During the fiscal year ended March 31, 1998, Mitsubishi Estate recorded revenue from operations of ¥548,731 million (US$4,153.9 million), a decrease of 1.9%. Revenue in the Building Leasing Division edged up 1.7% to ¥279,161 million (US$2,113.3 million), supported by contributions from new office buildings in Japan, strong results overseas and growth in revenue from district heating and cooling operations. In the Development and Sales Division, revenue fell 9.2% to ¥151,255 million (US$1,145.0 million), as weak demand for domestic properties offset favorable results overseas. Architectural Division revenue fell 36.7% to ¥11,593 million (US$87.8 million), as performance was negatively affected by adverse conditions in Japan’s real estate industry. In the Construction Division, revenue rebounded from a decrease in the previous term, surging 32.1% to ¥66,404 million (US$502.7 million) on the back of completion of the Sendai Shirayuri Gakuen Project during the term. Other Business revenue declined 18.7% to ¥40,318 million (US$305.2 million).

**Operating Income**

Lower revenue and worsened profitability led to a 6.6% decline in operating income to ¥58,252 million (US$441.0 million). The operating income margin was 10.6%, or 0.6 percentage point below the previous term. These results reflect operating losses in the Development and Sales Division, resulting from the aggressive disposal of non-performing assets, and in Other Business, owing to adverse operating conditions during the term. Management largely completed the disposal of non-performing assets during the term.

**Other Income and Expenses**

Interest expenses decreased 12.9% to ¥45,179 million (US$342.0 million), reflecting historically low interest rates in Japan. Consequently, other expenses, net of other income, declined ¥3,519 million to ¥38,472 million (US$291.2 million).
**SPECIAL PROFITS AND LOSSES**

The Company recorded a net special profit of ¥23,086 million (US$174.8 million). A gain from the sale of the Mitsubishi Shoji Building Annex to Mitsubishi Corporation amounted to ¥49,159 million (US$372.1 million), and a gain from sale of stock in Radio City Productions Inc., an affiliated company, came to ¥7,715 million (US$58.4 million). These gains were partially offset by a loss of ¥33,789 million (US$255.8 million) from the write-down of overseas fixed assets.

**NET INCOME**

As a result of the above factors, net income amounted to ¥31,848 million (US$241.1 million), a 17% decrease from the previous term. Net income per share was ¥24.51 (US$0.186), and management maintained cash dividends per share at ¥8.00 (US$0.061).

**FINANCIAL POSITION**

The Company is committed to reducing interest-bearing debt to strengthen its financial position and to prepare for strategic investments in the future. During the fiscal year under review, however, consolidated interest-bearing debt increased 3.6% to ¥1,164,932 million (US$8,818.6 million) as a result of funding requirements to purchase the former JNR headquarters site, a key property in the Company’s plan to redevelop the Marunouchi district. However, management intends to resume debt-reduction measures during the current fiscal year, and expects to reduce non-consolidated interest-bearing debt to below the ¥1.0 trillion level by fiscal year-end. Consolidated cash rose 33.7% to ¥77,297 million (US$585.1 million). Total assets increased 1.8% to ¥2,103,258 million (US$15,921.7 million), reflecting the purchase of the former JNR headquarters site. The shareholders’ equity ratio increased 0.7 percentage point to 21.6%.