Financial Statements

Consolidated Balance Sheets

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

Assets	Millions of yen 2000	Millions of yen 1999	Thousands of U.S. dollars (Note 3) 2000
Current assets:			
Cash *(Notes 7 and 13)*	**¥ 74,582**	¥ 70,525	**$ 702,609**
Marketable securities *(Notes 5 and 14)*	**87,585**	97,235	**825,106**
Notes and accounts receivable – trade	**49,274**	44,317	**464,192**
Allowance for doubtful receivables	**(4,744)**	(7,604)	**(44,691)**
Inventories *(Note 4)*	**235,297**	259,738	**2,216,646**
Deferred income taxes *(Note 8)*	**35,299**	—	**332,539**
Other current assets	**25,142**	29,562	**236,854**
Total current assets	**502,435**	493,773	**4,733,255**
Investments:			
Investments in and advances to unconsolidated subsidiaries and affiliates	**24,248**	24,562	**228,431**
Investments in other securities *(Notes 5 and 14)*	**9,615**	10,463	**90,579**
Other investments *(Notes 6 and 7)*	**125,320**	127,507	**1,180,593**
Total investments	**159,183**	162,532	**1,499,603**
Property and equipment *(Note 7)*:			
Land	**693,207**	691,573	**6,530,447**
Buildings and structures	**1,368,962**	1,324,436	**12,896,486**
Machinery and equipment	**82,979**	83,315	**781,715**
Construction in progress	**31,460**	32,472	**296,373**
Total property and equipment	**2,176,608**	2,131,796	**20,505,021**
Less accumulated depreciation	**(607,305)**	(568,118)	**(5,721,196)**
Net property and equipment	**1,569,303**	1,563,678	**14,783,825**
Intangible and other assets *(Notes 7 and 8)*	**54,850**	55,919	**516,722**
Total assets	**¥ 2,285,771**	¥2,275,902	**$21,533,405**

See accompanying notes to consolidated financial statements.

Liabilities, minority interests and shareholders' equity	Millions of yen 2000	Millions of yen 1999	Thousands of U.S. dollars (Note 3) 2000
Current liabilities:			
Short-term borrowings and current portion of long-term debt *(Note 7)*	**¥ 183,626**	¥ 218,386	**$ 1,729,873**
Notes and accounts payable – trade	**57,286**	52,712	**539,670**
Accrued income taxes *(Note 8)*	**3,172**	3,231	**29,882**
Advance and deposits	**51,796**	48,716	**487,951**
Accrued expenses and other current liabilities *(Note 8)*	**49,537**	40,093	**466,670**
Total current liabilities	**345,417**	363,138	**3,254,046**
Long-term debt *(Note 7)*	**1,036,197**	1,057,410	**9,761,630**
Lease deposits	**296,934**	297,808	**2,797,306**
Employees' retirement allowances	**29,356**	30,047	**276,552**
Deferred income taxes *(Note 8)*	**61,699**	8,238	**581,244**
Other noncurrent liabilities	**45,598**	38,220	**429,561**
Total liabilities	**1,815,201**	1,794,861	**17,100,339**
Minority interests	**29,839**	29,338	**281,102**
Shareholders' equity *(Note 9)*:			
Common stock, par value ¥50:			
Authorized – 1,980,000,000 shares;			
Issued and outstanding –1,299,185,054 shares	**86,534**	86,534	**815,205**
Capital surplus	**115,195**	115,195	**1,085,210**
Retained earnings	**254,871**	257,854	**2,401,045**
Foreign currency translation adjustments	**(15,860)**	(7,871)	**(149,411)**
	440,740	451,712	**4,152,049**
Less treasury stock – 9,395 shares in 2000; 7,231 shares in 1999	**(9)**	(9)	**(85)**
Total shareholders' equity	**440,731**	451,703	**4,151,964**
Contingent liabilities *(Note 11)*			
Total liabilities, minority interests and shareholders' equity	**¥2,285,771**	¥2,275,902	**$21,533,405**

Consolidated Statements of Income

Mitsubishi Estate Co., Ltd. and Consolidated Subsidiaries
Years ended March 31, 2000, 1999 and 1998

	Millions of yen			Thousands of U.S. dollars (Note 3)
	2000	1999	1998	2000
Revenue from operations	**¥574,396**	¥565,259	¥548,731	**$5,411,173**
Cost of revenue from operations	**463,708**	438,171	444,359	**4,368,422**
Selling, general and administrative expenses	**42,487**	58,260	47,441	**400,255**
Operating income	**68,201**	68,828	56,931	**642,496**
Other income (expenses):				
Interest and dividend income	**4,310**	4,713	6,255	**40,603**
Interest expense	**(40,318)**	(44,349)	(45,179)	**(379,821)**
Other, net *(Note 12)*	**4,355**	2,624	23,538	**41,027**
Total	**(31,653)**	(37,012)	(15,386)	**(298,191)**
Income before income taxes and minority interests	**36,548**	31,816	41,545	**344,305**
Income taxes *(Notes 1 and 8)*:				
Current	**8,887**	7,944	8,264	**83,721**
Deferred	**7,531**	—	—	**70,947**
	16,418	7,944	8,264	**154,668**
Minority interests	**1,709**	1,545	1,433	**16,100**
Net income	**¥ 18,421**	¥ 22,327	¥ 31,848	**$ 173,537**

	Yen			U.S. dollars (Note 3)
Amounts per common share:				
Net income	**¥14.18**	¥17.19	¥24.51	**$0.13**
Cash dividends	**8.00**	8.00	8.00	**0.08**
Interest coverage ratio*	**1.80**	1.66	1.43	

See accompanying notes to consolidated financial statements.

