Annual Report 2003

Year ended March 31, 2003

MITSUI FUDOSAN CO.,LTD.

Profile

The MITSUI FUDOSAN GROUP is Japan's Largest Comprehensive Real Estate Group.

The Group's businesses comprise "leasing," "sales of housing, office building and land," "construction," "brokerage, consignment sales and consulting," "property management," "sales of housing materials and merchandise," "facility operations" and "others."

The real estate market in Japan is undergoing significant transformation in the wake of global changes in views toward real estate and the makeup of real estate markets. Quick to grasp these trends and changes, Mitsui Fudosan Co., Ltd. remains in a constant state of evolution.
Looking beyond existing real estate business convention, the Mitsui Fudosan Group strives to make optimal use of its power to create value with the ultimate goal of reinforcing its presence as a leading real estate company.

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Cautionary Statement

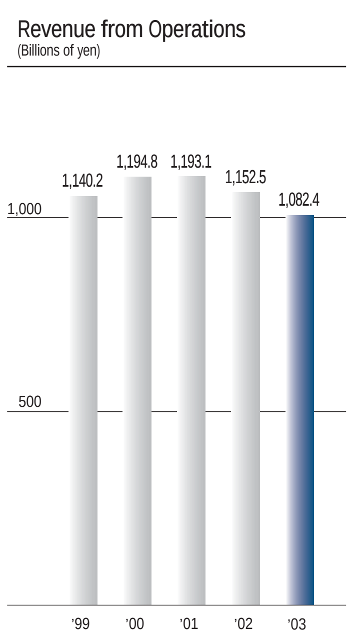
Statements made in this report with respect to the Mitsui Fudosan Group's current plans, estimates, strategies and beliefs and other statements that are not historical facts are forward-looking statements about the future performance of the Mitsui Fudosan Group. These statements are based on management's assumptions and beliefs in light of the information currently available to it and therefore readers should not place undue reliance on them. The Mitsui Fudosan Group cautions that a number of important factors such as general economic conditions and exchange rates could cause actual results to differ materially from those discussed in the forward-looking statements.

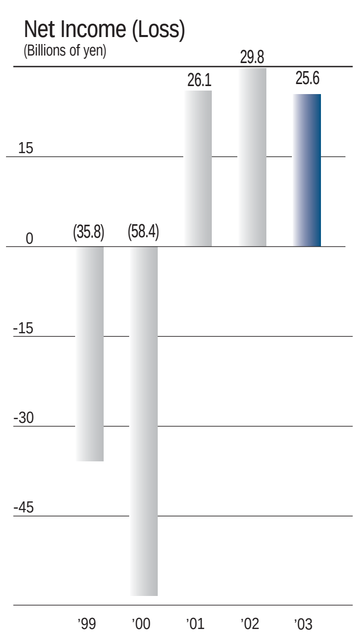
Consolidated Financial Highlights

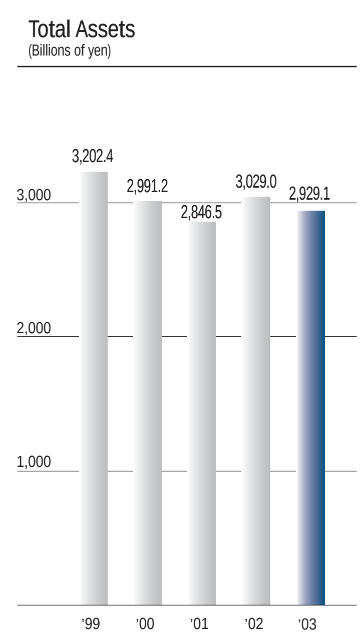
Mitsui Fudosan Co., Ltd. and Subsidiaries

Years ended March 31,	Millions of yen except per share amounts 2002	2003	Thousands of U.S. dollars except per share amounts 2003
For the Year:			
Revenue from operations	¥1,152,484	¥1,082,398	$ 9,004,974
Net income	29,807	25,554	212,593
As a percentage of revenue from operations	2.6%	2.4%	
As a percentage of shareholders' equity	4.9%	4.1%	
At Year-End:			
Cash dividends	¥ 5,689	¥ 5,687	$ 47,311
Total assets	3,028,969	2,929,070	24,368,303
Shareholders' equity	609,536	628,434	5,228,238
Common stock	134,433	134,433	1,118,413
Number of shareholders	51,201	53,252	
Number of employees	12,503	12,615	
Per Share Data:			
Net income	¥ 36.7	¥ 31.1	$ 0.259
Diluted net income	36.2	28.9	0.240
Cash dividends applicable to the year	7.0	7.0	0.058

Note: U.S. dollar amounts are translated from yen at the rate of ¥120.20=U.S.$1.00, the approximate exchange rate at March 31, 2003.







Performance

I would like to review our performance for FY2002, ended March 31, 2003. Revenue from operations amounted to ¥1,082.4 billion, down 6.1% from the previous fiscal year. The decline in revenue from operations was mainly attributable to the elimination of Mitsui Harbour and Urban Construction Co., Ltd. from the scope of consolidation. Although operating income edged up 0.3% to ¥103.3 billion, net income fell 14.3% to ¥25.6 billion reflecting the writedown of listed securities and the loss on demolition of buildings for redevelopment.

In FY2002, the Japanese economy faced continued difficult conditions despite some positive signs in the corporate sector. A recovery was hampered by sluggish capital investment and continued weak personal consumption impacted by increasing uncertainties over employment markets and incomes. Despite prolonged deflation and anxiety over the future of global economies, Mitsui Fudosan posted solid results, maintaining levels consistent with recent performance.

Construction for a number of prime inner city large-scale office buildings was completed during the fiscal year under review, significantly increasing competition in the search for new tenants. This problem was further exacerbated by increases in the vacancy rate and considerable pressure to reduce

Mitsui Fudosan's raison d'etre is to deliver comprehensive real estate solutions and services based on a platform of accumulated expertise and strength.

office rents. On the back of our information network and the strength of its marketing efforts, however, we were successful in securing tenants for all three major office buildings completed at the beginning of 2003 and to maintain a vacancy rate for existing buildings well below the market average.

We recorded steady revenue in commercial facilities, buoyed by full-year contributions from a shopping center and a factory outlet mall, which we introduced during FY2001, and growth in retail revenues at existing stores underpinned the our effective management.

In the Tokyo metropolitan condominium market, the continued high supply of condominiums, more than 80,000 in the fiscal year under review, has triggered a growing polarization in the sales market between attractive and unattractive products, as consumers become increasingly selective on their purchases. Amid a weak operating environment, characterized by falling contract rates, we have adopted an increasingly cautious approach in the acquisition of development sites and sales activities. In an effort to address increasing demand from investors for the purchase of income producing real estate, we have pursued the development and sale of office buildings, commercial facilities, and rental condominiums. In FY2002, Mitsui Fudosan sold 4 properties to various investment funds.

Our fundamental policies in the area of financial management are to promote profit growth while at the same time reducing interest-bearing liabilities remain unchanged. In the fiscal year under review, we cutback interest-bearing liabilities by ¥63.3 billion for a fiscal year-end balance of ¥1,397.2 billion, exceeding our original target announced at the beginning of the fiscal year.

Review of the Group's Three-Year Mid-Term Management Plan (FY2000 to FY2002)

During the three-year interval from FY2000 through FY2002, Mitsui Fudosan has vigorously implemented five strategic initiatives to create and maximize corporate value. These initiatives include managing from the customer's viewpoint, creating an optimal value chain, maximizing returns through asset strategies, developing and strengthening non-asset strategies, and creating new business models, which have laid the platform for increased earnings and growth in the 21st century.

We have initiated a number of measures in line with our mid-term management plan. In order to create an optimal value chain, we have reorganized the structure of the Group. These measures have included the conversion of Mitsui Real Estate Sales Co., Ltd. to a wholly owned subsidiary and the divestiture of Mitsui Harbour and Urban

Construction Co., Ltd. The conversion of Mitsui Real Estate Sales in October 2002 to a wholly owned subsidiary has reinforced its position as the leading company in the brokerage and consignment sales industry. In advancing the integration and restructuring of overlapping businesses within the Mitsui Fudosan Group, we transferred Mitsui Fudosan's brokerage business for corporate customers to Mitsui Real Estate Sales and the latter's residential leasing business to Mitsui Fudosan Housing Lease Co., Ltd. In implementing these measures, we have laid the foundation for future growth, focusing on management from the customer's viewpoint, maximizing scale merits, and making efficient Group operations a reality.

