MITSUBISHI ESTATE CO., LTD. ANNUAL REPORT 2003

CONTENTS

CAUTION REGARDING FORWARD-LOOKING 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 forecasts in the forward-looking statements.

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.

The Mitsubishi Estate Group's fundamental mission is to create a truly meaningful society through urban development. With a core in development in its Building Business operations, Residential Development operations, Architectural Design & Engineering operations, and Urban Development and Investment Management operations, the Mitsubishi Estate Group aims to increase corporate value by wielding the synergistic effects of its value chain of businesses related to real estate.

We have positioned compliance and consideration of the global environment as cornerstones of all our businesses. By constantly strengthening our foundations, we aim to continue onward as a good corporate citizen accepted by society.

Financial Results

During the fiscal year under review, Mitsubishi Estate Co., Ltd. and its consolidated subsidiaries recorded revenue from operations of ¥681,726 million (US$5,671.6 million), an increase of 7.9% from the previous fiscal year. Operating income grew 24.8% to ¥96,023 million (US$798.9 million). Revenue and profit increased in Building Business operations owing to the sale of development projects by the Rockefeller Group, Inc. Each of the remaining business segments also achieved higher revenues and profits on the back of improved operating performance.

Net income totaled ¥36,039 million (US$299.8 million), a considerable improvement from the net loss of ¥71,058 million recorded in the previous fiscal year. Last year, the Company wrote off unrealized losses on land and buildings, through a revaluation of land and an impairment loss on property and equipment, to enhance the transparency and soundness of the balance sheets.

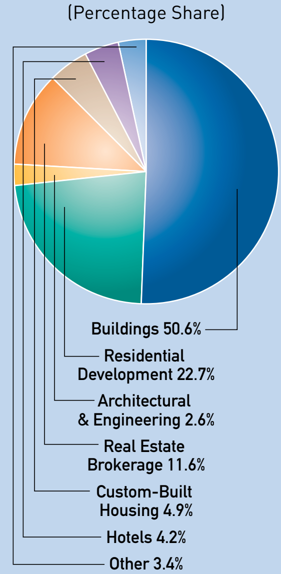
Operating Environment

In the real estate industry in Japan, the so-called 2003 problem (when new office space peaks from the completion of several large-scale office buildings in Tokyo) had the effect of increasing vacancy rates in office buildings

					Millions of yen		Thousands of U.S. dollars
Years ended March 31	1998	1999	2000	2001	2002	**2003**	**2003**
Revenue from operations	¥548,731	¥565,259	¥574,396	¥630,990	¥631,564	**¥681,726**	**$5,671,597**
Net income (loss)	31,848	22,327	18,421	19,832	(71,058)	**36,039**	**299,825**
As a percentage of revenue from operations	5.8%	3.9%	3.2%	3.1%	(11.3)%	**5.3%**	**—**
As a percentage of shareholders' equity	7.2%	4.9%	4.1%	4.1%	(10.5)%	**4.3%**	**—**
Total assets	2,103,258	2,283,773	2,285,771	2,535,263	3,035,795	**3,007,927**	**25,024,351**
Total shareholders' equity	454,057	459,574	440,731	518,766	832,497	**839,953**	**6,987,962**
Common stock	86,534	86,534	86,534	86,534	86,534	**86,534**	**719,917**
						Yen	U.S. dollars
Per share amounts:							
Net income (loss)	¥24.51	¥17.19	¥14.18	¥15.26	¥(54.70)	**¥27.61**	**$0.23**
Cash dividends applicable to the year	8.00	8.00	8.00	8.00	8.00	**8.00**	**0.07**

Note: Yen amounts shown are translated into U.S. dollars, solely for convenience, at the prevailing exchange rate on March 31, 2003, of ¥120.20 to US$1.00.

Revenue by Segment
(Percentage Share)



and softening market leasing rates. In the market for homebuyers, condominium sales were relatively strong for properties in popular city locations. Overall, however, there are concerns for a possible rise in inventories of unsold, completed units in reaction to the recent massive supply of new condominiums.

Under these business conditions, the Mitsubishi Estate Group is concentrating on the redevelopment of the Marunouchi district, including the Marunouchi Building, while aiming to improve management efficiency and profitability by responding to changes in the operating environment and real estate market.

Introduction of Executive Officer System

In the fiscal year ended March 31, 2001, the Mitsubishi Estate Group implemented management restructuring, including a move to a Groupwide divisional structure. In April 2003, to make further progress in this direction, the Company introduced an executive officer system based on the current Japanese Commercial Code to reinforce management and supervisory functions, strengthen business execution functions, increase management efficiency and accelerate decision-making.

This move divides the role of directors, who are in charge of management and supervising, from that of executive officers, who are in charge of business execution. At the same time, the new system aims to invigorate the Board of Directors by reducing the number of directors, and accelerate decision-making by allowing executive officers to devote their attention to business execution.

We also established the Advisory Board, comprising outside experts, to create a structure that ensures transparency in decision-making.

Progress on 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 ended 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.

Marunouchi Building

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.

We are pleased to announce that the medium-term management plan had an excellent start in the fiscal year ended March 31, 2003.

Medium-Term Targets for the Fiscal Year Ending March 31, 2005

EBITDA	**¥170.0 billion**
Revenue from Operations	**¥723.0 billion**
Operating Income	**¥110.0 billion**
Interest-Bearing Debt	**¥1,160.0 billion**

Business Conditions

In Building Business operations, we opened the Marunouchi Building in September 2002 as the first stage of the Marunouchi Redevelopment Project. The Marunouchi Building began operations at full occupancy, and visitors and store sales in the commercial section surpassed our expectations.

As the second stage of Marunouchi redevelopment, the Mitsubishi Trust and Banking Building began operations with full occupancy. We will continue to increase the added value of the Marunouchi area through steady progress on the Marunouchi Redevelopment Project.

We aim to improve profitability in Building Business operations through cost reductions at existing buildings. In areas other than Marunouchi, we are aggressively promoting fee-based businesses, such as consulting, as a part of our non-asset business.

In Residential Development operations, our strategy of focusing on the Tokyo metropolitan area for condominium sales has been successful. Of new unit sales in the fiscal year ended March 31, 2003, 78% were in the Tokyo metropolitan area. In product planning, we are concentrating on high-rise condominiums, large-scale condominiums in comfortable

The Yokohama Towers

environments with common facilities, and properties in urban areas with short-term development turnaround. Although the condominium market is softening, we are making every effort to maintain performance through our area strategy and differentiation in product planning.

In Architectural Design & Engineering operations, performance has been strong since the division was made into the independent subsidiary Mitsubishi Jisho Sekkei Inc. We believe this will lead to improved earnings for the Mitsubishi Estate Group as synergistic effects are gained through close cooperation between Group companies.

We strengthened the Urban Development and Investment Management Division in April 2003 due to the increasing importance of this business. The division will focus on the business of developing and managing income-generating real estate properties for J-REIT and other real estate funds. Moreover, through Mitsubishi Jisho Investment Advisors, Inc., we are strengthening our asset management solution functions to resolve any real estate difficulties faced by our customers.

In International Business operations, we completed Paternoster Square in London, England. Our office buildings in the United States are also enjoying stable operations. We are working to improve operations mainly through cost reductions in the U.S.-centered global real estate brokerage business.

In Custom-Built Housing, Hotel Business and Recreational Facility operations, we are working to improve operating efficiency and achieve higher profitability through cost reductions.

A Closing Word to Our Shareholders

With the keywords "speed" and "flexibility" in mind, and by accurately responding to the rapidly changing management environment, we have worked to increase corporate value. In addition, based on the keywords of establishing superior competitiveness and taking on risk, we aim to make the current fiscal year one of great progress. As a result, we are positioned to take several significant steps forward on the medium-term management plan.

August 2003

S. Takagi

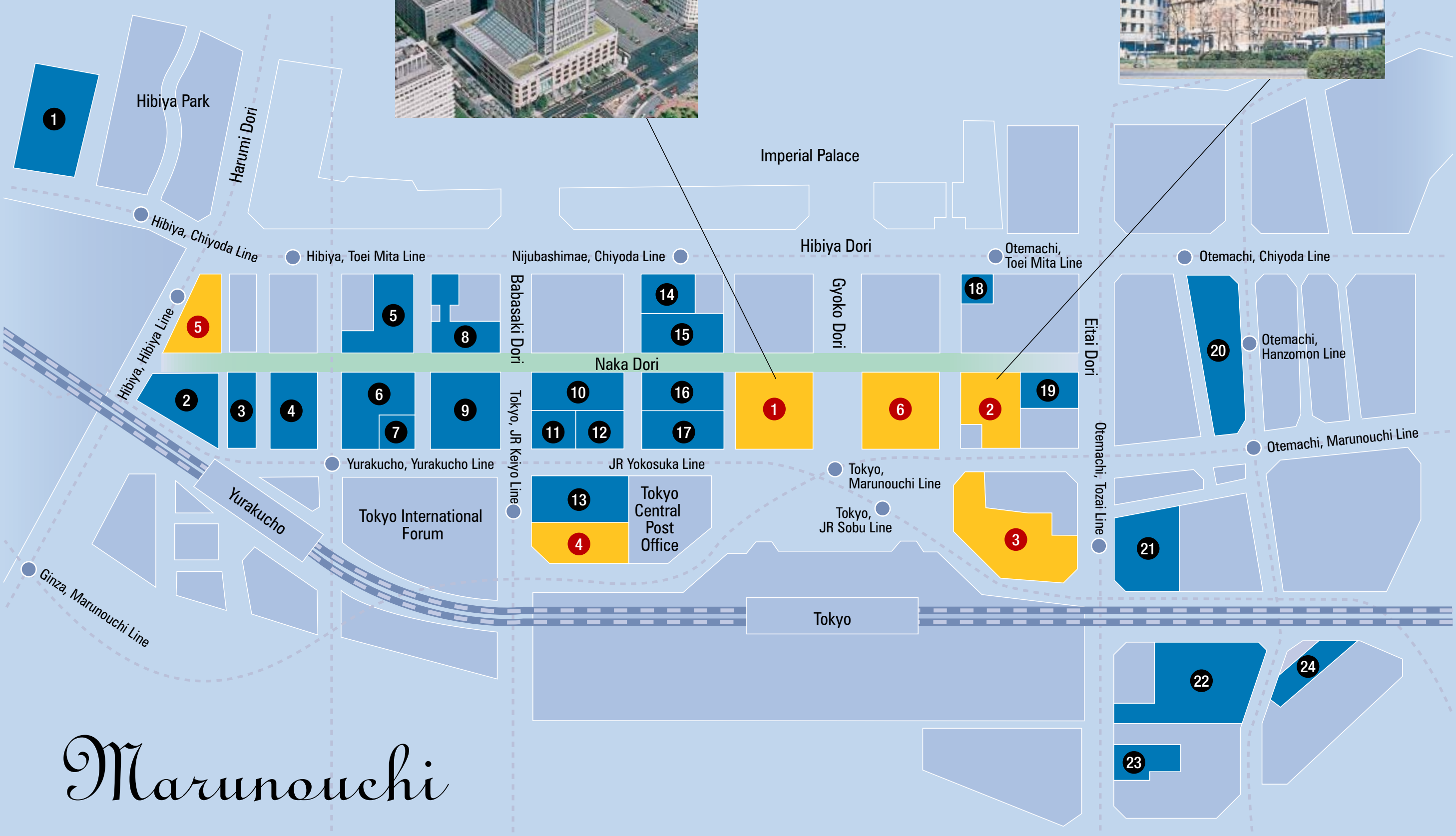
Shigeru Takagi
President

Redevelopment of Marunouchi

Mitsubishi Estate has been redeveloping the Marunouchi district of Tokyo since 1998, and plans to rebuild six office buildings and renovate other existing buildings by investing approximately ¥500.0 billion over a 10-year period. Our strategy is to bolster profitability by increasing the value and competitiveness of our office buildings in Marunouchi.

Mitsubishi Estate aims to increase the added value of the Marunouchi area by not only providing office buildings, but also by offering strong support services in redevelopment of the district. Moving away from its reputation as a weekday business center, we plan to brand Marunouchi as an exciting area where people visit on their days off and come to unwind after work.

We are basing redevelopment on the concept of making Marunouchi into a world-class center of dynamic interaction. And by promoting interaction, we will provide high-value-added business opportunities and a better quality of life for people who work in and visit Marunouchi. As the first stage of Marunouchi redevelopment, we opened the Marunouchi Building in September 2002. The building has become quite popular, attracting about 13.2 million visitors in the first six months after its opening, selling ¥17.0 billion at its commercial facilities, and making it one of the most successful attractions in the area.



Marunouchi

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

Reconstruction Projects	Completion
1 Marunouchi Building	August 2002
2 The Industry Club of Japan and Mitsubishi Trust and Banking Building Development Project	February 2003
3 Marunouchi 1 chome 1 Area Development Project (Tokyo Station, Marunouchi north exit)	August 2004
4 Tokyo Building	2006*
5 Hibiya Park Building	2008*
6 Shin-Marunouchi Building	2008*

*Years indicate fiscal years ending March 31.

