

**Mitsui Fudosan Co., Ltd. (Code: 8801)**

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**Consolidated Financial Highlights (Unaudited)**

For the Fiscal Year Ended March 31, 2001

Millions of Yen  
 Year ended March 31

	2001	2000
<b>Operating Results:</b>		
Revenue from Operations	¥1,193,080	¥1,194,837
Operating Income	108,334	81,923
Income (Loss) before Income Taxes	62,439	(107,368)
Net Income (Loss)	26,112	(58,417)
<b>Financial Position:</b>		
Total Assets	¥2,846,467	¥2,991,203
Interest-Bearing Debt	1,554,360	1,660,127
Shareholders' Equity	411,097	395,132
<b>Cash Flows:</b>		
Cash Flows from Operating Activities	¥173,664	¥134,200
Cash Flows from Investing Activities	(32,088)	(32,449)
Cash Flows from Financing Activities	(150,001)	(96,576)
Cash and Cash Equivalents at End of Year	158,435	165,316
<b>Per Share Data (Yen):</b>		
Net Income	¥32.1	¥ (71.9)
Fully Diluted Net Income	31.8	—
Shareholders' Equity	506	486

Millions of Yen  
 Year ended March 31

<b>Segment information</b>	2001	2000
<b>Leasing</b>		
Operating Revenue	¥329,834	¥325,643
Operating Income	68,550	61,147
<b>Sales of Housing, Office Buildings and Land</b>		
Operating Revenue	328,281	359,326
Operating Income	20,606	8,881
<b>Construction</b>		
Operating Revenue	283,806	273,141
Operating Income	6,718	6,031
<b>Brokerage, Consignment Sales and Consulting</b>		
Operating Revenue	41,547	40,240
Operating Income	13,607	13,353
<b>Property Management</b>		
Operating Revenue	70,782	60,220
Operating Income	7,298	5,871
<b>Sales of Housing Materials and Merchandise</b>		
Operating Revenue	70,583	69,936
Operating Income	834	301
<b>Facility Operations</b>		
Operating Revenue	47,387	46,234
Operating Income	(55)	(25)
<b>Other</b>		
Operating Revenue	20,766	20,093
Operating Income	3,807	2,831

Note: The accompanying consolidated financial statements have been prepared from the accounts maintained by Mitsui Fudosan Co., Ltd., and its consolidated subsidiaries in accordance with provisions set forth in the Japanese Commercial Code and other countries' regulations and in conformity with accounting principles and practices generally accepted in Japan, which are different in certain respects as to application and disclosure requirements from International Accounting Standards. Figures have been rounded down to eliminate amounts less than one million yen. Sales by segment refers to sales to outside customers.

## Outline of Corporate Group

The Mitsui Fudosan Group comprises 221 affiliated companies, including 150 consolidated subsidiaries and 65 affiliates accounted for by the equity method. The following business descriptions correspond to the segment classifications on page 16. The main businesses of Mitsui Fudosan and the related businesses of its subsidiaries and affiliates are described below.

### Leasing

Mitsui Fudosan Co., Ltd., and Lalaport Co., Ltd. (a consolidated subsidiary), lease and operate office buildings and commercial properties. In addition, Mitsui Fudosan Co., Ltd., leases and subleases commercial properties of Alpark Co., Ltd. (a consolidated subsidiary), and office buildings of Minato Estate Co., Ltd. (a consolidated subsidiary). Mitsui Fudosan Housing Lease Co., Ltd. (a consolidated subsidiary), leases and subleases condominiums that Mitsui Fudosan Co., Ltd., develops for its business partner. M.F. Properties Co., Ltd. (a consolidated subsidiary), leases condominiums. Mitsui Fudosan America, Inc., and Mitsui Fudosan (U.K.) Co., Ltd. (both consolidated subsidiaries), engage in office building leasing in the United States and the United Kingdom, respectively.

### Sales of Housing, Office Buildings and Land

Mitsui Fudosan Co., Ltd., engages in the sale of housing, office buildings and land. Trade & Industrial Development Pte. Ltd. (an equity-method affiliate) engages in the sale of condominiums in Singapore.

### Construction

Mitsui Harbour and Urban Construction Co., Ltd. (a consolidated subsidiary), is a general contracting construction company. Mitsui Home Co., Ltd., and Mitsui Designtec Co., Ltd. (both consolidated subsidiaries), as well as the Home FC companies, engage in the contracted construction of detached houses. In addition, Mitsui Home Co., Ltd., sends orders for construction projects to Mitsui Home Engineering Co., Ltd. (a consolidated subsidiary).

### Brokerage, Consignment Sales and Consulting

Mitsui Real Estate Sales Co., Ltd. (a consolidated subsidiary), is a sales agency for housing and a brokerage for real estate. “Rehouse” companies offer brokerage services for buying, selling and leasing real estate through the Mitsui Rehouse Network. Mitsui Fudosan Investment Advisors, Inc. (a consolidated subsidiary), provides consulting services related to investment, evaluation and management of real estate.

### Property Management

Property administration, janitorial and maintenance services for the Company’s leasing operations are mainly provided by Daiichi Seibi Co., Ltd. (a consolidated subsidiary). Mitsui Fudosan Co., Ltd., consigns operations for some office buildings to M.F. Building Management Co., Ltd., M.F. Building Management Kansai Co., Ltd., and Shinmei Building Management Co., Ltd. (all consolidated subsidiaries). In addition, after-sales services for sold housing are handled by Mitsui Fudosan Housing Service Co., Ltd., Daiichi Management Co., Ltd., M.F. City Management Sendai Co., Ltd., and M.F. City Management Kyushu Co., Ltd. (all consolidated subsidiaries).

### Sales of Housing Materials and Merchandise

Regarding housing construction project contracts for Mitsui Home Co., Ltd., and Mitsui Designtec Co., Ltd., Mitsui Home Component Co., Ltd., and Mitsui Home Component Kansai Co., Ltd. (both consolidated subsidiaries), engage in the manufacture and sale of housing components. Daiichi Seed Co., Ltd. (a consolidated subsidiary), engages in the wholesale and retail of flowers, seeds and gardening supplies. Uni Living Co., Ltd. (a consolidated subsidiary), sells do-it-yourself (DIY) products and foodstuffs.