**Interest coverage ratio is calculated by dividing the sum of operating income, interest income and dividends by interest expense.*

Consolidated Statements of Changes in Shareholders' Equity

Mitsubishi Estate Co., Ltd. and Consolidated Subsidiaries
Years ended March 31, 2000, 1999 and 1998

Millions of yen

	Common Stock	Capital Surplus	Retained Earnings	Foreign Currency Translation Adjustments	Treasury Stock	Total Shareholders' Equity
Balance at March 31, 1997	¥86,534	¥115,195	¥231,069	¥ (5,660)	¥(12)	¥427,126
Net income	—	—	31,848	—	—	31,848
Cash dividends paid	—	—	(10,393)	—	—	(10,393)
Directors' and statutory auditors' bonuses	—	—	(187)	—	—	(187)
Net change in foreign currency translation adjustments	—	—	—	5,298	—	5,298
Decrease in treasury stock	—	—	—	—	3	3
Balance at March 31, 1998	86,534	115,195	252,337	(362)	(9)	453,695
Net income	—	—	22,327	—	—	22,327
Change in consolidated subsidiaries and companies accounted for by the equity method *(Note 1)*	—	—	(6,236)	—	—	(6,236)
Cash dividends paid	—	—	(10,393)	—	—	(10,393)
Directors' and statutory auditors' bonuses	—	—	(181)	—	—	(181)
Net change in foreign currency translation adjustments	—	—	—	(7,509)	—	(7,509)
Balance at March 31, 1999	**86,534**	**115,195**	**257,854**	**(7,871)**	**(9)**	**451,703**
Net income	**—**	**—**	**18,421**	**—**	**—**	**18,421**
Cash dividends paid	**—**	**—**	**(10,393)**	**—**	**—**	**(10,393)**
Directors' and statutory auditors' bonuses	**—**	**—**	**(183)**	**—**	**—**	**(183)**
Cumulative effect of adopting tax-effect accounting *(Note 1)*	**—**	**—**	**(10,830)**	**—**	**—**	**(10,830)**
Net change in foreign currency translation adjustments	**—**	**—**	**—**	**(7,989)**	**—**	**(7,989)**
Other	**—**	**—**	**2**	**—**	**—**	**2**
Balance at March 31, 2000	**¥86,534**	**¥115,195**	**¥254,871**	**¥(15,860)**	**¥ (9)**	**¥440,731**
					Thousands of U.S. dollars (Note 3)	
Balance at March 31, 1999	**$815,205**	**$1,085,210**	**$2,429,147**	**$ (74,150)**	**$(85)**	**$4,255,327**
Net income	**—**	**—**	**173,537**	**—**	**—**	**173,537**
Cash dividends paid	**—**	**—**	**(97,909)**	**—**	**—**	**(97,909)**
Directors' and statutory auditors' bonuses	**—**	**—**	**(1,724)**	**—**	**—**	**(1,724)**
Cumulative effect of adopting tax-effect accounting *(Note 1)*	**—**	**—**	**(102,025)**	**—**	**—**	**(102,025)**
Net change in foreign currency translation adjustments	**—**	**—**	**—**	**(75,261)**	**—**	**(75,261)**
Other	**—**	**—**	**19**	**—**	**—**	**19**
Balance at March 31, 2000	**$815,205**	**$1,085,210**	**$2,401,045**	**$(149,411)**	**$(85)**	**$4,151,964**

See accompanying notes to consolidated financial statements.

Consolidated Statements of Cash Flows

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

	Millions of yen	Thousand of U.S. dollars (Note 3)
	2000	2000
Operating activities		
Income before income taxes and minority interests	¥36,548	$344,305
Depreciation and amortization	64,167	604,494
Net gain on sales of property and equipment	(37,407)	(352,398)
Net gain on sales of marketable securities	(18,012)	(169,684)
Unrealized loss on marketable securities	2,166	20,405
Valuation loss on inventories	32,614	307,244
Equity in net income of affiliates	(1,689)	(15,911)
Net change in allowances	(2,431)	(22,902)
Interest and dividend income	(4,310)	(40,603)
Interest expense	40,318	379,821
Increase in notes and accounts receivable	(8,267)	(77,880)
Decrease in inventories	399	3,759
Increase in notes and accounts payable	12,000	113,048
Other	1,792	16,881
Subtotal	117,888	1,110,579
Interest and dividends received	3,948	37,193
Interest paid	(40,706)	(383,476)
Income taxes paid	(8,729)	(82,233)
Net cash provided by operating activities	72,401	682,063
Investing activities		
Proceeds from sale of marketable securities	24,183	227,820
Purchases of marketable securities	(2,938)	(27,678)
Proceeds from sales of property and equipment	68,866	648,762
Purchases of property and equipment	(102,160)	(962,412)
Proceeds from sales of investment securities	1,950	18,371
Purchases of investment securities	(1,529)	(14,405)
Purchases of land use rights	(2,581)	(24,315)
Other	2,598	24,475
Net cash used in investing activities	(11,611)	(109,382)
Financing activities		
Increase in short-term borrowings	136,572	1,286,595
Repayment of short-term borrowings	(131,282)	(1,236,760)
Net decrease in commercial paper	(17,000)	(160,151)
Increase in long-term borrowings	77,508	730,175
Repayment of long-term borrowings	(120,770)	(1,137,730)
Proceeds from issuance of corporate bonds	62,929	592,831
Repayment of corporate bonds	(55,619)	(523,967)
Cash dividends paid	(10,393)	(97,909)
Other	724	6,821
Net cash used in financing activities	(57,331)	(540,095)
Effect of exchange rate changes on cash and cash equivalents	(3,744)	(35,271)
Net decrease in cash and cash equivalents	(285)	(2,685)
Cash and cash equivalents at beginning of year	86,695	816,722
Increase in cash and cash equivalents due to merger and acquisition	47	443
Cash and cash equivalents at end of year *(Note 13)*	¥86,457	$814,480

See accompanying notes to consolidated financial statements.

