanying notes to consolidated financial statements.

Liabilities, minority interests and shareholders' equity	Millions of yen 2002	2001	Thousands of U.S. dollars (Note 3) 2002
Current liabilities:			
Short-term borrowings and current portion of long-term debt (Note 7)	**¥ 300,432**	¥ 234,360	**$ 2,254,649**
Notes and accounts payable—trade	**52,401**	59,865	**393,253**
Accrued income taxes (Note 9)	**4,679**	4,092	**35,114**
Advances and deposits	**57,034**	56,844	**428,023**
Accrued expenses and other current liabilities (Note 9)	**43,798**	61,178	**328,691**
Total current liabilities	**458,344**	416,339	**3,439,730**
Long-term debt (Note 7)	**959,753**	1,037,144	**7,202,649**
Lease deposits	**323,869**	319,464	**2,430,537**
Employees' retirement allowances (Note 8)	**10,731**	10,198	**80,533**
Deferred income taxes (Note 9)	**349,977**	146,736	**2,626,469**
Other noncurrent liabilities	**57,612**	45,993	**432,360**
Total liabilities	**2,160,286**	1,975,874	**16,212,278**
Minority interests	**43,012**	40,623	**322,792**
Shareholders' equity (Note 10)**:**			
Common stock, without par value:			
Authorized—1,980,000,000 shares;			
Issued and outstanding —1,299,185,054 shares	**86,534**	86,534	**649,411**
Capital surplus	**115,216**	115,216	**864,660**
Land revaluation reserve	**399,769**	—	**3,000,143**
Retained earnings	**182,529**	264,091	**1,369,824**
Unrealized gain on securities	**48,709**	63,156	**365,546**
Foreign currency translation adjustments	**(144)**	(10,224)	**(1,081)**
	832,613	518,773	**6,248,503**
Less treasury stock—113,913 shares in 2002; 6,533 shares in 2001	**(116)**	(7)	**(871)**
Total shareholders' equity	**832,497**	518,766	**6,247,632**
Contingent liabilities (Note 12)			
Total liabilities, minority interests and shareholders' equity	**¥3,035,795**	¥2,535,263	**$22,782,702**

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF OPERATIONS

Mitsubishi Estate Co., Ltd. and Consolidated Subsidiaries
Years ended March 31, 2002, 2001 and 2000

	Millions of yen			Thousands of U.S. dollars (Note 3)
	2002	2001	2000	**2002**
Revenue from operations	**¥631,564**	¥630,990	¥574,396	**$4,739,692**
Cost of revenue from operations	**510,378**	507,447	463,708	**3,830,229**
Selling, general and administrative expenses	**44,265**	42,904	42,487	**332,195**
Operating income	**76,921**	80,639	68,201	**577,268**
Other income (expenses):				
Interest and dividend income	**2,622**	3,777	4,310	**19,677**
Interest expense	**(32,639)**	(36,436)	(40,318)	**(244,945)**
Loss on impairment of property and equipment	**(156,365)**	—	—	**(1,173,471)**
Other, net (Note 13)	**(17,387)**	(14,840)	4,355	**(130,484)**
	(203,769)	(47,499)	(31,653)	**(1,529,223)**
Income (loss) before income taxes and minority interests	**(126,848)**	33,140	36,548	**(951,955)**
Income taxes (Notes 1 and 9)**:**				
Current	**7,018**	8,383	8,887	**52,668**
Deferred	**(61,191)**	2,839	7,531	**(459,220)**
	(54,173)	11,222	16,418	**(406,552)**
Minority interests	**(1,617)**	2,086	1,709	**(12,135)**
Net income (loss)	**¥(71,058)**	¥ 19,832	¥ 18,421	**$ (533,268)**

	Yen			U.S. dollars (Note 3)
Net income (loss) per share:				
Basic	**¥(54.70)**	¥15.26	¥14.18	**$(0.41)**
Diluted	**—**	14.84	—	**—**
Cash dividends per share	**8.00**	8.00	8.00	**0.06**

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, 2002, 2001 and 2000

	Common stock	Capital surplus	Land revaluation reserve	Retained earnings	Unrealized gain on securities	Foreign currency translation adjustments	Treasury stock	Total shareholders' equity
								Millions of yen
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)
Changes in consolidated subsidiaries and companies accounted for by the equity method	—	—	—	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 securities (Note 1)	—	—	—	—	63,156	—	—	63,156
Changes in consolidated subsidiaries and companies accounted for by the equity method	—	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**
Net loss	**—**	**—**	**—**	**(71,058)**	**—**	**—**	**—**	**(71,058)**
Foreign currency translation adjustments	**—**	**—**	**—**	**—**	**—**	**10,080**	**—**	**10,080**
Net decrease in unrealized gain on securities	**—**	**—**	**—**	**—**	**(14,447)**	**—**	**—**	**(14,447)**
Land revaluation reserve (Note 1)	**—**	**—**	**399,769**	**—**	**—**	**—**	**—**	**399,769**
Changes in consolidated subsidiaries and companies accounted for by the equity method	**—**	**—**	**—**	**72**	**—**	**—**	**—**	**72**
Cash dividends paid	**—**	**—**	**—**	**(10,393)**	**—**	**—**	**—**	**(10,393)**
Directors' and statutory auditors' bonuses	**—**	**—**	**—**	**(183)**	**—**	**—**	**—**	**(183)**
Treasury stock	**—**	**—**	**—**	**—**	**—**	**—**	**(109)**	**(109)**
Balance at March 31, 2002	**¥86,534**	**¥115,216**	**¥399,769**	**¥182,529**	**¥48,709**	**¥(144)**	**¥(116)**	**¥832,497**
								Thousands of U.S. dollars (Note 3)
Balance at March 31, 2001	**$649,411**	**$864,660**	**$ —**	**$1,981,921**	**$473,966**	**$(76,728)**	**$ (53)**	**$3,893,177**
Net loss	**—**	**—**	**—**	**(533,268)**	**—**	**—**	**—**	**(533,268)**
Foreign currency translation adjustments	**—**	**—**	**—**	**—**	**—**	**75,647**	**—**	**75,647**
Net decrease in unrealized gain on securities	**—**	**—**	**—**	**—**	**(108,420)**	**—**	**—**	**(108,420)**
Land revaluation reserve (Note 1)	**—**	**—**	**3,000,143**	**—**	**—**	**—**	**—**	**3,000,143**
Changes in consolidated subsidiaries and companies accounted for by the equity method	**—**	**—**	**—**	**540**	**—**	**—**	**—**	**540**
Cash dividends paid	**—**	**—**	**—**	**(77,996)**	**—**	**—**	**—**	**(77,996)**
Directors' and statutory auditors' bonuses	**—**	**—**	**—**	**(1,373)**	**—**	**—**	**—**	**(1,373)**
Treasury stock	**—**	**—**	**—**	**—**	**—**	**—**	**(818)**	**(818)**
Balance at March 31, 2002	**$649,411**	**$864,660**	**$3,000,143**	**$1,369,824**	**$365,546**	**$(1,081)**	**$(871)**	**$6,247,632**

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

Mitsubishi Estate Co., Ltd. and Consolidated Subsidiaries
Years ended March 31, 2002, 2001 and 2000