Development Services—Strengthening Business Support Functions

To create high-value-added business opportunities, we operate the "Marunouchi Building Conference Square" on the eighth floor of the Marunouchi Building to provide a variety of meeting rooms. From April 2003, we initiated the Marunouchi Recycle & Archive service, which archives, destroys and recycles classified corporate documents, as a part of efforts to strengthen business support functions.

Marunouchi Direct Access Limited installs fiber optic networks in primary buildings in the area. Marunouchi boasts one of the most advanced fiber optic communications networks in Japan. We are working to make the area into a cutting-edge environment for mobile information technology, and provide public wireless LAN services in the Marunouchi Building and the Shin-Tokyo Building. Using this communications environment, we offer IT Plug-And-Go Services to tenants for the construction and operation of their IT environments. In this way, tenants are able to outsource their IT equipment introduction and maintenance needs, allowing for considerable reductions in installation and upkeep costs. To support the total quality of life, we are encouraging the development of stores along the road extending from Marunouchi to Yurakucho, to create a flow of people along Naka Dori, the main thoroughfare in Marunouchi. Approximately 70 stores, including brand-name shops, restaurants and cafes, will have opened their doors by autumn 2003, changing Naka Dori into a busy shopping area with the Marunouchi Building as the starting point.

Opening of Marunouchi Building, and The Industry Club of Japan and Mitsubishi Trust and Banking Building

Following the opening of the Marunouchi Building, we completed construction on The Industry Club of Japan and Mitsubishi Trust and Banking Building in February 2003. The building preserves some of the historical structure of The Industry Club of Japan while providing financial functions and acting as a place for exchange among industry in Japan.

Marunouchi Building atrium "MARUCUBE" (exterior)

The Marunouchi 1 chome 1 Area Development Project is scheduled for completion in August 2004. Reconstruction of the Tokyo Building is to be completed in the fiscal year ending March 31, 2006, and the Hibiya Park Building Reconstruction Project, to be completed in the fiscal year ending March 31, 2008, is to include the Peninsula Hotel. Plans for our sixth project, the Shin-Marunouchi Building, are progressing toward completion in the fiscal year ending March 31, 2008. For the Tokyo Building, we plan to transfer unused air rights from the Tokyo Station Marunouchi Building by taking advantage of new regulations for such rights. Moreover, we plan to centralize office space in the Tokyo Building and concentrate hotel facilities in the Hibiya Park Building by interchanging their stated use. Mitsubishi Estate aims to rejuvenate the attributes of the Marunouchi area by continuing its plans to reconstruct office buildings.

Marunouchi Building atrium "MARUCUBE" (interior)

Venture Support and Alliances between Industry and Academia

To support and foster venture capital companies, Mitsubishi Estate operates "Marunouchi Frontier" as a network for supporting venture companies. On the seventh floor of the Marunouchi Building, we have established "Tokyo 21c Club" as a members-only facility for creating new business opportunities. Taking advantage of the location and high density of companies in Marunouchi, we are encouraging the creation of an environment that is conducive to the gathering of people and information exchange.

To reinforce educational opportunities in business fields, we have been operating the Marunouchi City Campus since April 2001 in conjunction with Keio University. On the ninth floor of the Marunouchi Building, we have also opened the "Marunouchi Academic Suites," which act as a research base for universities from around the world. The facility is proud to have as tenants the Harvard Business School Japan Research Office, University of Tokyo Graduate School of Economics, and Stockholm School of Economics European Institute of Japanese Studies. We promote interaction between industry and academia, and are wooing Hitotsubashi University and Tohoku University to join as well.

Naka Dori in Marunouchi

BUILDING BUSINESS OPERATIONS

Viewing Urban Functions from the Perspective of Area Management

Building Business operations handle 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 area management.

Tokyo Building Reconstruction Project
Currently under planning and expected to be completed in the fiscal year ending March 31, 2006, this will be the first building in Japan to take advantage of regulations allowing unused air rights to be transferred from another site in the district, to increase floor space.

Marunouchi Redevelopment Project

At the forefront of Building Business operations is the redevelopment of the Marunouchi district, a project to upgrade the features of the 30 buildings owned in the area by Mitsubishi Estate through rebuilding and large-scale renovation. The Marunouchi Building opened in September 2002, and The Industry Club of Japan and Mitsubishi Trust and Banking Building was completed in February 2003. Plans call for completion of the Marunouchi 1 chome 1 Area Development Project in August 2004, and rebuilding of the Tokyo Building, Hibiya Park Building and Shin-Marunouchi Building by the fiscal year ending March 31, 2008.

We will continue to advance the Marunouchi Redevelopment Project as the fundamental strategy of Building Business operations after the completion of these buildings.

Marunouchi 1 chome 1 Area Development Project (Tokyo Station, Marunouchi north exit)
Construction on this project, a complex of offices, commercial facilities and a hotel, is scheduled for completion in August 2004.

Improving Profitability and Reducing Costs through a New Management System

As part of our efforts to strengthen Building Business operations' property management function, the division switched to a new management structure, whereby a section of the Marunouchi district that includes the Marunouchi Building will be managed by Mitsubishi Estate Building Management Co., Ltd. This is leading to stronger management of multiple-function facilities and lower building management costs. The Company established the Building Management Advisory Office in August 2002, and worked to expand its fee-based business such as property management, to expand business scale.

A large supply of office buildings went on the market in 2003 with the completion of several large-scale redevelopment projects in central Tokyo. Mitsubishi Estate aims to improve its competitiveness through the redevelopment of the Marunouchi district, and to increase the efficiency of its existing office buildings. The Company also aims to reinforce earnings by strengthening proposal-based marketing in tune with tenant needs.

Yokohama Landmark Tower
Opened in July 1993, the Yokohama Landmark Tower is celebrating its 10th anniversary this year as the first private-sector building completed in the Minato Mirai 21 district. The building is the highest in Japan, standing at 296 meters.

Shopping Center Business

Building Business operations include shopping centers in Tokyo (Daiba), Yokohama and Fukuoka, 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. Chelsea Japan operates outlet malls in Gotemba (Shizuoka Prefecture) and in Izumisano (Osaka Prefecture), and opened Sano Premium Outlets in Sano (Tochigi Prefecture) in March 2003. Chelsea Japan is expanding on a national scale with plans to open premium outlet malls in Tosu (Saga Prefecture) and Toki (Gifu Prefecture) in spring 2004.

Sano Premium Outlet
Opened in March 2003, this is the third premium outlet being operated in Japan by Chelsea Japan Co., Ltd., a partnership of U.S.-based Chelsea Property Group, Inc., Nissho Iwai Corporation and Mitsubishi Estate.

RESIDENTIAL DEVELOPMENT OPERATIONS

Aiming to Provide Excellent Living Environments Through Condominiums and Consulting Services

Residential Development operations aim to provide ideal living environments, by developing and marketing condominiums, single-unit homes and residential land, as well as engaging in businesses such as condominium administration and consulting services for the optimal use of real estate.

Park House Kiyosumishirakawa
The Park House Kiyosumishirakawa is a large-scale condominium complex comprising two 20-story buildings and a total of 473 units, currently under construction in Shirakawa, Koto Ward, Tokyo.

Strong Performance in Condominiums Continues due to Product Planning and Area Strategies

Underpinned by the positive effects of low interest rates on housing loans and tax measures promoting residence purchasing, market conditions for condominiums continued to be relatively favorable, and in the fiscal year ended March 31, 2003, the Company was able to sell 2,437 new condominiums. Mitsubishi Estate made every effort to add value and distinguish itself from the competition through its strategy to concentrate new condominiums in popular areas and through product planning in cooperation with other types of businesses. Furthermore, gross profit margin for the condominium business continued its year-on-year improvement, reaching approximately 23% for the fiscal year under review, owing to stronger marketing power and the implementation of an integrated site acquisition-to-product planning system that shortens the development period.

Park House Shiba Tower
The Park House Shiba Tower is a 32-floor condominium complex of 178 units currently under construction in Shiba, Minato Ward, Tokyo. Located in the very center of Tokyo, the property is extremely convenient for commuting. All units in the building face south or occupy an entire corner of the building, offering amiable living conditions.

Despite signs of weakness in the condominium market, Mitsubishi Estate is enjoying firm performance by emphasizing high-rise, large-scale condominiums with spectacular views and featuring shared facilities with pleasant surroundings in tune with the environment, as well as convenient condominiums in popular urban centers with short-term development periods.

Creating New Businesses for Diverse Lifestyles

A new housing option, cooperative housing, is gaining popularity with homeowners. We began accepting applications in October 2002 for the first cooperative housing units to be built in Kamiikedai, Ota Ward, Tokyo. Mitsubishi Estate is aiming for commercialization under the STYLE HOUSE brand name in mainly the Jyonan area.

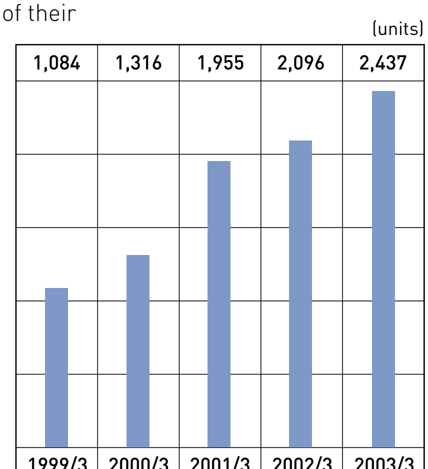
Izumi Park Town
Encompassing 1,070 hectares in total area, Izumi Park Town was first established for development in Sendai, Miyagi Prefecture in 1972 and is one of the largest multifunctional developments in the country, with a planned population of approximately 50,000 residents.

In April 2003, Mitsubishi Estate established the Residential Development & Leasing Office to respond to changing lifestyles as more people prefer to live in central Tokyo. Following the first property in Hacchobori, Chuo Ward, Tokyo, the Company plans to aggressively develop properties in central Tokyo for eventual sale to real estate funds and other investors in order to strengthen rental housing operations, which are expected to grow in the future.

Ensuring High-Quality Condominiums that Answer Customer Needs

Mitsubishi Estate has used a unique quality indication system for housing performance since October 2000. Following the introduction of the Housing Performance Evaluation System for existing housing as a law in August 2002, the Company bolstered its information disclosure system to provide its customers with an analysis of their condominiums after moving in as well as details on the Company's after-sales services. As a result, Mitsubishi Estate is able to provide customers with easy to understand information on the quality of condominiums in the after-sales phase as well as the design, construction, and completion phases, by preparing such documents as certifications from assessment institutions and the Company's own performance indication reports.

In April 2003, the Group condominium management company Daiya Community Co., Ltd. changed its name to Mitsubishi Jisho Community Services Co., Ltd. This move more clearly shows the Group's role in planning, development, sales and management of condominiums. At the same time, the Company is making concerted efforts to provide excellent services and further improve condominium management.



Mitsubishi Estate Condominium Sales

ARCHITECTURAL DESIGN & ENGINEERING OPERATIONS

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

Mitsubishi Estate's Architectural Design & Engineering operations are 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. Mitsubishi Jisho Sekkei Inc., formerly a division of Mitsubishi Estate and made an independent subsidiary in June 2001, now forms an integral part of the Architectural Design & Engineering Division.

***Right:* Shinagawa Mitsubishi Building**
Completion date: March 2003
Three floors below ground, 32 floors above
Owners: Mitsubishi Corporation and Mitsubishi Motors Corporation

***Left:* Mitsubishi Juko Building**
Completion date: March 2003
Three floors below ground, 29 floors above
Owner: Mitsubishi Heavy Industries, Ltd.

Involved in a Wide Range of Fields, from Office Buildings to Condominiums

Mitsubishi Jisho Sekkei has aggressively developed the business while making full use of its design and technological capabilities that have supported the Group's business as a comprehensive developer.

Architectural design and engineering for new projects is progressing well with the completion of the Marunouchi Building, Shinjuku Bunka Quint Building, Tokyo Twin Parks and other buildings. The Company is expanding its field of expertise from office buildings and condominiums to encompass commercial, educational, medical and other facilities toward establishing the brand presence of a leading company in the design and engineering industry.

Shinjuku Bunka Quint Building
Completion date: January 2003
Three floors below ground, 23 floors above
Owner: Yoyogi Sanchome Kyodo Building Promotion Council
(Bunka Gakuen, Fujikura Ltd., Tokyo Metropolitan Government Bureau of Waterworks, Tokyo Urban Development Co., Ltd., Keio Electric Railway Co., Ltd.)

Leveraging Comprehensive Group Capabilities to Enter Fields of Growth

Backed by its accumulated know-how, Mitsubishi Jisho Sekkei is making aggressive efforts in the renovation business, which is expected to grow, and in consulting operations for private financing initiatives (PFIs), construction management, energy conservation and environmental assessment, to expand earnings in each of these areas.

Targeting the interior design sector, MEC Design International Corporation not only provides interior design services, but also functions as a strategic asset in the fields of facility management and open-design condominiums, creating an optimized structure able to deploy the comprehensive capabilities of the Group.