From the commencement of construction of the *Muromachi Mitsui Shinkan Building* (tentative name) to the completion of the *Nakanoshima Mitsui Building*, Mitsui Fudosan is actively striving to maximize returns and to build an optimal asset portfolio through such measures as reconstruction, renewal and sale of its asset holdings.

We are not satisfied in relying solely on returns from our asset holdings, but are constantly working to develop new profit centers through the creation of new business models. One such business model was the establishment and public listing of Nippon Building Fund Inc. Mitsui Fudosan's moves into the Japan Real Estate Investment Trusts (JREITs) business provides the Group with a variety of commission-based opportunities.

In addition, we expanded our business in joint projects with domestic and overseas institutional investors. Under this second business model, we limit our direct investment in a particular project, with the greater portion of direct investment taken up by institutional investors. Our sources of revenue in this instance are property development fees and property management fees. Examples of this business model can be seen in projects completed in FY2002, namely the *Shiodome City Center* and the *Ginza Namiki-Dori Building.*

Moreover, we expanded our development and sale business targeting investors. Under this third business model, we invest directly in the development of office buildings, commercial facilities, and rental condominiums with the plan to sell the completed property to investors in order to quickly recoup our investment and to secure profits on sale. In an effort to capitalize on every opportunity, we also work to receive the property management business from investors to whom the properties are sold.

Based on our substantial experience and expertise, we have made every effort to capitalize on the business opportunities before us. In an era where the real estate and financial markets are converging, liquidity in corporate property is high, and outsourcing needs continue to grow, as a comprehensive real estate service provider, Mitsui Fudosan is well placed to deliver a variety of business arrangement, funds procurement and management services.

We have laid the platform for future growth and earnings based on our mid-term management plan, while at the same time creating a pathway to identify future operating trends. We strongly believe these most recent three years have been of considerable significance for Mitsui Fudosan and the industry in which we operate.

Looking Ahead

General conditions are expected to remain harsh in the next few years prompting major changes in the real estate industry. The velocity in property markets is forecast to accelerate as companies focus on core activities and private finance initiatives (PFIs) are introduced into the public sector. We also foresee integration of real estate and finance markets to continue at an accelerated pace as attractive real estate investments induce a growing inflow of funds.

Following on from the economic and real estate market conditions discussed earlier and the accomplishments of our mid-term management plan, we positioned FY2008 as the year for achieving targets and formulated the Mitsui Fudosan Group's long-term plan "Challenge Plan 2008." This plan provides the blueprint for the Group's evolution and focuses on the challenges of the new era as we strive to achieve our targets. For further details regarding the "Challenge Plan 2008," please refer to the feature article.

The Mitsui Fudosan Group is committed to taking the lead, anticipating future market trends, and maximizing capabilities in an effort to create new value. Targeting three customer groups, we will deliver to users and purchasers a pleasant and comfortable environment, optimal solutions geared toward maximizing value for property holders, and a variety of opportunities and management services for investors.

Our greatest strength is our end users enjoying the many developments and properties of the Mitsui Fudosan Group. Supported by a marketing and network platform that underpins this end-user core, we will increase our management activities providing high-quality services as an intermediator between the real estate and finance industries. Moreover, we will redefine Group company functions and responsibilities, promote business reengineering, incorporate the views of external alliances, and nurture a highly efficient and competitive Group management capable of flexibility implementing the strategies previously outlined.

We recognize the symbiotic relationship between our business growth reflected in the emergence of a large number of high-caliber projects, and the creation of an internationally competitive and appealing urban environment. This relationship also serves to generate an inflow of funds, investors, and tenants from overseas. In contributing to enhance Japan's international standing, we are dedicated to raising international competitiveness and to foster a global customer core as the next stage of growth.

We also recognize our human resources as the lifeblood of the Group's activities and success. We have introduced a personnel system in an effort to nurture employees possessing a broad perspective and professional knowledge and capabilities. I believe that as the strength of the individual increases and these strengths are combined, this will create an even stronger profit base. Our priority therefore is to develop autonomous and diversified employees instilled with a spirit of innovation and

challenge. In mixing and matching a variety of value concepts to form a new consensus value, Mitsui Fudosan will create a new business model with the aim of establishing new markets. In realizing growth and profitability for the Mitsui Fudosan Group, I consider "diversity" to be the key word and underlying factor.

Guided by the two core philosophies of "coexistence and harmony" and "linking diverse values" as symbolized in our sign logo "&" a modification of the ampersand mark, the Mitsui Fudosan Group will conduct self-evaluation in an effort to upgrade its standards and to establish a position as the consistently preferred brand by customers. We will strengthen our efforts to work in harmonious coexistence with the environment, enhance our compliance structure and contribute to society as a good corporate citizen. As we build a Mitsui Fudosan founded on sustained growth, we will wholeheartedly advance development of society and the economy.

We thank you for your support in the past year and ask for your continued backing in the current year.

Hiromichi Iwasa

HIROMICHI IWASA
Member of the Board
President and Chief Executive Officer

Challenge Plan 2008

Mitsui Fudosan's long-term business plan for FY2003 through FY2008 Driving sustainable growth by evolving as Japan's leading real estate solutions and service provider

Overview

Mitsui Fudosan's new *Challenge Plan 2008* covers the six-year period from April 1, 2003 to March 31, 2009. Our plan is based on the new realities driving the Japanese property market, and it reflects our confidence in the potential of both the physical and the human capital within our Group to deliver sustainable increases in performance. Building on our achievements under the previous three-year business plan, we have developed a strategic framework that will support our evolution as Japan's leading real estate solutions and service provider.

Macro environmental changes and regulatory revisions are promoting liquidity and a more rigorous approach to the management of real estate assets in Japan, and we believe this trend will accelerate in the years ahead as private and public sector owners increasingly seek outside real estate expertise. At the same time, investors are seeking innovative ways to participate in and generate attractive returns from this newly accessible property market.

The key to generating value in this new paradigm lies in meeting the needs of investors, end users, and property owners with integrated services in property development, property management, and trading and brokerage. Mitsui Fudosan is uniquely strong in each of these areas, and this combined strength is the foundation of our *Challenge Plan 2008*.

Mission and strategy

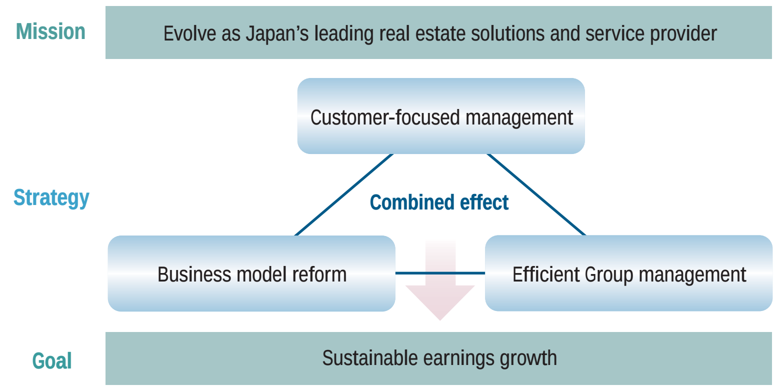
Through our *Challenge Plan 2008* we aim to achieve sustainable earnings growth by providing real estate solutions and services to three groups of customers: property investors from the financial markets; end users that lease, purchase or use office, commercial and residential premises; and property owners.

Our mission throughout the term of this business plan is to evolve as Japan's leading real estate solutions and service provider. In support of this we are committing to three strategies: *customer-focused management, business*

Shiodome City Center **(Completed in January 2003 / 212,000m²)**

Mission and strategy

We are working to evolve as Japan's leading real estate solutions and service provider by focusing on whom we do business with (our customers), what kind of business we do (reforming the business model), and how we control the overall process (Group management). The outcome we seek from this strategic approach is sustainable earnings growth.



model reform, and efficient Group management.

These three strategic pillars are mutually enhancing. By anticipating and meeting the needs of customers in all our business areas, we aim to establish an industry-leading reputation. As our new business model gathers momentum, the volume and value of property assets that we manage will grow dramatically. The highly efficient Group operational structure we have been creating to fuel such expansion is designed to optimize earnings. Synergies and cross-fertilization between these three strategic pillars will allow us to provide further solutions and services to originators and investors, and this gives us confidence that we can achieve our potential for sustainable growth in profitability.

