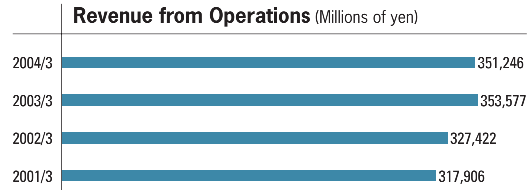
FINANCIAL REVIEW

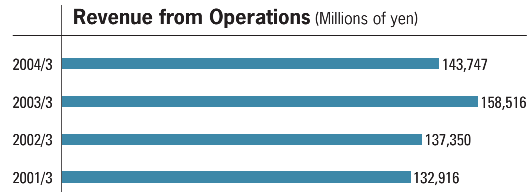
BUILDINGS SEGMENT

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.



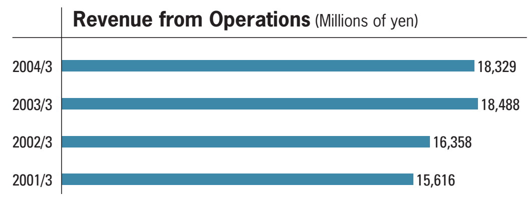
RESIDENTIAL DEVELOPMENT SEGMENT

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.



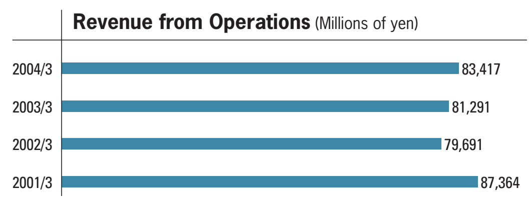
ARCHITECTURAL & ENGINEERING SEGMENT

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.



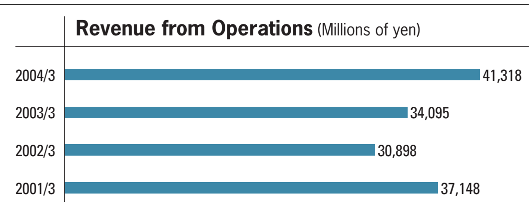
REAL ESTATE BROKERAGE SEGMENT

Revenue for the real estate brokerage segment comprises brokerage operations through Mitsubishi Real Estate Services Co., Ltd. and brokerage operations through Cushman & Wakefield, Inc.



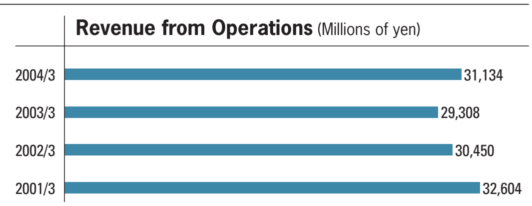
CUSTOM-BUILT HOUSING SEGMENT

Revenue for the custom-built housing segment derives from the contract construction of custom-built housing through Mitsubishi Estate Home Co., Ltd.



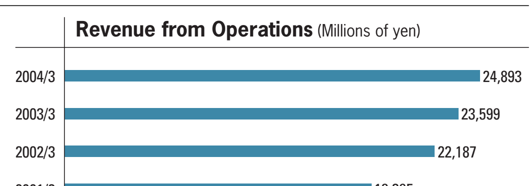
HOTELS SEGMENT

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



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.



Note: Revenue from Operations in the above graphs includes intersegment transactions.

Summary

In the fiscal year ended March 31, 2004, revenue from operations showed a decline. In the buildings segment, revenues were impacted by the Company's decision to halt lease activity for properties related to the Marunouchi redevelopment and tenant movements in existing buildings. In addition, in the residential development segment, there was a decrease in the number of condominium units sold. Operating income showed an improvement with the buildings segment reducing its management costs, the residential development segment improving its gross margin, and bringing down its selling expenses.

The improvement shown by each business segment also resulted in increased earnings. With regard to income before income taxes, there was an increase due to the distribution of benefits from anonymous association investments and improvements in the non-operating profit and loss account caused by reduced interest expenses from a fall in interest rates.

Under extraordinary profit and loss, a gain on sale of investment securities was recorded as other income and the loss on disposal of fixed assets related mainly to the rebuilding of the Hibiya Park Building as an extraordinary loss. Loss on cancellation of sublease contracts, loss on sales of fixed assets and loss on valuation of inventories were also recorded. As a result, net income amounted to ¥34,989 million.

Analysis of Revenue

Revenue from operations for the fiscal year ended March 31, 2004 was ¥679,918 million, a decrease of 0.3% compared with the previous fiscal year. There follows a breakdown by segment and the background to these results.