URBAN DEVELOPMENT AND INVESTMENT MANAGEMENT OPERATIONS

Expanding Business Opportunities with Development and Management

Demand is increasing for income-generating real estate for investment purposes among institutional and individual investors. Urban Development and Investment Management operations respond to this need through the development business, which encompasses the functions of development, and the management business, which provides administration functions.

Somerset Azabu East
Somerset Azabu East is a service apartment that began operations on March 1, 2003, and is managed by Ascott International Management Japan Co., Ltd., a service apartment management company jointly established with The Ascott Group Limited of Singapore.

Developing Real Estate for Investment Purposes and Providing Solutions

Development functions are undertaken with the purpose of placing investment properties on the market. The sale of real estate hastens the recovery of invested capital and provides development profits in the form of capital gains.

The Company plans to invest ¥10 billion annually through its equity base. In February 2003, Mitsubishi Estate completed construction on the first service apartment it developed, the Somerset Azabu East. Construction is proceeding smoothly on a number of projects, including the Nibancho Project (tentative name) in Nibancho, Chiyoda Ward, Tokyo. The Company aims to expand operations further by making every effort to strengthen its solution functions for the effective utilization of assets held mainly by corporate customers.

Acquiring New Projects While Expanding Fee-Based Businesses

In administrative functions, we offer fee-based management services through the operations of Japan Real Estate Asset Management Co., Ltd., which engages in the management of J-REIT assets, and Mitsubishi Jisho Investment Advisors, Inc., a comprehensive real estate investment advisory company. Mitsubishi Jisho Investment Advisors, Inc. has steadily expanded earnings since its foundation in September 2001, and aims to increase assets on deposit through efforts to acquire new investments.

With development and administrative functions working in unison, we aim to expand business opportunities and respond to social and economic needs for the revitalization of real estate investment markets and urban redevelopment.

Nibancho Project (tentative name)
Scheduled for completion in early summer 2004, the Nibancho Project is under construction in Nibancho, Chiyoda Ward in Tokyo. This project offers the latest in office functionality, with each floor featuring up to approximately 4,000 square meters of column-less space and modern, high-grade rental housing on the upper levels.

INTERNATIONAL BUSINESS OPERATIONS
Comprehensive, Worldwide Real Estate Services

International Business operations lease office buildings 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, Cushman & Wakefield, Inc., an RGI subsidiary, operates a global network of comprehensive real estate services centered on real estate brokerage services.

Paternoster Square Redevelopment Project
Started in May 1999 and finished in May 2003, the four building project has a combined floor space of 79,700 square meters on a 9,800 square meter site in the financial district of London.

Developing Real Estate in the United States and the United Kingdom

In August 2002, in a joint project with Lehman Brothers, construction was completed on a midtown New York property at 745 Seventh Avenue (32 floors, 97,400m^2 total floor space). We are aggressively developing real estate projects in New Jersey and other parts of the United States. In fiscal 2002, RGI sold to investors portions of some development properties such as the Rockefeller Group Corporate Park.

In May 2003, the Company completed the Paternoster Square Redevelopment Project in London. With floor space of 79,700 square meters, the project is a four building complex of offices and retail outlets in the financial district of London next to St. Paul's Cathedral. Long-term office space tenants include the London Stock Exchange, Goldman Sachs International and CB Hillier Parker, providing a stable business foundation. One building was sold to a U.K. insurance company for an early recovery on invested capital.

Amid challenging conditions in the depressed real estate market in the United States, Cushman & Wakefield, Inc. aims to improve profit margins through cost reductions and other means to make operations more efficient.

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

CUSTOM-BUILT HOUSING OPERATIONS

From Custom-Built Housing to Remodeling of Condominiums and Single-Unit Houses

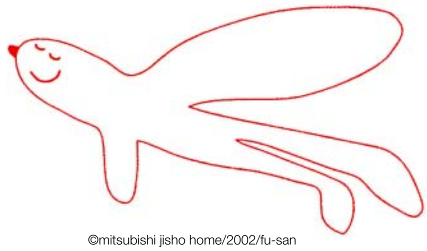
Custom-Built Housing operations seek to supply the kind of quality housing that is the foundation of a rich life. Through Mitsubishi Estate Home Co., Ltd., we carry out contracts for the building of homes for both individuals and housing development companies.

Affilia
Affilia is a new product with options for customizing design. Along with a feeling of spaciousness, Affilia's sharp accent lines emphasize individuality and a presence that stands out from other homes.

Building High-Quality Homes that Last a Lifetime

In January 2001 we launched a new brand of two-by-four, single-unit houses, "Mitsubishi Home." From contract to post-purchase service, we are striving through close communication with customers to build homes that will satisfy them for years to come. In September 2002, Mitsubishi Estate Home timed the opening of Marunouchi Home Nexus, a showroom of information about homes and lifestyles, to coincide with that of the Marunouchi Building.

In May 2003, Mitsubishi Estate Home upgraded "Aerotech" the 24-hour central heating, cooling and ventilation system that has been installed in over 2,800 homes, and made it standard equipment in Mitsubishi Home custom-built houses. We believe this move has led to increased product value for Mitsubishi Home, amid heightened social concerns for air quality in homes following revisions to the Building Standard Law in Japan. In addition, we began marketing "u:D," a new kind of urban home with fashionable and stylish designs, and launched the new product "Affilia," a series of open-design homes to expand our product lineup and appeal to new customers.



©mitsubishi jisho home/2002/fu-san

Air Mascot Fu-san
"Fu-san" is the air mascot for Aerotech that promotes awareness of air quality. After a full model change, the new Aerotech features higher efficiency than before, providing more comfort in homes.

Facing increased demand, the condominium and house renovation business aims to expand orders through the establishment of specialist sections, and is set to grow into a business pillar second only to custom-built housing.

HOTEL BUSINESS OPERATIONS
Building the Royal Park Hotels Brand Name

In Hotel Business operations, Royal Park Hotels and Resorts Co., Ltd. integrates the administration and management of each hotel to enhance efficiency, accumulate administrative expertise and improve the level of management.

Royal Park Shiodome Tower
Located in Shiodome, Tokyo, this new style of hotel was created around the concepts of stylish space, a convenient environment and flexible service.

A New Style of Hotels

The Royal Park Hotels chain has grown to accommodate 2,535 guestrooms in nine hotels in locations including Tokyo, Yokohama and Sendai. Opened in July 2003 in Shiodome, Tokyo, the Royal Park Shiodome Tower has 490 guestrooms featuring personal computers equipped with a high-speed Internet connection, and information is available through a "cyber concierge." The hotel also features such business amenities as dedicated meeting rooms, a 24-hour business service center, a convenience store and Japan's first Mandara Spa for relaxation. The Royal Park Shiodome Tower offers a new paradigm in hotel experiences, including the use of a time-sharing service where members are able to use guestrooms on an hourly basis.

Increasing the Brand Value of Royal Park Hotels

As a hotel group backed by domestic capital, we also introduced the first room reservation system based on global standards used by large-scale hotel chains around the world. Based on this system, we will launch the Royal Park Hotels Central Reservation Office and aggressively promote its use for hotels outside the Group.

We plan to strengthen the functions of the hotel chain through the exchange of personnel and by sponsoring simultaneous events at each hotel, as well as by increasing the value of the Royal Park Hotels brand through hotel consulting and contracted management of independently operated, luxurious hotels in downtown areas.

Sendai Royal Park Hotel
Located in a central location in the beautiful suburbs of Sendai, the Sendai Royal Park Hotel offers breathtaking guestroom views of lush gardens and the downtown area. The hotel was honored to host soccer players representing Italy and Japan during the 2002 FIFA World Cup™.

RECREATIONAL FACILITY OPERATIONS

Supporting the Development of Healthy Minds and Bodies

In response to growth in leisure time and the advent of a rapidly aging society, Recreational Facility operations continue to expand its business in such facilities as fitness and golf clubs. In this way, we support efforts to maintain healthy minds and bodies.

Liv Fitness Club Kita-Asaka
This large-scale Liv Fitness Club opened in May 2002 and features a 3,050 m² training gym and a variety of relaxation facilities. It is an all-round club, complete with general-purpose spaces and other amenities.

Aggressively Opening Fitness Centers in Response to Growing Demand

Our fitness club chain, Liv Sports Co., Ltd., operates seven branches of the Liv Fitness Club, one futsal (five-on-five soccer) club and two massage facilities in the Tokyo metropolitan area. Business performance is strong at Liv Sports. We opened large-scale suburban clubs in response to growing interest in fitness clubs among families, with one in Sagamihara, Kanagawa, in August 2001, and another in Asaka, Saitama, in May 2002. The chain is planning to aggressively open large-scale suburban clubs to satisfy expectations of increased demand among families, as fitness needs are expected to grow in tandem with greater health consciousness and an aging society.

Increasing Management Efficiency in Golf Course Operations

In our golf course operations, we are working to increase management efficiency through cost reductions while planning to upgrade facilities. In April 2003, we changed the Resort Park Onikobe Golf Course in Miyagi Prefecture into a public golf course, restarting operations there as a resort-style golf course where anyone can enjoy playing. We also introduced electromagnetic induction-guided carts at our Izumi Parktown Golf Club. In addition, the division is developing urban recreational facilities business for membership-based tennis clubs and other sports.

Fuji International Golf Club
The Fuji International Golf Club has a total of 36 holes divided between the Fuji Course and the Otome Course, offering gradual slopes with Mt. Fuji framed majestically in the background. The Fuji Course has broad fairways and beautiful views, and the Otome Course challenges golfer technique with its curvaceous topography.

Summary

In the fiscal year ended March 31, 2003, revenue from operations grew considerably due to an increase in revenue in all businesses except the hotels segment. Higher revenues were posted in the buildings segment from the sale of development properties by subsidiary Rockefeller Group, Inc. (RGI), and in the residential development segment from strong sales of condominiums. Operating income rose thanks to improvement in profitability in each business segment. Mitsubishi Estate returned to profitability with income before income taxes and minority interests of ¥69,864 million (US$581.2 million), owing mainly to the absence of losses on impairment of property and equipment incurred during the previous fiscal year.

The Company recorded other income from a gain on sales of property and equipment, including the sale of land of the Mitsubishi Shoji Building Annex. Mitsubishi Estate posted other losses including losses on the disposal of property and equipment for reconstructing the Tokyo Building, valuation loss on inventories, and unrealized loss on securities. Net income totaled ¥36,039 million (US$299.8 million), a marked year-on-year improvement in comparison with the net loss recorded in the previous fiscal year, which included a sizable loss on impairment of property and equipment, undertaken to shore up the balance sheet.

Analysis of Revenue

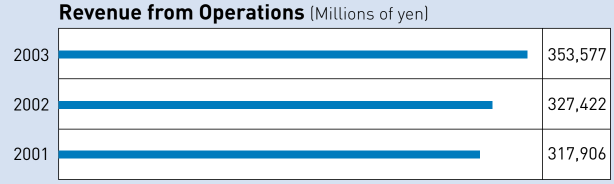
Revenue from operations for the fiscal year ended March 31, 2003 was ¥681,726 million (US$5,671.6 million), an increase of 7.9% from the previous fiscal year. Breakdown by segment and the background for these results are discussed below.

In the buildings segment, revenue climbed 8.0% to ¥353,577 million (US$2,941.6 million). Despite strong operations at the Marunouchi Building that was completed in

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.

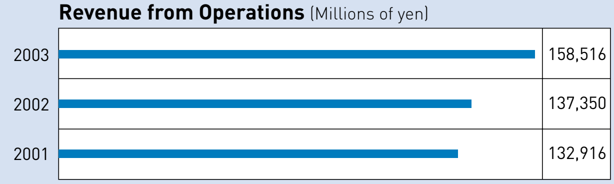
Revenue from Operations (Millions of yen)



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.

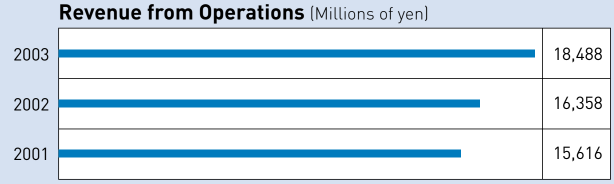
Revenue from Operations (Millions of yen)



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.

Revenue from Operations (Millions of yen)



August 2002, parent revenues declined due to a rise in vacancy rates for existing buildings. This was overcome, however, by higher revenues at subsidiary RGI owing to the sale of development properties in New Jersey, U.S.A.

Revenue from the residential development segment increased 15.4% to ¥158,516 million (US$1,318.8 million) as a result of firm sales of large-scale condominiums mainly in the Tokyo metropolitan area.

Revenue from the architectural & engineering segment increased 13.0% to ¥18,488 million (US$153.8 million) due to the completion of large-scale projects including architectural and engineering services for new construction projects. Revenue from the real estate brokerage segment edged up 2.0% to ¥81,291 million (US$676.3 million), on account of an increase in foreign currency translations from the weak yen, despite stagnant revenues at Cushman & Wakefield, Inc., which is feeling the effects of the business slowdown in the United States.