■ Customer-focused management: building a preeminent brand

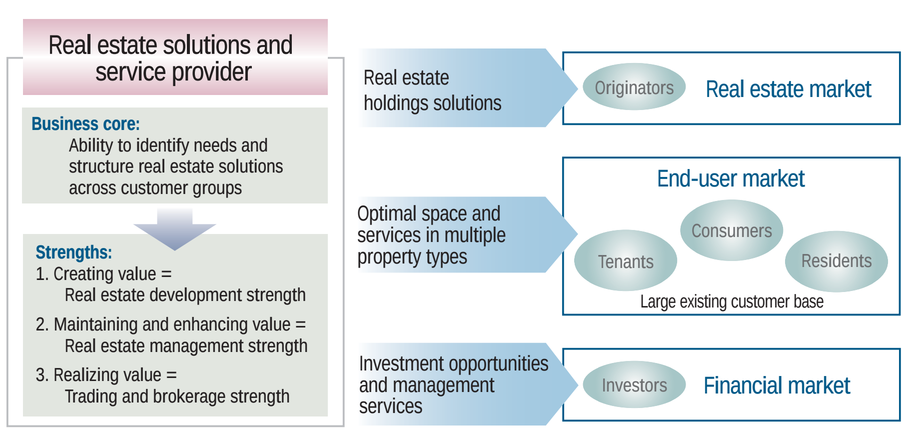
Mitsui Fudosan has a substantial client base and successful track record of customer satisfaction on which to base expectations of further growth. We currently manage commercial properties for 1,000 tenants and office buildings that house more than 3,000 tenant companies. More than 500,000 households have bought, sold, or leased property through us. It is our ability to combine this end-user base with broad professional expertise in real estate origination and finance that differentiates us in the market.

We are committed to deeply understanding the customers we serve, and base our services on customer ideas and demands in buildings, commercial facilities, housing operations, and investment.

In our development projects we endeavor to create highly relevant, diverse, thriving environments for end users and businesses that are attractive financially and commercially. To investors, we offer a variety of appealing investment opportunities tailored to market conditions. And for property originators, we find innovative ways to realize the maximum potential from their real estate holdings.

Mitsui Fudosan's business model

Our business model positions us as an integrated real estate solutions and service provider, bringing together proven strengths in origination, property management, and property development.



Quantitative consolidated targets

By growing our development and management operations and improving asset quality, we are targeting a 54% increase in operating income, even as total assets decrease 8.0% and interest-bearing debt decreases nearly 30%. We are targeting a lift in ROA from 3.8% to 6.0%, and a reduction in debt/equity ratio from 2.2 to 1.2.

	FY 2008	FY 2002
Revenue from operations	¥1,300 billion	¥1,082 billion
Operating income	¥160.0 billion	¥103.3 billion
Operating margin	12.3 %	9.5 %
Operating cash flow	¥130.0 billion	¥118.5 billion
Total assets	¥2,700 billion	¥2,929 billion
Interest-bearing debt	¥990.0 billion	¥1,397 billion
ROA*1	6.0 %	3.8 %
Debt/Equity ratio*2	1.2	2.2

*1: ROA = (Operating income + Non-operating income) / Total assets at fiscal year-end
*2: Debt equity ratio = Net interest-bearing debt / Shareholders' equity

■ Business model reform: becoming less capital-intensive

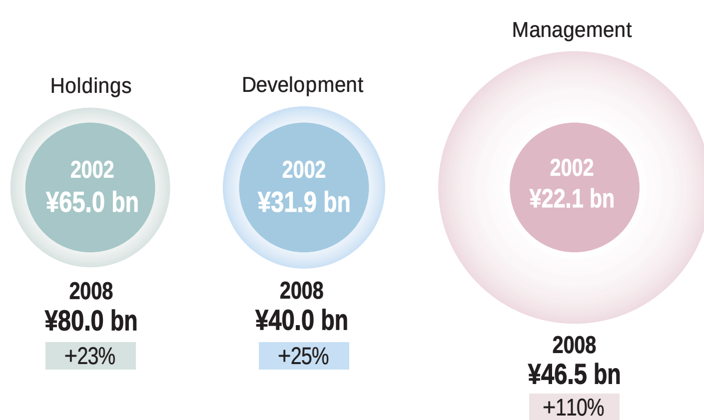
We are moving toward a less capital-intensive business model by boosting income from property development and fee businesses. During the term of the *Challenge Plan 2008*, we intend to greatly increase property assets under management, while enhancing the quality of our own asset portfolio. We will leverage our extensive experience in property trading, development, and management, and through our close links with investors and originators expect to win an increasing number of mandates. We intend to step up development projects selling office buildings, commercial facilities, and rental condominiums to investors while expanding residential property development.

■ Efficient Group Management: reengineering for more customer-oriented business processes

During the term of the previous business plan, we separated group business into asset holding functions and operations functions, with the former being placed in Mitsui Fudosan Co., Ltd. and the latter functions in a rationalized line-up of Group companies. This has clarified the value chain, and under the new business plan we aim to further increase competitiveness by reviewing the role of the Group and each company in it, and participating in alliances and mergers and acquisitions where we see opportunities to enhance our business structure and earnings. We will continue to use information technology as a tool to lift efficiency and service levels inside and outside the Group. We will improve profitability by driving costs out of our ordering and procurement systems, and will diversify our personnel system and deployment of human resources for optimal efficiency as we grow our property asset management operations.

Breakdown of operating income

We expect that property holdings will still be our largest source of operating income in FY2008, but we target fee income from the management of properties to increase 110% to ¥46.5 billion, with 25% growth in income from development business.

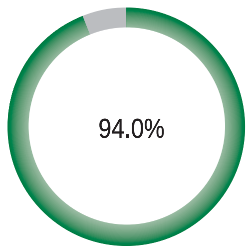


Leasing

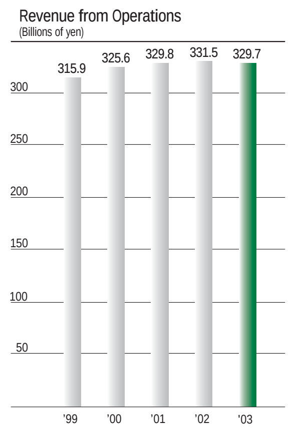
Mitsui Fudosan has embarked on a number of leading projects that blend in the individual character of local communities. We lease more than five million square meters of total floor space in office buildings and commercial facilities. We are also expanding in our rental housing business. Mitsui Fudosan strives for the creation of attractive urban environments for working, living and playing.

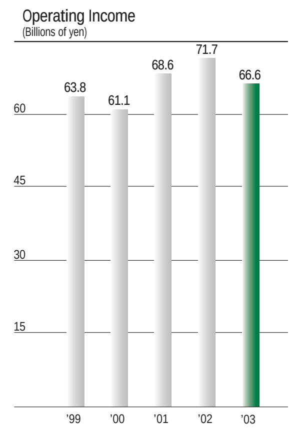
Jinbocho Mitsui Building (Completion in March 2003/89,000m^2)

Occupancy



Total for the office buildings and commercial facilities category (as of March 31, 2003)





Review

Office Buildings

At Mitsui Fudosan, we focus on "workers first" as a concept to guide our office building operations. Office buildings play a critical role as the base of operations for corporate activities and have a function of promoting interaction between people and urban areas. Indeed, office buildings exist for the working person at a company.

The Mitsui Fudosan Group is working on a number of leading new projects that accentuate the individual character of cities and building locations.

The *Muromachi Mitsui Shinkan Building* (tentative name) (Chuo-ku, Tokyo) began in October 2002 and is scheduled for completion in September 2005. This project will preserve the adjoining the *Mitsui Honkan Building*, which was designated a Registered Important Cultural Property Structure in 1998, and will construct a cutting-edge high-rise building complex. The project aims to supplement the historical ambience of the *Mitsui Honkan Building*, and provide the latest in office functions to satisfy the needs of global corporations. Plans also include the incorporation of a hotel to be operated by the Mandarin Oriental Hotel Group, stores, and restaurants to magnify the new prosperity of the area.