Years ended March 31, 1999 and 1998

	Millions of yen	
	1999	1998
Operating activities		
Net income	¥22,327	¥31,848
Adjustments to reconcile net income to net cash provided by operating activities:		
Gain on sales of property and equipment	—	(49,159)
Gain on sales of affiliated companies' stock	—	(7,715)
Loss on write-downs of property and equipment	—	33,789
Depreciation and amortization	63,050	53,932
Provision for reserve for retirement benefits	(627)	646
Other	8,364	(4,783)
Changes in assets and liabilities:		
Increase in notes and accounts receivable	(11,505)	(1,392)
Decrease in inventories	4,163	33,462
Increase in other current assets	(233)	(198)
Increase in notes and accounts payable	5,509	3,423
(Decrease) increase in accrued income taxes	(2,683)	3,391
Other	2,881	(18,476)
Payment of directors' bonuses	(181)	(187)
Net cash provided by operating activities	91,065	78,581
Investing activities		
Purchases of property and equipment	(148,324)	(148,023)
Proceeds from sales of property and equipment	629	51,360
Proceeds from sales of affiliated companies' stock	—	8,477
Decrease (increase) in marketable securities	4,642	(1,253)
Increase (decrease) in lease deposits	4,811	(7,209)
Decrease in loans to unconsolidated subsidiaries and affiliates	1,448	10,851
Other	1,346	(3,261)
Net cash used in investing activities	(135,448)	(89,058)
Financing activities		
Increase in bonds and notes	41,669	75,072
Increase (decrease) in long-term borrowings	19,153	(34,549)
Decrease in commercial paper	(15,701)	(21,360)
(Decrease) increase in short-term borrowings	(3,539)	21,174
Cash dividends paid	(10,393)	(10,393)
Net cash provided by financing activities	31,189	29,944
Net (decrease) increase in cash	(13,194)	19,467
Increase in cash due to change in scope of consolidation	6,422	—
Cash at beginning of year	77,297	57,830
Cash at end of year	¥70,525	¥77,297

Notes to Consolidated Financial Statements

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

1. Significant Accounting Policies

Basis of preparation of financial statements

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 the countries of their domicile. The accompanying consolidated financial statements have been compiled from the consolidated financial statements filed with the Minister of Finance 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 some material respects from accounting principles and practices generally accepted in countries and jurisdictions other than Japan. For the purpose of this document, 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 might not be required under accounting principles generally accepted in Japan but is presented herein as additional information.

Principles of consolidation

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

Effective April 1, 1998, the Company has initially adopted the new accounting standards for consolidation in Japan, under which consolidated financial statements include the accounts of the Company and its significant companies controlled directly or indirectly by the Company, and companies over which the Company exercises significant influence in terms of their operating and financial policies have been included in the consolidated financial statements on an equity basis. As a result, retained earnings as of April 1, 1998, decreased by ¥6,236 million. The prior years' financial statements have not been restated.

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 translation

The balance sheet accounts of the foreign consolidated subsidiaries and affiliates are translated into yen at the rates of exchange in effect 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 rate of exchange in effect during the year. The resulting foreign currency translation adjustments are accumulated. These were formerly presented separately in the consolidated balance sheets as a component of assets or liabilities. As a result of a recent change in the regulations governing the presentation of translation adjustments, the Company has initially presented foreign currency translation adjustments as a component of shareholder's equity as of March 31, 2000, in the accompanying consolidated financial statements, and has restated the previously reported 1999 and 1998, consolidated financial statements to conform them to the current year's presentation.

Foreign currency liabilities hedged by currency swap contracts are stated at the swapped amounts. Other assets and liabilities denominated in foreign currencies are translated at the exchange rate in effect at the respective balance sheet dates, and the resulting transaction gains or losses are included in determining net income.

Cash flow statements and cash equivalents

In March 1998, the Business Accounting Deliberation Council of Japan issued a new accounting standard for statements of cash flows, which became effective the year ended March 31, 2000. Prior to the issuance of this standard, there existed no accounting standard for the preparation of statements of cash flows in Japan and, accordingly, the Company had prepared its statements of cash flows in a format similar to that required under accounting standards generally accepted in the United States.

The Company adopted the new accounting standard effective the year ended March 31, 2000, and the accompanying consolidated statement of cash flows for the year ended March 31, 2000, has been prepared in accordance with this standard. However, the consolidated statements of cash flows for the years ended March 31, 1999 and 1998, have not been restated.

As a result of the adoption of this new accounting standard, the Company changed its definition of cash equivalents and now considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents. Thus, time deposits with a maturity of more than three months have been excluded and marketable securities with a maturity of three months or less have been included in cash and cash equivalents. A reconciliation between cash in the balance sheet and cash equivalents at April 1, 1999, and March 31, 2000, is presented in Note 13.

Marketable securities and investments in other securities

Marketable securities in current and noncurrent portfolios are valued principally at the lower of cost or market, cost being determined by the moving average method, and other securities are stated at cost determined by the moving average method.

Inventories

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

Property and equipment and depreciation

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

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

Leases

Noncancelable leases are primarily accounted for as operating leases (whether such leases are classified as operating or finance leases) except that lease agreements 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 consists of goodwill and land use rights. Goodwill is stated on the basis of cost and is being amortized over periods ranging from 5 to 25 years on a straight-line basis. Land use rights are stated on the basis of cost.

Retirement benefits

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.

Employees' retirement allowances are 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 are determined actuarially and charged to income when paid.

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 included in other noncurrent liabilities.

Income taxes

In accordance with a new accounting standard for income taxes adopted on April 1, 1999, deferred tax assets and liabilities have been initially recognized in the consolidated financial statements for the year ended March 31, 2000, with respect to the differences between financial reporting and the tax bases of the assets and liabilities, and have been measured using the enacted tax rates and laws which will be in effect when the differences are expected to reverse.

