

# FINANCIAL REVIEW

## SUMMARY

In the fiscal year ended March 31, 2002, revenue and profit in the building segment increased, but the real estate brokerage segment saw declines in revenue and profit due to the effects of the economic downturn in the United States.

Over the last two fiscal years, in the creation of a healthy balance sheet, Mitsubishi Estate recorded valuation losses on inventories and transferred non-performing and under-performing fixed assets to inventories, recording valuation losses on those assets. At the end of the fiscal year ended March 31, 2002, with the aim of strengthening its financial position further Mitsubishi Estate revaluated its land at fair value in accordance with the "Enforcement Ordinance for the Law Concerning Revaluation Reserve for Land" and its amendments, as well as revalued property and equipment on income-generating properties such as leasing buildings. This clears away unrealized capital losses on land and properties on

a consolidated basis, and completes the restructuring of the balance sheet.

## ANALYSIS OF REVENUE

Revenue from operations for the fiscal year ended March 31, 2002 was ¥631,564 million (US\$4,739.7 million), an increase of 0.1% from the previous fiscal year. Break-down by segment and the background for these results are discussed below.

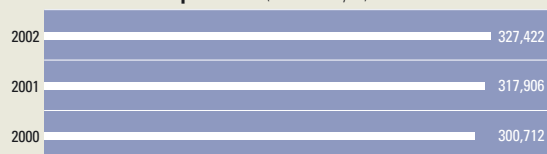
The building segment, the building leasing operation of Mitsubishi Estate, saw an increase in rental fees resulting from an improvement in the vacancy rate, and rising revenue at subsidiary Rockefeller Group, Inc. (RGI) that contributed to operating revenue of ¥327,422 million (US\$2,457.2 million), an increase of 3.0% from the previous fiscal year. Revenue from the residential development segment increased 3.3% to ¥137,350 million (US\$1,030.8 million) due to an upturn in condominium sales despite declining revenue from consignment business, and sales

### 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)

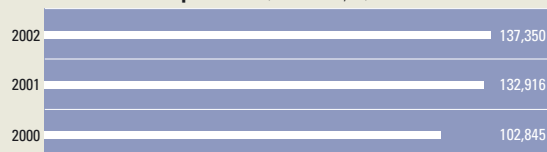


### Residential Development Segment



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)

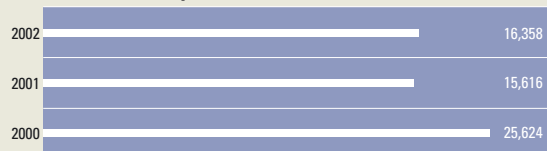


### Architectural & Engineering Segment



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)



of homes and residential lots. Revenue from the architectural and engineering segment increased 4.7% to ¥16,358 million (US\$122.8 million) due to progress on large-scale projects. Revenue from the real estate brokerage segment fell 8.8% to ¥79,691 (US\$598.1 million) due to a decline in revenue at Cushman & Wakefield, Inc., a subsidiary of RGI, which is feeling the effects of the business slowdown in the United States, and reflecting the economic effects in the Japanese market on brokerage business. Revenue from the custom-built housing segment declined 16.8% to ¥30,898 million (US\$231.9 million) due to falling revenues at Mitsubishi Estate Home Co., Ltd. Revenue from the hotels segment fell 6.6% to ¥30,450 million (US\$228.5 million), and revenue from the other segment increased 20.6% to ¥22,187 million (US\$166.5 million) due to rising revenue from the telecommunications business of a subsidiary of RGI.

## ANALYSIS OF INCOME

Operating income declined 4.6% to ¥76,921 million (US\$577.3 million). The decline in income is mainly a result of the effect of the performance of Cushman & Wakefield on the real estate brokerage segment, even though operating income from the building segment rose.

## OTHER INCOME AND EXPENSES

For the fiscal year under review, interest and dividend income totaled ¥2,622 million (US\$19.7 million) and interest expense totaled ¥32,639 million (US\$244.9 million).

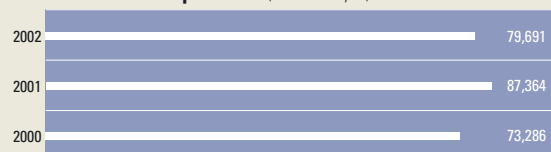
Loss on impairment of property and equipment totaled ¥156,365 million (US\$1,173.5 million). There was ¥9,680 million (US\$72.6 million) for valuation loss on inventories and ¥4,048 million (US\$30.4 million) for unrealized loss on securities.