Completed in August 2002, the *Nakanoshima Mitsui Building* (Kita-ku, Osaka) replaced an existing building with a towering skyscraper that creates a business and cultural hub in the Kansai region for the 21st century. The *Shiodome City Center* (Minato-ku, Tokyo) was completed in January 2003, becoming a new landmark as development continues in the Shiodome area. Moreover, we completed the *Jimbocho Mitsui Building* (Chiyoda-ku, Tokyo) in March 2003 as a part of urban redevelopment operations in the culturally sophisticated Jimbocho area. In January 2004, we plan to finish construction on the *Nihonbashi 1-Chome Project* (Chuo-ku, Tokyo), which will revitalize the site of an aging department store into a vibrant business and shopping center. Through these and other projects, we are creating office buildings with enduring value through growth in tandem with neighboring communities, based on the development concept of fostering commercial activities near city surrounds.

The Mitsui Fudosan Group is also actively involved in the refurbishment of existing buildings. To ensure a high level of competitiveness, rather than simply preserving assets, we aim to create office buildings with the latest in functionality.

We finished the refurbishment of the *Shinjuku Mitsui Building* (Shinjuku-ku, Tokyo) and the *Kasumigaseki Building* (Chiyoda-ku, Tokyo), upgrading their electrical systems, communications (IT) capabilities, air conditioners and other core facilities, as well as redesigning public spaces for a more pleasant office working environment.

Our office buildings are located in a variety of areas based on a multiple core, multiple area strategy. In the Tokyo metropolitan area, we provide office buildings in such central locations as Hibiya, Kasumigaseki, Shinjuku and Nihonbashi that reflect the characteristics of their surroundings. In the areas of Tokyo, Osaka, Sapporo, Sendai, Nagoya, Hiroshima and Fukuoka, we operate approximately 300 buildings that are occupied by more than 3,000 corporate tenants.

Office building needs have multiplied in accordance with the globalization, diversification and advancement of business. To meet these needs, the Mitsui Fudosan Group

Muromachi Mitsui Shinkan Building
(tentative name)
(Scheduled for completion in September 2005/131,000m²)

Nakanoshima Mitsui Building
(Completed in August 2002/71,000m^2)

Nihonbashi 1-Chome Project
(Scheduled for Completion in January 2004/98,000m^2)

Roppongi T-Cube
(Scheduled for Completion in September 2003/62,000m^2)

offers a wide variety of options ranging from large corporate head office buildings to SOHO office space.

Commercial Facilities

We operate more than 30 shopping centers throughout Japan, starting with the *Tokyo-Bay LaLaport* (Funabashi-shi, Chiba), the first large-scale suburban shopping center we developed in 1981.

Opened in March 2002, the *Lifestyle Value Mall ARCAKIT KINSHICHO* (Sumida-ku, Tokyo) is a commercial complex featuring a food supermarket, major specialty stores and amusement facilities. Opened in August 2002, the *Ginza Namiki-dori Building* (Chuo-ku, Tokyo) adds a fresh perspective to the Ginza area with its special appeal to adult women. Opened in April 2003, the *Shiodome City Center* includes a commercial complex of 60 stores. Restaurants located on the upper floors of this high-rise building also provide an experience of sight and taste and are quite popular.

In April 2003, we opened the *Mitsui Lifestyle Park TREAGE Shirahata* (Fujisawa-shi, Kanagawa), the first in a series. Centered around a supermarket, the building also has an excellent balance of specialty stores. The Mitsui Lifestyle Park series of shopping centers are located primarily in suburban residential areas and provide daily necessities and goods for a new lifestyle. We plan to open more of these stores with the *Tsukuba Project* (Tsukuba-shi, Ibaraki) in March 2004 and the *Minami-Senjyu Project* (Arakawa-ku, Tokyo) in April 2004.

The tentatively named *Hanshin Park site Shopping Center* (Nishinomiya-shi, Hyogo) and the Toshiba plant site *Horikawa-cho Project* (Kawasaki-shi, Kanagawa) are other projects in the pipeline. The *Hanshin Park site Shopping Center* for example, is not only a shopping center, but also an entertainment facility where customers can have an enjoyable time.

We opened Japan's first factory outlet mall, the *Tsurumi-Hanaport Blossom, "BLOSSOM" OUTLET* (Osaka-shi, Osaka), in 1995. This outlet mall represented a pivotal development for Japan, with its new and successful distribution system. As the *Mitsui Outlet Parks* in the Tokyo metropolitan area and Kansai region, we have opened *YOKOHAMA BAYSIDE MARINA SHOPS & RESTAURANTS* (Yokohama-shi, Kanagawa), *MARINE PIA KOBE PORTO BAZAR* (Kobe-shi, Hyogo), *LA FETE TAMA MINAMI OSAWA* (Hachioji-shi, Tokyo), and *GARDEN WALK Makuhari* (Chiba-shi, Chiba) in succession. Our sixth outlet mall, *Jazz Dream at NAGASHIMA Shops and Restaurants*

Garden Air Tower
(Completed in February 2003/93,000m^2)

Lifestyle Value Mall ARCAKIT KINSHICHO
(Completed in March 2002/79,000m^2)

Ginza Namiki-dori Building
(Completed in August 2002/9,000m^2)

Years ended March 31,	2002		2003	
	Floor space (m^2)	Revenue (Millions of yen)	Floor space (m^2)	Revenue (Millions of yen)
Office buildings and commercial facilities		¥264,480		¥259,029
Owned	1,900,141		1,839,819	
Managed	1,326,281		1,404,963	
Total	3,226,422	¥264,480	3,244,782	¥259,029
	Units	Revenue (Millions of yen)	Units	Revenue (Millions of yen)
Residential		¥ 44,602		¥ 46,730
Owned	365		373	
Managed	31,832		34,017	
Total	32,197	¥ 44,602	34,390	¥ 46,730
		Revenue (Millions of yen)		Revenue (Millions of yen)
Other		¥ 22,419		¥ 23,912
Total revenue		¥331,501		¥329,671
Operating income		¥ 71,718		¥ 66,563

(Kuwana-gun, Mie), has built up an excellent reputation since opening in March 2002.

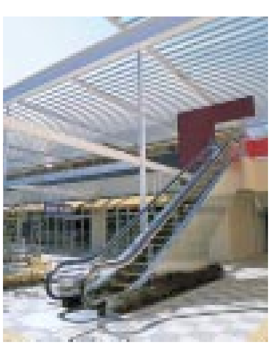
Leased Housing

In response to diversifying housing needs, the Mitsui Fudosan Group believes it is necessary to provide high-quality rental housing. We are actively engaged in the leased housing business, operating more than 34,000 units, and aim to expand the business further by masterleasing from corporate and individual owners. As a part of these efforts, we merged the leased housing operations of Mitsui Real Estate Sales Co., Ltd., which was made a wholly owned subsidiary in October 2002, with Mitsui Fudosan Housing Lease Co., Ltd. in April 2003. This move clarifies the position of Mitsui Fudosan Housing Lease as the center of the leased housing business of the Mitsui Fudosan Group, and makes it a powerful brand partner for both owners and tenants.

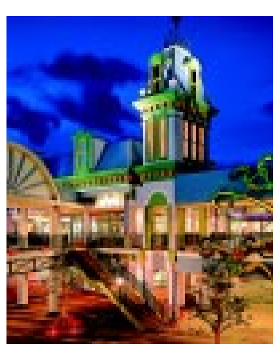
Results

Revenue from the leasing segment in the fiscal year ended March 31, 2003, was ¥329.7 billion, a decrease of ¥1.8 billion from the previous fiscal year. Operating income in the segment totaled ¥66.6 billion, a decline of ¥5.1 billion from a year earlier. Although there were higher revenue and profits derived from the start of operations of the *Celestine Shiba Mitsui Building* (Minato-ku, Tokyo), completed in April 2002, and the *Nakanoshima Mitsui Building*, as well as the full-term contribution of the *ARCAKIT KINSHICHO* and the *Jazz Dream at NAGASHIMA,* these were unable to compensate for the impact of the demolition of the *Mitsui East No.3 Wing* (Chuo-ku, Tokyo) and the *Ginza Mitsui Building* (Chuo-ku, Tokyo) to make way for redevelopment, and to a lesser extent a slight increase in vacancies in existing buildings.