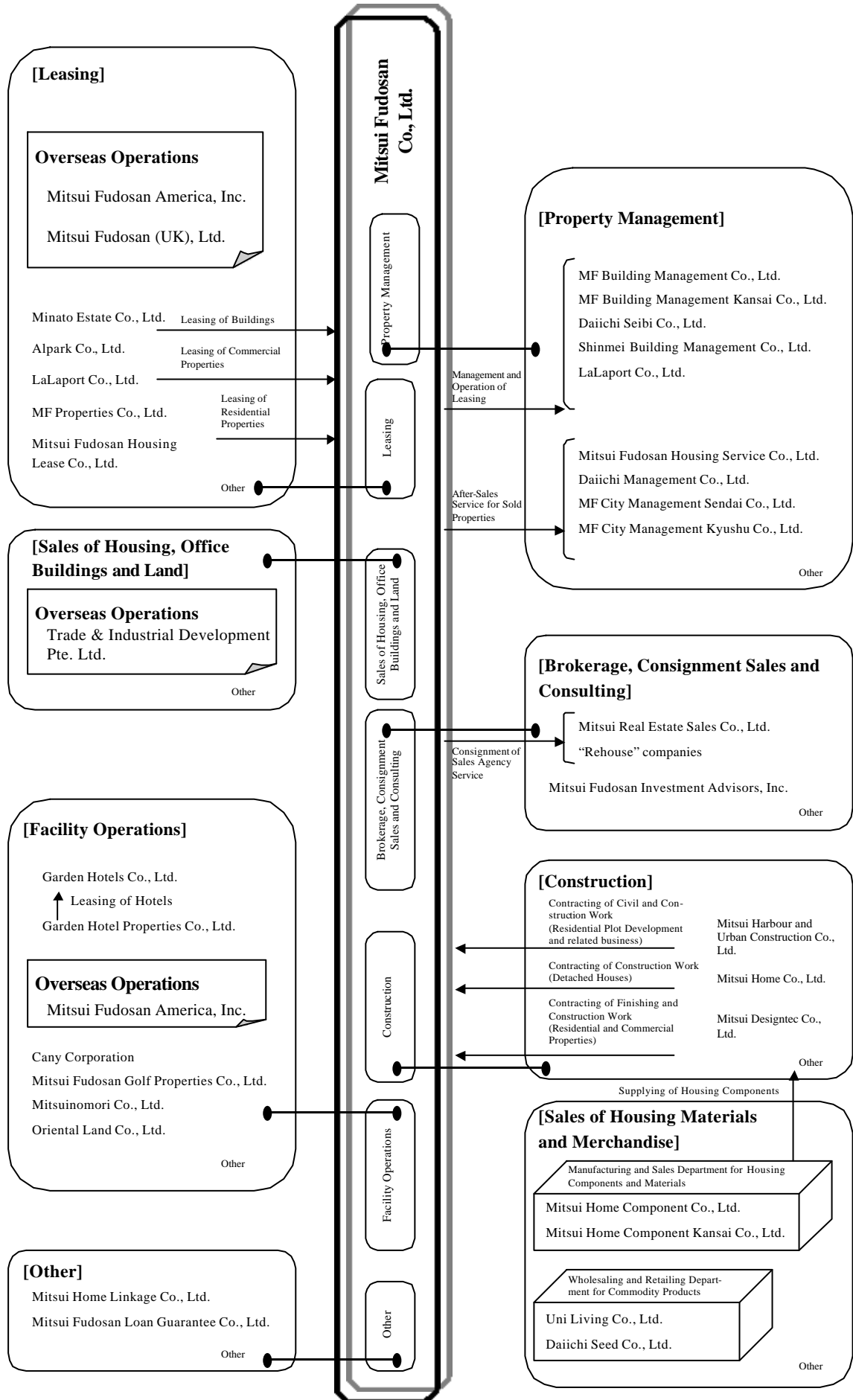
**Facility Operations**

Garden Hotels Co., Ltd., engages in the hotel business by leasing hotels from Garden Hotel Properties Co., Ltd. (both consolidated subsidiaries). Mitsui Fudosan America, Inc. (a consolidated subsidiary), operates hotels in Hawaii. Cany Corporation (a consolidated subsidiary) operates a restaurant business. Oriental Land Co., Ltd. (an equity-method affiliate), owns and operates Tokyo Disneyland. Mitsui Fudosan Golf Properties Co., Ltd., and Mitsuiinomori Co., Ltd. (both consolidated subsidiaries), operate golf courses.

**Other**

Mitsui Home Linkage Co., Ltd. (a consolidated subsidiary), engages in the financing and leasing business. Mitsui Fudosan Loan Guarantee Co., Ltd. (a consolidated subsidiary), is in the loan guarantee business.

Chart of business lines of major affiliates focusing on their relationship with Mitsui Fudosan Co., Ltd.



# Business Policy and Results of Operations

## 1. Business Policy

### (1) Basic operating policies

Mitsui Fudosan Co., Ltd., created its Group Vision and Mission in the fiscal year ended March 31, 2000, with the aim of helping the whole Group maximize earnings and increase corporate value by providing the best urban assets, information and services as well as ensuring customer satisfaction. This means constantly using our value-creation capability for the benefit of society, customers and the market.

### (2) Medium-term strategy

In May 2000, we announced the Mitsui Fudosan Group's Medium-Term (three-year) Management Plan covering the period from fiscal 2000 to fiscal 2002. The goal of the plan is to create a "new Mitsui Fudosan Group, rich in growth possibilities and profitability, in the 21st century."

To achieve the management objectives outlined in the plan, we are promoting five strategies: pursue customer-oriented management, create an asset portfolio that steadily generates profits, expand and reinforce the nonasset business, build an optimal value chain for the Group and develop new business models. To implement these strategies, we have emphasized two basic policies: harmonious coexistence with the environment and extensive use of information technologies.

### (3) Dividend policies

Our basic cash dividend policy aims to maintain stable dividend levels in line with corporate performance, while strengthening retained earnings to ensure steady revenue growth.

### (4) Management reorganization

In April 2001, we implemented the following structural reforms to realize the objectives of our Medium-Term Management Plan.

#### Introduction of corporate officer system

We divided the management and execution functions, both previously handled by directors, by introducing a corporate officer system. This system aims to make management more efficient and sound while enhancing responsiveness of execution to external conditions.

#### Establishment of Advisory Committee

To embrace multifaceted perspectives, we set up an Advisory Committee consisting of academic experts and business leaders.

#### Reinforcing compliance

From the standpoint of expanding and reinforcing our nonasset business, we selected an executive with responsibility for compliance. We also set up an internal Compliance Committee, headed by the compliance executive, to promote a fuller understanding and strengthened enforcement of compliance rules.

#### Establishment of Principal Investments Division

In line with reinforcing the compliance function, we set up the Principal Investments Division to create Companywide asset strategies for investments on the Company's own account and undertake the concentrated management of major rental assets already allocated to the Office Building Division and the Commercial Properties Division, which are clearly positioned as "service providers" for the new Principal Investments Division.

### (5) Issues to address

The creation of the real estate investment trust (REIT) market is expected to help link real estate properties with capital markets and foster the liquidity of real estate assets. To this end, we will work to develop new business models that take full advantage of real estate securitization and devote our energies to expanding opportunities in the nonasset business to undertake management on behalf of funds and investors.