Revenue from the custom-built housing segment advanced 10.4% to ¥34,095 million (US$283.7 million) due to an increase in orders and completed homes, despite sluggish conditions in the housing market. Revenue from the hotels segment fell 3.8% on account of the prolonged economic slump. Revenue from the other segment increased 6.4% due to rising revenue at Mitsubishi Jisho Investment Advisors, Inc., which was established in the previous fiscal year, service apartment management subsidiary Ascott International Management Japan Co., Ltd., which was established during the fiscal year under review, and Liv Sports Co., Ltd., which opened a new fitness center.

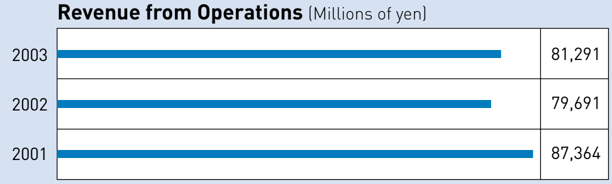
Analysis of Income

Operating income jumped 24.8% to ¥96,023 million (US$798.9 million). Operating income in the buildings segment

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.

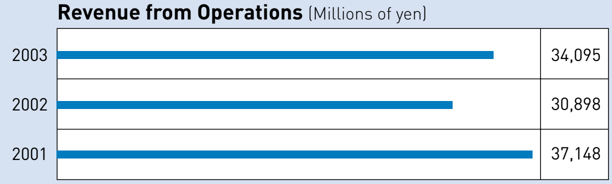
Revenue from Operations (Millions of yen)



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.

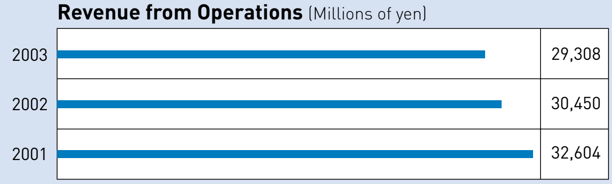
Revenue from Operations (Millions of yen)



Hotels Segment

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

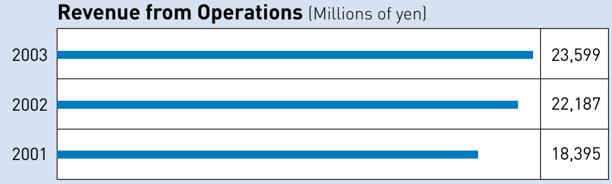
Revenue from Operations (Millions of yen)



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)



increased 16% compared with the previous fiscal year owing to a decline in depreciation due to the devaluation of property and equipment and the sale of development properties by RGI. Operating income in the residential development segment soared 48.6% on the back of robust condominium sales. The real estate brokerage segment saw higher operating income due to improvement at Cushman & Wakefield.

Other Income and Expenses

Mitsubishi Estate recorded net other expenses of ¥26,159 million (US$217.6 million) in fiscal 2003, compared with net other expenses of ¥203,769 million in the previous fiscal year. The main factor behind this change was the absence of a ¥156,365 million loss on impairment of property and equipment. Interest and dividend income was ¥2,619 million (US$21.8 million) while interest expense was ¥29,649 million (US$246.7 million).

Net Income

Income before income taxes and minority interests totaled ¥69,864 million (US$581.2 million), an improvement of ¥196,711 million (US$1,636.5 million) from the loss in the previous fiscal year. Net income was ¥36,039 million (US$299.8 million) compared with net loss of ¥71,058 million in the previous fiscal year. Net income per share was ¥27.61 (US$0.23).

Analysis of Financial Position

(1) Consolidated Cash Flows

Cash and cash equivalents (hereafter "cash") at the end of the fiscal year under review increased ¥21,076 million (US$175.3 million) from the previous fiscal year to ¥152,450 million (US$1,268.3 million). Main sources of cash were income before income taxes and minority interests, depreciation, sales of property and equipment, increase in long-term borrowings, and the issuance of corporate bonds. Main uses of cash were for purchases of property and equipment (the construction of new office buildings), repayment of corporate bonds, and repayment of long-term borrowings.

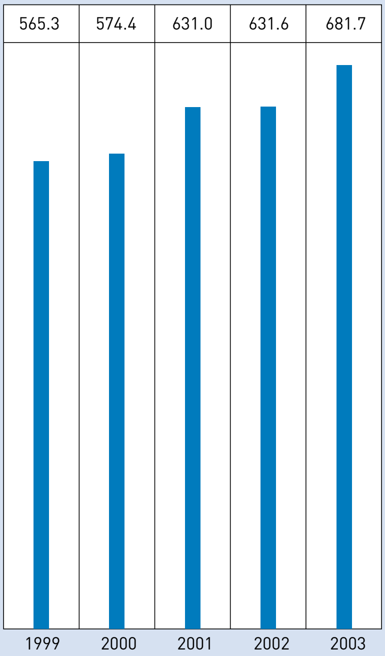
Cash Flows From Operating Activities

In the fiscal year under review, net cash provided by operating activities was ¥134,606 million (US$1,119.9 million), up ¥30,500 million from the previous fiscal year. Main contributors were income before income taxes and minority interests of ¥69,864 million (US$581.2 million), after the non-cash items of depreciation and amortization, valuation loss on inventories and unrealized loss on securities.

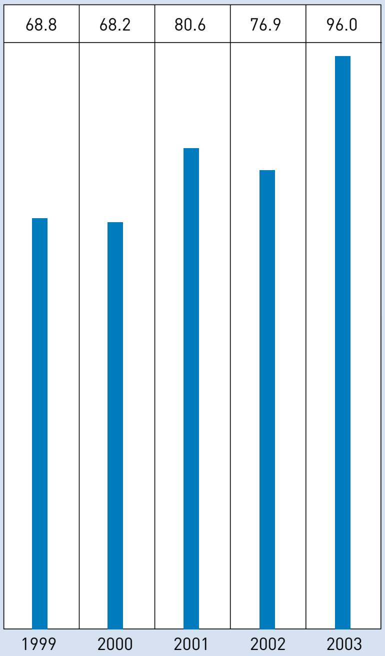
Cash Flows From Investing Activities

In the fiscal year under review, net cash used in investing activities was ¥72,311 million (US$601.6 million), down

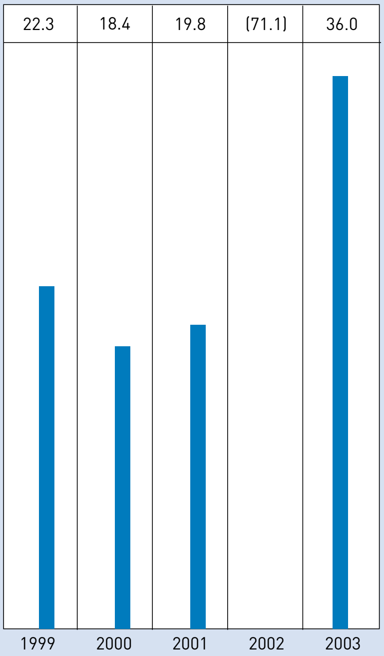
Revenue from Operations
(Billions of yen)



Operating Income
(Billions of yen)



Net Income
(Billions of yen)



¥48,221 million from the previous fiscal year. Main uses of cash were for the acquisition of the Mitsubishi Juko Building and construction work done on the Marunouchi Building and the Mitsubishi Trust and Banking Building, while cash was provided by the sale of land of the Mitsubishi Shoji Building Annex in the course of the Marunouchi Redevelopment Project. Cash was also allocated for the renovation of existing buildings owned by Mitsubishi Estate.

Cash Flows From Financing Activities

In the fiscal year under review, net cash used in financing activities was ¥38,901 million (US$323.6 million), an increase of ¥3,751 million from the previous fiscal year. This was mainly due to a net increase of short and long-term borrowings of ¥13,645 million (US$113.5 million), a net repayment of corporate bonds of ¥39,184 million (US$326.0 million), and cash dividends paid of ¥10,391 million (US$86.4 million).

(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 devalued inventories and securities for investment, and incurred a loss on the disposal of property and equipment. As a result, total assets decreased ¥27,867 million to ¥3,007,927 million (US$25,024.4 million).

Total liabilities decreased ¥36,282 million to ¥2,124,003 million (US$17,670.6 million). Minority interests increased ¥958 million to ¥43,971 million (US$365.8 million). Shareholders' equity increased ¥7,456 million to ¥839,953 million (US$6,988.0 million), due to the recording of net income and a decrease in unrealized gain in securities.

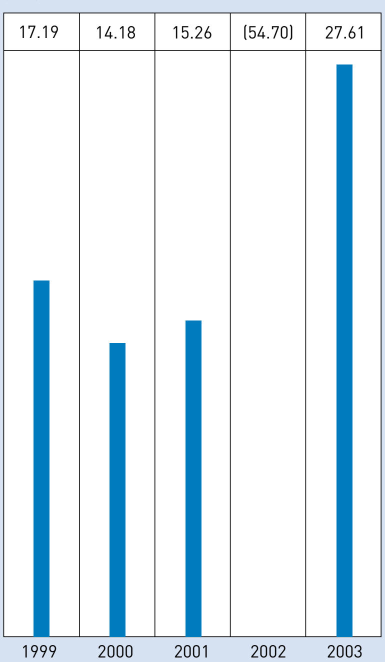
Management Initiatives and Financial Strategies

Mitsubishi Estate's three-year medium-term management plan was announced in March 2002, setting the goal of EBITDA (earnings before interest, taxes, depreciation and amortization) of ¥170 billion by the fiscal year ending March 31, 2005. 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.

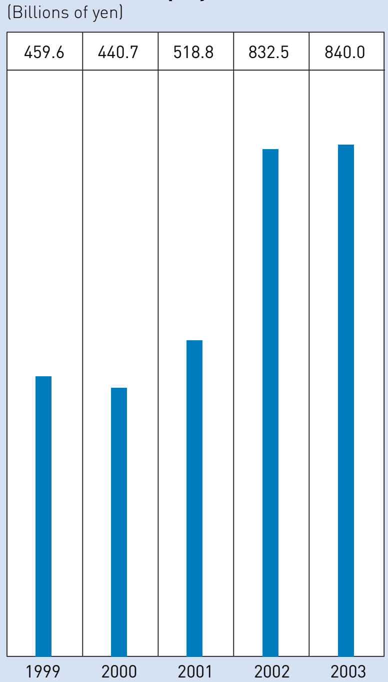
Since the core business of Mitsubishi Estate is the leasing of office buildings, the Company focuses operations on the procurement of long-term funds. Taking advantage of low interest rates, Mitsubishi Estate conducts financing mainly through the issuance of long-term corporate bonds with maturity dates of more than 10 years.

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

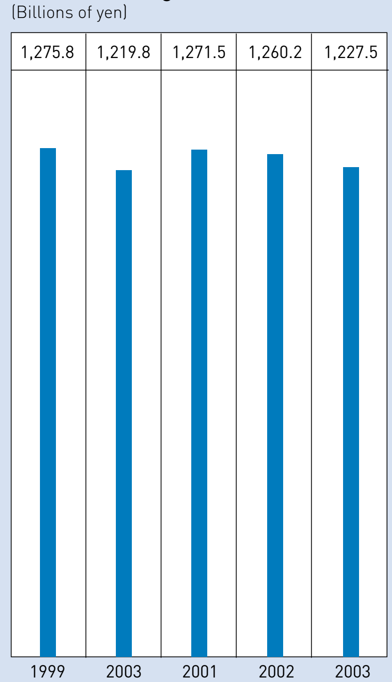
Net Income per Share
(Yen)



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, 2003 and 2002 and the related consolidated statements of operations, shareholders' equity and cash flows for each of the years in the three-year period ended March 31, 2003, all expressed in Japanese yen. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated 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, 2003 and 2002, and the results of their operations and their cash flows for each of the years in the three-year period ended March 31, 2003 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, 2003 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, 2003

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 Statements of Operations

Mitsubishi Estate Co., Ltd. and Consolidated Subsidiaries
Years ended March 31, 2003, 2002 and 2001

	Millions of yen			Thousands of U.S. dollars (Note 3)
	2003	2002	2001	**2003**
Revenue from operations	**¥681,726**	¥ 631,564	¥630,990	**$5,671,597**
Cost of revenue from operations	**538,105**	510,378	507,447	**4,476,747**
Selling, general and administrative expenses	**47,598**	44,265	42,904	**395,990**
Operating income	**96,023**	76,921	80,639	**798,860**
Other income (expenses):				
Interest and dividend income	**2,619**	2,622	3,777	**21,789**
Interest expense	**(29,649)**	(32,639)	(36,436)	**(246,664)**
Loss on impairment of property and equipment	**—**	(156,365)	—	**—**
Other, net (Note 13)	**871**	(17,387)	(14,840)	**7,246**
	(26,159)	(203,769)	(47,499)	**(217,629)**
Income (loss) before income taxes and minority interests	**69,864**	(126,848)	33,140	**581,231**
Income taxes (Notes 1 and 9)**:**				
Current	**11,925**	7,018	8,383	**99,210**
Deferred (credit)	**18,786**	(61,191)	2,839	**156,289**
	30,711	(54,173)	11,222	**255,499**
Minority interests (credit)	**3,114**	(1,617)	2,086	**25,907**
Net income (loss)	**¥ 36,039**	¥ (71,058)	¥ 19,832	**$ 299,825**

	Yen			U.S. dollars (Note 3)
Net income (loss) per share:				
Basic	**¥27.61**	¥(54.70)	¥15.26	**$0.23**
Diluted	**25.87**	—	14.84	**0.22**
Cash dividends per share	**8.00**	8.00	8.00	**0.07**

See accompanying notes to consolidated financial statements.