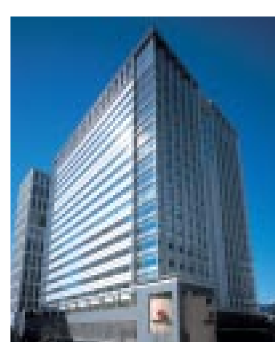
As of March 31, 2003, on a parent basis, the vacancy rate of office buildings in the Tokyo metropolitan area was 5.4%, a worsening of 3.0 percentage points from a year earlier. The vacancy rate takes into account vacancies of tenants that have signed contracts but have not yet moved into office buildings that were completed in the second half of the fiscal year under review, including the *Shiodome City Center, the Garden Air Tower* (Chiyoda-ku, Tokyo), which was completed in February 2003, and the *Jinbocho Mitsui Building*, which was completed in March 2003. Excluding the impact of vacancies in these three buildings, the vacancy rate would have been 4.0% on a parent basis.



Mitsui Lifestyle Park TREAGE Shirahata
(Completed in April 2003 / 7,000m^2)



JAZZ Dream at NAGASHIMA Shops and Restaurants
(Completed in March 2002 / 21,000m^2)

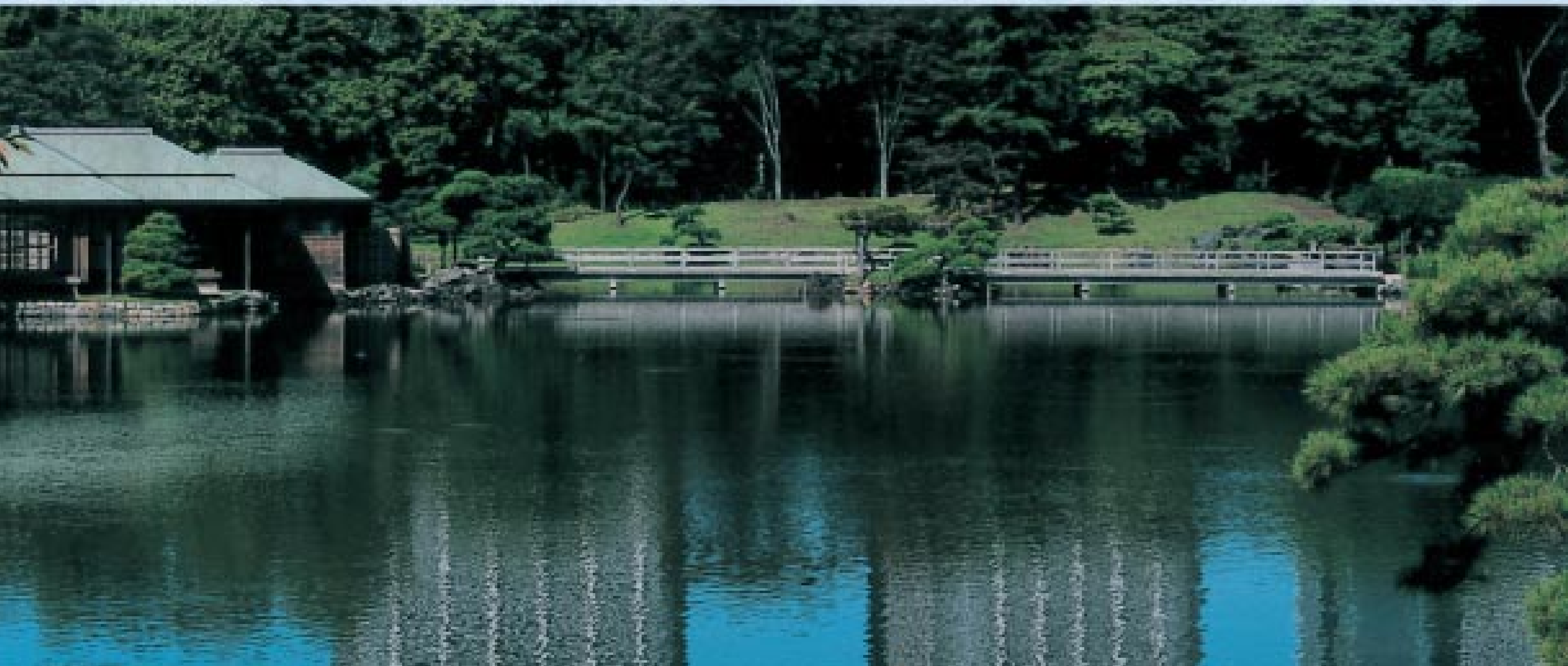


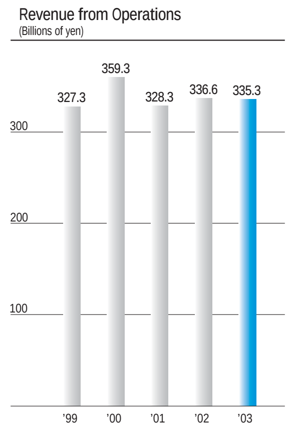
Celestine Shiba Mitsui Building
(Completed in April 2002 / 61,000m^2)

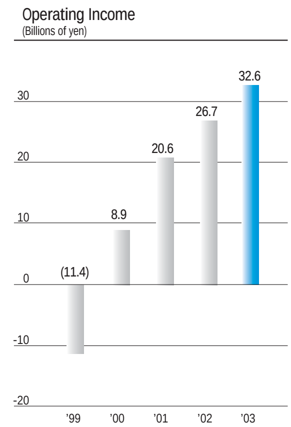
Sales of Housing, Office Building and Land

Mitsui Fudosan has supplied quality housing for many years with the number of condominiums and detached housing sold approaching 100,000. By meticulously addressing the needs of residents, we have established an overwhelming market presence in our condominiums and detached housing operations. In addition, we are not only focusing on the residential market, but pursuing new customers through development opportunities in a variety of investment leasing properties in response to the needs of investors.

Tokyo Twin Parks (Completed in November 2002/1,000 units)







Review

Housing

As the number of consumers choosing to live in the metropolitan area grows, we have embarked on successive high-rise condominium projects that contribute to creating a rich and comfortable living environment in Tokyo. The *Century Park Tower* (Chuo-ku, Tokyo; completed in March 1999) is an example of our concept of creating metropolitan landscapes set in beautiful waters and greenery. Other projects include the *Shiba Park Tower* (Minato-ku, Tokyo; completed in June 2001), *The Park Tower Tokyo South* (Shinagawa-ku, Tokyo; completed in July 2001), the *Tokyo Park Tower* (Chiyoda-ku, Tokyo; completed in March 2003), and the *Aoyama Park Tower* (Shibuya-ku, Tokyo; completed in July 2003).

We started to market the *Park City Tokyo Bay Resort* (Urayasu-shi, Chiba) in March 2003, based on the concepts of creating condominiums that reflect changing lifestyles and creating condominiums for enhanced family relationships. This project offers average floor areas of 120 square meters with a variety of design options, and continues to be very well received by consumers.

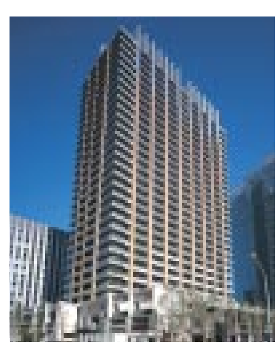
In detached housing operations, our activities have centered on sales of our Fine Court series of detached housing that enable us to promote three basic ideas as a combined unit, namely, to create a beautiful town, distinct houses that achieve harmonious coexistence with the neighboring environment, and gardens that provide a sense of relief and refreshment. To substantiate these ideas, we initiated various measures, such as "designer collection" programs to use the most suitable designer for each of our projects and "ecological design" programs to create environment-friendly houses.

The fundamental strategy of our housing business is to pay close attention to our customers' opinions and requests and continue to supply customer-oriented condominiums, detached housings and services. Under this strategy, we utilize Mitsui Open Communication (MOC), a system that promotes frank and open communication with customers through group discussions, surveys, and the Internet.

In the condominium business, we are implementing several product development initiatives to further bolster customer-centric measures in our housing business. These initiatives include the following:

- Eco specifications — we respond to ecological concerns by promoting energy conservation and extending the life cycles of buildings;
- Housing performance indicators — we provide an easy-to-understand explanation of home functions, including basic characteristics that are not immediately apparent;
- "Care Design Plan" — we offer floor plans and amenities with home care in mind, making life more enjoyable for senior citizens;
- Design quality — we ensure quality and superior design.