In the leasing business, we will meet the diversified and sophisticated needs of tenants by improving the attractiveness of our products. At the same time, we will use the comprehensive and specialist management strengths of the Group to promote joint investments with investors in an effort to acquire maximum profits through minimum investments.

In the housing sales business, we will further upgrade our product planning skills by quickly grasping customer needs. We have also established an After Service Center to provide after-sales support quickly and efficiently. In these ways, we will strive to further ingrain a customer-oriented mindset among employees.

Harmonious coexistence with the environment will become increasingly important in the future. To help create prosperous urban communities, we will promote businesses that are environmentally efficient. We will also use IT to accurately perceive changes in customer and market trends as part of our resolute quest to build new business models.

The table below shows a list of consolidated quantitative targets that we hope to achieve in the year ending March 2003, the final year of the Medium-Term Management Plan.

### Quantitative targets for the year ending March 31, 2003

Operating Income	¥105 billion
Interest-Bearing Liabilities	¥1,450 billion
ROA	3.9%
Total Assets	¥2,850 billion
D/E Ratio	3.2 times
Operating Cash Flow	¥110 billion

\*ROA = (Operating Income + Non-operating Income)/Total Assets

## 2. Performance

### (1) Operating results

In the year under review, the Japanese economy was restricted to a minimal recovery. Despite generally solid capital investments amid a recovery in corporate earnings, personal consumption languished due partly to difficult employment conditions, while public spending and housing investments declined. The slowdown of the U.S. economy also had a negative impact.

In the real estate industry, the leasing sector benefited from increased demand for office space, led mainly by foreign-capital and IT-related firms. As a result, occupancies improved and leasing rates stopped declining. The housing sales sector benefited from the continued low basic interest rates prescribed by the Government Housing Loan Corporation, as well as the extension of a housing loan interest tax deduction system and other government policies. These factors helped maintain purchasing demand among customers and foster healthy market conditions, brightening the prospects for the business environment.

Amid this operating environment, the Mitsui Fudosan Group devoted its full efforts toward raising corporate value by pursuing the policies outlined earlier in this report.

In addition, we completed a two-year restructuring of our balance sheets, which included devaluing some of our assets and strengthening the financial positions of some Group companies. In these ways, we built a solid foundation for growth in our quest to create a “new Mitsui Fudosan Group, rich in growth possibilities and profitability, in the 21st century.”

Consolidated revenue from operations in the year under review amounted to ¥1,193.1 billion, down 0.1% from the previous year. Operating income jumped 32.2% to ¥108,334 million, and ordinary income rose 40.5% to ¥73,420 million. The Company reported extraordinary gains of ¥53,879 million, mainly from gains on the sale of securities. Extraordinary losses totaled ¥64,860 million, stemming mainly from losses on the sale and devaluation of securities. Deferred income taxes amounted to ¥25,784 million. As a result, net income rose ¥84,530 million from a loss to ¥26,112 million.

Nonconsolidated revenue from operations decreased 4.3% to ¥595,793 million. Operating income rose 38.0% to ¥67,003 million, and ordinary income jumped 61.5% to ¥48,771 million. As a result, net income advanced ¥79,664 million from a loss to ¥16,511 million.

### (2) Cash flows

Net cash provided by operating activities in the year under review was ¥173,664 million, or ¥39,463 million higher than the previous year. The major factors contributing to this gain included ¥73,420 million in ordinary income, ¥44,418 million in depreciation and proceeds from the sale of real estate.

Net cash used in investing activities amounted to ¥32,088 million, or ¥361 million lower than the previous year. Despite proceeds from the sale of marketable securities amounting to ¥100,907 million, the Company used ¥80,198 million for the purchase of property and equipment and ¥48,539 million for the purchase of marketable securities.

Net cash used in financing activities was ¥150,001 million, or ¥53,424 million higher than the previous year. We generated ¥84,575 million in proceeds from long-term debt and a corporate bond issue, while short-term debt declined ¥102,139 million, and we repaid ¥127,706 million in long-term debt.

As a result, cash and cash equivalents at the end of the year amounted to ¥158,435 million, down ¥6,880 million from the previous year.

### (3) Performance by business category

#### [1] LEASING

To meet rising demand for highly functional buildings, the Company undertook renewal projects at such properties

as the Kasumigaseki Building and the Hibiya Mitsui Building (both in Tokyo). We also commenced construction of a number of projects, including the Nakanoshima Mitsui Building (Osaka), the Hiroshima Fukuromachi Building (Hiroshima) and the Jimbocho Mitsui Building (Tokyo). In addition, we have been proceeding with the redevelopment of such sites as the Mitsui Honkan Building district and Nihonbashi 1-chome (both in Tokyo).

To improve the investment efficiency of commercial facilities, we promoted the development of outlet malls that make full benefit of business-use periodic-leasehold. During the year, we opened La Fete Tama Minami-Osawa (western Tokyo) and Garden Walk Makuhari (Chiba). We also started the development of Nagashima Outlet Mall (Mie Prefecture). In addition, to increase the customer drawing power of existing facilities, we opened Alpark Shinkan (Hiroshima) and expanded the floor space of such facilities as Marine Pia Kobe Port Bazaar (Kobe) and Tokyo Bay Lalaport (Chiba). During the year, we reinforced the housing rental business of the Mitsui Fudosan Group by forging ties with Mitsui Fudosan Sales Co., Ltd., Mitsui Fudosan Housing Lease Co., Ltd., and Mitsui Home Estate Co., Ltd.

As a result, revenue from leasing activities grew 1.3% to ¥329,834 million, and operating income climbed 12.1% to ¥68,550 million.

For the years ended March 31	2001	2000
<b>Office and Commercial</b>		
Revenue (¥ million)	¥ 267,568	¥ 265,752
Floor space (m <sup>2</sup> ):		
Owned	2,026,852	1,953,670
Managed	1,276,948	1,311,403
<b>Total</b>	<b>3,303,800</b>	<b>3,265,073</b>
<b>Residential</b>		
Revenue (¥ million)	¥ 42,923	¥ 42,321
Units:		
Owned	909	869
Managed	28,708	26,551
<b>Total</b>	<b>29,617</b>	<b>27,420</b>
<b>Other</b>		
Revenue (¥ million)	¥ 19,343	¥ 17,569
<b>TOTAL</b>	<b>¥ 329,834</b>	<b>¥ 325,643</b>

## [2] SALES OF HOUSING, OFFICE BUILDINGS AND LAND

To provide housing that guarantees customer satisfaction, we continued to improve our product planning capabilities. This included striving to accurately grasp customer needs via MOC (Mitsui Open Communication), a monitoring organization through which we gather input from homebuyers.