Consolidated Balance Sheets

Mitsubishi Estate Co., Ltd. and Consolidated Subsidiaries
March 31, 2003 and 2002

	Millions of yen		Thousands of U.S. dollars (Note 3)
Assets	**2003**	2002	**2003**
Current assets:			
Cash (Note 14)	**¥ 143,553**	¥ 131,738	**$ 1,194,285**
Marketable securities (Note 4)	**14,489**	28,862	**120,541**
Notes and accounts receivable—trade	**55,473**	49,793	**461,506**
Allowance for doubtful receivables	**(5,226)**	(5,008)	**(43,478)**
Inventories (Note 5)	**240,253**	242,405	**1,998,777**
Deferred income taxes (Note 9)	**35,018**	50,440	**291,331**
Other current assets	**28,938**	32,147	**240,748**
Total current assets	**512,498**	530,377	**4,263,710**
Investments:			
Investments in and advances to unconsolidated subsidiaries and affiliates	**25,725**	23,206	**214,018**
Investment securities (Note 4)	**124,107**	164,458	**1,032,504**
Other investments (Notes 6 and 7)	**148,044**	161,633	**1,231,648**
Total investments	**297,876**	349,297	**2,478,170**
Property and equipment (Note 7)**:**			
Land	**1,355,160**	1,341,163	**11,274,210**
Buildings and structures	**1,515,249**	1,443,094	**12,606,065**
Machinery and equipment	**94,450**	94,000	**785,774**
Construction in progress	**61,438**	57,601	**511,131**
	3,026,297	2,935,858	**25,177,180**
Less accumulated depreciation	**(886,965)**	(858,384)	**(7,379,077)**
Property and equipment, net	**2,139,332**	2,077,474	**17,798,103**
Intangible and other assets (Note 9)	**58,221**	78,647	**484,368**
Total assets	**¥3,007,927**	¥3,035,795	**$25,024,351**

See accompanying notes to consolidated financial statements.

Liabilities, minority interests and shareholders' equity	Millions of yen 2003	Millions of yen 2002	Thousands of U.S. dollars (Note 3) 2003
Current liabilities:			
Short-term borrowings and current portion of long-term debt (Note 7)	**¥ 262,241**	¥ 300,432	**$ 2,181,705**
Notes and accounts payable—trade	**68,969**	52,401	**573,785**
Accrued income taxes (Note 9)	**6,730**	4,679	**55,990**
Advances and deposits	**61,517**	57,034	**511,789**
Accrued expenses and other current liabilities (Note 9)	**48,881**	43,798	**406,664**
Total current liabilities	**448,338**	458,344	**3,729,933**
Long-term debt (Note 7)	**965,283**	959,753	**8,030,641**
Lease deposits	**320,199**	323,869	**2,663,885**
Employees' retirement allowances (Note 8)	**9,560**	10,731	**79,534**
Deferred income taxes (Note 9)	**331,084**	349,977	**2,754,443**
Other noncurrent liabilities	**49,539**	57,612	**412,138**
Total liabilities	**2,124,003**	2,160,286	**17,670,574**
Minority interests	**43,971**	43,012	**365,815**
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	**719,917**
Capital surplus	**115,216**	115,216	**958,536**
Land revaluation reserve	**410,606**	399,769	**3,416,023**
Retained earnings	**206,813**	182,529	**1,720,574**
Unrealized gain on securities	**28,359**	48,709	**235,932**
Foreign currency translation adjustments	**(6,456)**	(144)	**(53,711)**
	841,072	832,613	**6,997,271**
Less treasury stock—1,229,510 shares in 2003; 113,913 shares in 2002	**(1,119)**	(116)	**(9,309)**
Total shareholders' equity	**839,953**	832,497	**6,987,962**
Contingent liabilities (Note 12)			
Total liabilities, minority interests and shareholders' equity	**¥3,007,927**	¥3,035,795	**$25,024,351**

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, 2003, 2002 and 2001

Millions of yen

	Common stock	Capital surplus	Land revaluation reserve	Retained earnings	Unrealized gain on securities	Foreign currency translation adjustments	Treasury stock	Total shareholders' equity
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
Net income	**—**	**—**	**—**	**36,039**	**—**	**—**	**—**	**36,039**
Foreign currency translation adjustments	**—**	**—**	**—**	**—**	**—**	**(6,312)**	**—**	**(6,312)**
Net decrease in unrealized gain on securities	**—**	**—**	**—**	**—**	**(20,350)**	**—**	**—**	**(20,350)**
Land revaluation reserve (Note 1)	**—**	**—**	**10,837**	**(1,421)**	**—**	**—**	**—**	**9,416**
Changes in consolidated subsidiaries and companies accounted for by the equity method	**—**	**—**	**—**	**61**	**—**	**—**	**—**	**61**
Cash dividends paid	**—**	**—**	**—**	**(10,392)**	**—**	**—**	**—**	**(10,392)**
Directors' and statutory auditors' bonuses	**—**	**—**	**—**	**(3)**	**—**	**—**	**—**	**(3)**
Treasury stock	**—**	**—**	**—**	**—**	**—**	**—**	**(1,003)**	**(1,003)**
Balance at March 31, 2003	**¥86,534**	**¥115,216**	**¥410,606**	**¥206,813**	**¥28,359**	**¥ (6,456)**	**¥(1,119)**	**¥839,953**

Thousands of U.S. dollars (Note 3)

	Common stock	Capital surplus	Land revaluation reserve	Retained earnings	Unrealized gain on securities	Foreign currency translation adjustments	Treasury stock	Total shareholders' equity
Balance at March 31, 2002	**$719,917**	**$958,536**	**$3,325,865**	**$1,518,544**	**$ 405,233**	**$ (1,198)**	**$ (965)**	**$6,925,932**
Net income	**—**	**—**	**—**	**299,825**	**—**	**—**	**—**	**299,825**
Foreign currency translation adjustments	**—**	**—**	**—**	**—**	**—**	**(52,513)**	**—**	**(52,513)**
Net decrease in unrealized gain on securities	**—**	**—**	**—**	**—**	**(169,301)**	**—**	**—**	**(169,301)**
Land revaluation reserve (Note 1)	**—**	**—**	**90,158**	**(11,822)**	**—**	**—**	**—**	**78,336**
Changes in consolidated subsidiaries and companies accounted for by the equity method	**—**	**—**	**—**	**508**	**—**	**—**	**—**	**508**
Cash dividends paid	**—**	**—**	**—**	**(86,456)**	**—**	**—**	**—**	**(86,456)**
Directors' and statutory auditors' bonuses	**—**	**—**	**—**	**(25)**	**—**	**—**	**—**	**(25)**
Treasury stock	**—**	**—**	**—**	**—**	**—**	**—**	**(8,344)**	**(8,344)**
Balance at March 31, 2003	**$719,917**	**$958,536**	**$3,416,023**	**$1,720,574**	**$ 235,932**	**$(53,711)**	**$(9,309)**	**$6,987,962**

See accompanying notes to consolidated financial statements.

Consolidated Statements of Cash Flows

Mitsubishi Estate Co., Ltd. and Consolidated Subsidiaries
Years ended March 31, 2003, 2002 and 2001

	Millions of yen			Thousands of U.S. dollars (Note 3)
	2003	2002	2001	**2003**
Operating activities				
Income (loss) before income taxes and minority interests	**¥ 69,864**	¥(126,848)	¥ 33,140	**$ 581,231**
Depreciation and amortization	**56,739**	63,638	65,728	**472,038**
Net realized (gain) loss on sales of property and equipment	**(10,508)**	7,575	(43,440)	**(87,421)**
Net realized gain on sales of securities	**(1,887)**	(616)	(21,497)	**(15,699)**
Unrealized loss on securities	**3,957**	4,048	1,664	**32,920**
Valuation loss on inventories	**5,915**	9,680	94,239	**49,210**
Loss on impairment of property and equipment	**—**	156,365	—	**—**
Equity in net income of affiliates	**(1,811)**	(1,667)	(1,507)	**(15,067)**
Gain on contribution of securities to employees' retirement benefit trust	**—**	—	(23,280)	**—**
Net changes in allowances	**(225)**	(1,234)	10,899	**(1,872)**
Interest and dividend income	**(2,619)**	(2,622)	(3,777)	**(21,789)**
Interest expense	**29,649**	32,639	36,436	**246,664**
(Increase) decrease in notes and accounts receivable	**(7,342)**	10,390	(4,514)	**(61,082)**
Decrease (increase) in inventories	**12,917**	10,856	(6,106)	**107,463**
Increase (decrease) in notes and accounts payable	**17,518**	(3,749)	(1,129)	**145,740**
(Decrease) increase in lease deposits	**(2,907)**	(796)	22,003	**(24,185)**
Other	**1,816**	(15,673)	(10,023)	**15,110**
Subtotal	**171,076**	141,986	148,836	**1,423,261**
Interest and dividends received	**3,010**	3,091	3,962	**25,041**
Interest paid	**(29,854)**	(34,229)	(37,400)	**(248,369)**
Income taxes paid	**(9,626)**	(6,742)	(7,755)	**(80,083)**
Net cash provided by operating activities	**134,606**	104,106	107,643	**1,119,850**
Investing activities				
Proceeds from sales of marketable securities	**41,946**	15,873	2,417	**348,968**
Purchases of marketable securities	**(20,093)**	(18,257)	(13,593)	**(167,163)**
Proceeds from sales of property and equipment	**29,325**	19,895	56,749	**243,968**
Purchases of property and equipment	**(128,807)**	(115,618)	(105,644)	**(1,071,606)**
Proceeds from sales of investment securities	**6,689**	4,472	35,250	**55,649**
Purchases of investment securities	**(4,609)**	(22,561)	(20,160)	**(38,344)**
Purchases of land use rights	**—**	(8,825)	(4,235)	**—**
Other	**3,238**	4,489	47	**26,939**
Net cash used in investing activities	**(72,311)**	(120,532)	(49,169)	**(601,589)**
Financing activities				
Net (decrease) increase in short-term borrowings	**(5,566)**	16,951	2,311	**(46,306)**
Net decrease in commercial paper	**(1,877)**	—	—	**(15,616)**
Increase in long-term borrowings	**61,972**	82,270	12,961	**515,574**
Repayment of long-term borrowings	**(42,760)**	(89,013)	(32,207)	**(355,740)**
Proceeds from issuance of corporate bonds	**132,538**	43,431	141,391	**1,102,646**
Repayment of corporate bonds	**(171,723)**	(77,960)	(81,440)	**(1,428,644)**
Cash dividends paid	**(10,391)**	(10,393)	(10,393)	**(86,448)**
Other	**(1,094)**	(436)	83	**(9,102)**
Net cash (used in) provided by financing activities	**(38,901)**	(35,150)	32,706	**(323,636)**
Effect of exchange rate changes on cash and cash equivalents	**(2,431)**	2,771	1,150	**(20,224)**
Net increase (decrease) in cash and cash equivalents	**20,963**	(48,805)	92,330	**174,401**
Cash and cash equivalents at beginning of year	**131,374**	178,922	86,457	**1,092,962**
Increase in cash and cash equivalents arising from mergers and acquisitions	**113**	1,257	135	**940**
Cash and cash equivalents at end of year (Note 14)	**¥ 152,450**	¥ 131,374	¥ 178,922	**$ 1,268,303**

See accompanying notes to consolidated financial statements.

Notes to Consolidated Financial Statements

Mitsubishi Estate Co., Ltd. and Consolidated Subsidiaries
March 31, 2003 and 2002

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, 2003, 2002 and 2001 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. Non-marketable securities classified as other securities are carried at cost.

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

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

The adoption of a new accounting standard for financial instruments related to securities decreased income before income taxes by ¥329 million 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, is 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 income taxes, has been recorded as "Land revaluation reserve" in shareholders' equity.

The difference between the book value after revaluation and the fair value as of March 31, 2003 was ¥10,298 million ($85,674 thousand).

The Company reviews its property and equipment (including land) for impairment whenever events or changes in its business circumstances indicate that the carrying amount of the assets may not be fully recoverable. The Company performs cash flow analyses to determine if an impairment exits. If an impairment is determined to exist, any related loss on impairment is calculated based on the cash flow analyses.

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 acquired in a business combination completed after June 30, 2001, which have not been amortized. A loss is recognized if the fair value falls below the carrying amount. 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 and its domestic consolidated subsidiaries expensed the net retirement benefit obligation at transition of ¥4,714 million in the year ended March 31, 2001. The net retirement benefit obligation of the foreign consolidated subsidiaries, however, is amortized by the straight-line method over 20 years in accordance with generally accepted accounting principles in the country. 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

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 the 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.

Treasury stock and reduction of legal reserves

Effective April 1, 2002, the Company and consolidated subsidiaries adopted a new accounting standard for treasury stock and reduction of legal reserves. The adoption of this new standard had no effect on profit and loss.