	Millions of yen			Thousands of U.S. dollars (Note 3)
	2002	2001	2000	**2002**
Operating activities				
Income (loss) before income taxes and minority interests	**¥(126,848)**	¥33,140	¥36,548	**$(951,955)**
Depreciation and amortization	**63,638**	65,728	64,167	**477,583**
Net realized gain (loss) on sales of property and equipment	**7,575**	(43,440)	(37,407)	**56,848**
Net realized gain on sales of securities	**(616)**	(21,497)	(18,012)	**(4,623)**
Unrealized loss on securities	**4,048**	1,664	2,166	**30,379**
Valuation loss on inventories	**9,680**	94,239	32,614	**72,645**
Loss on impairment of property and equipment	**156,365**	—	—	**1,173,471**
Equity in net income of affiliates	**(1,667)**	(1,507)	(1,689)	**(12,510)**
Gain on contribution of securities to employees' retirement benefit trust	**—**	(23,280)	—	**—**
Net changes in allowances	**(1,234)**	10,899	(2,431)	**(9,261)**
Interest and dividend income	**(2,622)**	(3,777)	(4,310)	**(19,677)**
Interest expense	**32,639**	36,436	40,318	**244,946**
(Increase) decrease in notes and accounts receivable	**10,390**	(4,514)	(8,267)	**77,974**
(Increase) decrease in inventories	**10,856**	(6,106)	399	**81,471**
Increase (decrease) in notes and accounts payable	**(3,749)**	(1,129)	12,000	**(28,135)**
Increase (decrease) in lease deposits	**(796)**	22,003	(893)	**(5,974)**
Other	**(15,673)**	(10,023)	2,685	**(117,621)**
Subtotal	**141,986**	148,836	117,888	**1,065,561**
Interest and dividends received	**3,091**	3,962	3,948	**23,197**
Interest paid	**(34,229)**	(37,400)	(40,706)	**(256,878)**
Income taxes paid	**(6,742)**	(7,755)	(8,729)	**(50,597)**
Net cash provided by operating activities	**104,106**	107,643	72,401	**781,283**
Investing activities				
Proceeds from sales of marketable securities	**15,873**	2,417	24,183	**119,122**
Purchases of marketable securities	**(18,257)**	(13,593)	(2,938)	**(137,013)**
Proceeds from sales of property and equipment	**19,895**	56,749	68,866	**149,306**
Purchases of property and equipment	**(115,618)**	(105,644)	(102,160)	**(867,677)**
Proceeds from sales of investment securities	**4,472**	35,250	1,950	**33,561**
Purchases of investment securities	**(22,561)**	(20,160)	(1,529)	**(169,313)**
Purchases of land use rights	**(8,825)**	(4,235)	(2,581)	**(66,229)**
Other	**4,489**	47	2,598	**33,689**
Net cash used in investing activities	**(120,532)**	(49,169)	(11,611)	**(904,554)**
Financing activities				
Net increase in short-term borrowings	**16,951**	2,311	5,290	**127,212**
Net decrease in commercial paper	**—**	—	(17,000)	**—**
Increase in long-term borrowings	**82,270**	12,961	77,508	**617,411**
Repayment of long-term borrowings	**(89,013)**	(32,207)	(120,770)	**(668,015)**
Proceeds from issuance of corporate bonds	**43,431**	141,391	62,929	**325,936**
Repayment of corporate bonds	**(77,960)**	(81,440)	(55,619)	**(585,066)**
Cash dividends paid	**(10,393)**	(10,393)	(10,393)	**(77,996)**
Other	**(436)**	83	724	**(3,272)**
Net cash provided by (used in) financing activities	**(35,150)**	32,706	(57,331)	**(263,790)**
Effect of exchange rate changes on cash and cash equivalents	**2,771**	1,150	(3,744)	**20,795**
Net increase (decrease) in cash and cash equivalents	**(48,805)**	92,330	(285)	**(366,266)**
Cash and cash equivalents at beginning of year	**178,922**	86,457	86,695	**1,342,754**
Increase in cash and cash equivalents arising from mergers and acquisitions	**1,257**	135	47	**9,433**
Cash and cash equivalents at end of year (Note 14)	**¥131,374**	¥178,922	¥86,457	**$985,921**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Mitsubishi Estate Co., Ltd. and Consolidated Subsidiaries
March 31, 2002 and 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

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

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

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 that all receivables and payables denominated in foreign currencies be translated into Japanese yen at the exchange rates prevailing at the balance sheet date, with the resulting gain or loss included in earnings. 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. Adjustments resulting from this translation process have been accumulated and are presented as foreign currency translation adjustments in shareholders' equity.

Cash equivalents

The Company considers all highly liquid investments which are readily convertible into cash and have an original maturity of three months or less to be cash equivalents. A reconciliation between cash in the balance sheet and cash equivalents at March 31, 2002, 2001 and 2000 is presented in Note 14.

Marketable securities and investment securities

Prior to the year ended March 31, 2001, marketable securities in the 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 any 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 the related income taxes, included directly in stockholders' equity. Nonmarketable 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 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, depreciation and impairment

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

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

The Company reviews its property and equipment (including land) for impairment whenever events or changes in business circumstances indicate the carrying amount of the assets may not be fully recoverable. If an evaluation is required, the estimated future undiscounted cash flows associated with the asset would be compared to the asset's carrying amount to determine if a writedown is required. If this evaluation indicates that the assets will not be recoverable, the carrying value of the Company's assets would be reduced to their estimated fair value.

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, except for any goodwill and any indefinite lived intangible assets of subsidiaries in the United States that was acquired in a business combination completed after June 30, 2001, which have not been amortized. Land use rights are stated on a cost basis.

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 obligations 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 costs. The Company expensed the net retirement benefit obligation at transition of ¥4,714 million 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 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 to the employees' retirement benefit trust during the year ended March 31, 2001. The difference between the book value of ¥5,720 million and the market value at the time of the contribution of ¥29,000 million has been, was 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 portion 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 consolidated subsidiaries adopted a new accounting standard for financial instruments including derivatives. The new accounting standard requires the Company and its consolidated subsidiaries to recognize all derivatives in 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 qualifies as a hedge, changes in the fair value of the derivative 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 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, except that certain long-term projects over ¥500 million in total revenue are recognized by the percentage of completion method.
(e) Revenue from construction contracts is recognized at the date of completion of each relevant project, except that certain long-term projects over ¥5,000 million in total revenue are recognized by the percentage of completion method.
(f) Other operating revenue is recognized on an accrual basis.

Net income (loss) per share

In computing net income (loss) 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 (loss) 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 (loss) per share for the years ended March 31, 2002 and 2000 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 2001 and 2000 financial statements in order to conform them to the 2002 presentation.

2. ACCOUNTING CHANGE

Effective April 1, 2001, the Company changed its revenue recognition policy for certain long-term projects over ¥500 million in total revenue for architectural design and supervision and ¥5,000 million in total revenue for construction contracts, from the completion method to the percentage of completion method. This change was made in order to achieve a more accurate presentation of the operating results of the Company. The effect of this change was to increase revenue from operations by ¥5,453 million ($40,923 thousand) and income before income taxes by ¥1,691 million ($12,690 thousand), respectively, for the year ended March 31, 2002.

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 ¥133.25=U.S.$1.00, the approximate rate of exchange prevailing on March 31, 2002. The inclusion of such amounts is not intended to imply that yen amounts have been or could be readily converted, realized or settled in U.S. dollars at the above or any other rate.