In the condominium category, we formulated and steadily implemented “ecological specifications.” This entailed adopting life-cycle assessment (LCA) methods to objectively evaluate the load imposed on the environment by each product during its life cycle, and embracing three key themes: energy efficiency, longevity and the use of environmentally friendly materials. New contributors to revenue included Park Court Ebisu Hill-Top Residence (Tokyo) and Park Haimu Yokohama Yamate (Yokohama). In the detached housing category, new contributors included Fine Court Ogikubo North (Tokyo) and Keihanna Koentoshi (Kyoto). Total housing sales were down 0.6% to ¥286,854 million.

Total revenue in this segment, including that from other sales, fell 8.6% to ¥328,281 million. Amid generally healthy market conditions, operating income jumped 132.0% to ¥20,606 million.

### (a) Housing Sales

For the years ended March 31	2001			2000		
	Units	Revenue (¥ million)	Unit Price (¥ million)	Units	Revenue (¥ million)	Unit Price (¥ million)
<b>Detached Housing</b>						
Tokyo Area	542	¥ 33,929	¥ 6,260	670	¥ 40,950	¥ 6,112
Other	227	9,319	4,106	151	6,620	4,384
<b>Total</b>	<b>769</b>	<b>¥ 43,247</b>	<b>¥ 5,624</b>	<b>821</b>	<b>¥ 47,571</b>	<b>¥ 5,794</b>
<b>Condominiums</b>						
Tokyo Area	3,589	¥ 188,447	¥ 5,251	3,553	¥ 185,735	¥ 5,228
Other	1,626	55,159	3,392	1,697	55,402	3,265
<b>Total</b>	<b>5,215</b>	<b>¥ 243,607</b>	<b>¥ 4,671</b>	<b>5,250</b>	<b>¥ 241,138</b>	<b>¥ 4,593</b>
<b>Total Housing Sales</b>						
Tokyo Area	4,131	¥ 222,374	¥ 5,384	4,223	¥ 226,686	¥ 5,368
Other	1,853	64,479	3,480	1,848	62,023	3,356
<b>Total</b>	<b>5,984</b>	<b>¥ 286,854</b>	<b>¥ 4,794</b>	<b>6,071</b>	<b>¥ 288,709</b>	<b>¥ 4,756</b>

**(b) Other Sales Revenue**

For the years ended March 31	2001	2000
	Revenue (¥ million)	
Land	¥ 24,174	¥ 33,018
Buildings	17,252	37,598
<b>TOTAL</b>	<b>¥ 41,426</b>	<b>¥ 70,616</b>

**[3] CONSTRUCTION**

Mitsui Home Co., Ltd., is a leading company in the construction of 2×4 houses. In the year under review, we reinforced our brand by introducing Design Station, a new marketing system that fully uses the design strengths of Mitsui Home. In civil engineering, the main business of Group member Mitsui Harbour and Urban Construction Co., Ltd., we solidified our sales power, receiving an order to build a mooring facility at Port Island in Kobe Bay.

Revenue from the construction segment amounted to ¥283,806 million, up 3.9% from the previous year. Operating income rose 11.4% to ¥6,718 million.

**(a) Orders, Order Backlogs and Project Completions**

(¥ million)

For the years ended March 31	2001			2000		
	Building Construction	Civil Engineering	Total	Building Construction	Civil Engineering	Total
<b>Orders:</b>						
Work-on-hand at beginning of period	¥ 105,802	¥ 65,832	¥ 171,634	¥ 106,058	¥ 75,735	¥ 181,794
Orders during period	157,448	59,421	216,869	169,862	63,658	233,520
<b>Total</b>	<b>¥ 263,250</b>	<b>¥ 125,253</b>	<b>¥ 388,504</b>	<b>¥ 275,920</b>	<b>¥ 139,394</b>	<b>¥ 415,315</b>
<b>Project Completions</b>	<b>¥ 167,242</b>	<b>¥ 71,337</b>	<b>¥ 238,580</b>	<b>¥ 170,118</b>	<b>¥ 73,562</b>	<b>¥ 243,680</b>
<b>Work-on-Hand at End of Period</b>	<b>¥ 96,007</b>	<b>¥ 53,916</b>	<b>¥ 149,923</b>	<b>¥ 105,802</b>	<b>¥ 65,832</b>	<b>¥ 171,634</b>

**(b) Projects**

(¥ million)

For the years ended March 31	2001			2000		
	Building Construction	Civil Engineering	Total	Building Construction	Civil Engineering	Total
<b>Project Completions:</b>	<b>¥ 167,242</b>	<b>¥ 71,337</b>	<b>¥ 238,580</b>	<b>¥ 170,118</b>	<b>¥ 73,562</b>	<b>¥ 243,680</b>
<b>Work-on-Hand at End of Period</b>						
<b>Total</b>	<b>¥ 96,007</b>	<b>¥ 53,916</b>	<b>¥ 149,923</b>	<b>¥ 105,802</b>	<b>¥ 65,832</b>	<b>¥ 171,634</b>
Work in progress	12,002	9,471	21,474	13,624	12,102	25,727
As a percentage of work-on-hand at end of period	12.5%	17.6%	14.3%	12.9%	18.4%	15.0%
<b>Projects during Period</b>	<b>¥ 165,621</b>	<b>¥ 68,706</b>	<b>¥ 234,327</b>	<b>¥ 171,759</b>	<b>¥ 72,735</b>	<b>¥ 244,494</b>

**[4] BROKERAGE, CONSIGNMENT SALES AND CONSULTING**

In this segment, an important nonasset business, we undertook project management of such projects as Shiodome Block B, Shiodome Block E and Iidamachi (all in Tokyo). Mitsui Fudosan Sales Co., Ltd., reinforced its area network centering on "Rehouse" companies and regional sales companies, in order to meet customer needs more quickly and flexibly. Actively embracing IT, that company rolled out "e-Rehouse," through which we provide real estate information for purchase and sale via the Internet.

As a result, revenue from brokerage, consignment sales and consulting increased 3.2% to ¥41,547 million. Operating income edged up 1.9% to ¥13,607 million.

For the years ended March 31	2001		2000	
	Units	Revenue (¥ million)	Units	Revenue (¥ million)
<b>Brokerage</b>	<b>22,941</b>	<b>¥ 26,909</b>	<b>21,225</b>	<b>¥ 26,958</b>
<b>Consignment Sales</b>	<b>5,436</b>	<b>8,469</b>	<b>4,805</b>	<b>7,026</b>
<b>Consulting</b>	<b>-</b>	<b>6,168</b>	<b>—</b>	<b>6,256</b>
<b>TOTAL</b>	<b>-</b>	<b>¥ 41,547</b>	<b>—</b>	<b>¥ 40,240</b>



## [5] PROPERTY MANAGEMENT

In this segment, we worked in alliance with fellow Group members, including Daiichi Seibi Co., Ltd., and M.F. Building Management Co., Ltd. Taking full advantage of our combined management expertise, we expanded our business in office management and property management.