We have eliminated ambiguity from a "quality" concept and categorized it into "Three Qualities," namely, Object Quality (OQ) for interior furnishings and materials, Experiential Quality (EQ) for excellent design and atmosphere, and Latent Quality (LQ) for the enduring aspects of long-term performance, including foundations and core material strength. By using these Qualities, we are spending our energy in building condominiums that provide our



Tokyo Park Tower
(Completed in March 2003/324 units)

Years ended March 31,		2002			2003		
Housing Sales		Units	Revenue (Millions of yen)	Average unit price (Millions of yen)	Units	Revenue (Millions of yen)	Average unit price (Millions of yen)
Detached housing:	Tokyo metropolitan area	697	¥ 38,119	¥54.7	709	¥ 39,872	¥56.2
	Other	203	8,167	40.2	212	7,112	33.5
Total		900	¥ 46,286	¥51.4	921	¥ 46,984	¥51.0
Condominiums:	Tokyo metropolitan area	3,583	¥183,649	¥51.3	3,514	¥177,226	¥50.4
	Other	1,782	59,482	33.4	1,604	51,416	32.1
Total		5,365	¥243,131	¥45.3	5,118	¥228,642	¥44.7
Total housing sales:	Tokyo metropolitan area	4,280	¥221,768	¥51.8	4,223	217,098	¥51.4
	Other	1,985	67,649	34.1	1,816	58,528	32.2
Total		6,265	¥289,417	¥46.2	6,039	¥275,626	¥45.6
Years ended March 31,			2002 (Millions of yen)			2003 (Millions of yen)	
Other sales revenue:	Land		¥ 26,123			¥ 28,583	
	Buildings		¥ 21,102			31,132	
Total			¥ 47,225			¥ 59,715	
Total revenue			¥336,642			¥335,341	
Operating income			¥ 26,669			¥ 32,590	

customers with a tangible sense of "quality."

In addition, we have opened the Mitsui Fudosan Group Condominium Academy that aims to deepen our employees' knowledge in every stage of product development, sales, and management. Jointly organizing this program with Mitsui Real Estate Sales Co., Ltd. specializing in sales and Mitsui Fudosan Housing Services Co., Ltd. specializing in management, we spare no effort to improve the quality of our services for customer satisfaction.

Others

More investors than ever before have found an alluring attraction to investing in office buildings, commercial facilities, and rental housings, which ensure stable earnings. The Mitsui Fudosan Group utilizes its expertise in information gathering and network formation and capitalizes on its professional skills in development and management to create income-yielding products that meet the increasingly diverse needs of investors.

Results

During the fiscal year ended March 31, 2003, the Mitsui Fudosan Group reported a total of 6,039 condominiums and detached houses sold, a year-on-year decrease of 226 units. As a result, total revenues from sales of condominiums and detached housing operations declined.

The balance of completed inventories at the end of March 2003 totaled 605 on a non-consolidated basis, a year-on-year increase of 385, mainly located in local and Tokyo suburban areas.

In our sales business targeting investors, we sold the *Nakameguro GT Tower* (an office building in Meguro-ku, Tokyo) to Nippon Building Fund Inc. To other investor funds we sold the *Park Axis Jingumae* (rental condominiums in Shibuya-ku, Tokyo), the *Park Axis Yotsuya* (rental condominiums in Shinjuku-ku, Tokyo), and the *Strasse Ichibancho* (a commercial facility in Sendai-shi, Miyagi). As a result, sales and earnings other than those from condominiums and detached housing greatly increased year on year.

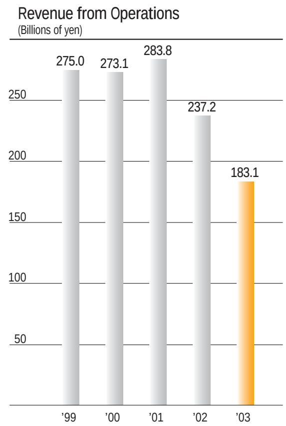
Reflecting these results, this segment as a whole recorded ¥335.3 billion in total revenues, a year-on-year decline of ¥1.3 billion, and ¥32.6 billion in operating income, a year-on-year increase of ¥5.9 billion

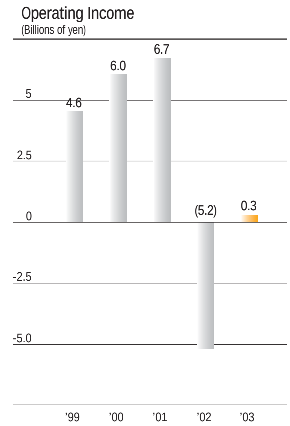
Aoyama Park Tower
(Completed in May 2003/314 units)
© KOJI-OKUMURA

Park Axis Yotsuya
(Completed in November 2002/127 units)

Nakameguro GT Tower
(Completed in March 2002/56,000m^2)

Construction





Review

The construction business is essentially underpinned by the activities of Mitsui Home Co., Ltd., a leading company of the two-by-four construction method. The company takes orders mainly for the construction of individual houses and apartments.

In FY2002, this segment included the construction and public works business of Mitsui Harbour and Urban Construction, a specialist company in harbor facilities and land development services. In March 2002, however, Mitsui Fudosan transferred all of its holdings in Mitsui Harbour and Urban Construction to the Mirai Group Co., Ltd. As a result of this initiative, the segment reported a substantial drop in sales in FY2003.

In the industry as a whole, housing starts have been steadily decreasing. Accordingly, the operating environment is becoming increasingly severe. Against this backdrop, Mitsui Home Co., Ltd. reported a significant operating loss at the end of March 31, 2002. During this fiscal year, however, the Company assiduously implemented business initiatives to restructure its management, which were formulated in March 2002. These initiatives included efforts to slash costs and revise organizational structure, while further strengthening brand power and improving customer satisfaction. As a result this segment returned to profits in the fiscal year under review.

Results

Revenue from the construction segment was ¥183.1 billion, a year-on-year decline of ¥54.1 billion. Operating income was ¥0.3 billion, a turnaround of ¥5.5 billion from the previous fiscal year.

Orders, Order Backlogs and Project Completions (Millions of yen)

Years ended March 31,	2002 Building construction		2002 Civil engineering		2002 Total		2003 Building construction
Orders: Work-on-hand at beginning of period	¥ 96,007		¥ 53,916		¥149,923		¥ 90,701
Orders during period	139,103		54,022		193,125		149,041
Total	¥235,110		¥107,938		¥343,048		239,742
Project completions	¥140,812		¥ 62,093		¥202,905		148,799
Work-on-hand at end of period	¥ 94,298	¥(90,701)	¥ 45,845	¥(—)	¥140,143	¥(90,701)	¥ 90,943

Projects (Millions of yen)

Years ended March 31,	2002 Building construction		2002 Civil engineering		2002 Total		2003 Building construction
Orders: Project completions	¥140,812		¥ 62,093		¥202,905		¥148,799
Work-on-hand at end of period:							
Total	94,298	(90,701)	45,845		140,143	(90,701)	90,943
Work in progress	14,603	(14,358)	9,646		24,249	(14,358)	12,993
As a percentage of work-on-hand at end of period	15.5%	(15.8%)	21.0%	(—)	17.3%	(15.8%)	14.3%
Projects during period	¥143,412		¥ 62,268		¥205,680		¥147,407

Notes: Affiliates of Mitsui Home Group are not included although Mitsui Home is included.
Figures in parentheses represent the amounts excluding those of Mitsui Harbour and Urban Construction and Sanei Engineering, which were no longer consolidated subsidiaries as from March 31, 2002.

Brokerage, Consignment Sales and Consulting

Years ended March 31,	2002		2003	
	Units	Revenue (Millions of yen)	Units	Revenue (Millions of yen)
Brokerage	24,121	¥28,581	24,885	¥29,406
Consignment sales	5,236	8,076	7,682	¥10,578
Consulting	—	9,086	—	¥ 6,520
Total revenue	—	¥45,743	—	¥46,504
Operating income	—	¥17,542	—	¥10,997

Review

The Brokerage, Consignment Sales and Consulting segment plays a vital role in supporting growth, and in the transformation of the Mitsui Fudosan Group to a new format, that of a comprehensive real estate solutions and service provider.

In the brokerage business, Mitsui Real Estate Sales Co., Ltd. takes the lion's share of the secondary market in individual houses by utilizing its nationwide area network centered on 226 "Rehouse" stores as of March 2003. Empowered by its marketing capability and operating skills, reinforced through the condominium business of Mitsui Fudosan, Mitsui Real Estate Sales conducts consignment sales of condominiums that a number of client companies have developed.