The effect of this change in method of accounting was to increase total assets by ¥35,625 million ($335,610 thousand), total liabilities by ¥61,743 million ($581,658 thousand), and to decrease retained earnings by ¥18,361 million ($172,972 thousand) at March 31, 2000, and to decrease net income by ¥7,531 million ($70,947 thousand) for the year ended March 31, 2000. The cumulative effect of this change as of April 1, 1999, amounted to ¥10,830 million ($102,025 thousand) and has been presented as a reduction of retained earnings at the beginning of the year.

Revenue recognition

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

(a) Revenue from the leasing of office space is recognized as rent accrued in 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 is in force or the underlying units are delivered.
(d) Revenue from architectural design and supervision is recognized at the date of completion of each relevant project.
(e) Revenue from construction contracts is recognized at the date of completion of each contract.
(f) Other operating revenue is recognized on an accrual basis.

Net income per share

In computing net income per share assuming no dilution, the average number of shares outstanding during each year, adjusted to give retroactive effect to the free distribution of shares, has been used. Net income per share assuming full dilution has been computed on the assumption that all convertible bonds were converted into common stock at the beginning of the year, or at the time of issue in the case of newly issued bonds, with appropriate adjustments of the related interest expense, net of taxes, for such convertible bonds. Diluted net income per share for the years ended March 31, 2000, 1999 and 1998, has not been presented since conversion of the outstanding convertible bonds would have had no dilutive effect.

Appropriation of retained earnings

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

Reclassifications

Certain reclassifications have been made to the 1999 and 1998 financial statements in order to conform them to the 2000 presentation.

2. Accounting Changes

(1) Effective April 1, 1999, the Company changed its method of accounting for prior service cost regarding its funded pension plans from expensing these upon payment, to recognizing such costs as expense when actuarially determined. This change was made in order to establish a solid financial position for the Company, considering the amount of the unfunded prior service cost of the pension plan. The cumulative effect of this change in method of accounting amounted to ¥8,664 million ($81,620 thousand) at April 1, 1999, and was charged to income for the year ended March 31, 2000, resulting in an increase in operating income of ¥1,765 million ($16,627 thousand) and a decrease in income before income taxes of ¥6,899 million ($64,993 thousand).

(2) Effective April 1, 1999, the Company changed its classification of certain expenses related to its hotel business in the statement of income and began including these expenses in cost of revenue from operations instead of in selling, general and administrative expenses. This change was made to achieve a more accurate presentation of the operating results of the Company and its consolidated subsidiaries as these expenses are directly related to the revenue from the hotel business operations. The effect of this change was to increase cost of revenue from operations and to decrease selling, general and administrative expenses by ¥13,503 million ($127,207 thousand). This change, however, had no effect on income before income taxes for the year ended March 31, 2000. The prior years' statements of income have not been restated.

3. U.S. Dollar Amounts

Translation of yen amounts into U.S. dollar amounts is included solely for convenience, as a matter of arithmetic computation only, at the rate of ¥106.15 = U.S.$1.00, the approximate rate of exchange prevailing on March 31, 2000. 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. Inventories

Inventories at March 31, 2000 and 1999, are summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2000	1999	**2000**
Real estate for sale	**¥152,741**	¥170,452	**$1,438,917**
Land and housing projects in progress	**38,274**	40,821	**360,565**
Land held for development	**31,638**	35,219	**298,050**
Other	**12,644**	13,246	**119,114**
Total	**¥235,297**	¥259,738	**$2,216,646**

5. Marketable Securities and Investments in Other Securities

Marketable securities and investments in other securities at March 31, 2000 and 1999, consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2000	1999	**2000**
Marketable securities:			
Listed equity securities	**¥69,694**	¥73,201	**$656,561**
Public bonds, corporate debentures and other	**17,891**	24,034	**168,545**
Total	**¥87,585**	¥97,235	**$825,106**
Investment in other securities:			
Unlisted equity securities	**¥ 9,444**	¥10,351	**$ 88,968**
Public bonds, corporate debentures and other	**171**	112	**1,611**
Total	**¥ 9,615**	¥10,463	**$ 90,579**

6. Other Investments

Other investments at March 31, 2000 and 1999, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2000	1999	**2000**
Lease deposits	**¥ 75,382**	¥ 76,341	**$ 710,146**
Long-term prepaid expenses and other	**49,938**	51,166	**470,447**
Total	**¥125,320**	¥127,507	**$1,180,593**

7. Short-Term Borrowings and Long-Term Debt

At March 31, 2000 and 1999, short-term borrowings and current portion of long-term debt consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2000	1999	**2000**
Loans, principally from banks	**¥ 68,151**	¥ 73,621	**$ 642,026**
Commercial paper	**1,536**	18,736	**14,470**
Current portion of long-term debt	**113,939**	126,029	**1,073,377**
Total	**¥183,626**	¥218,386	**$1,729,873**

The annual interest rates applicable to short-term borrowings outstanding at March 31, 2000 and 1999, ranged principally from 0.382% to 6.675% and from 0.444% to 6.340%, respectively.

