Summary

In the fiscal year ended March 31, 2003, revenue from operations grew considerably due to an increase in revenue in all businesses except the hotels segment. Higher revenues were posted in the buildings segment from the sale of development properties by subsidiary Rockefeller Group, Inc. (RGI), and in the residential development segment from strong sales of condominiums. Operating income rose thanks to improvement in profitability in each business segment. Mitsubishi Estate returned to profitability with income before income taxes and minority interests of ¥69,864 million (US$581.2 million), owing mainly to the absence of losses on impairment of property and equipment incurred during the previous fiscal year.

The Company recorded other income from a gain on sales of property and equipment, including the sale of land of the Mitsubishi Shoji Building Annex. Mitsubishi Estate posted other losses including losses on the disposal of property and equipment for reconstructing the Tokyo Building, valuation loss on inventories, and unrealized loss on securities. Net income totaled ¥36,039 million (US$299.8 million), a marked year-on-year improvement in comparison with the net loss recorded in the previous fiscal year, which included a sizable loss on impairment of property and equipment, undertaken to shore up the balance sheet.

Analysis of Revenue

Revenue from operations for the fiscal year ended March 31, 2003 was ¥681,726 million (US$5,671.6 million), an increase of 7.9% from the previous fiscal year. Breakdown by segment and the background for these results are discussed below.

In the buildings segment, revenue climbed 8.0% to ¥353,577 million (US$2,941.6 million). Despite strong operations at the Marunouchi Building that was completed in

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)

2003	353,577
2002	327,422
2001	317,906

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)

2003	158,516
2002	137,350
2001	132,916

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)

2003	18,488
2002	16,358
2001	15,616

August 2002, parent revenues declined due to a rise in vacancy rates for existing buildings. This was overcome, however, by higher revenues at subsidiary RGI owing to the sale of development properties in New Jersey, U.S.A.

Revenue from the residential development segment increased 15.4% to ¥158,516 million (US$1,318.8 million) as a result of firm sales of large-scale condominiums mainly in the Tokyo metropolitan area.

Revenue from the architectural & engineering segment increased 13.0% to ¥18,488 million (US$153.8 million) due to the completion of large-scale projects including architectural and engineering services for new construction projects. Revenue from the real estate brokerage segment edged up 2.0% to ¥81,291 million (US$676.3 million), on account of an increase in foreign currency translations from the weak yen, despite stagnant revenues at Cushman & Wakefield, Inc., which is feeling the effects of the business slowdown in the United States.

Revenue from the custom-built housing segment advanced 10.4% to ¥34,095 million (US$283.7 million) due to an increase in orders and completed homes, despite sluggish conditions in the housing market. Revenue from the hotels segment fell 3.8% on account of the prolonged economic slump. Revenue from the other segment increased 6.4% due to rising revenue at Mitsubishi Jisho Investment Advisors, Inc., which was established in the previous fiscal year, service apartment management subsidiary Ascott International Management Japan Co., Ltd., which was established during the fiscal year under review, and Liv Sports Co., Ltd., which opened a new fitness center.

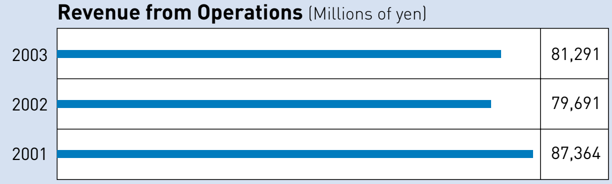
Analysis of Income

Operating income jumped 24.8% to ¥96,023 million (US$798.9 million). Operating income in the buildings segment

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.

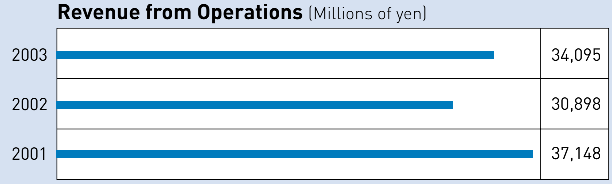
Revenue from Operations (Millions of yen)



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.

