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

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

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

OPERATING ENVIRONMENT
The market for leased office buildings in Japan has seen a slowdown in demand due to restructuring among domestic companies and the withdrawal of foreign companies, resulting in a general decline in revenue from rented properties. In 2003, when the peak for completion of large-scale buildings is reached, we expect the market to become polarized even further. The market for condominiums remains favorable, bolstered by demand for large-scale and high-rise condominiums in an era of low interest rates and tax measures promoting residence purchasing. However, the future direction of the market cannot be easily predicted.
The Mitsubishi Estate Group is responding to these operating conditions by looking for ways to strengthen its sales and product planning while working to improve profitability.

ANNOUNCEMENT OF THE MEDIUM-TERM MANAGEMENT PLAN

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

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

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

BUSINESS STRATEGY

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

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

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

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

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

A CLOSING WORD TO OUR SHAREHOLDERS

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

August 2002

Shigeru Takagi
President