4. MARKETABLE SECURITIES AND INVESTMENT SECURITIES

Marketable and investment securities classified as other securities at March 31, 2002 and 2001 are summarized as follows:

						2002
	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	**¥52,140**	**¥137,633**	**¥85,493**	**$391,295**	**$1,032,893**	**$641,598**
Debt securities:						
Corporate bonds	**946**	**946**	**—**	**7,099**	**7,099**	**—**
Subtotal	**53,086**	**138,579**	**85,493**	**398,394**	**1,039,992**	**641,598**
Securities whose cost exceeds their fair value:						
Equity securities	**6,921**	**5,929**	**(992)**	**51,940**	**44,496**	**(7,444)**
Subtotal	**6,921**	**5,929**	**(992)**	**51,940**	**44,496**	**(7,444)**
Total	**¥60,007**	**¥144,508**	**¥84,501**	**$450,334**	**$1,084,488**	**$634,154**

			2001
	Millions of yen		
	Cost	Fair value	Unrealized gain (loss)
Securities whose fair value exceeds their cost:			
Equity securities	¥51,177	¥161,707	¥110,530
Debt securities:			
Corporate bonds	455	455	—
Subtotal	51,632	162,162	110,530
Securities whose cost exceeds their fair value:			
Equity securities	7,136	6,303	(833)
Subtotal	7,136	6,303	(833)
Total	¥58,768	¥168,465	¥109,697

Proceeds from sales of securities classified as other securities totaled ¥26,871 million ($201,659 thousand) in 2002 and ¥34,274 million in 2001. Gross realized gain and gross realized loss were ¥861 million ($6,462 thousand) and ¥360 million ($2,702 thousand) in 2002 and ¥20,392 million and ¥385 million in 2001, respectively.

Marketable debt securities classified as held-to-maturity securities at March 31, 2002 and 2001 are summarized as follows:

	2002					
	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	**¥ 227**	**¥ 231**	**¥ 4**	**$ 1,704**	**$ 1,734**	**$ 30**
Subtotal	**227**	**231**	**4**	**1,704**	**1,734**	**30**
Debt securities whose cost exceeds their fair value:						
Corporate bonds	**13,219**	**13,159**	**(60)**	**99,204**	**98,754**	**(450)**
Other	**12,729**	**12,723**	**(6)**	**95,527**	**95,482**	**(45)**
Subtotal	**25,948**	**25,882**	**(66)**	**194,731**	**194,236**	**(495)**
Total	**¥26,175**	**¥26,113**	**¥(62)**	**$196,435**	**$195,970**	**$(465)**

	2001		
	Millions of yen		
	Amortized cost	Fair value	Unrealized gain (loss)
Debt securities whose fair value exceeds their cost:			
Government bonds	¥ 315	¥ 321	¥ 6
Corporate bonds	18	20	2
Other	99	99	—
Subtotal	432	440	8
Debt securities whose cost exceeds their fair value:			
Corporate bonds	11,000	10,949	(51)
Other	1,916	1,912	(4)
Subtotal	12,916	12,861	(55)
Total	¥13,348	¥13,301	¥(47)

Marketable and investment securities recorded at cost at March 31, 2002 and 2001 are summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2002	2001	**2002**
Other securities:			
Nonmarketable equity securities (other than equity securities listed on the over-the-counter market)	**¥19,372**	¥18,543	**$145,381**
Mutual funds	**2,173**	6,209	**16,308**
Commercial paper	**—**	2,018	**—**
MMF	**—**	1,209	**—**
Other	**93**	119	**698**
Held-to-maturity securities:			
Bonds	**999**	500	**7,497**
Total	**¥22,637**	¥28,598	**$169,884**

The redemption schedule for securities classified as other securities at March 31, 2002 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	¥ 125	¥ 65	¥20	$ 938	$ 488	$150
Corporate bonds	13,220	943	—	99,212	7,077	—
Commercial paper	12,347	384	—	92,660	2,882	—
Other debt securities	1,000	—	—	7,505	—	—
Total	¥26,692	¥1,392	¥20	$200,315	$10,447	$150

The Company recognized losses on other securities considered other-than-temporary amounting to ¥3,594 million ($26,972 thousand) and ¥1,470 million for the years ended March 31, 2002 and 2001, respectively.

5. INVENTORIES

Inventories at March 31, 2002 and 2001 are summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2002	2001	**2002**
Real estate for sale	**¥167,555**	¥172,649	**$1,257,448**
Land and housing projects in progress	**40,519**	42,309	**304,083**
Land held for development	**24,161**	23,999	**181,321**
Other	**10,170**	12,156	**76,322**
Total	**¥242,405**	¥251,113	**$1,819,174**

6. OTHER INVESTMENTS

Other investments at March 31, 2002 and 2001 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2002	2001	**2002**
Lease deposits	**¥ 90,580**	¥ 86,054	**$ 679,775**
Long-term prepaid expenses and other	**71,053**	62,727	**533,231**
Total	**¥161,633**	¥148,781	**$1,213,006**

7. SHORT-TERM BORROWINGS AND LONG-TERM DEBT

At March 31, 2002 and 2001, short-term borrowings and the current portion of long-term debt consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2002	2001	**2002**
Loans, principally from banks	**¥ 89,919**	¥ 72,031	**$ 674,814**
Commercial paper	**1,979**	1,721	**14,852**
Current portion of long-term debt	**208,534**	160,608	**1,564,983**
Total	**¥300,432**	¥234,360	**$2,254,649**

The weighted-average interest rates per annum on short-term borrowings outstanding at March 31, 2002 and 2001 were 0.59% and 0.77%, respectively. Short-term borrowings are principally unsecured.

At March 31, 2002 and 2001, long-term debt consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2002	2001	**2002**
1.5% convertible bonds due 2003	**¥ 90,886**	¥ 92,682	**$ 682,071**
Zero coupon convertible bonds due 2006	**100,000**	100,000	**750,469**
8.625% mortgage bonds due 2001	**—**	28,000	**—**
4.4% mortgage bonds due 2001	**—**	10,000	**—**
2.7% mortgage bonds due 2001	**—**	5,000	**—**
5.6% mortgage bonds due 2004	**50,000**	50,000	**375,234**
5.275% mortgage bonds due 2005	**50,000**	50,000	**375,234**
4.8% mortgage bonds due 2005	**50,000**	50,000	**375,234**
2.95% mortgage bonds due 2002	**10,000**	10,000	**75,047**
4% mortgage bonds due 2002	**20,000**	20,000	**150,094**
1.675% unsecured bonds due 2002	**—**	10,000	**—**
2.125% unsecured bonds due 2002	**10,000**	10,000	**75,047**
1.5% unsecured bonds due 2002	**10,000**	10,000	**75,047**
2.05% unsecured bonds due 2003	**20,000**	20,000	**150,094**
1.775% unsecured bonds due 2003	**10,000**	10,000	**75,047**
2.35% unsecured bonds due 2003	**20,000**	20,000	**150,094**
3.05% unsecured bonds due 2003	**15,000**	15,000	**112,570**
1.7% unsecured bonds due 2003	**10,000**	10,000	**75,047**
3.1% unsecured bonds due 2003	**10,000**	10,000	**75,047**
2.55% unsecured bonds due 2003	**10,000**	10,000	**75,047**
0.9% unsecured bonds due 2004	**10,000**	10,000	**75,047**
1.7% unsecured bonds due 2004	**10,000**	10,000	**75,047**
2.55% unsecured bonds due 2004	**10,000**	10,000	**75,047**
2.125% unsecured bonds due 2005	**10,000**	10,000	**75,047**
2.21% unsecured bonds due 2006	**10,000**	10,000	**75,047**
1.325% unsecured bonds due 2006	**10,000**	10,000	**75,047**
3.4% unsecured bonds due 2006	**10,000**	10,000	**75,047**
3% unsecured bonds due 2006	**10,000**	10,000	**75,047**
2.975% unsecured bonds due 2007	**30,000**	30,000	**225,141**
2.575% unsecured bonds due 2008	**10,000**	10,000	**75,047**
2.525% unsecured bonds due 2008	**10,000**	10,000	**75,047**
3.1% unsecured bonds due 2008	**10,000**	10,000	**75,047**
1.82% unsecured bonds due 2009	**10,000**	10,000	**75,047**
3.075% unsecured bonds due 2009	**10,000**	10,000	**75,047**
2% unsecured bonds due 2009	**10,000**	10,000	**75,047**
1.985% unsecured bonds due 2009	**10,000**	10,000	**75,047**
1.9% unsecured bonds due 2010	**10,000**	10,000	**75,047**
1.55% unsecured bonds due 2011	**10,000**	10,000	**75,047**
1.44% unsecured bonds due 2011	**10,000**	—	**75,047**
1.47% unsecured bonds due 2012	**10,000**	—	**75,047**
3.275% unsecured bonds due 2012	**10,000**	10,000	**75,047**
3.125% unsecured bonds due 2017	**10,000**	10,000	**75,047**
3% unsecured bonds due 2018	**10,000**	10,000	**75,047**
2.5% unsecured bonds due 2020	**10,000**	10,000	**75,047**
7.37% unsecured bonds due 2008 (payable in U.S. dollars)	**6,598**	5,148	**49,516**
Floating rate bonds due 2001 (payable in U.S. dollars)	**—**	19,611	**—**
Floating rate bonds due 2002 (payable in U.S. dollars)	**9,452**	2,488	**70,934**
Floating rate bonds due 2003 (payable in U.S. dollars)	**11,953**	1,147	**89,703**
Floating rate bonds due 2004 (payable in U.S. dollars)	**7,266**	—	**54,529**
Floating rate bonds due 2005 (payable in U.S. dollars)	**2,863**	1,090	**21,486**
Floating rate bonds due 2009 (payable in U.S. dollars)	**—**	1,087	**—**
Loans from banks and insurance companies:			
Secured	**110,740**	105,160	**831,069**
Unsecured	**273,529**	279,557	**2,052,750**
Loans from tenants	**—**	61	**—**
	1,168,287	1,197,752	**8,767,632**
Less current portion	**(208,534)**	(160,608)	**(1,564,983)**
	¥ 959,753	¥1,037,144	**$ 7,202,649**