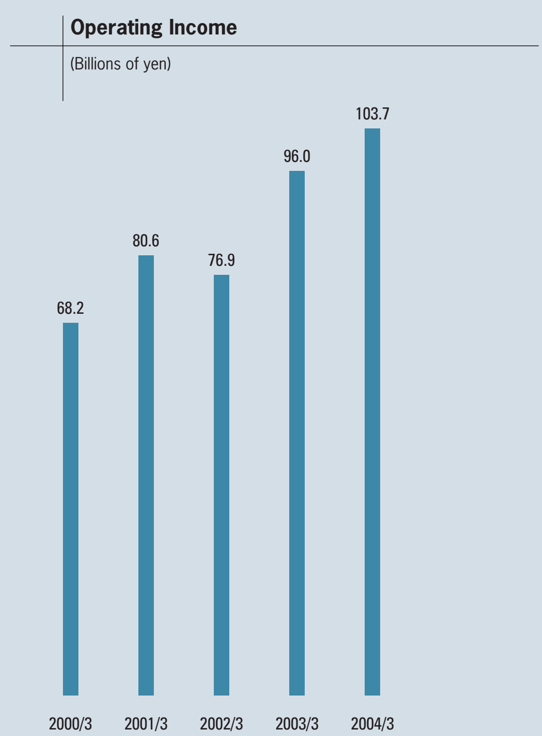
In the buildings segment, the Mitsubishi Trust and Banking Building, which was completed in February 2003, commenced full operations. However, due to the Company's decision to halt lease activity for properties related to the planned rebuilding of the Marunouchi redevelopment (the Shin-Marunouchi Building and the Hibiya Park Building) and tenant movements in existing buildings, total revenue (including intersegment transactions) edged down 0.7% compared with the previous fiscal year, to ¥351,246 million.

In the residential development segment, revenue declined 9.3% compared with the previous year, to ¥143,747 million. This was due to a fall in both the number of condominium units sold and developed lot sales of large-scale provincial properties.

Revenue from the architectural & engineering segment edged down 0.8% compared with the previous fiscal year, to ¥18,329 million. This was attributable to declining revenues from interior design work.

Revenue from the real estate brokerage segment increased 2.6% compared with the previous fiscal year, to ¥83,417 million. Instrumental in this were economic conditions in Europe and signs of a gentle recovery in the U.S. economy, where Cushman & Wakefield, Inc. showed a growth in business activities.

Revenue from the custom-built housing segment increased 21.1% compared with the previous year, to ¥41,318 million due to the increase in volume of orders and number of completions. The reasons for this increase were product differentiation of



"Aerotech" 24-hour central heating, cooling and ventilation systems, and orders of large-scale properties from corporations.

The hotels segment was affected in the first half of the period under review by the Iraq conflict and the SARS outbreak, but with the opening for business of Royal Park Shiodome Tower, revenue increased 6.2% compared with the previous year, to ¥31,134 million.

Revenue from the other segment increased 5.4% compared with the previous year, to ¥24,893 million. This was due to an increase in Mitsubishi Jisho Investment Advisors, Inc. commission revenue received from investors.

Analysis of Income

Compared with the previous fiscal year, operating income increased 8.0%, to ¥103,749 million.

Operating income in the buildings segment increased 2.6% compared with the previous fiscal year, due to lower payments for real estate acquisition tax and reduced management costs. Operating income in the residential development segment climbed 21.8% compared with the previous year as a result of a lowering of sales costs brought about by improvements in condominium gross margin and advertising costs. Every other segment recorded an increase, except for the hotels segment, which was affected by both the Iraq war and the SARS outbreak.

Other Income and Expenses

Mitsubishi Estate recorded net other expenses of ¥46,806 million in fiscal 2004, compared with net other expenses of ¥26,159 million in the previous fiscal year. The main factors behind this change were the loss on disposal of fixed assets of ¥18,002 million relating to the redevelopment of existing properties, loss on sales of fixed assets of ¥4,562 million, and the loss on cancellation of sublease contracts of ¥5,061 million.

Net Income

Compared with the previous fiscal term, income before income taxes and minority interests fell ¥12,921 million, to ¥56,943 million, and net income in the period under review fell ¥1,050 million, to ¥34,989 million. Net income per share was ¥26.96.