Net income (loss) per share

Until the year ended March 31, 2002, 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, had been used. Net income (loss) per share assuming full dilution had 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.

In accordance with a new accounting standard for earnings per share which became effective April 1, 2002, basic net income per share is computed based on the net income available for distribution to shareholders of common stock and the weighted average number of shares of common stock outstanding during each year. Diluted net income per share is computed based on the net income available for distribution to the shareholders and the weighted average number of shares of common stock outstanding during each year assuming full conversion of convertible bonds.

Appropriation of retained earnings

Under the Commercial Code of Japan (the "Code"), 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 2002 and 2001 financial statements in order to conform them to the 2003 presentation.

2. ACCOUNTING CHANGE

Effective April 1, 2001, the Company changed its revenue recognition policy for certain long-term projects over ¥500 million in revenue for architectural design and supervision and ¥5,000 million in 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 and income before income taxes by ¥1,691 million, 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 ¥120.20 = U.S.$1.00, the approximate rate of exchange prevailing on March 31, 2003. 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, 2003 and 2002 are summarized as follows:

			2003			
			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	**¥44,272**	**¥ 99,261**	**¥54,988**	**$368,319**	**$825,799**	**$457,471**
Debt securities:						
Corporate bonds	**1,347**	**1,347**	**—**	**11,206**	**11,206**	**—**
Subtotal	**45,619**	**100,608**	**54,988**	**379,525**	**837,005**	**457,471**
Securities whose cost exceeds their fair value:						
Equity securities	**4,054**	**3,224**	**(829)**	**33,728**	**26,822**	**(6,897)**
Subtotal	**4,054**	**3,224**	**(829)**	**33,728**	**26,822**	**(6,897)**
Total	**¥49,673**	**¥103,832**	**¥54,159**	**$413,253**	**$863,827**	**$450,574**

			2002
			Millions of yen
	Cost	Fair value	Unrealized gain (loss)
Securities whose fair value exceeds their cost:			
Equity securities	¥52,140	¥137,633	¥85,493
Debt securities:			
Corporate bonds	946	946	—
Subtotal	53,086	138,579	85,493
Securities whose cost exceeds their fair value:			
Equity securities	6,921	5,929	(992)
Subtotal	6,921	5,929	(992)
Total	¥60,007	¥144,508	¥84,501

Proceeds from sales of securities classified as other securities totaled ¥2,191 million ($18,228 thousand) in 2003 and ¥26,871 million in 2002. Gross realized gain and gross realized loss were ¥1,872 million ($15,574 thousand) and ¥59 million ($491 thousand) in 2003 and ¥861 million and ¥360 million in 2002, respectively.

Marketable debt securities classified as held-to-maturity securities at March 31, 2003 and 2002 are summarized as follows:

	2003					
	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	**¥ 222**	**¥ 224**	**¥ 2**	**$ 1,847**	**$ 1,864**	**$16**
Subtotal	**222**	**224**	**2**	**1,847**	**1,864**	**16**
Debt securities whose cost exceeds their fair value:						
Other	**1,899**	**1,898**	**(1)**	**15,799**	**15,790**	**(8)**
Subtotal	**1,899**	**1,898**	**(1)**	**15,799**	**15,790**	**(8)**
Total	**¥2,121**	**¥2,122**	**¥ 1**	**$17,646**	**$17,654**	**$ 8**

	2002		
	Millions of yen		
	Amortized cost	Fair value	Unrealized gain (loss)
Debt securities whose fair value exceeds their cost:			
Government bonds	¥ 227	¥ 231	¥ 4
Subtotal	227	231	4
Debt securities whose cost exceeds their fair value:			
Corporate bonds	13,219	13,159	(60)
Other	12,729	12,723	(6)
Subtotal	25,948	25,882	(66)
Total	¥26,175	¥26,113	¥(62)

Marketable and investment securities recorded at cost at March 31, 2003 and 2002 are summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2003	2002	**2003**
Other securities:			
Nonmarketable equity securities (other than equity securities listed on the over-the-counter market)	**¥20,387**	¥19,372	**$169,609**
Mutual funds	**1,674**	2,173	**13,927**
Commercial paper	**1,486**	—	**12,363**
MMF	**8,945**	—	**74,418**
Other	**148**	93	**1,231**
Held-to-maturity securities:			
Commercial paper	**—**	999	**—**
Total	**¥32,640**	¥22,637	**$271,548**

The redemption schedule for securities classified as other securities at March 31, 2003 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	¥ 30	¥ 173	¥20	$ 250	$1,439	$166
Corporate bonds	479	839	—	3,985	6,980	—
Commercial paper	1,900	—	—	15,807	—	—
Total	¥2,409	¥1,012	¥20	$20,042	$8,419	$166

The Company recognized losses on other securities considered other-than-temporary amounting to ¥3,956 million ($32,912 thousand) and ¥3,594 million for the years ended March 31, 2003 and 2002, respectively.

5. INVENTORIES

Inventories at March 31, 2003 and 2002 are summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2003	2002	**2003**
Real estate for sale	**¥130,369**	¥167,555	**$1,084,601**
Land and housing projects in progress	**80,634**	40,519	**670,832**
Land held for development	**18,750**	24,161	**155,990**
Other	**10,500**	10,170	**87,354**
Total	**¥240,253**	¥242,405	**$1,998,777**

6. OTHER INVESTMENTS

Other investments at March 31, 2003 and 2002 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2003	2002	**2003**
Lease deposits	**¥ 84,250**	¥ 90,580	**$ 700,915**
Long-term prepaid expenses and other	**63,794**	71,053	**530,732**
Total	**¥148,044**	¥161,633	**$1,231,647**

7. SHORT-TERM BORROWINGS AND LONG-TERM DEBT

At March 31, 2003 and 2002, short-term borrowings and the current portion of long-term debt consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2003	2002	**2003**
Loans, principally from banks	**¥ 87,181**	¥ 89,919	**$ 725,300**
Commercial paper	**—**	1,979	**—**
Current portion of long-term debt	**175,060**	208,534	**1,456,405**
Total	**¥262,241**	¥300,432	**$2,181,705**

The weighted-average interest rates per annum on short-term borrowings outstanding at March 31, 2003 and 2002 were 0.48% and 0.59%, respectively. Short-term borrowings are principally unsecured.

At March 31, 2003 and 2002, long-term debt consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2003	2002	**2003**
1.5% convertible bonds due 2003	**¥ —**	¥ 90,886	**$ —**
Zero coupon convertible bonds due 2006	**100,000**	100,000	**831,947**
5.6% mortgage bonds due 2004	**50,000**	50,000	**415,973**
5.275% mortgage bonds due 2005	**50,000**	50,000	**415,973**
4.8% mortgage bonds due 2005	**50,000**	50,000	**415,973**
2.95% mortgage bonds due 2002	**—**	10,000	**—**
4% mortgage bonds due 2002	**—**	20,000	**—**
2.125% unsecured bonds due 2002	**—**	10,000	**—**
1.5% unsecured bonds due 2002	**—**	10,000	**—**
2.05% unsecured bonds due 2003	**—**	20,000	**—**
1.775% unsecured bonds due 2003	**10,000**	10,000	**83,195**
2.35% unsecured bonds due 2003	**20,000**	20,000	**166,389**
3.05% unsecured bonds due 2003	**15,000**	15,000	**124,792**
1.7% unsecured bonds due 2003	**10,000**	10,000	**83,195**
3.1% unsecured bonds due 2003	**10,000**	10,000	**83,195**
2.55% unsecured bonds due 2003	**10,000**	10,000	**83,195**
1.7% unsecured bonds due 2004	**10,000**	10,000	**83,195**
0.9% unsecured bonds due 2004	**10,000**	10,000	**83,195**
2.55% unsecured bonds due 2004	**10,000**	10,000	**83,195**
2.125% unsecured bonds due 2005	**10,000**	10,000	**83,195**
2.21% unsecured bonds due 2006	**10,000**	10,000	**83,195**
1.325% unsecured bonds due 2006	**10,000**	10,000	**83,195**
3.4% unsecured bonds due 2006	**10,000**	10,000	**83,195**
3% unsecured bonds due 2006	**10,000**	10,000	**83,195**
2.975% unsecured bonds due 2007	**30,000**	30,000	**249,574**
2.575% unsecured bonds due 2008	**10,000**	10,000	**83,195**
0.37% unsecured bonds due 2008	**10,000**	—	**83,195**
2.525% unsecured bonds due 2008	**10,000**	10,000	**83,195**
3.1% unsecured bonds due 2008	**10,000**	10,000	**83,195**
1.82% unsecured bonds due 2009	**10,000**	10,000	**83,195**
3.075% unsecured bonds due 2009	**10,000**	10,000	**83,195**
2% unsecured bonds due 2009	**10,000**	10,000	**83,195**
1.985% unsecured bonds due 2009	**10,000**	10,000	**83,195**
0.72% unsecured bonds due 2009	**10,000**	—	**83,195**
1.9% unsecured bonds due 2010	**10,000**	10,000	**83,195**
1.55% unsecured bonds due 2011	**10,000**	10,000	**83,195**
1.44% unsecured bonds due 2011	**10,000**	10,000	**83,195**
1.16% unsecured bonds due 2011	**10,000**	—	**83,195**
3.275% unsecured bonds due 2012	**10,000**	10,000	**83,195**
1.47% unsecured bonds due 2012	**10,000**	10,000	**83,195**
1.58% unsecured bonds due 2012	**20,000**	—	**166,389**
1.2% unsecured bonds due 2012	**10,000**	—	**83,195**
1% unsecured bonds due 2013	**10,000**	—	**83,195**
1.65% unsecured bonds due 2014	**10,000**	—	**83,195**
1.655% unsecured bonds due 2014	**10,000**	—	**83,195**
3.125% unsecured bonds due 2017	**10,000**	10,000	**83,195**
3% unsecured bonds due 2018	**10,000**	10,000	**83,195**
2.5% unsecured bonds due 2020	**10,000**	10,000	**83,195**
2.42% unsecured bonds due 2022	**10,000**	—	**83,195**
2.9% unsecured bonds due 2032	**10,000**	—	**83,195**
2.615% unsecured bonds due 2032	**10,000**	—	**83,195**
7.37% unsecured bonds due 2008 (payable in U.S. dollars)	**5,139**	6,598	**42,754**
Floating rate bonds due 2002 (payable in U.S. dollars)	**—**	9,452	**—**
Floating rate bonds due 2003 (payable in U.S. dollars)	**21,813**	11,953	**181,473**
Floating rate bonds due 2004 (payable in U.S. dollars)	**7,758**	7,266	**64,542**
Floating rate bonds due 2005 (payable in U.S. dollars)	**2,602**	2,863	**21,647**
Loans from banks and insurance companies:			
Secured	**98,314**	110,740	**817,920**
Unsecured	**299,717**	273,529	**2,493,486**
	1,140,343	1,168,287	**9,487,047**
Less current portion	**(175,060)**	(208,534)	**(1,456,406)**
	¥ 965,283	¥ 959,753	**$ 8,030,641**

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

The agreements under which the 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 ¥1,200 ($10) subject to adjustment in certain cases, for example, 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, 2003 are summarized as follows:

	Millions of yen	Thousands of U.S. dollars
Year ending March 31:		
2004	¥ 175,060	$1,456,406
2005	256,483	2,133,802
2006	127,027	1,056,797
2007	173,025	1,439,476
2008 and thereafter	408,748	3,400,566
Total	¥1,140,343	$9,487,047

The assets pledged as collateral for short-term borrowings of ¥1,710 million ($14,226 thousand), other current liabilities of ¥387 million ($3,220 thousand), long-term debt of ¥98,313 million ($817,912 thousand) and other noncurrent liabilities of ¥5,423 million ($45,116 thousand) at March 31, 2003 were as follows:

	Millions of yen	Thousands of U.S. dollars
Other investments	¥ 2,634	$ 21,914
Land	23,851	198,428
Buildings and structures	133,802	1,113,161
Machinery and equipment	4,107	34,168
Total	¥164,394	$1,367,671

Additionally, all assets of the Company are subject to the terms of an enterprise mortgage for mortgage bonds, which amounted to ¥150,000 million ($1,247,920 thousand) at March 31, 2003.

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, 2003 and 2002 for the Company's and its consolidated subsidiaries' defined benefit pension plans:

	Millions of yen		Thousands of U.S. dollars
	2003	2002	**2003**
Retirement benefit obligation	**¥(72,019)**	¥(68,576)	**$(599,160)**
Plan assets at fair value	**39,271**	47,561	**326,714**
Unfunded retirement benefit obligation	**(32,748)**	(21,015)	**(272,446)**
Unrecognized net benefit obligation at transition	**563**	682	**4,684**
Unrecognized actuarial (gain) loss	**25,490**	11,537	**212,063**
Unrecognized prior service cost	**99**	120	**824**
Net amounts recognized in the consolidated balance sheet	**(6,596)**	(8,676)	**(54,875)**
Prepaid pension expenses	**2,964**	2,055	**24,659**
Employees' retirement allowances	**¥ (9,560)**	¥(10,731)	**$ (79,534)**

The components of expenses related to the pension and severance plans for the years ended March 31, 2003 and 2002 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2003	2002	**2003**
Service cost	**¥2,950**	¥2,814	**$24,542**
Interest cost	**2,185**	2,274	**18,178**
Expected return on plan assets	**(1,221)**	(1,223)	**(10,158)**
Amortization of net retirement benefit obligation at transition	**58**	56	**483**
Other	**2,266**	856	**18,852**
Total	**¥6,238**	¥4,777	**$51,897**

The assumptions used in accounting for the pension and severance plans for the years ended March 31, 2003 and 2002 were as follows:

	2003	2002
Discount rate	**2.50–6.75%**	2.50–7.50%
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**	6 or 10 years
Amortization period of actuarial loss	**5–17 years**	5–17 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.