In the year under review, Group members Mitsui Fudosan Housing Services Co., Ltd., and Daiichi Management Co., Ltd., attracted solid revenue from condominium management, whereas Lalaport Co., Ltd., and others performed well in the management of commercial facilities. Business from non-Group companies was also brisk.

As a result, property management revenue jumped 17.7% to ¥70,872 million, and operating income climbed 24.3% to ¥7,298 million.

For the years ended March 31	2001	2000
	Revenue (¥ million)	Revenue (¥ million)
<b>Property Management</b>	<b>¥ 41,177</b>	<b>¥ 37,427</b>
<b>Renovation Project Management</b>	<b>29,695</b>	<b>22,792</b>
<b>TOTAL</b>	<b>¥ 70,872</b>	<b>¥ 60,220</b>

## [6] SALES OF HOUSING MATERIALS AND MERCHANDISE

To meet the rising demand for gardening products, Group member Daiichi Engei Co., Ltd., promoted its “Garden Sketch” service, which covers everything from garden design planning to product sales. Uni Living Co., Ltd., a Group member operating “home centers,” where DIY products are sold, and supermarkets, opened a home center in Komae (western Tokyo) and a fresh food supermarket in Chiba Prefecture. In these ways, the Group worked to accurately grasp customer needs and strengthen its sales power.

Revenue from sales of housing materials and merchandise moved up 0.9% to ¥70,583 million. Operating income rocketed 176.7% to ¥834 million.

For the years ended March 31	2001	2000
	Revenue (¥ million)	Revenue (¥ million)
<b>Housing Materials</b>	<b>¥ 21,451</b>	<b>¥ 20,927</b>
<b>Merchandise</b>	<b>49,131</b>	<b>49,009</b>
<b>TOTAL</b>	<b>¥ 70,583</b>	<b>¥ 69,936</b>

## [7] FACILITY OPERATIONS

In this segment, Group member Garden Hotels Co., Ltd., operates a domestic chain of hotels called Garden Hotels. In the year under review, that company opened its 15th facility, Mitsui Garden Hotel Okayama (Okayama Prefecture). Another Group company, Cany Corporation, opened a fresh food restaurant in Ginza (central Tokyo). Meanwhile, Group member Mitsuinomori Co., Ltd., operates sports and leisure facilities, including a golf club in Nagano Prefecture.

Segment revenue grew 2.5% to ¥47,387 million. However, we reported an operating loss of ¥55 million, down ¥29 million from the previous year.

For the years ended March 31	2001	2000
	Revenue (¥ million)	Revenue (¥ million)
<b>Hotels</b>	<b>¥ 29,548</b>	<b>¥ 27,235</b>
<b>Other</b>	<b>17,838</b>	<b>18,999</b>
<b>TOTAL</b>	<b>¥ 47,387</b>	<b>¥ 46,234</b>

## [8] OTHER

This segment encompasses such activities as leasing (Mitsui Home Linkage Co., Ltd.) and provision home loan guarantees (Mitsui Fudosan Loan Guarantee Co., Ltd.).

Revenue gained 3.4% to ¥20,766 million, and operating income jumped 34.5% to ¥3,807 million.

For the years ended March 31	2001	2000
	Revenue (¥ million)	Revenue (¥ million)
<b>Finance and Lease</b>	<b>¥ 4,068</b>	<b>¥ 4,599</b>
<b>Other</b>	<b>16,698</b>	<b>15,493</b>
<b>TOTAL</b>	<b>¥ 20,766</b>	<b>¥ 20,093</b>

## (4) Year-end dividend

According to Mitsui Fudosan's basic dividend policy as stated, at its meeting on April 26, 2001, the Board of Directors voted to raise the year-end cash dividend by ¥1.00, to ¥3.50 per share.

## (5) Outlook

Looking ahead, we predict that a full-scale economic recovery will take time, due to a number of factors. Public-sector and housing investments are declining, and there is the risk of corporate capital investments falling due to slowing exports as a result of the faltering U.S. economy. Meanwhile, there are fears that personal consumption will languish due to the poor employment situation and stunted growth in personal income levels.

In the real estate industry, the outlook defies confident prediction. In the leasing sector, demand for office space in highly functional buildings in central urban locations remains strong, but business may be affected by changing conditions in the office market due to uncertainty about the future and an increase in the supply of new large-scale buildings. In the housing sales sector, we expect the market to remain healthy, but it may be affected if employment and income factors negatively influence people's will to purchase properties.

Fully understanding its operating environment, the Mitsui Fudosan Group will resolutely tackle various issues in its quest to achieve objectives outlined in its medium-term plan.

In the year ending March 31, 2002, we forecast consolidated net sales of ¥1,200 billion, operating income of ¥106 billion, ordinary income of ¥73 billion and net income of ¥39 billion.

On a nonconsolidated basis, we project net sales of ¥605 billion, operating income of ¥63 billion, ordinary income of ¥45 billion and net income of ¥20.5 billion.

We plan to pay cash dividends of ¥7.00 per share for the year, including a ¥3.50 interim dividend.

## Consolidated Balance Sheets (Unaudited)

(For the years ended March 31, 2000 and 2001)

(¥million)

	2001		2000		Change from Previous Period	
		% of Total Assets		% of Total Assets		YoY % Change
<b>ASSETS:</b>						
<b>• Current Assets:</b>	832,559	29.2	1,030,327	34.5	(197,768)	(19.2)
Cash and Time Deposits	159,405		157,970		1,434	
Accounts Receivable—Trade	60,611		79,713		(19,102)	
Marketable Securities	315		102,695		(102,380)	
Property for Sale	421,855	14.8	455,313	15.2	(33,457)	(7.3)
Expenditure on Contracts in Progress	21,528		28,418		(6,890)	
Other Inventories	9,597		9,490		106	
Advances Paid for Purchases	31,197		26,868		4,328	
Short-Term Loans	40,040		55,967		(15,927)	
Deferred Income Taxes	47,740		66,135		(18,395)	
Other Current Assets	42,052		49,128		(7,075)	
Allowance for Doubtful Accounts	(1,785)		(1,374)		(410)	
<b>• Fixed Assets:</b>	2,013,878	70.8	1,960,713	65.5	53,165	2.7
1. Tangible Fixed Assets:	1,428,676	50.2	1,433,042	47.9	(4,365)	(0.3)
Buildings and Structures	543,182	19.1	524,710	18.1	471	0.1
Machinery, Equipment and Materials						
Handling Equipment	8,201		8,119		81	
Land	815,989	28.7	814,369	27.2	1,619	0.2
Construction in Progress	29,766		41,908		(12,141)	
Other Tangible Assets	31,536		25,933		5,603	
2. Intangible Fixed Assets:	28,016	1.0	34,013	1.1	(5,997)	(17.6)
Leasehold Right	21,693		28,534		(6,841)	
Other Intangible Fixed Assets	6,323		5,479		843	
3. Investment and Other Assets	557,186	19.6	493,657	16.5	63,529	12.9
Investment Securities	189,137		118,685		70,452	
Long-Term Loans	20,381		30,004		(9,623)	
Lease Deposits	238,967		247,599		(8,631)	
Deferred Income Taxes	19,068		21,440		(2,371)	
Other	126,594		111,372		15,221	
Allowance for Doubtful Accounts	(36,962)		(35,444)		(1,518)	
<b>• Deferred Assets</b>	28		162		(133)	
<b>TOTAL ASSETS</b>	<b>2,846,467</b>	<b>100.0</b>	<b>2,991,203</b>	<b>100.0</b>	<b>(144,735)</b>	<b>(4.8)</b>