Certain bonds have call options that may be exercised at the respective expiry dates.

The agreements under which the 1.5% convertible bonds and zero coupon convertible bonds were issued provide for conversion of the bonds into shares of common stock at the current conversion prices per share of ¥2,600 ($20) and ¥1,200 ($9), respectively, subject to adjustment in certain cases such as, for example, if the Company issues stock at a price which is lower than market value.

The aggregate annual maturities of long-term debt subsequent to March 31, 2002 are summarized as follows:

	Millions of yen	Thousands of U.S. dollars
Year ending March 31:		
2003	¥ 208,534	$1,564,983
2004	168,540	1,264,840
2005	233,912	1,755,437
2006	121,688	913,231
2007 and thereafter	435,613	3,269,141
Total	¥1,168,287	$8,767,632

The assets pledged as collateral for short-term borrowings of ¥1,970 million ($14,784 thousand), other current liabilities of ¥151 million ($1,133 thousand), long-term debt of ¥110,739 million ($831,062 thousand) and other noncurrent liabilities of ¥5,848 million ($43,887 thousand) at March 31, 2002 were as follows:

	Millions of yen	Thousands of U.S. dollars
Other investments	¥ 1,900	$ 14,259
Land	29,133	218,634
Buildings and structures	149,228	1,119,910
Machinery and equipment	4,840	36,323
Total	¥185,101	$1,389,126

Additionally, all assets of the Company are subject to the terms of an enterprise mortgage for mortgage bonds which amounted to ¥150,000 million ($1,125,704 thousand) at March 31, 2002.

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

8. PENSION AND SEVERANCE PLANS

The following table sets forth the funded status of the plans, and the amounts recognized in the consolidated balance sheets at March 31, 2002 and 2001 for the Company's and its consolidated subsidiaries' defined benefit pension plans:

	Millions of yen		Thousands of U.S. dollars
	2002	2001	**2002**
Retirement benefit obligation	**¥(68,576)**	¥(63,467)	**$(514,642)**
Plan assets at fair value	**47,561**	52,700	**356,931**
Unfunded retirement benefit obligation	**(21,015)**	(10,767)	**(157,711)**
Unrecognized net benefit obligation at transition	**682**	646	**5,118**
Unrecognized actuarial (gain) loss	**11,537**	(148)	**86,581**
Unrecognized prior service cost	**120**	71	**901**
Net amounts recognized in the consolidated balance sheet	**(8,676)**	(10,198)	**(65,111)**
Prepaid pension expenses	**2,055**	—	**15,422**
Employees' retirement allowances	**¥(10,731)**	¥(10,198)	**$ (80,533)**

The components of expenses related to the pension and severance plans for the years ended March 31, 2002 and 2001 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2002	2001	**2002**
Service cost	**¥2,814**	¥2,762	**$21,118**
Interest cost	**2,274**	2,148	**17,066**
Expected return on plan assets	**(1,223)**	(1,019)	**(9,178)**
Amortization of net retirement benefit obligation at transition	**56**	4,750	**420**
Other	**856**	706	**6,424**
Total	**¥4,777**	¥9,347	**$35,850**

The assumptions used in accounting for the pension and severance plans for the years ended March 31, 2002 and 2001 were as follows:

	2002	2001
Discount rate	**2.50–7.50%**	3.00–7.50%
Expected rate of return on plan assets	**2.25–7.50%**	2.25–7.50%
Amortization period of prior service cost	**6 or 10 years**	10 or 11 years
Amortization period of actuarial loss	**5–11 years**	5–11 years

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%. 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, 2002 differs from the statutory tax rate of 42.05% primarily because of the effect of permanently nondeductible expenses and nontaxable income.

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, 2002 and 2001 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2002	2001	**2002**
Deferred tax assets:			
Net operating loss carryforwards	**¥ 46,307**	¥ 32,108	**$ 347,520**
Accrued retirement allowances and pension costs	**12,013**	13,099	**90,154**
Valuation loss on inventories	**36,822**	52,856	**276,338**
Unrealized loss on property and equipment	**78,755**	10,869	**591,032**
Land revaluation reserve	**114,615**	—	**860,150**
Other	**14,170**	10,644	**106,341**
	302,682	119,576	**2,271,535**
Valuation allowance	**(34,549)**	(29,019)	**(259,280)**
Total deferred tax assets	**268,133**	90,557	**2,012,255**
Deferred tax liabilities:			
Reserves under Special Taxation Measures Law	**(64,981)**	(65,858)	**(487,662)**
Land revaluation reserve	**(404,698)**	—	**(3,037,133)**
Unrealized gain on property and equipment	**(41,506)**	(41,030)	**(311,490)**
Unrealized gain on securities	**(36,183)**	(46,940)	**(271,542)**
Other	**(19,087)**	(17,924)	**(143,242)**
Total deferred tax liabilities	**(566,455)**	(171,752)	**(4,251,069)**
Net deferred tax liabilities	**¥(298,322)**	¥ (81,195)	**$(2,238,814)**

10. LEGAL RESERVE

On October 1, 2001, an amendment (the "Amendment") to the Commercial Code of Japan (the "Code") became effective. The Amendment eliminates the stated par value of the Company's outstanding shares which results in all outstanding shares having no par value as of October 1, 2001. The Amendment also provides that all share issuances after September 30, 2001 will be of shares with no par value. Before the date on which the Amendment became effective, the Company's shares had a par value of ¥50 per share.