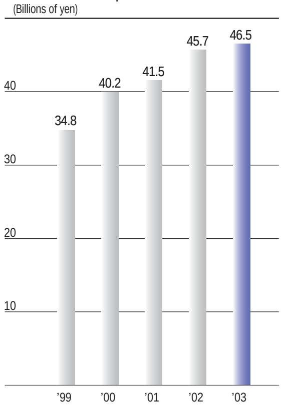
Mitsui Fudosan converted Mitsui Real Estate Sales into its wholly owned subsidiary in October 2002 through an exchange of shares. Following this, the corporate brokerage business of Mitsui Fudosan was integrated with Mitsui Real Estate Sales in April 2003. Accordingly, Mitsui Real Estate Sales has consolidated its position as a key component of the Mitsui Fudosan Group with the aim of contributing to even further growth as a comprehensive real estate solutions and service provider.

In consulting services, we are responsible for the management of various projects, in which we provides investors and owners with sophisticated expertise and specialized knowledge in real estate development. A list of our accomplishments in this field includes the *Shiodome City Center*, the *Garden Air Towe*r, and the *Shiodome Media Tower* (completed in June, 2003; Minato-ku, Tokyo). Construction will be completed for the *Roppongi T-Cube* (Minato-ku, Tokyo) in September 2003

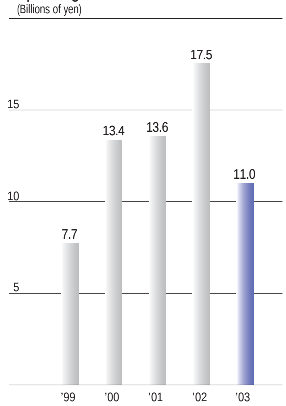
In JREITs and related businesses, which have exhibited significant growth in recent periods, Nippon Building Fund Management Ltd. offers fund management services on a consignment basis, acting on behalf of Nippon Building Fund (NBF) Inc. In addition, Mitsui Fudosan concentrates on providing brokerage services for office buildings that NBF is looking to purchase.

Moreover, Mitsui Fudosan Investment Advisors, Inc. provides investors with asset management services and other arrangement and coordination services. Projects to date have included the *Ginza Namiki-dori Building* and the former Defense Agency site *Roppongi Project* (scheduled to be completed in FY2007; Minato-ku, Tokyo).

Revenue from Operations
(Billions of yen)



Operating Income
(Billions of yen)



Results

After recent annual increases in sales and earnings, this segment reported an uncharacteristic drop in earnings. During this fiscal year, sales momentum stalled with a drop in the volume of large-scale projects compared with the previous fiscal year. In addition, Mitsui Real Estate Sales was converted to a wholly owned subsidiary, resulting in the reclassification of segment revenues. As a result of these accounting adjustments, operating income declined ¥1.3 billion. Consequently, revenues from the segment as a whole totaled ¥46.5 billion, a year-on-year increase of ¥0.8 billion, and operating income fell ¥6.5 billion, to ¥11.0 billion.

Property Management

(Millions of yen)		
Years ended March 31,	2002	2003
Revenue:		
Property management	¥46,403	¥47,242
Tenant improvement	21,513	22,347
Total revenue	¥67,916	¥69,589
Operating income	¥ 7,665	¥ 7,713

Review

The Property Management segment is an important business of the Mitsui Fudosan Group, providing the impetus for business expansion and on par with the Brokerage, Consignment Sales and Consulting segment. In an effort to steadily increase segment earnings, we are working to improve the quality of our property management services and to raise cost competitiveness, while at the same time striving to maintain and fortify the trust of owners and investors.

The Mitsui Fudosan Group provides office management services mainly through Group companies Daiichi Seibi Co., Ltd. and M.F. Building Management Co., Ltd., taking full advantage of office building management know-how in property management, leasing management and other areas. In FY2002, the Company was commissioned to manage the *Shiodome City Center* by an institutional investor.

Our portfolio of services is founded on a "workers first" principle and in creating a working environment that office workers find safe and comfortable. In delivering these qualities, we provide basic infrastructure quality including air conditioning and power and communication systems. Security, janitorial services, environmental friendliness, and amenities also play an important role in putting the working individual first.

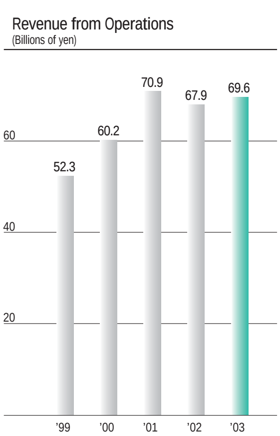
In addition, this segment services owners and tenants in their post-construction and maintenance needs. We support the tenant in creating comfortable office environments performing office construction, moving in preparations and floor layout changes. For the owner, we are placed in charge of preserving and improving asset value, restoring spaces to their original status when a tenant moves out, and delivering repair and maintenance services.

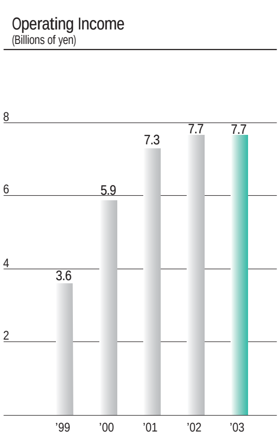
Moreover, Mitsui Fudosan Housing Services Co., Ltd. engages in the management of condominiums developed by Mitsui Fudosan, while Lalaport Co., Ltd. manages commercial facilities.

In its property management business for office buildings, condominiums, and commercial facilities, the Mitsui Fudosan Group is particularly attentive to the voices of property owners, tenants, and visitors. These invaluable comments are then applied at the planning stage to enhance the quality of the next development.

Results

In FY2002, total revenues in the property management segment increased ¥1.7 billion, to ¥69.6 billion, and operating income edged up ¥48 million, to ¥7.7 billion. This performance was supported by improvements in both the property management and tenant improvement categories as a series of new buildings were completed and became fully operational.





Sales of Housing Materials and Merchandise

(Millions of yen)

Years ended March 31,	2002	2003
Revenue:		
Housing materials	¥20,953	¥21,336
Merchandise	50,624	44,346
Total revenue	¥71,577	¥65,682
Operating income	¥ 1,342	¥ 105

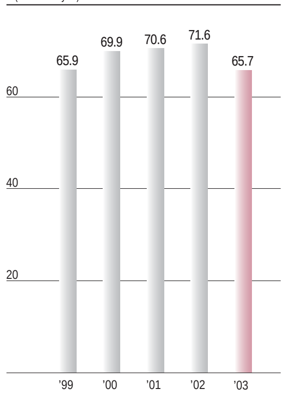
Review

Mitsui Home Components Co., Ltd. and other subsidiaries engage in the production and sale of housing materials. Uni Living Co., Ltd. manages home centers mainly in the Tokyo metropolitan area, and retails do-it-yourself (DIY) goods. Daiichi Seed Co., Ltd. engages in the wholesale and retail of flowers, seeds, and gardening supplies.

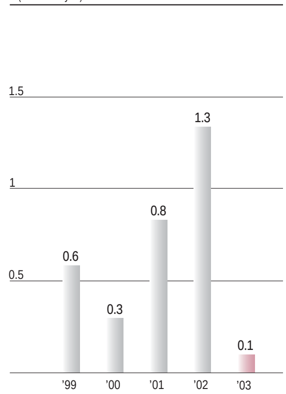
Results

Results in this segment were impacted by a general slump in economic conditions as well as a partial reorganization of the business. In line with the Group's strategy to concentrate on its core competencies, the Mitsui Fudosan Group implemented a number of initiatives including the sale of Uni Living Co., Ltd.'s supermarket business, withdrawal from a part of the wholesale business conducted by Daiichi Seed Co., Ltd., and the sale of its miscellaneous living goods business. As a result, sales in this segment fell ¥5.9 billion to ¥65.7 billion with operating income ¥0.1 billion, a drop of ¥1.2 billion.