## Consolidated Balance Sheets (Unaudited)

(For the years ended March 31, 2000 and 2001)

(¥ million)

	2001		2000		Change from Previous Period	
		% of Total Assets		% of Total Assets		YoY % Change
<b>LIABILITIES:</b>						
<b>• Current Liabilities:</b>	775,499	27.2	857,755	28.7	(82,256)	(9.6)
Accounts Payable—Trade	149,281		149,131		149	
Short-Term Debt	393,763	13.8	456,391	15.3	(62,627)	(13.7)
Commercial Paper	10,000		—		10,000	
Income Taxes Payable	6,714		6,273		440	
Advances from Contracts in Progress	27,898		32,342		(4,443)	
Allowance for Complete Projects Indemnity	1,225		1,115		110	
Allowance for Possible Guarantee Losses	678		—		678	
Deferred Income Taxes	46		—		46	
Other Current Liabilities	185,891		212,501		(26,610)	
<b>• Fixed Liabilities:</b>	1,622,118	57.0	1,700,425	56.8	(78,307)	(4.6)
Corporate Bonds	286,242		271,242		15,000	
Long-Term Debt	864,354	30.4	932,493	31.2	(68,139)	(7.3)
Deposits from Tenants	345,101		367,959		(22,858)	
Reserve for Employees' Retirement Allowances	—		24,015		(24,015)	
Allowance for Employees' Retirement Benefits	22,865		—		22,865	
Allowance for Directors' Retirement Bonuses	2,080		1,744		335	
Deferred Income Taxes	14,731		10,380		4,350	
Other Fixed Liabilities	86,743		92,589		(5,845)	
<b>TOTAL LIABILITIES</b>	<b>2,397,617</b>	<b>84.2</b>	<b>2,558,181</b>	<b>85.5</b>	<b>(160,563)</b>	<b>(6.3)</b>
<b>MINORITY INTEREST</b>						
• Minority Interest	37,752	1.3	37,889	1.3	(137)	(0.4)
<b>SHAREHOLDERS' EQUITY</b>						
• Common Stock	134,433	4.7	134,433	4.5		
• Additional Paid-in Capital	204,693	7.2	204,693	6.8		
• Retained Earnings	98,643	3.5	89,168	3.0	9,474	10.6
• Unrealized Gain on Securities	728	0.0	—	—	728	
• Foreign Currency Translation Adjustment	(27,396)		(33,156)		5,759	
<b>VI. Treasury Stock</b>	<b>411,102</b> (5)	<b>14.5</b>	<b>395,138</b> (6)	<b>13.2</b>	<b>15,963</b> 1	<b>4.0</b>
<b>TOTAL SHAREHOLDERS' EQUITY</b>	<b>411,097</b>	<b>14.5</b>	<b>395,132</b>	<b>13.2</b>	<b>15,964</b>	<b>4.0</b>
<b>TOTAL LIABILITIES, MINORITY INTEREST AND SHAREHOLDERS' EQUITY</b>	<b>2,846,467</b>	<b>100.0</b>	<b>2,991,203</b>	<b>100.0</b>	<b>(144,735)</b>	<b>(4.8)</b>

## Consolidated Statements of Income (Unaudited)

(For the years ended March 31, 2000 and 2001)

(¥ million)

	2001		2000		Change from Previous Period	
		% of Total Operating Revenue		% of Total Operating Revenue		YoY % Change
<b>. Revenue from Operations</b>	1,193,080	100.0	1,194,837	100.0	(1,756)	(0.1)
<b>. Cost of Revenue from Operations</b>	950,293	79.7	983,810	82.3	(33,516)	(3.4)
<b>Gross Operating Profit</b>	242,787	20.3	211,027	17.7	31,760	15.1
<b>. Selling, General and Administrative Expenses</b>	134,452	11.2	129,103	10.8	5,349	4.1
<b>Operating Income</b>	108,334	9.1	81,923	6.9	26,410	32.2
<b>. Non-operating Income:</b>	7,835	0.7	14,219	1.2	(6,384)	(44.9)
Interest Income	2,536		2,478		57	
Dividend Income	1,823		2,058		(235)	
Equity in Net Income of Affiliated Companies	509		4,768		(4,258)	
Other Non-operating Income	2,965		4,913		(1,948)	
<b>. Non-operating Expenses:</b>	42,749	3.6	43,883	3.7	(1,133)	(2.6)
Interest Expenses	34,591		38,985		(4,394)	
Other Non-operating Expenses	8,158		4,898		3,260	
<b>Ordinary Income</b>	73,420	6.2	52,259	4.4	21,160	40.5
<b>. Extraordinary Gains:</b>	53,879	4.5	7,112	0.6	46,767	657.5
Gain on Sales of Fixed Assets	314		6,403		(6,089)	
Gain on Sales of Shares of Affiliated Companies	30,531		—		30,531	
Gain on Sales of Investment Securities	19,272		—		19,272	
Gain on Establishment of Retirement Benefit Trust	2,713		—		2,713	
Other Extraordinary Gains	1,048		708		339	
<b>. Extraordinary Losses:</b>	64,860	5.5	166,740	14.0	(101,880)	(61.1)
Loss on Evaluation of Property for Sale	5,500		130,762		(125,262)	
Provision to Reserve for Employees' Retirement Allowances	—		11,075		(11,075)	
Loss on Sales of Fixed Assets	7,604		6,473		1,130	
Loss on Disposal of Fixed Assets	336		4,985		(4,649)	
Provision to Allowance for Doubtful Accounts	7,090		3,192		3,897	
Provision to Allowance for Directors' Retirement Bonuses	19,444		948		(948)	
Loss on Sale of Investment Securities	8,886		—		8,886	
Loss on Evaluation of Investment Securities	7,611		—		7,611	
Loss on Restructuring Subsidiaries	—		—		—	
Write-off of Differences Arising from Change in Accounting for Retirement Benefits	4,167		—		4,167	
Other Extraordinary Losses	4,219		9,302		(5,083)	
	62,439	5.2	(107,368)	(9.0)	169,807	—
<b>Profit (Loss) before Income Taxes</b>	8,470		8,051		419	
<b>Income Taxes</b>	25,784		(56,853)		82,638	
<b>Differed Income Taxes</b>	2,071		(148)		2,219	
<b>Minority Interests</b>	26,112	2.2	(58,417)	(4.9)	84,530	—
<b>Net Income (Loss)</b>						