### 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)

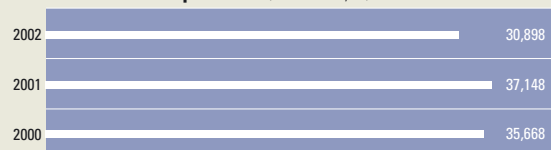


### Custom-Built Housing Segment



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)

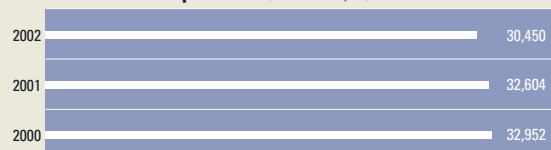


### Hotels Segment



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

Revenue from Operations (Millions of yen)

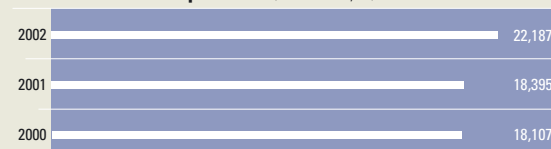


### Other Segment



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)



## NET INCOME

Income before income taxes and minority interests totaled a loss of ¥126,848 million (US\$952.0 million). Net income fell ¥90,890 million from the previous fiscal year to a net loss of ¥71,058 million (US\$533.3 million), and net income per share ended at a loss of ¥54.70 (US\$0.41).

## ANALYSIS OF FINANCIAL POSITION

### (1) Consolidated Cash Flows

Cash and cash equivalents for the fiscal year under review (hereafter "cash") declined 26.6% from the fiscal year to ¥131,374 million (US\$985.9 million) owing to the purchase of property and equipment and investment securities, redemption of corporate bonds, and repayment of long-term borrowings, despite increases in cash from corporate bond issuance and loans for short and long-term borrowings.

### Cash flows from operating activities

In the fiscal year under review, cash provided by operating activities was ¥104,106 million (US\$781.3 million), down ¥3,537 million from the previous fiscal year. Although income before income taxes and minority interests was a loss of ¥126,848 million (US\$952.0 million),

this was principally due to the non-cash items of depreciation and amortization, valuation loss on inventories and loss on impairment of property and equipment. Cash was also provided by decreases in notes and accounts receivables and inventories.

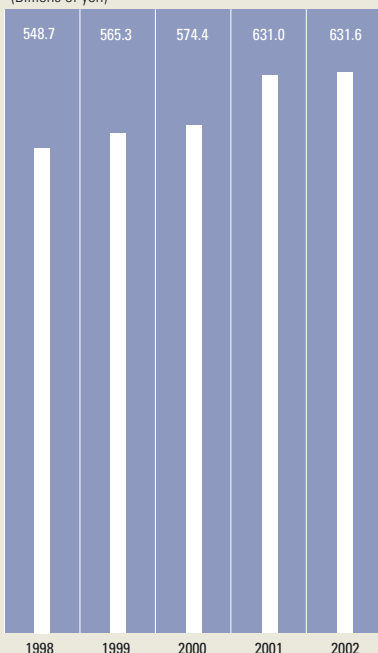
### Cash flows from investing activities

In the fiscal year under review, cash used in investing activities was ¥120,532 million (US\$904.6 million), down ¥71,363 million from the previous fiscal year. This ¥120,532 million is mainly due to the construction of the Marunouchi Building in the course of the Marunouchi Redevelopment Project, payments for the acquisition of interests in the Sanno Park Tower and the Aoyama Building, and renewal of existing buildings owned by Mitsubishi Estate. Also, to utilize idle funds the Company made purchases of interest-bearing bonds and investment in the J-REIT of Japan Real Estate Investment Corporation. Capital expenditures were also made for the Paternoster Square Redevelopment Project in the United Kingdom, an integrated development project by a foreign subsidiary.

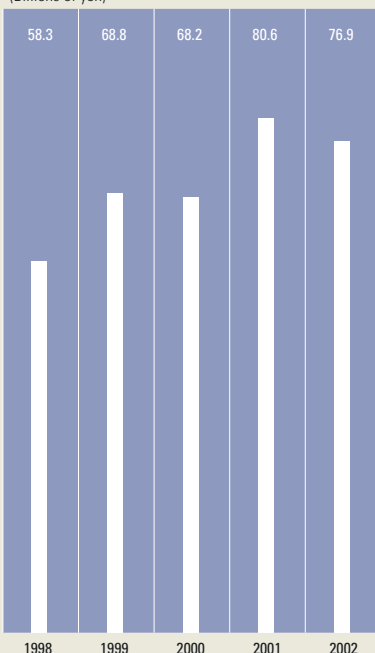
### Cash flows from financing activities

