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

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

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

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

Revenue from the building segment comprises 49.5% of total revenues. Revenue from this segment rose 5.7% to ¥317,906 million (US$2,565.8 million) owing to improvement in the
vacancy rate and operations of the Sanno Park Tower for a full fiscal year. Revenue from the residential development segment, which comprises 20.7% of total revenue, grew 29.2% to ¥132,916 million (US$1,072.8 million) from robust condominium sales. Revenue from the architectural and engineering segment fell 39.1% to ¥15,616 million (US$126.0 million) as sales of designs for large-scale properties were recorded in the previous fiscal year. Revenue from the real estate brokerage segment grew 19.2% to ¥87,364 million (US$705.1 million) mainly due to brisk revenue from Cushman & Wakefield, Inc. of the Rockefeller Group, Inc. Revenue from the custom-built housing segment, in line with increased revenue at Mitsubishi Estate Home, climbed 4.1% to ¥37,148 million (US$299.8 million). Revenue from the hotel segment stayed roughly in line with last year at ¥32,604 million (US$263.1 million). The other segment also remained relatively unchanged from the previous year at ¥18,395 million (US$148.5 million).

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

Other Income and Expenses
For the fiscal year under review, interest and dividend income totaled ¥3,777 million (US$30.5 million) and interest expense totaled ¥36,436 million (US$294.1 million).
The Company recorded a net gain on sales of property and equipment of ¥43,440 million (US$350.6 million), net gain on sales of securities of ¥21,497 million (US$173.5 million) and gain on contribution of securities to employees’ retirement benefit trust of ¥23,280 million (US$187.9 million). However, valuation loss on inventories totaled ¥94,239 million (US$760.6 million).

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

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

Interest-bearing debt at fiscal year-end rose ¥51,681 million (US$417.1 million) to ¥1,271,504 million (US$10,262.3 million) primarily due to the advanced procurement of funds.
to increase liquidity. Total assets at fiscal year-end increased ¥249,492 million (US$2,013.6 million) to ¥2,535,263 million (US$20,462.2 million). Total shareholders’ equity increased ¥78,035 million (US$629.8 million) to ¥518,766 million (US$4,187.0 million). This was mainly the result of posting an unrealized gain on securities of ¥63,156 million (US$509.7 million) in accordance with the introduction of a new accounting standard for financial instruments.

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

Management Initiatives and Financial Strategies

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

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

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

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

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