The Code provides that an amount equal to at least 10% of the amounts to be disbursed as distributions of earnings be appropriated to the legal reserve until the total legal reserve and the capital surplus account equals 25% of the common stock account. The Code also provides that, to the extent that the sum of capital surplus and the legal reserve exceeds 25% of the common stock account, the amount of the excess (if any) is available for dividend by resolution of the shareholders.

Retained earnings in the accompanying consolidated balance sheets included a legal reserve of ¥21,658 million ($162,537 thousand) as of March 31, 2002.

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, 2002 and 2001, 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, 2002						
Buildings and structures	**¥1,322**	**¥ 602**	**¥ 720**	**$ 9,921**	**$ 4,518**	**$ 5,403**
Machinery and equipment	**8,085**	**4,763**	**3,322**	**60,676**	**35,745**	**24,931**
Total	**¥9,407**	**¥5,365**	**¥4,042**	**$70,597**	**$40,263**	**$30,334**
March 31, 2001						
Buildings and structures	¥1,159	¥800	¥359			
Machinery and equipment	8,232	4,570	3,662			
Total	¥9,391	¥5,370	¥4,021			

Lease payments relating to finance leases accounted for as operating leases in the accompanying consolidated financial statements amounted to ¥1,798 million ($13,493 thousand), ¥1,877 million and ¥1,750 million for the years ended March 31, 2002, 2001 and 2000, respectively.

Future minimum lease payments subsequent to March 31, 2002 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:				
2003	¥1,569	¥ 5,035	$11,775	$ 37,786
2004 and thereafter	2,473	32,150	18,559	241,276
	¥4,042	¥37,185	$30,334	$279,062

The Company and its consolidated subsidiaries lease office buildings and commercial properties and earn income on these leases. Future minimum lease income subsequent to March 31, 2002 from noncancelable operating leases are summarized as follows:

	Millions of yen	Thousands of U.S. dollars
Year ending March 31:		
2003	¥ 47,300	$ 354,972
2004 and thereafter	454,660	3,412,082
	¥501,960	$3,767,054

12. CONTINGENT LIABILITIES

At March 31, 2002, 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	¥1,320	$ 9,906
Guarantees of employees' housing loans from banks and others	990	7,430
Other	375	2,814
Total	¥2,685	$20,150

In addition to the above, at March 31, 2002, 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 (Note 3)	Date of agreement
6.0% unsecured bonds due 2002	¥50,000	$375,235	Feb. 28, 1997

13. OTHER INCOME (EXPENSES)

The components of "Other, net" in "Other income (expenses)" for each of the years ended March 31, 2002, 2001 and 2000 were as follows:

	Millions of yen			Thousands of U.S. dollars
	2002	2001	2000	**2002**
Equity in net income of affiliates	**¥ 1,667**	¥ 1,507	¥ 1,689	**$ 12,510**
Net realized gain (loss) on sales of property and equipment	**(7,575)**	43,440	37,407	**(56,848)**
Valuation loss on inventories	**(9,680)**	(94,239)	(32,614)	**(72,645)**
Net realized gain on sales of securities	**616**	21,497	18,012	**4,623**
Unrealized loss on securities	**(4,048)**	(1,664)	(2,166)	**(30,379)**
Gain (loss) on investments in affiliates	**—**	1,793	(7,015)	**—**
Amortization of prior service cost of pension plan	**—**	—	(8,664)	**—**
Amortization of net retirement benefit obligation at transition	**—**	(4,714)	—	**—**
Gain on contribution of securities to employees' retirement benefit trust	**—**	23,280	—	**—**
Other	**1,633**	(5,740)	(2,294)	**12,255**
	¥(17,387)	¥(14,840)	¥ 4,355	**$(130,484)**

14. SUPPLEMENTAL CASH FLOW INFORMATION

The following table represents a reconciliation of cash and cash equivalents as of March 31, 2002 and 2001:

	Millions of yen			Thousands of U.S. dollars
	2002	2001	2000	**2002**
Cash	**¥131,738**	¥171,805	¥74,582	**$988,653**
Time deposits with maturities of more than three months	**(2,055)**	(2,319)	(887)	**(15,422)**
Marketable securities with maturities of three months or less	**1,691**	9,436	12,762	**12,690**
Cash and cash equivalents	**¥131,374**	¥178,922	¥86,457	**$985,921**

15. DERIVATIVES

The Company and certain of its consolidated subsidiaries utilize derivative financial instruments for the purpose of hedging their 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 related risk exposure.

Summarized below are the notional amounts and the estimated fair value of the interest-related derivative positions outstanding at March 31, 2002 and 2001:

	Millions of yen			Thousands of U.S. dollars		
	Notional amount	Fair value	Unrealized gain (loss)	Notional amount	Fair value	Unrealized gain (loss)
March 31, 2002						
Interest rate swaps:						
Receive/floating and pay/fixed	**¥ 5,000**	**¥(137)**	**¥(137)**	**$37,523**	**$(1,028)**	**$(1,028)**
Receive/fixed and pay/floating	**5,000**	**240**	**240**	**37,523**	**1,801**	**1,801**
Total	**¥10,000**	**¥ 103**	**¥ 103**	**$75,046**	**$ 773**	**$ 773**
March 31, 2001						
Interest rate swaps:						
Receive/floating and pay/fixed	¥ 5,000	¥(108)	¥(108)			
Receive/fixed and pay/floating	5,000	236	236			
Receive/floating and pay/floating	5,000	(12)	(12)			
Total	¥15,000	¥ 116	¥ 116			

The notional amounts and estimated fair value of the derivatives to which hedge accounting has been applied have been excluded from the presentation in the above table.

16. SEGMENT INFORMATION

Business segments

The Company and its consolidated subsidiaries are primarily engaged in the real estate business. Their business segments are classified in terms of the nature of each operation or service and consist of seven segments: (1) buildings; (2) residential development; (3) architectural and engineering; (4) real estate brokerage; (5) custom-built housing; (6) hotels; and (7) other businesses.

The business segment information of the Company and its consolidated subsidiaries for the years ended March 31, 2002, 2001 and 2000 are summarized as follows:

Millions of yen

2002

	Buildings	Residential development	Architectural & engineering	Real estate brokerage	Custom-built housing	Hotels	Other	Total	Eliminations or corporate	Consolidated
Revenue and operating income										
Revenue from:										
External customers	**¥ 321,916**	**¥136,604**	**¥12,783**	**¥79,357**	**¥29,943**	**¥30,370**	**¥20,591**	**¥ 631,564**	**¥ —**	**¥ 631,564**
Intersegment or transfers	**5,506**	**746**	**3,575**	**334**	**955**	**80**	**1,596**	**12,792**	**(12,792)**	**—**
Total revenue	**327,422**	**137,350**	**16,358**	**79,691**	**30,898**	**30,450**	**22,187**	**644,356**	**(12,792)**	**631,564**
Operating expense	**242,379**	**128,932**	**17,066**	**80,854**	**32,063**	**30,046**	**24,471**	**555,811**	**(1,168)**	**554,643**
Operating income (loss)	**¥ 85,043**	**¥ 8,418**	**¥ (708)**	**¥ (1,163)**	**¥ (1,165)**	**¥ 404**	**¥ (2,284)**	**¥ 88,545**	**¥ (11,624)**	**¥ 76,921**
Total assets, depreciation, and capital expenditures										
Assets	**¥2,216,571**	**¥262,492**	**¥15,869**	**¥80,391**	**¥13,983**	**¥32,325**	**¥97,603**	**¥2,719,234**	**¥316,561**	**¥3,035,795**
Depreciation	**56,683**	**881**	**179**	**2,761**	**181**	**1,940**	**1,912**	**64,537**	**545**	**65,082**
Capital expenditures	**124,179**	**329**	**328**	**3,512**	**95**	**894**	**2,317**	**131,654**	**(39)**	**131,615**