The effective tax rates reflected in the consolidated statements of income for the years ended March 31, 2003 and 2001 differ from the statutory tax rate for the following reasons:

	2003	2002	2001
Statutory tax rate	42.05%	*1	42.05%
Increase (decrease) in income taxes resulting from:			
Change in valuation allowance	(7.62)		(5.88)
Different tax rates applied	1.07		1.70
Revenues deductible for income tax purposes	(0.10)		(2.37)
Expenses not deductible for income tax purposes	0.65		1.13
Undistributed earnings of affiliates	2.69		—
Adjustment of deferred tax assets to reflect change in effective tax rate	1.41		—
Other	3.81		(2.77)
Effective tax rates	43.96%		33.86%

**1 The differences between the statutory tax rate and the effective tax rate reflected in the accompanying consolidated statement of income for the year ended March 31, 2002 was less than 5% and, therefore, no reconciliation has been disclosed.*

The significant components of deferred tax assets and liabilities as of March 31, 2003 and 2002 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2003	2002	**2003**
Deferred tax assets:			
Net operating loss carryforwards	**¥ 28,490**	¥ 46,307	**$ 237,022**
Accrued retirement allowances and pension costs	**12,021**	12,013	**100,008**
Valuation loss on inventories	**29,827**	36,822	**248,145**
Unrealized loss on property and equipment	**67,570**	78,755	**562,146**
Land revaluation reserve	**108,566**	114,615	**903,211**
Other	**17,540**	14,170	**145,924**
	264,014	302,682	**2,196,456**
Valuation allowance	**(18,252)**	(34,549)	**(151,847)**
Total deferred tax assets	**245,762**	268,133	**2,044,609**
Deferred tax liabilities:			
Reserves under Special Taxation Measures Law	**(68,680)**	(64,981)	**(571,381)**
Land revaluation reserve	**(390,265)**	(404,698)	**(3,246,797)**
Unrealized gain on property and equipment	**(40,104)**	(41,506)	**(333,644)**
Unrealized gain on securities	**(21,173)**	(36,183)	**(176,148)**
Other	**(20,108)**	(19,087)	**(167,288)**
Total deferred tax liabilities	**(540,330)**	(566,455)	**(4,495,258)**
Net deferred tax liabilities	**¥(294,568)**	¥(298,322)	**$(2,450,649)**

New legislation was enacted in March 2003 which will change the aggregate statutory tax rate from 42.05% to 40.69% effective the fiscal year beginning after March 31, 2004. The effect of this tax rate change was to decrease deferred tax liabilities related to land revaluation and unrealized gain on securities by ¥9,415 million ($78,328 thousand) and ¥613 million ($5,100 thousand), respectively and was to increase land revaluation reserve and unrealized gain on securities in Shareholders' equity by the same amount at March 31, 2003. The effect of this change was also to decrease deferred tax assets by ¥986 million ($8,203 thousand) at March 31, 2003 and to increase income taxes-deferred by the same amount for the year ended March 31, 2003.

10. LEGAL RESERVE

On October 1, 2001, an amendment (the "Amendment") to 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 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 ($180,183 thousand) as of March 31, 2003 and 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, 2003 and 2002, 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, 2003						
Buildings and structures	**¥ 2,666**	**¥ 596**	**¥2,070**	**$22,180**	**$ 4,958**	**$17,221**
Machinery and equipment	**8,114**	**3,618**	**4,496**	**67,504**	**30,100**	**37,405**
Total	**¥10,780**	**¥4,214**	**¥6,566**	**$89,684**	**$35,058**	**$54,626**
March 31, 2002						
Buildings and structures	¥1,322	¥ 602	¥ 720			
Machinery and equipment	8,085	4,763	3,322			
Total	¥9,407	¥5,365	¥4,042			

Lease payments relating to finance leases accounted for as operating leases in the accompanying consolidated financial statements amounted to ¥1,864 million ($15,507 thousand), ¥1,798 million and ¥1,877 million for the years ended March 31, 2003, 2002 and 2001, respectively.

Future minimum lease payments subsequent to March 31, 2003 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:				
2004	¥1,872	¥ 4,264	$15,574	$ 35,474
2005 and thereafter	4,694	26,386	39,052	219,518
	¥6,566	¥30,650	$54,626	$254,992

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, 2003 from noncancelable operating leases are summarized as follows:

	Millions of yen	Thousands of U.S. dollars
Year ending March 31:		
2004	¥ 54,210	$ 450,998
2005 and thereafter	435,008	3,619,035
	¥489,218	$4,070,033

12. CONTINGENT LIABILITIES

At March 31, 2003, 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	¥1,223	$10,175
Guarantees of employees' housing loans from banks and others	784	6,522
Other	163	1,356
Total	¥2,170	$18,053

13. OTHER INCOME (EXPENSES)

The components of "Other, net" in "Other income (expenses)" for each of the years ended March 31, 2003, 2002 and 2001 were as follows:

	Millions of yen			Thousands of U.S. dollars
	2003	2002	2001	**2003**
Equity in net income of affiliates	**¥ 1,811**	¥ 1,667	¥ 1,507	**$ 15,067**
Net realized gain (loss) on sales of property and equipment	**10,508**	(7,575)	43,440	**87,421**
Valuation loss on inventories	**(5,915)**	(9,680)	(94,239)	**(49,210)**
Net realized gain on sales of securities	**1,887**	616	21,497	**15,699**
Unrealized loss on securities	**(3,957)**	(4,048)	(1,664)	**(32,920)**
Gain on investments in affiliates	**—**	—	1,793	**—**
Amortization of net retirement benefit obligation at transition	**—**	—	(4,714)	**—**
Gain on contribution of securities to employees' retirement benefit trust	**—**	—	23,280	**—**
Other	**(3,463)**	1,633	(5,740)	**(28,811)**
	¥ 871	¥(17,387)	¥(14,840)	**$ 7,246**

14. SUPPLEMENTAL CASH FLOW INFORMATION

The following table represents a reconciliation of cash and cash equivalents as of March 31, 2003, 2002 and 2001.

	Millions of yen			Thousands of U.S. dollars
	2003	2002	2001	**2003**
Cash	**¥143,553**	¥131,738	¥171,805	**$1,194,285**
Time deposits with maturities of more than three months	**(1,925)**	(2,055)	(2,319)	**(16,015)**
Marketable securities with maturities of three months or less	**10,822**	1,691	9,436	**90,033**
Cash and cash equivalents	**¥152,450**	¥131,374	¥178,922	**$1,268,303**

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, 2003 and 2002:

	Millions of yen			Thousands of U.S. dollars		
	Notional amount	Fair value	Unrealized gain (loss)	Notional amount	Fair value	Unrealized gain (loss)
March 31, 2003						
Interest rate swaps:						
Receive/floating and pay/fixed	**¥ 5,000**	**¥(137)**	**¥(137)**	**$41,597**	**$(1,140)**	**$(1,140)**
Receive/fixed and pay/floating	**5,000**	**214**	**214**	**41,597**	**1,781**	**1,781**
Total	**¥10,000**	**¥ 77**	**¥ 77**	**$83,194**	**$ 641**	**$ 641**
March 31, 2002						
Interest rate swaps:						
Receive/floating and pay/fixed	¥ 5,000	¥(137)	¥(137)			
Receive/fixed and pay/floating	5,000	240	240			
Total	¥ 10,000	¥ 103	¥ 103			

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 & 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, 2003, 2002 and 2001 are summarized as follows:

Millions of yen

2003	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	¥ 347,661	¥158,168	¥11,596	¥81,108	¥32,623	¥29,131	¥ 21,439	¥ 681,726	¥ —	¥ 681,726
Intersegment or transfers	5,916	348	6,892	183	1,472	177	2,160	17,148	(17,148)	—
Total revenue	353,577	158,516	18,488	81,291	34,095	29,308	23,599	698,874	(17,148)	681,726
Operating expense	254,951	146,006	18,246	79,037	34,970	28,785	25,484	587,479	(1,776)	585,703
Operating income (loss)	¥ 98,626	¥ 12,510	¥ 242	¥ 2,254	¥ (875)	¥ 523	¥ (1,885)	¥ 111,395	¥ (15,372)	¥ 96,023
Total assets, depreciation, and capital expenditures										
Assets	¥2,277,103	¥276,459	¥17,287	¥70,299	¥16,209	¥31,197	¥100,647	¥2,789,201	¥218,726	¥3,007,927
Depreciation	48,261	674	94	3,168	171	1,155	1,913	55,436	686	56,122
Capital expenditures	133,269	915	365	2,352	113	786	3,425	141,225	1,550	142,775

Thousands of U.S. dollars

2003	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	$ 2,892,354	$1,315,874	$ 96,472	$674,776	$271,406	$242,354	$178,361	$ 5,671,597	$ —	$ 5,671,597
Intersegment or transfers	49,218	2,895	57,338	1,522	12,246	1,473	17,970	142,662	(142,662)	—
Total revenue	2,941,572	1,318,769	153,810	676,298	283,652	243,827	196,331	5,814,259	(142,662)	5,671,597
Operating expense	2,121,056	1,214,692	151,797	657,546	290,932	239,476	212,014	4,887,513	(14,776)	4,872,737
Operating income (loss)	$ 820,516	$ 104,077	$ 2,013	$ 18,752	$ (7,280)	$ 4,351	$ (15,683)	$ 926,746	$ (127,886)	$ 798,860
Total assets, depreciation, and capital expenditures										
Assets	$18,944,285	$2,299,992	$143,819	$584,850	$134,850	$259,542	$837,329	$23,204,667	$1,819,684	$25,024,351
Depreciation	401,506	5,607	782	26,356	1,423	9,609	15,915	461,198	5,707	466,905
Capital expenditures	1,108,727	7,612	3,037	19,567	940	6,539	28,495	1,174,917	12,895	1,187,812

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

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

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 for the year ended March 31, 2002 was to increase or decrease the revenue from operation and operating income in each of the respective segments as follows:

Millions of yen

	Revenue from operations	Operating income (loss)
Architectural & engineering	¥6,580	¥2,086
Eliminations or corporate	(1,127)	(395)
	¥5,453	¥1,691

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 for the year ended March 31, 2002 was to increase operating expenses in each of the respective segments as follows:

Segments	Millions of yen
Buildings	¥1,393
Residential development	327
Architectural & engineering	1,765
Custom-built housing	454
Hotels	329
Other	191
	¥4,459

Land revaluation

As described in Note1, the Company revalued certain land as of March 31, 2002. Due to this land revaluation, the total assets of each segment as of March 31, 2002 increased or decreased as follows:

Segments	**Increase (decrease) of assets** Millions of yen
Buildings	¥707,482
Residential development	(4,848)
Custom-built housing	(755)
Hotels	1,573
Other	(32,172)
Eliminations or corporate	18,572
	¥689,852

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:

Segments	**Decrease of assets** Millions of yen
Buildings	¥140,776
Residential development	5,106
Hotels	9,409
Other	1,074
	¥156,365

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, 2003, 2002 and 2001 is summarized as follows:

Millions of yen

	Japan	United States	Other	Total	Eliminations or corporate	Consolidated
						2003
Revenue and operating income (loss)						
Revenue from:						
External customers	**¥ 531,044**	**¥126,666**	**¥24,016**	**¥ 681,726**	**¥ —**	**¥ 681,726**
Intersegment or transfers	**943**	**85**	**202**	**1,230**	**(1,230)**	**—**
Total revenue	**531,987**	**126,751**	**24,218**	**682,956**	**(1,230)**	**681,726**
Operating expenses	**439,555**	**110,047**	**22,711**	**572,313**	**13,390**	**585,703**
Operating income (loss)	**¥ 92,432**	**¥ 16,704**	**¥ 1,507**	**¥ 110,643**	**¥ (14,620)**	**¥ 96,023**
Total assets	**¥2,445,190**	**¥316,421**	**¥19,786**	**¥2,781,397**	**¥226,530**	**¥3,007,927**

Thousands of U.S. dollars

	Japan	United States	Other	Total	Eliminations or corporate	Consolidated
						2003
Revenue and operating income (loss)						
Revenue from:						
External customers	**$ 4,418,004**	**$1,053,794**	**$199,799**	**$ 5,671,597**	**$ —**	**$ 5,671,597**
Intersegment or transfers	**7,845**	**707**	**1,682**	**10,234**	**(10,234)**	**—**
Total revenue	**4,425,849**	**1,054,501**	**201,481**	**5,681,831**	**(10,234)**	**5,671,597**
Operating expenses	**3,656,864**	**915,533**	**188,943**	**4,761,340**	**111,397**	**4,872,737**
Operating income (loss)	**$ 768,985**	**$ 138,968**	**$ 12,538**	**$ 920,491**	**$ (121,631)**	**$ 798,860**
Total assets	**$20,342,679**	**$2,632,454**	**$164,609**	**$23,139,742**	**$1,884,609**	**$25,024,351**

Millions of yen

	Japan	United States	Other	Total	Eliminations or corporate	Consolidated
						2002
Revenue and operating income						
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	¥ 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

Millions of yen

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

Unallocatable operating expenses

Unallocatable operating expenses included under "Eliminations or corporate" for the years ended March 31, 2003, 2002 and 2001 amounted to ¥14,806 million ($123,178 thousand), ¥12,689 million and ¥15,630 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, 2003, 2002 and 2001 amounted to ¥248,536 million ($2,067,687 thousand), ¥332,193 million and ¥392,135 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 and operating income by ¥1,691 million, 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 since 2002. The effect of this change was to increase operating expenses in each of the respective segments as follows:

Segments	Millions of yen
Japan	¥4,459
U.S.A.	156
Other	109
	¥4,724

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 as of March 31, 2002 increased by ¥671,278 million and ¥18,574 million 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 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, 2003, 2002 and 2001.