At March 31, 2000 and 1999, long-term debt consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2000	1999	**2000**
1.5% convertible bonds due 2003	**¥92,682**	¥92,682	**$873,123**
5.6% mortgage bonds due 1999	**—**	3,000	**—**
4.9% mortgage bonds due 2000	**35,000**	35,000	**329,722**
5.6% mortgage bonds due 2004	**50,000**	50,000	**471,032**
5.275% mortgage bonds due 2005	**50,000**	50,000	**471,032**
4.8% mortgage bonds due 2005	**50,000**	50,000	**471,032**
3.95% unsecured bonds due 1999	**—**	10,000	**—**
6% unsecured bonds due 1999	**—**	30,000	**—**
0.85% unsecured bonds due 1999	**—**	1,897	**—**
0.84% unsecured bonds due 1999	**—**	4,316	**—**
0.8% unsecured bonds due 1999	**—**	897	**—**
1.2% unsecured bonds due 2000	**—**	3,006	**—**
3.85% unsecured bonds due 2000	**35,000**	35,000	**329,722**
1.1% unsecured bonds due 2001	**—**	2,694	**—**
8.625% unsecured bonds due 2001	**28,000**	28,000	**263,778**
4.4% unsecured bonds due 2001	**10,000**	10,000	**94,206**
2.7% unsecured bonds due 2001	**5,000**	5,000	**47,104**
2.125% unsecured bonds due 2002	**10,000**	10,000	**94,206**
1.5% unsecured bonds due 2002	**10,000**	10,000	**94,206**
2.95% unsecured bonds due 2002	**10,000**	10,000	**94,206**
4% unsecured bonds due 2002	**20,000**	20,000	**188,414**
1.675% unsecured bonds due 2002	**10,000**	10,000	**94,206**
2.55% unsecured bonds due 2003	**10,000**	10,000	**94,206**
2.35% unsecured bonds due 2003	**20,000**	20,000	**188,414**
2.05% unsecured bonds due 2003	**20,000**	20,000	**188,414**
1.775% unsecured bonds due 2003	**10,000**	10,000	**94,206**
1.7% unsecured bonds due 2003	**10,000**	10,000	**94,206**
3.1% unsecured bonds due 2003	**10,000**	10,000	**94,206**
3.05% unsecured bonds due 2003	**15,000**	15,000	**141,307**
2.55% unsecured bonds due 2004	**10,000**	10,000	**94,206**
1.7% unsecured bonds due 2004	**10,000**	10,000	**94,206**
0.9% unsecured bonds due 2004	**10,000**	—	**94,206**
2.125% unsecured bonds due 2005	**10,000**	10,000	**94,206**
3.4% unsecured bonds due 2006	**10,000**	10,000	**94,206**
3% unsecured bonds due 2006	**10,000**	10,000	**94,206**
2.21% unsecured bonds due 2006	**10,000**	10,000	**94,206**
1.325% unsecured bonds due 2006	**10,000**	—	**94,206**

	Millions of yen		Thousands of U.S. dollars
	2000	1999	2000
2.975% unsecured bonds due 2007	**¥ 30,000**	¥ 30,000	**$ 282,619**
3.1% unsecured bonds due 2008	**10,000**	10,000	**94,206**
2.575% unsecured bonds due 2008	**10,000**	10,000	**94,206**
2.525% unsecured bonds due 2008	**10,000**	10,000	**94,206**
3.075% unsecured bonds due 2009	**10,000**	10,000	**94,206**
1.82% unsecured bonds due 2009	**10,000**	—	**94,206**
2% unsecured bonds due 2009	**10,000**	—	**94,206**
1.985% unsecured bonds due 2009	**10,000**	—	**94,206**
3.275% unsecured bonds due 2012	**10,000**	10,000	**94,206**
3.125% unsecured bonds due 2017	**10,000**	10,000	**94,206**
3% unsecured bonds due 2018	**10,000**	10,000	**94,206**
7.37% unsecured bonds due 2008 (payable in U.S. dollars)	**4,970**	—	**46,821**
6.2% unsecured bonds due 2001 (payable in U.S. dollars)	**6,660**	7,525	**62,742**
6.95% unsecured bonds due 2003 (payable in U.S. dollars)	**1,024**	1,157	**9,647**
0.86% unsecured bonds due 2000 (payable in U.S. dollars)	**882**	—	**8,309**
0.4% unsecured bonds due 2000 (payable in U.S. dollars)	**2,590**	—	**24,400**
0.3% unsecured bonds due 2000 (payable in U.S. dollars)	**1,718**	—	**16,185**
0.2% unsecured bonds due 2000 (payable in U.S. dollars)	**1,751**	—	**16,496**
0.2% unsecured bonds due 2001 (payable in U.S. dollars)	**3,922**	—	**36,948**
Floating rate bonds due 2001 (payable in U.S. dollars)	**2,232**	2,522	**21,027**
Floating rate bonds due 2009 (payable in U.S. dollars)	**970**	—	**9,138**
Loans from banks and insurance companies:			
Secured	**98,504**	112,728	**927,970**
Unsecured	**304,164**	332,916	**2,865,417**
Loans from tenants	**67**	99	**632**
Total	**1,150,136**	1,183,439	**10,835,007**
Less current portion	**(113,939)**	(126,029)	**(1,073,377)**
Total long-term debt	**¥1,036,197**	¥1,057,410	**$9,761,630**

The agreement under which the 1.5% convertible bonds due 2003 were issued provides for conversion into shares of common stock at the current conversion price per share of ¥2,600 ($24.49) subject to adjustments for certain events including free distributions of shares and stock dividends declared as a result of stock splits.

The aggregate annual maturities of long-term debt subsequent to March 31, 2000, are summarized as follows:

Year ending March 31:	Millions of yen	Thousands of U.S. dollars
2001	¥ 113,939	$ 1,073,377
2002	154,242	1,453,057
2003	201,733	1,900,452
2004	145,394	1,369,703
2005 and thereafter	534,828	5,038,418
Total	¥1,150,136	$10,835,007

The assets pledged as collateral for short-term borrowings of ¥10,570 million ($99,576 thousand), long-term debt of ¥98,504 million ($927,970 thousand) and other noncurrent liabilities of ¥6,000 million ($56,524 thousand) at March 31, 2000, were as follows:

	Millions of yen	Thousands of U.S. dollars
Cash and cash equivalents	¥ 20	$ 189
Other investments	378	3,561
Land	22,110	208,290
Buildings	145,898	1,374,451
Machinery and equipment	6,755	63,636
Other assets	11	104
Total	¥175,172	$1,650,231

Additionally, all assets of the Company are subject to the terms of an enterprise mortgage for mortgage bonds which amounted to ¥185 billion ($1,743 million) at March 31, 2000.