Thousands of U.S. dollars

2002

	Buildings	Residential development	Architectural & engineering	Real estate brokerage	Custom-built housing	Hotels	Other	Total	Eliminations or corporate	Consolidated
Revenue and operating income										
Revenue from:										
External customers	**$ 2,415,880**	**$1,025,171**	**$ 95,932**	**$595,550**	**$224,713**	**$227,917**	**$154,529**	**$ 4,739,692**	**$ —**	**$ 4,739,692**
Intersegment or transfers	**41,321**	**5,598**	**26,830**	**2,506**	**7,167**	**601**	**11,977**	**96,000**	**(96,000)**	**—**
Total revenue	**2,457,201**	**1,030,769**	**122,762**	**598,056**	**231,880**	**228,518**	**166,506**	**4,835,692**	**(96,000)**	**4,739,692**
Operating expense	**1,818,980**	**967,595**	**128,075**	**606,784**	**240,623**	**225,486**	**183,647**	**4,171,190**	**(8,766)**	**4,162,424**
Operating income (loss)	**$ 638,221**	**$ 63,174**	**$ (5,313)**	**$ (8,728)**	**$ (8,743)**	**$ 3,032**	**$ (17,141)**	**$ 664,502**	**$ (87,234)**	**$ 577,268**
Total assets, depreciation, and capital expenditures										
Assets	**$16,634,679**	**$1,969,921**	**$119,092**	**$603,310**	**$104,938**	**$242,589**	**$732,480**	**$20,407,009**	**$2,375,693**	**$22,782,702**
Depreciation	**425,388**	**6,612**	**1,343**	**20,721**	**1,358**	**14,559**	**14,349**	**484,330**	**4,090**	**488,420**
Capital expenditures	**931,925**	**2,469**	**2,462**	**26,356**	**713**	**6,709**	**17,389**	**988,023**	**(293)**	**987,730**

Millions of yen

2001

	Buildings	Residential development	Architectural & engineering	Real estate brokerage	Custom-built housing	Hotels	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

	Millions of yen									
	2000									
	Buildings	Residential development	Architectural & engineering	Real estate brokerage	Custom-built housing	Hotels	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

Revenue recognition

As described in Note 2, "Accounting Change," the architectural engineering segment has changed its revenue recognition policy for architectural design and supervision services contracts with revenue of over ¥500 million and for construction contracts with revenue of over ¥5,000 million from the completion method to the percentage of completion method. The effect of this change was to increase or decrease the revenue from operation and operating income in each of the respective segments as follows:

	Millions of yen		Thousands of U.S. dollars	
	Revenue from operation	Operating income (loss)	Revenue from operation	Operating income (loss)
Architectural and engineering	¥6,580	¥2,086	$49,381	$15,654
Eliminations or corporate	(1,127)	(395)	(8,458)	(2,964)
	¥5,453	¥1,691	$40,923	$12,690

Allocation of expenses

The Company changed its classification of certain personnel expenses relating to employees who are seconded from the Company to its subsidiaries. Such expenses were included in "Eliminations or corporate" in prior years but have been allocated to each relevant segment in 2002. The effect of this change was to increase operating expenses in each of the respective segments as follows:

Segments	Millions of yen	Thousands of U.S. dollars
Buildings	¥1,393	$10,454
Residential development	327	2,454
Architectural and engineering	1,765	13,246
Custom-built housing	454	3,407
Hotels	329	2,469
Other	191	1,433
	¥4,459	$33,463

Land revaluation

As described in Note 1, the Company revalued certain land as of March 31, 2002. Due to this land revaluation, the total assets of each segment increased or decreased as follows:

	Increase (decrease) of assets	
Segments	Millions of yen	Thousands of U.S. dollars
Buildings	¥707,482	$5,309,433
Residential development	(4,848)	(36,383)
Custom-built housing	(755)	(5,666)
Hotels	1,573	11,805
Other	(32,172)	(241,440)
Eliminations or corporate	18,572	139,377
	¥689,852	$5,177,126

Loss on impairment

As a result of the impairment analysis, the Company recognized impairment losses on its property and equipment for the year ended March 31, 2002. The impairment losses recognized by each segment were as follows:

	Decrease of assets	
Segments	Millions of yen	Thousands of U.S. dollars
Buildings	¥140,776	$1,056,480
Residential development	5,106	38,319
Hotels	9,409	70,612
Other	1,074	8,060
	¥156,365	$1,173,471

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, 2002, 2001 and 2000 is summarized as follows:

Millions of yen

2002	Japan	United States	Other	Total	Eliminations or corporate	Consolidated
Revenue and operating income (loss)						
Revenue from:						
External customers	**¥ 510,017**	**¥101,320**	**¥20,227**	**¥ 631,564**	**¥ —**	**¥ 631,564**
Intersegment or transfers	**786**	**340**	**192**	**1,318**	**(1,318)**	**—**
Total revenue	**510,803**	**101,660**	**20,419**	**632,882**	**(1,318)**	**631,564**
Operating expenses	**432,021**	**92,019**	**20,803**	**544,843**	**9,800**	**554,643**
Operating income (loss)	**¥ 78,782**	**¥ 9,641**	**¥ (384)**	**¥ 88,039**	**¥ (11,118)**	**¥ 76,921**
Total assets	**¥2,376,728**	**¥313,664**	**¥19,164**	**¥2,709,556**	**¥326,239**	**¥3,035,795**

Thousands of U.S. dollars

2002	Japan	United States	Other	Total	Eliminations or corporate	Consolidated
Revenue and operating income (loss)						
Revenue from:						
External customers	**$ 3,827,520**	**$ 760,375**	**$151,797**	**$ 4,739,692**	**$ —**	**$ 4,739,692**
Intersegment or transfers	**5,899**	**2,552**	**1,440**	**9,891**	**(9,891)**	**—**
Total revenue	**3,833,419**	**762,927**	**153,237**	**4,749,583**	**(9,891)**	**4,739,692**
Operating expenses	**3,242,184**	**690,574**	**156,120**	**4,088,878**	**73,546**	**4,162,424**
Operating income (loss)	**$ 591,235**	**$ 72,353**	**$ (2,883)**	**$ 660,705**	**$ (83,437)**	**$ 577,268**
Total assets	**$17,836,608**	**$2,353,951**	**$143,820**	**$20,334,379**	**$2,448,323**	**$22,782,702**

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 (loss)	¥ 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

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 (loss)	¥ 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

Unallocatable operating expenses included under "Eliminations or corporate" for the years ended March 31, 2002, 2001 and 2000 amounted to ¥12,689 million ($95,227 thousand), ¥15,630 million 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, 2002, 2001 and 2000 amounted to ¥332,193 million ($2,493,006 thousand), ¥392,135 million and ¥193,728 million, respectively, and consisted principally of cash, marketable securities, investments in other securities, deferred tax assets and other assets allocated to the Administration Department of the Company.

Revenue recognition

As described in Note 2, "Accounting Change," the architectural engineering segment has changed its revenue recognition policy for architectural design and supervision services contracts with revenue of over ¥500 million and for construction contracts with revenue of over ¥5,000 million from the completion method to the percentage of completion method. The effect of this change was to increase revenue from operations in the Japan segment by ¥5,453 million ($40,923 thousand) and operating income (loss) by ¥1,691 million ($12,690 thousand), respectively, for the year ended March 31, 2002.