In the fiscal year under review, cash used in financing activities was ¥35,150 million (US\$263.8 million), down

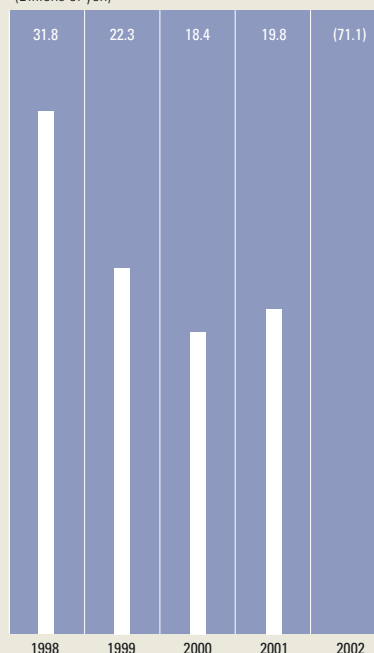
**Revenue from Operations**  
(Billions of yen)



**Operating Income**  
(Billions of yen)



**Net Income**  
(Billions of yen)



¥67,856 million from the previous fiscal year. This ¥35,150 million is mainly due to a net increase of short and long-term borrowings, a net decrease for redemption and issuance of corporate bonds, repurchase of bonds and cash dividends paid.

## (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 conducted a revaluation of land and recorded an impairment loss on property and equipment, valuation loss on inventories and an unrealized loss on securities for investment, brought IMS Co., Ltd. under consolidation as a subsidiary and removed Hokuriku Estate Co., Ltd. from consolidation. As a result, assets increased ¥500,532 million to ¥3,035,795 million (US\$22,782.7 million).

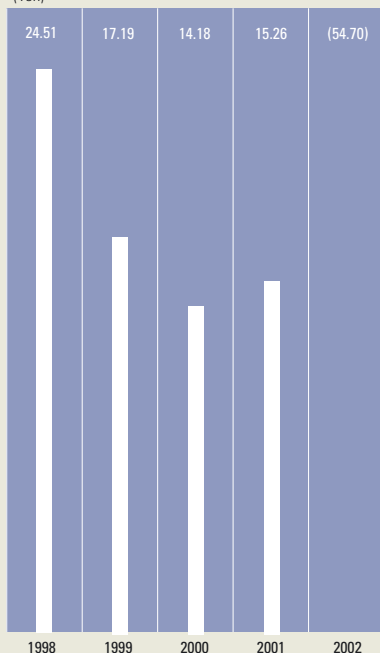
Liabilities increased ¥184,412 million to ¥2,160,286 million (US\$16,212.3 million) due to deferred income taxes, and minority interests increased ¥2,389 million to ¥43,012 million (US\$322.8 million). Shareholders' equity increased ¥313,731 million to ¥832,497 million (US\$6,247.6 million), due to the recording of a land revaluation reserve and despite a decrease in an unrealized gain in securities.

## MANAGEMENT INITIATIVES AND FINANCIAL STRATEGIES

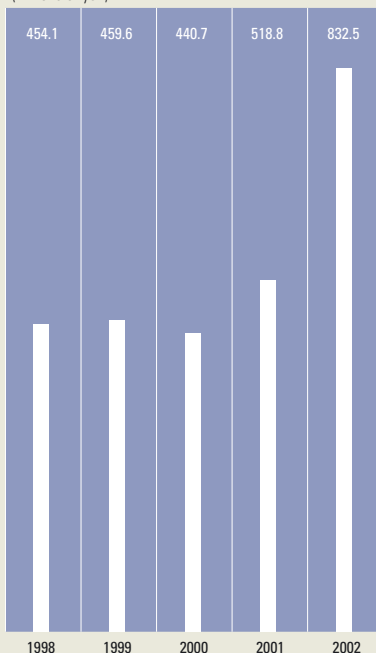
Mitsubishi Estate's three-year business plan was announced in March 2002, setting the goal of EBITDA (Earnings before interest, taxes, depreciation, and amortization) of ¥170 billion by March 31, 2005. This assumes revenue from operations of ¥723 billion, operating income of ¥110 billion, and an interest-bearing debt balance of ¥1,160 billion. 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.

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

**Net Income per Share**  
(Yen)



**Shareholders' Equity**  
(Billions of yen)



**Interest-Bearing Debt**  
(Billions of yen)