## Consolidated Statement of Retained Earnings (Unaudited)

(For the years ended March 31, 2000 and 2001)

(¥ million)

	2001	2000	Change from	
			Previous Period	
				YoY % Change
<b>. Balance at Beginning of Year</b>	89,168	153,469	(64,300)	(41.9)
<b>. Increase:</b>	101	207	(106)	
Increase due to Mergers	—	129	(129)	
Increase due to Revaluation of Fixed Assets of Consolidated Subsidiaries	101	78	22	
<b>. Decrease:</b>	16,738	6,089	10,648	174.9
Decrease due to Additional Consolidation of Subsidiaries	—	416	(416)	
Decrease due to Mergers of Consolidated Subsidiaries	12,646	—	12,646	
Decrease in Revaluation Reserve following Disposal of Assets at Consolidated Subsidiaries	—	1,499	(1,499)	
Dividends	4,062	4,062	0	
Directors' Bonuses	29	111	(81)	
<b>. Net Income (Loss)</b>	26,112	(58,417)	84,530	—
<b>. Balance at End of Year</b>	98,643	89,168	9,474	10.6

## Consolidated Statements of Cash Flows (Unaudited)

(For the years ended March 31, 2000 and 2001)

(¥ million)

	2001	2000	Change from Previous Period
<b>. Cash Flows from Operating Activities:</b>			
Profit (Loss) before Income Taxes	62,439	(107,368)	169,807
Depreciation and Amortization	44,418	45,776	(1,358)
Gain (Loss) on Equity in Net Income of Affiliated Companies	(509)	(4,768)	4,258
Write-off of Differences Arising from Change in Accounting for Retirement Benefits	4,167	—	4,167
Gain on Establishment of Retirement Benefit Trust	(2,713)	—	(2,713)
Loss on Evaluation of Marketable Securities	8,886	—	8,886
Gain or Loss on Sale of Marketable Securities	(30,360)	—	(30,360)
Loss on Restructuring of Subsidiaries	7,611	—	7,611
Transfer to Reserve for Retirement Benefit Allowance	—	14,369	(14,369)
Loss on Evaluation of Property for Sale	5,500	130,762	(125,262)
Gain or Loss on Sale of Tangible and Intangible Fixed Assets	7,290	69	7,220
Loss on Disposal of Tangible and Intangible Fixed Assets	336	4,985	(4,649)
Provision to Allowance for Doubtful Accounts	7,090	3,192	3,897
Interest and Dividend Income	(4,359)	(4,537)	177
Interest Expense	34,591	38,985	(4,394)
Increase (Decrease) in Accounts Receivable	24,025	(15,519)	39,544
Increase (Decrease) in Accounts Payable	6,939	1,678	5,261
Purchase of Property for Sale*	(257,038)	(267,674)	10,635
Sale of Property for Sale*	289,412	306,304	(16,892)
Bonuses Paid for Directors	(52)	(137)	85
Other	1,919	30,171	(28,251)
Subtotal	209,595	176,291	33,304
Cash Receipts of Interest and Dividend Income	4,726	6,623	(1,897)
Cash Payments of Interest Expense	(33,259)	(42,009)	8,750
Income Taxes Paid	(7,398)	(6,705)	(693)
Net Cash Provided by Operating Activities	173,664	134,200	39,463
<b>. Cash Flows from Investing Activities:</b>			
Purchase of Marketable and Investment Securities	(48,539)	(2,504)	(46,035)
Sales of Marketable and Investment Securities	100,907	1,810	99,096
Purchase of Property and Equipment	(80,198)	(87,870)	7,671
Sale of Property and Equipment	16,425	51,514	(35,088)
Increase in Loans	(3,153)	(4,796)	1,643
Decrease in Loans	7,754	11,850	(4,096)
Decrease in Deposits from Tenants	(35,177)	(53,383)	18,206
Increase in Deposits from Tenants	23,830	45,264	(21,434)
Decrease in Lease Deposits	(7,708)	(10,707)	2,998
Increase in Lease Deposits	11,453	20,686	(9,233)
Purchase of Securities with Change in Scope of Consolidation	261	—	261
Sale of Securities with Change in Scope of Consolidation	—	516	(516)
Other	(17,943)	(4,831)	(13,111)
Net Cash Provided by (Used in) Investing Activities	(32,088)	(32,449)	361
<b>. Cash Flows from Financing Activities:</b>			
Decrease in Short-Term Debt	(102,139)	(176,960)	74,821
Proceeds from Long-Term Debt	69,575	234,245	(164,669)
Repayment of Long-Term Debt	(127,706)	(231,078)	103,371
Proceeds from Issuance of Corporate Bonds	15,000	85,000	(70,000)
Redemption of Corporate Bonds	—	(3,317)	3,317
Income from Issuance of Shares to Minority Interests	29	—	29
Cash Dividends Paid	(4,069)	(4,464)	394
Cash Dividends Paid to Minority Interests	(691)	—	(691)
Net Cash Provided by (Used in) Financing Activities	(150,001)	(96,576)	(53,424)
<b>. Effect of Exchange Rate Changes on Cash and Cash Equivalents</b>			
	1,545	(6,123)	7,669
<b>V. Net Increase (Decrease) in Cash and Cash Equivalents</b>	(6,880)	(950)	(5,930)
<b>. Cash and Cash Equivalents at Beginning of Year</b>	165,316	166,196	(879)
<b>. Increase in Cash and Cash Equivalents due to Additional Consolidation of Subsidiaries</b>	-	70	(70)
<b>. Cash and Cash Equivalents at End of Year</b>	158,435	165,316	(6,880)

\*"Purchase of Property for Sale" and "Sale of Property for Sale" show cash flows from changes of Property for Sale and Advances Paid for Purchases on consolidated balance sheets.