Allocation of expenses

The Company changed its classification of certain personnel expenses relating to employees who are seconded from the Company to its subsidiaries. Such expenses were included in "Eliminations or corporate" in prior years but have been allocated to each individual segment in 2002. The effect of this change was to increase operating expenses in each of the respective segments as follows:

Segments	Millions of yen	Thousands of U.S. dollars
Japan	¥4,459	$33,463
U.S.A.	156	1,171
Other	109	818
	¥4,724	$35,452

Land revaluation

As described in Note 1, the Company revalued certain land as of March 31, 2002. Due to this land revaluation, the total assets increased by ¥671,278 million ($5,037,734 thousand) and ¥18,574 million ($139,392 thousand) in the Japan segment and in "Eliminations and corporate," respectively.

Loss on impairment

As a result of the impairment analysis, the Japan segment recognized an impairment loss on its property and equipment of ¥156,365 million ($1,173,471 thousand) for the year ended March 31, 2002.

Overseas revenue

The following table represents overseas revenue earned by the Company's consolidated subsidiaries in foreign countries during the years ended March 31, 2002, 2001 and 2000.

	Millions of yen		
	2002		
	United States	Other areas	Total
Overseas revenue			
Overseas revenue	**¥101,335**	**¥20,238**	**¥121,573**
Consolidated revenue			**¥631,564**
% of overseas revenue to consolidated revenue	**16.0%**	**3.2%**	**19.2%**

	Thousands of U.S. dollars		
Overseas revenue			
Overseas revenue	**$760,488**	**$151,880**	**$912,368**
Consolidated revenue			**$4,739,692**

	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%

	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%

NON-CONSOLIDATED BALANCE SHEETS

Mitsubishi Estate Co., Ltd.
March 31, 2002 and 2001

	Millions of yen		Thousands of U.S. dollars
Assets	**2002**	2001	**2002**
Current assets:			
Cash	**¥ 62,795**	¥ 117,968	**$ 471,257**
Marketable securities	**25,563**	6,916	**191,842**
Notes and accounts receivable — trade	**22,799**	22,011	**171,099**
Allowance for doubtful receivables	**(892)**	(957)	**(6,694)**
Inventories	**232,364**	247,319	**1,743,820**
Deferred income taxes	**48,923**	62,947	**367,152**
Other current assets	**18,208**	9,838	**136,646**
Total current assets	**409,760**	466,042	**3,075,122**
Investments:			
Investments in and advances to subsidiaries and affiliates	**188,532**	179,653	**1,414,874**
Investment securities	**154,592**	180,033	**1,160,165**
Lease deposits	**78,512**	75,497	**589,208**
Other investments	**22,231**	21,252	**166,837**
Allowance for doubtful accounts	**(1,640)**	(1,627)	**(12,307)**
Total investments	**442,227**	454,808	**3,318,777**
Property and equipment:			
Land	**1,246,362**	568,200	**9,353,561**
Buildings and structures	**1,167,676**	1,144,296	**8,763,047**
Machinery and equipment	**20,514**	21,284	**153,951**
Construction in progress	**49,474**	31,918	**371,287**
	2,484,026	1,765,698	**18,641,846**
Less accumulated depreciation	**(726,259)**	(540,267)	**(5,450,349)**
Property and equipment, net	**1,757,767**	1,225,431	**13,191,497**
Intangible and other assets	**10,838**	10,411	**81,336**
Total assets	**¥2,620,592**	¥2,156,692	**$19,666,732**

Liabilities, minority interests and shareholders' equity	Millions of yen 2002	2001	Thousands of U.S. dollars 2002
Current liabilities:			
Short-term borrowings and current portion of long-term debt	**¥ 269,912**	¥ 190,682	**$ 2,025,606**
Accounts payable - trade	**17,371**	28,610	**130,364**
Advance and deposits	**37,308**	36,645	**279,985**
Accrued expenses and other current liabilities	**14,977**	35,716	**112,398**
Total current liabilities	**339,568**	291,653	**2,548,353**
Long-term debt	**822,915**	925,700	**6,175,722**
Lease deposits	**273,897**	268,828	**2,055,512**
Deferred income taxes	**312,241**	101,866	**2,343,272**
Other noncurrent liabilities	**29,012**	25,020	**217,727**
Total liabilities	**1,777,633**	1,613,067	**13,340,586**
Shareholders' equity:			
Common stock, without par value:			
Authorized—1,980,000,000 shares;			
Issued and outstanding —1,299,185,054 shares	**86,534**	86,534	**649,411**
Capital surplus	**115,216**	115,216	**864,660**
Land revaluation reserve	**399,769**	—	**3,000,143**
Legal reserve	**21,658**	21,658	**162,537**
Retained earnings	**174,367**	262,395	**1,308,570**
Unrealized gain on securities	**45,531**	57,829	**341,696**
	843,075	543,632	**6,327,017**
Less treasury stock— 113,913 shares in 2002;			
6,533 shares in 2001	**(116)**	(7)	**(871)**
Total shareholders' equity	**842,959**	543,625	**6,326,146**
Contingent liabilities			
Total liabilities and shareholders' equity	**¥2,620,592**	¥2,156,692	**$19,666,732**

NON-CONSOLIDATED STATEMENTS OF OPERATIONS

Mitsubishi Estate Co., Ltd.
Years ended March 31, 2002, 2001 and 2000

	Millions of yen			Thousands of U.S. dollars
	2002	2001	2000	**2002**
Revenue from operations	**¥ 381,145**	¥389,995	¥359,078	**$ 2,860,375**
Cost of revenue from operations	**299,790**	315,002	289,060	**2,249,831**
Selling, general and administrative expenses	**24,557**	21,893	22,518	**184,293**
Operating income	**56,798**	53,100	47,500	**426,251**
Other income (expenses):				
Interest and dividend income	**2,002**	2,627	2,522	**15,024**
Interest expense	**(25,982)**	(29,499)	(32,404)	**(194,987)**
Impairment loss on property and equipment	**(143,915)**	—	—	**(1,080,037)**
Other, net	**(23,202)**	(16,191)	1,967	**(174,123)**
	(191,097)	(43,063)	(27,915)	**(1,434,123)**
Income (loss) before income taxes	**(134,299)**	10,037	19,585	**(1,007,872)**
Income taxes:				
Current	**16**	19	26	**120**
Deferred	**(56,860)**	3,615	7,778	**(426,716)**
	(56,844)	3,634	7,804	**(426,596)**
Net income (loss)	**¥ (77,455)**	¥ 6,403	¥ 11,781	**$ (581,276)**

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
Katsuhisa Shimada*
Takayuki Hara*
Eiji Tan*
Yasuhiko Watanabe*
Atsushi Morimoto*

Managing Directors
Terutake Miyamoto
Satoshi Oyama
Kazuo Odagawa
Yasuto Suzuki

Directors
Taketo Yamazaki
Masahiro Yamanaka
Yutaka Nakamura
Hajime Ito
Hiroharu Koinuma
Hirotaka Kanki
Keiji Kimura
Nobuyuki Iizuka
Takaya Endo
Toshio Nagashima
Seiichiro Suzuki
Mitsuo Iwai
Toshihide Yoshimura
Masaaki Kono
Toyohisa Miyauchi
Hiroshi Danno

Statutory Auditors
Yasuo Satake
Kunihiro Inoue
Terumichi Tsuchida
Hiroshi Hayashi
Kazuya Okamoto

*Representative Director

(as of June 27, 2002)

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:
94,977 (excluding shareholders with less than 1,000 shares)