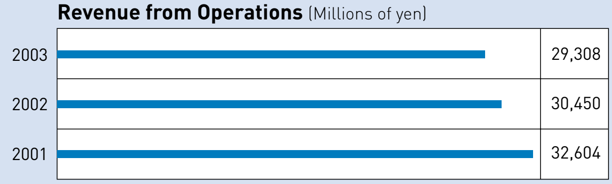
Revenue from Operations (Millions of yen)



Hotels Segment

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

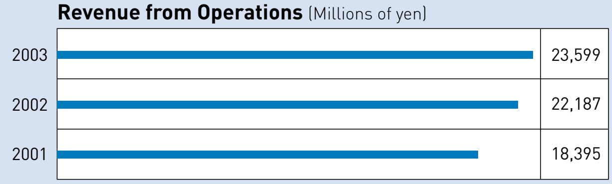
Revenue from Operations (Millions of yen)



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)



increased 16% compared with the previous fiscal year owing to a decline in depreciation due to the devaluation of property and equipment and the sale of development properties by RGI. Operating income in the residential development segment soared 48.6% on the back of robust condominium sales. The real estate brokerage segment saw higher operating income due to improvement at Cushman & Wakefield.

Other Income and Expenses

Mitsubishi Estate recorded net other expenses of ¥26,159 million (US$217.6 million) in fiscal 2003, compared with net other expenses of ¥203,769 million in the previous fiscal year. The main factor behind this change was the absence of a ¥156,365 million loss on impairment of property and equipment. Interest and dividend income was ¥2,619 million (US$21.8 million) while interest expense was ¥29,649 million (US$246.7 million).

Net Income

Income before income taxes and minority interests totaled ¥69,864 million (US$581.2 million), an improvement of ¥196,711 million (US$1,636.5 million) from the loss in the previous fiscal year. Net income was ¥36,039 million (US$299.8 million) compared with net loss of ¥71,058 million in the previous fiscal year. Net income per share was ¥27.61 (US$0.23).

Analysis of Financial Position

(1) Consolidated Cash Flows

Cash and cash equivalents (hereafter "cash") at the end of the fiscal year under review increased ¥21,076 million (US$175.3 million) from the previous fiscal year to ¥152,450 million (US$1,268.3 million). Main sources of cash were income before income taxes and minority interests, depreciation, sales of property and equipment, increase in long-term borrowings, and the issuance of corporate bonds. Main uses of cash were for purchases of property and equipment (the construction of new office buildings), repayment of corporate bonds, and repayment of long-term borrowings.

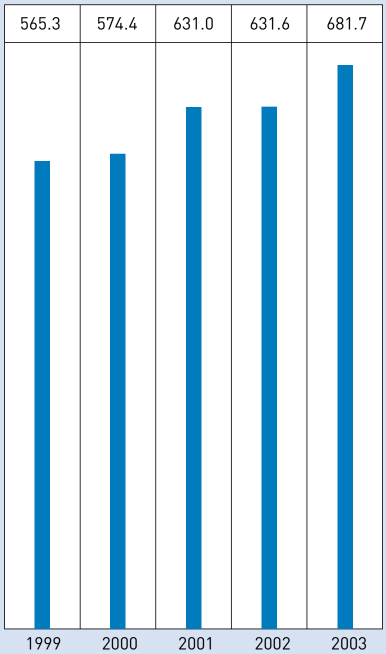
Cash Flows From Operating Activities

In the fiscal year under review, net cash provided by operating activities was ¥134,606 million (US$1,119.9 million), up ¥30,500 million from the previous fiscal year. Main contributors were income before income taxes and minority interests of ¥69,864 million (US$581.2 million), after the non-cash items of depreciation and amortization, valuation loss on inventories and unrealized loss on securities.

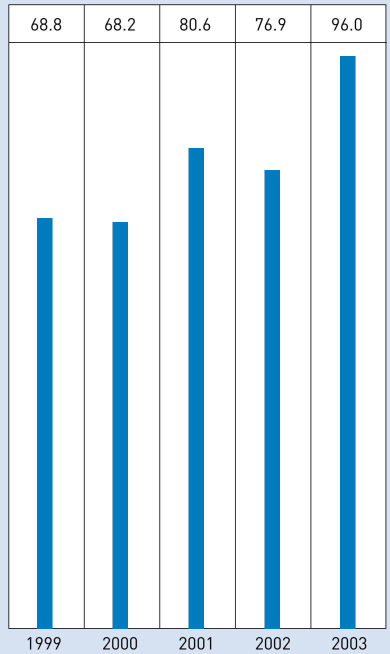
Cash Flows From Investing Activities

In the fiscal year under review, net cash used in investing activities was ¥72,311 million (US$601.6 million), down