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 the 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. 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 rates of approximately 42% for 2000, 48% for 1999 and 51% for 1998. Income taxes of the foreign consolidated subsidiaries are based generally on the tax rates applicable in their countries of incorporation. The effective tax rates reflected in the accompanying consolidated statements of income for the years ended March 31, 1999 and 1998, differ from the statutory rates primarily because of the effect of timing differences in the recognition of certain income and expenses for tax and financial reporting purposes and the effects of permanently nondeductible expenses.

The effective tax rate reflected in the consolidated statement of income for the year ended March 31, 2000, differs from the statutory tax rate for the following reasons:

	2000
Statutory tax rate	42.05%
Increase (decrease) in income taxes resulting from:	
Recognition of valuation allowance	1.32
Higher tax rates applied to foreign subsidiaries	1.78
Other	(0.23)
Effective tax rate	44.92%

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

	Millions of yen	Thousands of U.S. dollars
Deferred tax assets:		
Net operating loss carryforwards	¥ 50,975	$ 480,217
Accrued retirement allowances and pension costs	11,605	109,326
Valuation loss on inventories	13,714	129,194
Unrealized loss on properties and equipment	9,823	92,539
Other	8,213	77,372
	94,330	888,648
Valuation allowance	(28,293)	(266,538)
Total deferred tax assets	66,037	622,110
Deferred tax liabilities:		
Reserves under Special Taxation Measures Law	(51,419)	(484,399)
Unrealized gain on properties and equipment	(35,249)	(332,068)
Other	(5,487)	(51,691)
Total deferred tax liabilities	(92,155)	(868,158)
Net deferred tax liabilities	¥(26,118)	$(246,048)

9. Legal Reserve and Capital Surplus

In accordance with the Commercial Code of Japan, the Company has provided a legal reserve as an appropriation of retained earnings. The Code provides that neither capital surplus nor the legal reserve is available for dividends, but both may be used to reduce or eliminate a deficit by resolution of the shareholders or may be transferred to common stock by resolution of the Board of Directors. Retained earnings in the accompanying financial statements include the legal reserve of ¥21,633 million ($203,797 thousand) as of both March 31, 2000 and 1999.

10. Leases

The following pro forma amounts represent the acquisition costs, accumulated depreciation and net book value of the leased assets as of March 31, 2000 and 1999, 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, 2000						
Buildings and structures	**¥1,360**	**¥ 887**	**¥ 473**	**$12,812**	**$ 8,356**	**$ 4,456**
Machinery and equipment	**7,504**	**4,211**	**3,293**	**70,692**	**39,670**	**31,022**
Total	**¥8,864**	**¥5,098**	**¥3,766**	**$83,504**	**$48,026**	**$35,478**
March 31, 1999						
Buildings and structures	¥ 1,345	¥ 824	¥ 521	$12,671	$ 7,763	$ 4,908
Machinery and equipment	8,895	5,414	3,481	83,796	51,003	32,793
Total	¥10,240	¥6,238	¥4,002	$96,467	$58,766	$37,701

Lease payments relating to finance leases accounted for as operating leases in the accompanying consolidated financial statements amounted to ¥1,750 million ($16,486 thousand), ¥1,786 million and ¥1,687 million for the years ended March 31, 2000, 1999 and 1998, respectively. If finance lease accounting had been adopted, depreciation of the leased assets over the respective lease terms would have amounted to ¥1,750 million ($16,486 thousand), ¥1,786 million and ¥1,687 million for the years ended March 31, 2000, 1999 and 1998, respectively.

Future minimum lease payments subsequent to March 31, 2000, 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:				
2001	¥1,617	¥ 2,314	$15,233	$ 21,800
2002 and thereafter	2,149	15,703	20,245	147,932
Total	¥3,766	¥18,017	$35,478	$169,732

The Company and its consolidated subsidiaries lease office buildings and commercial properties and earn lease income. Future minimum lease income subsequent to March 31, 2000, for noncancelable operating leases are summarized as follows:

	Millions of yen	Thousands of U.S. dollars
Year ending March 31:		
2001	¥ 21,450	$ 202,073
2002 and thereafter	261,769	2,466,029
Total	¥283,219	$2,668,102

11. Contingent Liabilities

At March 31, 2000, 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	¥ 480	$ 4,522
Guarantees of employees' housing loans from banks and others	1,702	16,034
Other	944	8,893
Total	¥3,126	$29,449

In addition to the above, at March 31, 2000, the Company was committed to provide guarantees of the following bonds which were transferred to banks under debt assumption agreements:

	Millions of yen	Thousands of U.S. dollars	Date of agreement
7.05% unsecured bonds due 2001	¥30,000	$282,619	Sept. 20, 1994
6.0% unsecured bonds due 2002	50,000	471,032	Feb. 28, 1997
6.0% unsecured bonds due 2001	20,000	188,413	Feb. 28, 1997

12. Other Income (Expenses)

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

	Millions of yen			Thousands of U.S. dollars
	2000	1999	1998	**2000**
Equity in net income of unconsolidated subsidiaries and affiliates	**¥ 1,689**	¥ 512	¥ —	**$ 15,911**
Net realized gain on sales of property and equipment	**37,407**	—	49,159	**352,398**
Valuation loss on inventories	**(32,614)**	—	—	**(307,244)**
Valuation loss on property and equipment	**—**	—	(33,789)	**—**
Net realized gain on sales of marketable securities	**18,012**	2,870	14,664	**169,684**
Unrealized loss on marketable securities	**(2,166)**	—	—	**(20,405)**
Loss on investment in affiliates	**(7,015)**	—	—	**(66,085)**
Amortization of prior service cost of pension plan	**(8,664)**	—	—	**(81,620)**
Other	**(2,294)**	(758)	(6,496)	**(21,612)**
Total	**¥ 4,355**	¥2,624	¥ 23,538	**$ 41,027**