## (Segment Information)

### 1. Segment Information

Segments: (1) Leasing; (2) Sale of Housing, Office Buildings and Land; (3) Construction; (4) Brokerage, Consignment Sales and Consulting; (5) Property Management; (6) Sales of Housing Materials and Merchandise; (7) Facility Operations; (8) Other

#### Previous Consolidated Fiscal Year (April 1, 1999, to March 31, 2000)

(¥ million)

	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	Total	Elimination or Corporate	Consolidated
. Revenue from Operations											
(1) Outside Customers	325,643	359,326	273,141	40,240	60,220	69,936	46,234	20,093	1,194,837	—	1,194,837
(2) Inter-segment	4,125	—	19,456	9,124	24,279	32,563	—	9,857	99,406	(99,406)	—
Total	329,768	359,326	292,598	49,364	84,500	102,500	46,234	29,950	1,294,244	(99,406)	1,194,837
Costs and Expenses	268,620	350,444	286,567	36,011	78,628	102,198	46,259	27,119	1,195,850	(82,936)	1,112,913
Operating Income (Loss)	61,147	8,881	6,031	13,353	5,871	301	25	2,831	98,393	(16,469)	81,923
. Assets	1,635,187	518,596	225,965	47,378	28,058	52,897	171,098	95,230	2,774,413	216,789	2,991,203
Depreciation	31,192	552	1,427	143	435	1,383	5,386	4,936	45,457	318	45,776
Capital Expenditures	72,903	483	1,411	359	510	837	2,771	4,357	83,636	309	83,945

#### Current Consolidated Fiscal Year (April 1, 2000, to March 31, 2001)

(¥ million)

	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	Total	Elimination or Corporate	Consolidated
. Revenue from Operations											
(3) Outside Customers	329,834	328,281	283,806	41,547	70,872	70,583	47,387	20,766	1,193,080	—	1,193,080
(4) Inter-segment	6,190	—	16,305	9,042	23,094	32,818	—	9,487	96,939	(96,939)	—
Total	336,025	328,281	300,112	50,590	93,966	103,401	47,387	30,254	1,290,020	(96,939)	1,193,080
Costs and Expenses	267,474	307,674	293,394	36,982	86,668	102,567	47,442	26,446	1,168,653	(83,906)	1,084,746
Operating Income (Loss)	68,550	20,606	6,718	13,607	7,298	834	55	3,807	121,367	(13,032)	108,334
. Assets	1,618,453	486,329	165,680	48,641	32,488	56,144	166,985	68,202	2,642,925	203,541	2,846,467
Depreciation	29,216	461	1,697	732	606	1,257	5,477	4,520	43,969	448	44,418
Capital Expenditures	46,344	553	3,688	1,155	1,212	680	9,957	3,832	67,425	52	67,478

Notes:

#### 1. Summary of business segments

##### Leasing

Leasing of office buildings, commercial facilities, residential properties, etc.

##### Sales of Housing, Office Buildings and Land

Sales of detached housing, condominiums, buildings and land, etc.

##### Construction

Construction of housing and office buildings, port civil engineering and construction contracts for housing development projects (including planning and design)

##### Brokerage, Consignment Sales and Consulting

Real estate agency, sales agency and sales consignment services, as well as project management services for development of office buildings and commercial facilities

##### Property Management

Property management services (including renovation project management) for office buildings, commercial facilities and housing

##### Sales of Housing Materials and Merchandise

Manufacture and sale of housing materials, as well as wholesale and retail sale of general goods

##### Facility Operations

Operation of hotels and golf courses

##### Other

Financing operations for housing loans and leasing business, etc.

- Of costs and expenses for the current fiscal year, ¥2,237 million, ¥143 million and ¥1,462 million were allocated for the one-time depreciation of consolidation adjustments for Sales of Housing, Office Buildings and Land, Construction and Brokerage, and Consignment Sales and Consulting, respectively.
- Of costs and expenses for the previous fiscal year, unallocated corporate expenses included in elimination and corporate assets amounted to ¥16,120 million for expenses related to the general administration division of the parent company.  
Of operating expenses for the current fiscal year, unallocated corporate expenses included in elimination and corporate assets totaled ¥13,627 million for expenses related to the general administration division of the parent company.
- Of assets for the previous fiscal year, Companywide assets included in elimination and corporate assets amounted to ¥326,954 million, and mainly consisted of assets of the parent company related to surplus operating assets (cash and time deposits as well as marketable securities), long-term investment assets (investment securities) and the administration division.  
Of assets for the current fiscal year, Companywide assets included in elimination and corporate assets totaled ¥261,340 million, and mainly consisted of assets of the parent company related to surplus operating assets (cash and time deposits as well as marketable securities), long-term investment assets (investment securities) and the administration division.



5. Changes in accounting

(1) Change in presentation of reserves for retirement allowances

The presentation of reserves for retirement allowances has changed since the previous fiscal year. The effect of this change on segment information is immaterial.

(2) Change in presentation of reserves for directors' retirement bonuses

The presentation of reserves for directors' retirement bonuses has changed since the previous fiscal year. The effect of this change on segment information is immaterial.

## **2. Business Segment by Geographic Area**

Fiscal year ended March 31, 2000

Because the total sales and assets from Japan accounted for more than 90% of the total of all geographic segments, information about the business segment by geographic area is omitted based on Code 15-2 of the Accounting Principles for Consolidated Financial Statements.

Fiscal year ended March 31, 2001

Because the total sales and assets from Japan accounted for more than 90% of the total of all geographic segments, information about the business segment by geographic area is omitted based on Code 15-2 of the Accounting Principles for Consolidated Financial Statements.

## **3. Overseas Sales**

Fiscal year ended March 31, 2000

Because consolidated overseas sales accounted for less than 10% of consolidated net sales, information about overseas sales is omitted based on Code 15-2 of the Accounting Principles for Consolidated Financial Statements.

Fiscal year ended March 31, 2001

Because consolidated overseas sales accounted for less than 10% of consolidated net sales, information about overseas sales is omitted based on Code 15-2 of the Accounting Principles for Consolidated Financial Statements.

## [Important Subsequent Event]

One of our consolidated subsidiaries, MF Properties Co., Ltd., transferred its fixed assets to a special-purpose company on April 2, 2001. This aimed to expand and reinforce securitization operations of the Group and to improve our financial position by reducing consolidated interest-bearing debt.

Outline of Transferred Assets:

Name of Property: Okawabata River City 21, "Park Side Wings" and others

Location: Chuo-ku, Tokyo

	Park Side Wings	River Point Tower	Resident Management Facility
Number of Units	154	390	—
Gross Floor Space	15,737.63 m <sup>2</sup>	42,177.83 m <sup>2</sup>	847.27 m <sup>2</sup>
Area of Site*	2,605.10 m <sup>2</sup>	7,025.49 m <sup>2</sup>	491.93 m <sup>2</sup>

\*Indicates the portion owned by the company.

Transferee: R Two One Tokutei-Mokuteki-Kaisya

(The company is a special-purpose company established on January 22, 2001, based on "Laws Concerning Liquidation of Assets.")

Date of Transfer: April 2, 2001

Transfer Price: ¥27.7 billion (not including consumption tax)

Estimated Profit from Transfer: ¥15.3 billion

The amount of estimated profit from the transfer to be appropriated for extraordinary gains for the midyear ending September 30, 2001 and for the fiscal year ending March 31, 2002.