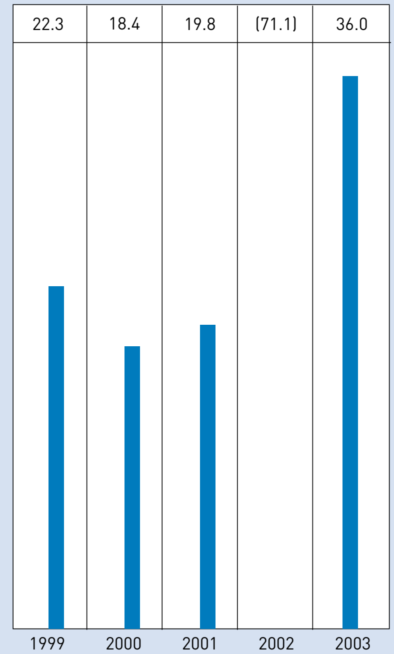
Revenue from Operations
(Billions of yen)



Operating Income
(Billions of yen)



Net Income
(Billions of yen)



¥48,221 million from the previous fiscal year. Main uses of cash were for the acquisition of the Mitsubishi Juko Building and construction work done on the Marunouchi Building and the Mitsubishi Trust and Banking Building, while cash was provided by the sale of land of the Mitsubishi Shoji Building Annex in the course of the Marunouchi Redevelopment Project. Cash was also allocated for the renovation of existing buildings owned by Mitsubishi Estate.

Cash Flows From Financing Activities

In the fiscal year under review, net cash used in financing activities was ¥38,901 million (US$323.6 million), an increase of ¥3,751 million from the previous fiscal year. This was mainly due to a net increase of short and long-term borrowings of ¥13,645 million (US$113.5 million), a net repayment of corporate bonds of ¥39,184 million (US$326.0 million), and cash dividends paid of ¥10,391 million (US$86.4 million).

(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 devalued inventories and securities for investment, and incurred a loss on the disposal of property and equipment. As a result, total assets decreased ¥27,867 million to ¥3,007,927 million (US$25,024.4 million).

Total liabilities decreased ¥36,282 million to ¥2,124,003 million (US$17,670.6 million). Minority interests increased ¥958 million to ¥43,971 million (US$365.8 million). Shareholders' equity increased ¥7,456 million to ¥839,953 million (US$6,988.0 million), due to the recording of net income and a decrease in unrealized gain in securities.

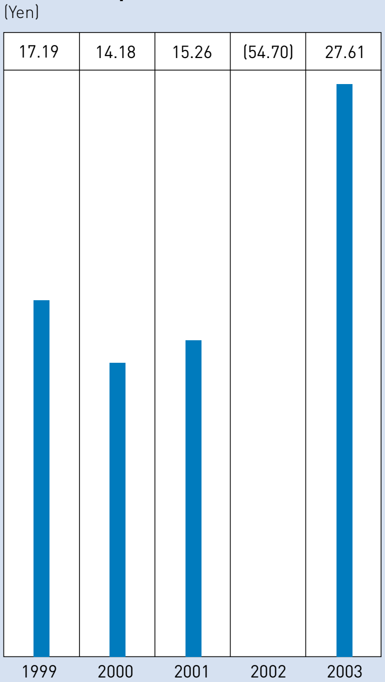
Management Initiatives and Financial Strategies

Mitsubishi Estate's three-year medium-term management plan was announced in March 2002, setting the goal of EBITDA (earnings before interest, taxes, depreciation and amortization) of ¥170 billion by the fiscal year ending March 31, 2005. 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.

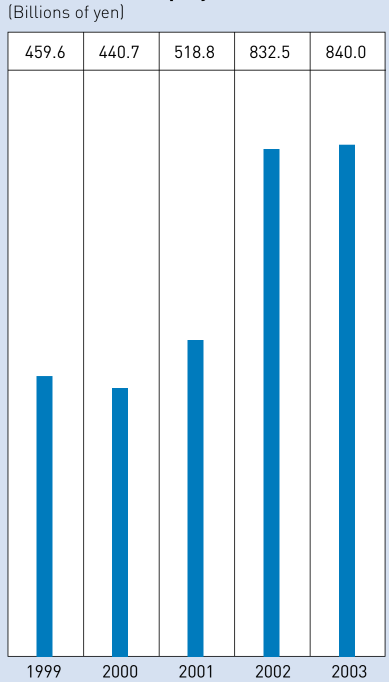
Since the core business of Mitsubishi Estate is the leasing of office buildings, the Company focuses operations on the procurement of long-term funds. Taking advantage of low interest rates, Mitsubishi Estate conducts financing mainly through the issuance of long-term corporate bonds with maturity dates of more than 10 years.

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

Net Income per Share
(Yen)



Shareholders' Equity
(Billions of yen)



Interest-Bearing Debt
(Billions of yen)