13. Supplemental Cash Flow Information

The following table represents a reconciliation of cash and cash equivalents as of April 1, 1999, and March 31, 2000:

	Millions of yen		Thousands of U.S. dollars
	March 31, 2000	April 1,1999	**March 31, 2000**
Cash	**¥74,582**	¥70,525	**$702,609**
Time deposits with a maturity of more than three months	**(887)**	(1,711)	**(8,356)**
Marketable securities with a maturity of three months or less	**12,762**	17,881	**120,227**
Cash and cash equivalents	**¥86,457**	¥86,695	**$814,480**

14. Fair Value of Marketable Securities

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

	Millions of yen			Thousands of U.S. dollars		
	Carrying amount	Estimated fair value	Net unrealized gain	Carrying amount	Estimated fair value	Net unrealized gain
Current:						
Equity securities	¥69,694	¥255,277	¥185,582	$656,561	$2,404,870	$1,748,300
Bonds	3,200	3,293	93	30,146	31,022	876
	72,894	258,570	185,675	686,707	2,435,892	$1,749,176
Noncurrent:						
Bonds	67	70	3	632	660	28
Total	¥72,961	¥258,640	¥185,678	$687,339	$2,436,552	$1,749,204

15. Derivative Transactions

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 speculation or trading purposes.

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

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

	Millions of yen			Thousands of U.S. dollars		
	Notional amount	Fair value	Unrealized gain(loss)	Notional amount	Fair value	Unrealized gain(loss)
Interest rate swaps:						
Receive/floating and pay/fixed	¥11,101	¥ 73	¥ 73	$104,579	$ 688	$ 688
Receive/fixed and pay/floating	11,024	(41)	(41)	103,853	(386)	(386)
Receive/floating and pay/floating	5,000	(31)	(31)	47,103	(292)	(292)
Total	¥27,125	¥ 1	¥ 1	$255,535	$ 10	$ 10

16. Segment Information

Business segment

The Company and its consolidated subsidiaries are primarily engaged in the real estate business mainly in Japan and the United States in six segments: (1) leasing and management of office buildings and commercial properties; (2) sales of condominiums, residential houses and land; (3) real estate brokerage; (4) architectural design and supervision; (5) construction; and (6) other business.

The business segment information of the Company and its consolidated subsidiaries for the years ended March 31, 2000 and 1999, is summarized as follows:

Millions of yen

2000	Leasing and management	Sales	Brokerage	Architectural	Construction	Other	Total	Eliminations or corporate	Consolidated
Revenue and operating income									
Revenue from:									
External customers	¥ 287,520	¥ 90,314	¥75,067	¥15,632	¥52,498	¥ 53,364	¥ 574,396	¥ —	¥ 574,396
Intersegment or transfers	6,391	412	2,891	2,048	3,353	4,212	19,307	(19,307)	—
Total revenue	293,911	90,726	77,958	17,680	55,851	57,576	593,703	(19,307)	574,396
Operating expense	211,183	92,397	72,838	16,245	54,280	59,890	506,834	(640)	506,195
Operating income (loss)	¥ 82,728	¥ (1,671)	¥ 5,120	¥ 1,435	¥ 1,571	¥ (2,314)	¥ 86,869	¥ (18,667)	¥ 68,201
Total assets, depreciation, and capital expenditures									
Assets	¥1,689,439	¥239,333	¥58,074	¥12,137	¥26,317	¥103,532	¥2,128,834	¥156,936	¥2,285,771
Depreciation	56,661	305	1,123	6	126	4,057	62,279	423	62,703
Capital expenditures	105,316	518	2,250	80	244	1,957	110,368	1,044	111,412

Thousands of U.S. dollars

2000	Leasing and management	Sales	Brokerage	Architectural	Construction	Other	Total	Eliminations or corporate	Consolidated
Revenue and operating income									
Revenue from:									
External customers	$ 2,708,620	$ 850,814	$707,179	$147,263	$494,564	$502,723	$ 5,411,173	$ —	$5,411,173
Intersegment or transfers	60,207	3,881	27,235	19,294	31,588	39,670	181,884	(181,884)	—
Total revenue	2,768,827	854,695	734,414	166,557	526,152	542,393	5,593,057	(181,884)	5,411,173
Operating expense	1,989,477	870,437	686,180	153,039	511,352	564,182	4,774,696	(6,029)	4,768,677
Operating income (loss)	$ 779,350	$ (15,742)	$ 48,234	$ 13,518	$ 14,800	$ (21,799)	$ 818,361	$ (175,855)	$ 642,496
Total assets, depreciation, and capital expenditures									
Assets	$15,915,582	$2,254,668	$547,094	$114,338	$247,923	$975,337	$20,054,960	$1,478,436	$21,533,405
Depreciation	533,782	2,873	10,579	57	1,187	38,220	586,707	3,985	590,702
Capital expenditures	992,143	4,880	21,196	754	2,299	18,436	1,039,736	9,835	1,049,571

Millions of yen

	1999							
	Leasing and management	Sales	Architectural	Construction	Other	Total	Eliminations or corporate	Consolidated
Revenue and operating income								
Revenue from:								
External customers	¥ 296,480	¥155,408	¥11,822	¥ 47,467	¥54,082	¥ 565,259	¥ —	¥ 565,259
Intersegment or transfers	6,594	590	629	1,213	3,043	12,069	(12,069)	—
Total revenue	303,074	155,998	12,451	48,680	57,125	577,328	(12,069)	565,259
Operating expense	215,233	151,532	12,055	49,338	61,921	490,081	6,350	496,431
Operating income (loss)	¥ 87,841	¥ 4,466	¥ 396	¥ (658)	¥ (4,796)	¥ 87,247	¥ (18,419)	¥ 68,828
Total assets, depreciation, and capital expenditures								
Assets	¥1,662,684	¥309,239	¥13,035	¥20,943	¥91,491	¥2,097,392	¥ 178,510	¥2,275,902
Depreciation	52,447	1,447	6	328	3,745	57,976	420	58,397
Capital expenditures	145,115	3,220	10	131	1,363	149,842	484	150,326