			Millions of yen
			2003
	United States	Other areas	Total
Overseas revenue			
Overseas revenue	**¥104,178**	**¥24,029**	**¥128,207**
Consolidated revenue			**¥681,726**
% of overseas revenue to consolidated revenue	**15.3%**	**3.5%**	**18.8%**

			Thousands of U.S. dollars
Overseas revenue			
Overseas revenue	**$866,706**	**$199,908**	**$1,066,614**
Consolidated revenue			**$5,671,597**

			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%

			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%

Non-Consolidated Statements of Operations

Mitsubishi Estate Co., Ltd.
Years ended March 31, 2003, 2002 and 2001

	Millions of yen			Thousands of U.S. dollars
	2003	2002	2001	**2003**
Revenue from operations	**¥397,102**	¥ 381,145	¥389,995	**$3,303,677**
Cost of revenue from operations	**304,537**	299,790	315,002	**2,533,586**
Selling, general and administrative expenses	**25,759**	24,557	21,893	**214,301**
Operating income	**66,806**	56,798	53,100	**555,790**
Other income (expenses):				
Interest and dividend income	**2,381**	2,002	2,627	**19,809**
Interest expense	**(24,601)**	(25,982)	(29,499)	**(204,667)**
Loss on impairment of property and equipment	**—**	(143,915)	—	**—**
Other, net	**3**	(23,202)	(16,191)	**25**
	(22,217)	(191,097)	(43,063)	**(184,833)**
Income (loss) before income taxes and minority interests	**44,589**	(134,299)	10,037	**370,957**
Income taxes:				
Current	**16**	16	19	**133**
Deferred	**19,983**	(56,860)	3,615	**166,248**
	19,999	(56,844)	3,634	**166,381**
Net income (loss)	**¥ 24,590**	¥ (77,455)	¥ 6,403	**$ 204,576**

Non-Consolidated Balance Sheets

Mitsubishi Estate Co., Ltd.
March 31, 2003 and 2002

	Millions of yen		Thousands of U.S. dollars
Assets	**2003**	2002	**2003**
Current assets:			
Cash	**¥ 62,793**	¥ 62,795	**$ 522,404**
Marketable securities	**1,899**	25,563	**15,799**
Notes and accounts receivable—trade	**41,763**	22,799	**347,446**
Allowance for doubtful receivables	**(1,269)**	(892)	**(10,557)**
Inventories	**230,594**	232,364	**1,918,419**
Deferred income taxes	**33,710**	48,923	**280,449**
Other current assets	**15,306**	18,208	**127,338**
Total current assets	**384,796**	409,760	**3,201,298**
Investments:			
Investments in and advances to unconsolidated subsidiaries and affiliates	**191,519**	188,532	**1,593,336**
Investment securities	**115,482**	154,592	**960,749**
Lease deposits	**74,933**	78,512	**623,403**
Other investments	**22,483**	22,231	**187,046**
Allowance for doubtful accounts	**(1,438)**	(1,640)	**(11,964)**
	402,979	442,227	**3,352,570**
Property and equipment:			
Land	**1,268,182**	1,246,362	**10,550,599**
Buildings and structures	**1,254,794**	1,167,676	**10,439,218**
Machinery and equipment	**20,497**	20,514	**170,524**
Construction in progress	**11,462**	49,474	**95,358**
	2,554,935	2,484,026	**21,255,699**
Less accumulated depreciation	**(751,627)**	(726,259)	**(6,253,136)**
Property and equipment, net	**1,803,308**	1,757,767	**15,002,563**
Intangible and other assets	**13,084**	10,838	**108,852**
Total assets	**¥2,604,167**	¥2,620,592	**$21,665,283**

Liabilities, minority interests and shareholders' equity	Millions of yen 2003	Millions of yen 2002	Thousands of U.S. dollars 2003
Current liabilities:			
Short-term borrowings and current portion of long-term debt	**¥ 219,683**	¥ 269,912	**$ 1,827,645**
Accounts payable—trade	**39,772**	17,371	**330,882**
Advances and deposits	**43,059**	37,308	**358,228**
Accrued expenses and other current liabilities	**21,865**	14,977	**181,905**
Total current liabilities	**324,379**	339,568	**2,698,660**
Long-term debt	**840,132**	822,915	**6,989,451**
Lease deposits	**274,321**	273,897	**2,282,205**
Deferred income taxes	**292,552**	312,241	**2,433,877**
Other noncurrent liabilities	**26,517**	29,012	**220,607**
Total liabilities	**1,757,901**	1,777,633	**14,624,800**
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	**719,917**
Capital surplus	**115,216**	115,216	**958,536**
Land revaluation reserve	**410,607**	399,769	**3,416,032**
Legal reserve	**21,658**	21,658	**180,183**
Retained earnings	**187,143**	174,367	**1,556,930**
Unrealized gain on securities	**26,226**	45,531	**218,186**
	847,384	843,075	**7,049,784**
Less treasury stock—1,229,510 shares in 2003; 113,913 shares in 2002	**(1,118)**	(116)	**(9,301)**
Total shareholders' equity	**846,266**	842,959	**7,040,483**
Total liabilities, minority interests and shareholders' equity	**¥2,604,167**	¥2,620,592	**$21,665,283**

Directors and Statutory Auditors

Chairman of the Board

Takeshi Fukuzawa

President and Chief Executive Officer

Shigeru Takagi*

Director/Deputy President

Eiji Tan*

Directors/Executive Vice Presidents

Katsuhisa Shimada
Takayuki Hara*
Yasuhiko Watanabe*
Atsushi Morimoto*
Terutake Miyamoto*

Senior Executive Officers

Masahiro Yamanaka
Yutaka Nakamura
Satoshi Oyama
Kazuo Odagawa
Yasuto Suzuki
Hajime Ito
Hiroharu Koinuma
Keiji Kimura

Executive Officers

Hirotaka Kanki
Takaya Endo
Seiichiro Suzuki
Nobuyuki Iizuka
Toshio Nagashima
Mitsuo Iwai
Toshihide Yoshimura
Masaaki Kono
Toyohisa Miyauchi
Hiroshi Danno
Kazuo Takahashi
Yuzuru Shibagaki
Takao Yagihashi
Hiroyoshi Ito
Yutaka Yanagisawa

Statutory Auditors

Yasuo Satake
Kunihiro Inoue
Terumichi Tsuchida
Kazuya Okamoto
Toyoshi Nakano

*Representative Director

(as of June 27, 2003)

Corporate Information

Head Office:

Otemachi Building, 6-1, Otemachi 1-chome, Chiyoda-ku,
Tokyo 100-8133, Japan
Web site: 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:

90,117 (excluding shareholders with less than 1,000 shares)

Major Shareholders:	% of total
The Master Trust Bank of Japan, Ltd. (Trust Account)	6.08
Japan Trustee Services Bank, Ltd. (Trust Account)	5.97
The Meiji Mutual Life Insurance Company	4.53
The Bank of Tokyo-Mitsubishi, Limited	3.61
The Tokio Marine and Fire Insurance Co., Ltd.	3.15
Obayashi Corporation	2.33
Taisei Corporation	2.26
Takenaka Corporation	2.19
The Mitsubishi Trust and Banking Corporation	2.11
The Chase Manhattan Bank, N.A. London, S.L. Omnibus Account	2.11

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
4-5, Marunouchi 1-chome, Chiyoda-ku, Tokyo 100-8212, Japan

Auditor:

Toyo & Co.

(as of March 31, 2003)

Organization

- Meeting of Shareholders
  - Board of Directors
    - Chairman of the Board
      - President
        - Strategic Planning Committee
        - Executive Committee
        - Strategic Investment Committee
        - Advisory Board
        - Commercial Real Estate Division
          - Business Planning Department
            - Group Companies Management 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 Development & Leasing Office
          - 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 & Administration Division
          - Corporate Planning Department
          - Corporate Monitoring Department
            - Internal Audit Office
          - Personnel Planning Department
          - Finance & Accounting Department
          - Corporate Communications Department
            - Investor Relations Office
          - Corporate Philanthropy & Environmental Affairs Promotion
          - 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 July 1, 2003)

Mitsubishi Estate Co., Ltd.

Building Business

Building Leasing Business
- ● 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

- ● Jyoni Shoji Co., Ltd.
- ● 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.
- ● Hokuriku City Management 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

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

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

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.
- ● Royal Park Shiodome Tower Co., Ltd.
- ● Yokohama Royal Park Hotel Co., Ltd.
- ● Royal Park Hotel Co., Ltd.
- ■ Okayama International Hotel Co., Ltd.

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

Recreational Facility
- ● Higashinihon Kaihatsu Co., Ltd.
- ● MEC Urban Resort Tohoku Co., Ltd.
- ● Liv Sports Co., Ltd.
- ■ Kume Country Club Co., Ltd.

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.
- ● Mitsubishi Jisho Community Service Co., Ltd.

● Consolidated Subsidiaries
■ Equity-Method Affiliates

(as of June 27, 2003)

Fulfilling Our Responsibility as a Corporate Citizen and a Comprehensive Developer

As a comprehensive developer, the Mitsubishi Estate Group engages in activities that contribute to society and the protection of the global environment, and as a corporate citizen, places a high management priority on exchanges with local communities.

Mitsubishi Estate is a sponsor of the NHK Symphony Orchestra.

Spreading Awareness of Environmental Preservation

In 2000, we became the first company in the real estate industry in Japan to begin publishing an Environmental Report. We are working hard to acquire ISO 14001 certification for environmental management systems. So far, our office building management business in the Tokyo and Yokohama areas has received ISO 14001 certification, as well as the headquarters of Residential Development Operations, Mitsubishi Estate Home Co., Ltd. and Mitsubishi Jisho Sekkei Inc. In February 2003, Mitsubishi Jisho Community Service Co., Ltd., which manages housing complexes, received ISO 14001 certification.

Opened in September 2002, the Marunouchi Building incorporates a longer lifespan in design plans, improvements in energy conservation and garbage recycling on the premises. To broaden awareness of environmental issues, we established the Marunouchi Bird Song Plaza in Marunouchi, Tokyo, in cooperation with the Wild Bird Society of Japan. We hold nature-watching events in areas around Marunouchi, and volunteers from inside and outside the Company produce 6,000 audiocassette tapes of wild birds in natural setting and donate them to facilities for the visually impaired throughout Japan.

Greenery is planted on the rooftop of the lower level of the Marunouchi Building, helping alleviate the heat island effect.

Contributing to Society as a Corporate Citizen

As a part of our activities to contribute to society, we invite the handicapped and the elderly to Mitsubishi Estate-organized local concerts, hold the Kirakiratto Art Contest for physically disabled children, provide Japanese handmade noodle delivery services, and offer ceramic art classrooms. In 2001, we significantly expanded our various support programs, including Volunteer Vacation, making it easier for our employees to participate in activities for the good of society.

In support of cultural activities, we are special sponsors for the NHK Symphony Orchestra and the Japan Philharmonic Orchestra. In addition, we operate cultural facilities in Yokohama, Fukuoka, and other regions in Japan to contribute to local communities.

The Mitsubishi Estate Group views compliance as basic to its business activities and essential to fulfilling its public responsibility as an organization with various stakeholders. We believe that constantly improving compliance and gaining the trust of society are our duties as a good corporate citizen. We believe that compliance is also a prerequisite as an ongoing concern.

Our basic mission is to create a truly meaningful society through urban development. In 1997, Mitsubishi Estate formulated the "Code of Corporate Conduct," and to reinforce our compliance structure we decided to share this with the entire Group in 2002.

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
Otemachi Building, 6-1, Otemachi 1-chome, Chiyoda-ku, Tokyo 100-8133, Japan
http://www.mec.co.jp

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