Major Shareholders:	% of total
The Meiji Mutual Life Insurance Company	4.50
Japan Trustee Services Bank, Ltd. (Trust Account)	4.38
The Bank of Tokyo-Mitsubishi, Limited	3.73
The Mitsubishi Trust and Banking Corporation	3.49
The Tokio Marine and Fire Insurance Co., Ltd.	3.29
The Mitsubishi Trust and Banking Corporation (Trust Account)	3.25
Obayashi Corporation	2.31
Taisei Corporation	2.25
UFJ Trust Bank Limited (Trust Account A)	2.20
Takenaka Corporation	2.17

Major Consolidated Subsidiaries:
Mitsubishi Jisho Sekkei Inc.
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, 2002)

ORGANIZATION

- Meeting of Shareholders
  - Board of Directors
    - Chairman of the Board
      - President
        - Executive Committee
        - Commercial Real Estate Division
          - Business Planning Department
            - Group Companies Management Office
            - Asset Management Advisory Office
          - Leasing Department
            - Relocation Management Office
          - Property Management Department
            - Building Management Advisory Office
          - Marunouchi Area Building Management Department
          - Yurakucho Area Building Management Department
          - Otemachi Area Building Management Department
          - Tokyo Metropolitan Area Building Management Department
          - Area Promotion Department
            - Marunouchi Brand Management Office
          - Retail & Shopping Center Department
          - Development Department
          - Area Planning 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 Department
          - Urban Development Promotion Department
        - International Business Division
          - International Business Department
        - Recreational Facility Division
          - Recreational Facility Office
        - Corporate Planning Division
          - Corporate Planning Department
          - Corporate Audit & Monitoring Department
          - Personnel Planning Department
          - Finance & Accounting Department
          - Corporate Communications Department
            - Investor Relations Office
          - Corporate Philanthropy & Environmental Affairs Promotion Office
        - Corporate Administration Division
          - General Affairs Department
            - Secretary Office
          - Compliance Department
        - 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 August 1, 2002)

MITSUBISHI ESTATE GROUP

Mitsubishi Estate Co., Ltd.

Building Business

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

- ● Marunouchi Direct Access Limited

Building Management Business
- ● Mitsubishi Estate Building Management 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.

Architectural Design & Engineering
- ● Mitsubishi Jisho Sekkei Inc.
- ● MEC Design International Corporation

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

Custom-Built Housing
- ● Mitsubishi Estate Home Co., Ltd.
- ● Mitsubishi Estate Housing Component Co., Ltd.
- ■ KANTO GANG-NAIL TRUSS CO., LTD.

Urban Development & Investment Management
- ● Mitsubishi Jisho Investment Advisors, Inc.
- ■ Japan Real Estate Asset Management Co., Ltd.

International Business
- ● Rockefeller Group, Inc. (RGI)
- (● 170 other companies
- ■ 14 other companies)

Others
- ● MEC Finance Co., Ltd.
- ● MEC Information Development Co., Ltd.
- ● MEC Human Resources, Inc.
- ■ Tsunagu Network Communications, Inc.
- ■ Super Regional, Inc.
- (4 other companies)

Residential Development

Real Estate Agency
- ● Mitsubishi Real Estate Services Co., Ltd.

- ● Ryoei Life Service Co., Ltd.

Development Business
- ■ Otaru Toshi Kaihatsu Kosha Co., Ltd.

Residence Management Business
- ● Izumi Park Town Service Co., Ltd.
- ● Daiya Community Co., Ltd.

● Consolidated Subsidiaries
■ Equity-Method Affiliates

(as of June 27, 2002)

PROMOTION OF ENVIRONMENTAL AFFAIRS AND CORPORATE PHILANTHROPY

① The NHK Symphony Orchestra, of which Mitsubishi Estate is a sponsor.

② The *Mitsubishi Estate Environmental Report*, detailing our environmental preservation efforts, is published annually.

①

②

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

Mitsubishi Estate has published the *Mitsubishi Estate Environmental Report* annually since 2000, the first report on environmental preservation by a Japanese real estate company. We are also aggressively pushing forward with obtaining ISO 14001 certification. Following all our office-building operations in the Tokyo and Yokohama areas and Mitsubishi Estate Home, in January 2002 Mitsubishi Jisho Sekkei obtained certification. The Residential Development Division is also obtaining certification.

Each new project is undertaken with consideration for the environment. In the Marunouchi Building due to open on September 6, 2002, improvements have been made in longevity and low-energy functionality, and a system for recycling organic waste is also being employed. We also established the Marunouchi Bird Song Plaza in cooperation with the Wild Bird Society of Japan in order to heighten awareness of environmental preservation, and have organized nature-watching clubs in the Marunouchi district. Volunteers both inside and outside the Group also help produce 6,000 cassette tapes each year of "News on Birds and Nature" that are donated to facilities for the vision impaired throughout the country.

In order to fulfill our responsibility to be a good corporate citizen, as part of our corporate philanthropy activities we plan and run events such as inviting elderly and disabled persons to concerts, running a noodle delivery service and sponsoring pottery classes. We have also begun cooperating with non-profit organizations on a work-support project with the goal of helping the disabled live independent lives. Furthermore, we have expanded our various assistance projects such as the introduction of the "Volunteer Leave" program in 2001, creating an environment conducive to employee participation in corporate philanthropy activities.

In addition, Mitsubishi Estate is a sponsor of the NHK Symphony Orchestra and the Japan Philharmonic Symphony Orchestra and operates cultural facilities in major cities throughout Japan such 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.

CODE OF CORPORATE CONDUCT

OUR MISSION

"Creating a Truly Meaningful Society Through Urban Development"

We will strive to create a truly meaningful society through the development of a secure, safe, comfortable and appealing urban environment in each of our locations, acting as representatives of the people who live, work, and seek leisure there.
To achieve this goal, we will adhere to the following eight principles:

PRINCIPLES OF CORPORATE CONDUCT

ARTICLE 1 : FOSTERING COMMUNICATION

We will make fair disclosure of corporate information by communicating with shareholders, investors, business partners, local community members and all other persons affected by our activities.

ARTICLE 2 : BEING GOOD CITIZENS

We, as good corporate citizens, will respect human rights and actively contribute to society, and will support our employees in their endeavors to this end.

ARTICLE 3 : CARING ABOUT THE ENVIRONMENT

We will place conservation of the global environment as a business priority. We will strive to operate in harmony with the environment in all our business activities, by promoting conservation of energy, reduction of waste, recycling and so forth.

ARTICLE 4 : FOSTERING INTEGRITY

We will conduct our business on the basis of free, fair and transparent market competition. We will consider our social credibility as the most important factor when making management decisions.

ARTICLE 5 : UPHOLDING THE LAW AND AVOIDING ANTISOCIAL FORCES

We will observe all laws and ordinances and endeavor to conduct ourselves at all times in compliance with social morals. We will avoid ties with forces that threaten to disrupt civil society or undermine public safety.

ARTICLE 6 : HAVING A GLOBAL OUTLOOK

We will develop our business based on a global perspective and contribute to local development while respecting local rules and cultures in our overseas operations.

ARTICLE 7 : ENHANCING CREATIVITY AND MOTIVATION

We will strive to create a business environment conducive to the full utilization of our employees' capabilities. We will endeavor to maximize our employees' creativity and expertise while respecting their dignity and individuality.

ARTICLE 8 : DUTIES OF OUR DIRECTORS AND MANAGEMENT STAFF

The directors and management staff of our company recognize that it is their duty to put the spirit of this Code into practice. Each director and manager will take the initiative to exercise leadership and create a corporate system to achieve our goals. Infractions of the Code will be investigated and the findings made public. We will reaffirm the responsibilities of our directors and managers in such an event and take measures to prevent any recurrences.

Mitsubishi Estate Company, Limited
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http://www.mec.co.jp

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