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, 2000 and 1999, is summarized as follows:

Millions of yen

	2000					
	Japan	United States	Other	Total	Eliminations or corporate	Consolidated
Revenue and operating income						
Revenue from:						
External customers	**¥ 466,192**	**¥ 92,889**	**¥15,314**	**¥ 574,396**	**¥ —**	**¥ 574,396**
Intersegment or transfers	**961**	**260**	**210**	**1,430**	**(1,430)**	**—**
Total revenue	**467,153**	**93,149**	**15,524**	**575,826**	**(1,430)**	**574,396**
Operating expenses	**395,023**	**79,846**	**14,225**	**489,093**	**17,102**	**506,195**
Operating income	**¥ 72,130**	**¥ 13,303**	**¥ 1,299**	**¥ 86,733**	**¥ (18,532)**	**¥ 68,201**
Total assets	**¥1,870,283**	**¥218,721**	**¥17,957**	**¥2,106,962**	**¥178,808**	**¥2,285,771**

Thousands of U.S. dollars

	2000					
	Japan	United States	Other	Total	Eliminations or corporate	Consolidated
Revenue and operating income						
Revenue from:						
External customers	**$ 4,391,823**	**$ 875,073**	**$144,268**	**$ 5,411,173**	**$ —**	**$ 5,411,173**
Intersegment or transfers	**9,053**	**2,449**	**1,978**	**13,471**	**(13,471)**	**—**
Total revenue	**4,400,876**	**875,522**	**146,246**	**5,424,644**	**(13,471)**	**5,411,173**
Operating expenses	**3,721,366**	**752,200**	**134,009**	**4,607,564**	**161,113**	**4,768,677**
Operating income	**$ 679,510**	**$ 125,322**	**$ 12,237**	**$ 817,080**	**$ (174,584)**	**$ 642,496**
Total assets	**$17,619,246**	**$2,060,490**	**$169,166**	**$19,848,912**	**$1,684,484**	**$21,533,405**

						Millions of yen
						1999
	Japan	United States	Other	Total	Eliminations or corporate	Consolidated
Revenue and operating income						
Revenue from:						
External customers	¥ 463,207	¥ 96,639	¥ 5,411	¥ 565,259	¥ —	¥ 565,259
Intersegment or transfers	21	242	22	284	(284)	—
Total revenue	463,228	96,881	5,433	565,543	(284)	565,259
Operating expenses	391,400	82,704	5,441	479,546	16,885	496,431
Operating income	¥ 71,828	¥ 14,177	¥ (8)	¥ 85,997	¥ (17,169)	¥ 68,828
Total assets	¥1,838,826	¥223,955	¥18,124	¥2,080,906	¥194,996	¥2,275,902

Notes to segment information:

(1) Business segments are divided into business categories by the same criteria applied for internal control purposes. In 2000, the Company divided the segment of "Sales" into two separate segments, "Sales" and "Brokerage," principally in order to reflect the expansion of the "Brokerage" business.

(2) As discussed in Note 2, effective April 1, 1999, the Company changed its method of accounting for prior service cost under its pension plan. The effect of this change in method of accounting was to increase "Eliminations or corporate" and decrease operating income by ¥1,764 million ($16,618 thousand) for the year ended March 31, 2000.

(3) Unallocatable operating expenses included under "Eliminations or corporate" for the years ended March 31, 2000 and 1999, amounted to ¥18,025 million ($169,807 thousand) and ¥18,666 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, 2000 and 1999, amounted to ¥193,692 million ($1,824,701 thousand) and ¥202,915 million, respectively, and consisted principally of cash, marketable securities, investments in other securities and deferred income taxes of the Company.

(4) As discussed in Note 1, the Company adopted tax-effect accounting for the first time for the year ended March 31, 2000. The effect of this adoption was to increase total assets by ¥464 million ($4,371 thousand) under "Leasing and management," by ¥24 million ($226 thousand) under "Sales," by ¥157 million ($1,479 thousand) under "Architectural," by ¥158 million ($1,488 thousand) under "Other," and by ¥34,820 million ($328,026 thousand) under "Eliminations or corporate" for the business segment information. For the geographical segment information, the effect of this adoption was to increase total assets by ¥805 million ($7,584 thousand) under "Japan" and by ¥34,820 million ($328,026 thousand) under "Elimination or corporate."

Overseas revenue

The following table represents overseas revenue earned by the Company's consolidated subsidiaries in foreign countries during the years ended March 31, 2000 and 1999.

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

			Thousands of U.S. dollars
Overseas revenue			
Overseas revenue	**$932,294**	**$144,541**	**$1,076,835**
Consolidated revenue			**$5,411,173**
% of consolidated revenue	**17.2%**	**2.7%**	**19.9%**

			Millions of yen
			1999
	United States	Other areas	Total
Overseas revenue			
Overseas revenue	¥96,178	¥5,860	¥102,038
Consolidated revenue			¥565,259
% of consolidated revenue	17.0%	1.1%	18.1%

17. Subsequent Events

The Company issued a ¥10,000 million ($94.2 million) 2.5% unsecured corporate bond which is due in 2020 and a ¥10,000 million ($94.2 million) 1.9% unsecured corporate bond which is due in 2010 on May 15, 2000, and June 14, 2000, respectively. The Company intends to use the proceeds from the issuance of these corporate bonds for repayment of borrowings and the redemption of other corporate bonds, which fall due in the year ending March 31, 2001.

Report of Independent Public Accountants
on the Consolidated Financial Statements

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

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

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

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

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

Century Ota Showa & Co.

Century Ota Showa & Co.

Tokyo, Japan
June 29, 2000

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