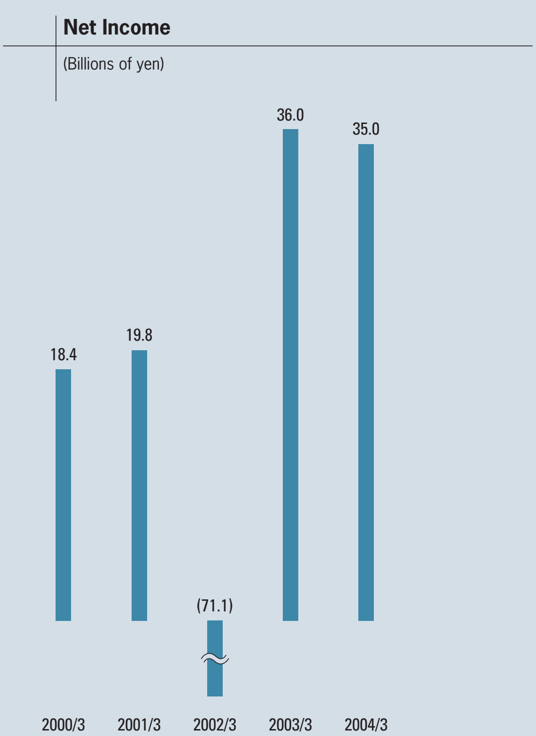
Analysis of Financial Position

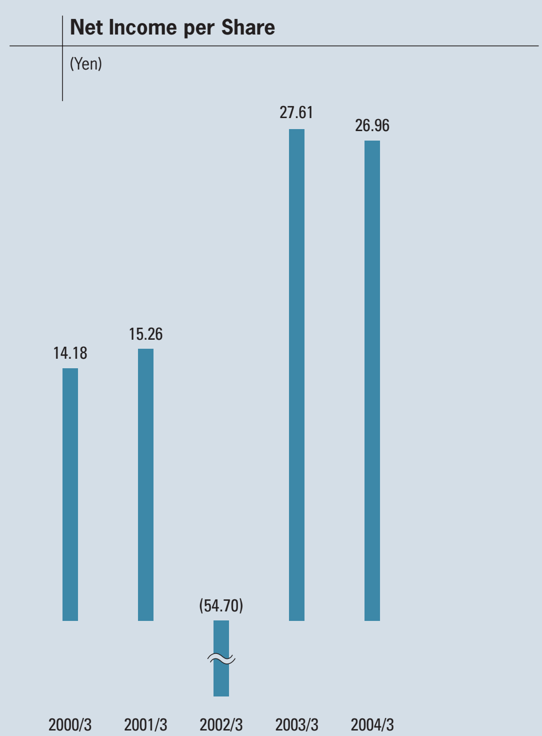
(1) Consolidated Cash Flows

On a consolidated basis, cash and cash equivalents (hereafter "cash") at the end of the fiscal year under review declined ¥16,387 million, to ¥136,063 million. Main cash sources were income before income taxes and minority interests, depreciation, issuance of corporate bonds, and long-term borrowings. Main uses of cash were for purchases of property and equipment, and repayments of corporate bonds and long-term borrowings.

Cash Flows from Operating Activities

Net cash provided by operating activities was ¥77,708 million (down ¥56,898 million compared with the previous fiscal year.). In the period under review, income before income taxes and





minority interests of ¥56,943 million and non-cash items such as depreciation and amortization of ¥56,982 million were recorded.

Cash Flows from Investing Activities

In the fiscal year under review, net cash used in investing activities was ¥60,645 million, down ¥11,666 million from the previous fiscal year. Mitsubishi Estate Co., Ltd. used this for construction work related mainly to the Marunouchi redevelopment project, including Marunouchi OAZO, and for building and renovation work carried out on existing properties.

Cash Flows from Financing Activities

In the fiscal year under review, net cash used in financing activities was ¥31,658 million, a decrease of ¥7,243 million year on year. Compared with the cash increases from long-term debt and the issuance of corporate bonds, the drop in capital from net decrease in short-term borrowings and repayments of long-term debt and corporate bonds were extensive.

(2) Consolidated Balance Sheets

Compared with the previous fiscal year-end, total assets increased ¥60,915 million, to ¥3,068,842 million. This was achieved through operating activities, investments and financial activities previously mentioned.

Liabilities, when compared with the previous fiscal year, increased ¥15,237 million, to ¥2,139,240 million. Minority interests fell ¥11,869 million when compared with the previous fiscal year, to ¥32,102 million. Total shareholders' equity increased ¥57,546 million compared with the previous fiscal year, to ¥897,499 million, due to the recording of net income and an increase in unrealized gain in securities.

Management Initiatives and Financial Strategies

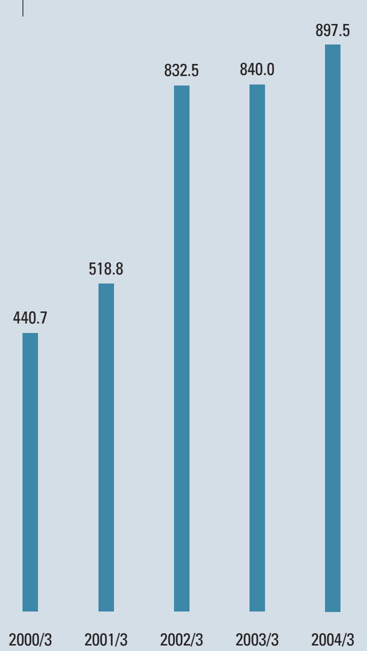
Mitsubishi Estate's three-year medium-term management plan was announced in March 2002. This set an earnings before interest, taxes, depreciation and amortization (EBITDA) goal of ¥170 billion to be achieved by the fiscal year ending March 31, 2005. The goal will be achieved through the management strategies of integrating Mitsubishi Estate's asset and non-asset businesses, and strengthening asset solution functions and management systems.

Concerning the financial strategy, Mitsubishi Estate is focusing on the procurement of long-term fixed-rate debt in the knowledge that it maintains long-term cash inflows from the Company's core building business operations. Particularly at the present time, taking advantage of favorably low interest rates, long-term corporate bonds with maturity dates of more than 10 years are being obtained.

The Mitsubishi Estate Group encourages a style of management that places importance on shareholder value, seeks to increase the value of the Group as a whole and that places an emphasis on cash flow.

Shareholders' Equity

(Billions of yen)



Interest-Bearing Debt

(Billions of yen)