Revenue from Operations
(Billions of yen)



Operating Income
(Billions of yen)



Facility Operations

(Millions of yen)

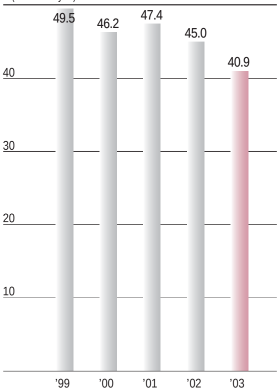
Years ended March 31,	2002	2003
Revenue:		
Hotels	¥28,659	¥25,664
Other	16,309	15,216
Total revenue	¥44,968	40,880
Operating income	¥(4,271)	¥(3,356)

Review

The Mitsui Fudosan Group manages its Garden Hotel chain comprising approximately 3,500 rooms in 15 hotels throughout Japan. We also operate the *Halekulani Hotel* in Honolulu, Hawaii, which continues to receive high acclaim worldwide. In Japan, the Group manages seven golf courses.

The *LaLaport Ski Dome SSAWS*, an indoor ski facility, which opened in Funabashi, Chiba in 1993, was closed in September 2002.

Revenue from Operations
(Billions of yen)



Other

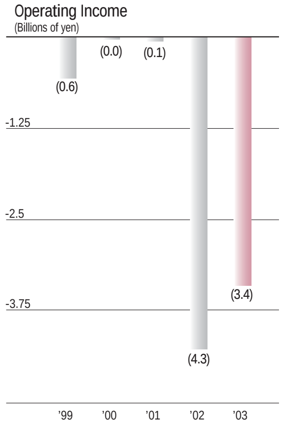
Years ended March 31,	2002	2003
Revenue:		
Finance and lease	¥ 3,926	¥ 2,029
Other	12,968	9,611
Total revenue	¥16,894	¥11,640
Operating income	¥ 861	¥ 2,535

(Millions of yen)

Results

In FY2002, Mitsui Fudosan incurred a drop in revenue in this segment. The decline in revenues was due to a weak economy impacting on the domestic hotel business, fluctuations in foreign exchange rates and growing concerns over global conditions, which adversely affected the business performance at the *Halekulani Hotel*, and the closure of the *LaLaport Ski Dome SSAWS* and a golf course in Kashiwa. As a result, sales in this segment totaled ¥40.9 billion, a year-on-year decline of ¥4.1 billion. Operating loss, on the other hand, narrowed by ¥0.9 billion, to ¥3.4 billion, mainly reflecting reduced depreciation expense following the closure of the *LaLaport Ski Dome SSAWS*.

Operating Income
(Billions of yen)



Review

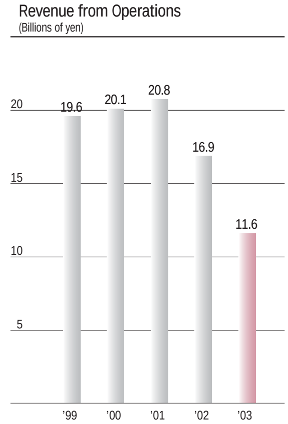
Mitsui Home Linkage Co., Ltd. provides bridging finance to the customers of Mitsui Home and engages in finance and lease business.

Mitsui Fudosan Loan Guarantee Co., Ltd. provides home loan guarantees.

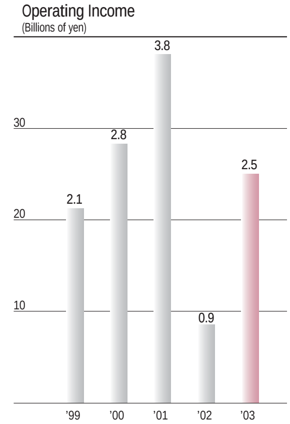
Results

Revenue of the finance and lease category were ¥2.0 billion, and those of other categories totaled ¥9.6 billion, giving total sales in the Other segment of ¥11.6 billion, while operating income was ¥2.5 billion.

Revenue from Operations
(Billions of yen)



Operating Income
(Billions of yen)



To create an "urban environment that benefits from abundance," we are pursuing "coexistence with the environment," which involves giving consideration to the protection of the earth's environment and raising environmental efficiency as we carry out our business activities. Accordingly, we will aim for "coexistence with the environment" to the limit of our technological and economic abilities.

Environmental Policy

1. Promote harmonious coexistence with the environment by establishing environmental goals and plans based on a firm grasp of the impact of corporate activities on the global environment.
2. Aim to continually improve environmental efficiency from the standpoint of preserving the global environment by working to reduce environmental impact and prevent pollution through aggressive environmental measures.
3. Coexist with the environment by setting independent standards when necessary, based on a strict observance of laws regarding the environment.
4. Coexist with the environment, construct and maintain an environmental management system.
5. Through environmental education and awareness activities, perpetuate an awareness of environmental issues in all employees.
6. Promote communication with communities and society through efforts to disclose necessary information, such as the Company's environmental measures.

Environmental Activities

Reducing the Use of Materials That Harm the Earth's Environment

Reduction of Hazardous Materials

Placing high consideration on people's health in offering condominiums and detached houses, Mitsui Fudosan has standardized its high-grade, low-formaldehyde building materials. In addition, Mitsui Fudosan is building a framework for compliance with environment-related laws and ordinances and is working to reduce the use of hazardous materials by strictly adhering to these laws and ordinances.

CO_2 Emissions Reduction

Based on the fundamental thinking embodied in the Life-Cycle-Assessment, Mitsui Fudosan has begun analyzing the effects of its business activities on the environment. Also, as part of efforts to reduce the volume of CO_2 emissions, the Company is vigorously implementing such measures as the introduction of energy-saving equipment and systems and the development of buildings with longer lives.

Waste Reduction

Mitsui Fudosan is building a recycle loop and is recycling used paper and tile carpet. As an additional measure, Mitsui Fudosan is separating and collecting waste construction materials at building sites with the aim of reusing these materials to the greatest extent possible. Mitsui Fudosan is also working on the development of equipment that recycles raw refuse into feed. The Company has submitted a patent application for this equipment.

Approach to Contributing to the Betterment of the Earth

Environmental Improvement

Under the theme "Eco Life Support," Mitsui Fudosan is creating separation and collection systems that allow people to participate in the separation and collection of refuse in offices. Our buildings also incorporate a wiring system that reduces the electric power consumption of appliances on standby. By doing so, Mitsui Fudosan is providing opportunities for people who use its buildings to participate in environment protection activities.

Environmental Communication

Mitsui Fudosan looks to share with society its environmental policies and activities. The Company is maintaining open communications with its customers through its MOC system. Also, Mitsui Fudosan strives to raise the environmental awareness of each employee by providing environment-related education.

Environmental Contributions

Through its contributions to environmental organizations and its voluntary activities, Mitsui Fudosan is carrying out social activities that contribute to the protection of the earth's environment.

From the perspective of ensuring sound, transparent, and efficient management, Mitsui Fudosan is implementing a number of measures in full recognition of the importance of corporate governance.

Corporate Officer System

Mitsui Fudosan has introduced a corporate officer system, separating the management and executive functions in an effort to create a business execution system that best suits the operating environment and capacity.

In implementing a corporate officer system, Mitsui Fudosan has supplemented the responsibilities of the Board of Directors, as defined under the Commercial Code, to include Group management policy decision-making. This additional function will serve to enhance the integrity and efficiency of management. In addition, to allow greater flexibility in the decision-making process, the number of Directors has been reduced (eight as of June 27, 2003).

Corporate Auditor System

Mitsui Fudosan employs a corporate auditor system to ensure transparency and management overview. In order to enhance these features, Mitsui Fudosan has installed a majority of outside auditors (three of five as of June 27, 2003) in the composition of its Board of Corporate Auditors.

Advisory Committee

The Advisory Committee has been established to provide management with multifaceted perspectives gained through the diversified opinions of external experts from the academic and business fields. Members, as of July 1, 2003, are listed below in alphabetical orders.

Toshiharu Aoki
(Counselor and Senior Vice President, NTT DATA Corp.)

Kunio Ito
(Professor, Graduate School of Commerce, Hitotsubashi University)

Masayuki Matsushima
(Senior Advisor, the Boston Consulting Group K.K.)

Taizo Nishimuro
(Director, Chairman of the Board, Toshiba Corp.)

Tomoyo Nonaka
(Journalist)

Strengthening Compliance Structure

From the perspective of increasing its asset management business, while at the same time engendering trust from its customers, Mitsui Fudosan appoints a member of the Board of Directors to assume responsibility for overseeing compliance. This director then chairs a Compliance Committee, whose role is to formulate the compliance code for employee behavior and the compliance manual detailing operating rules, regulations, and other matters to ensure compliance rules are adequately understood and followed.

Left : Hiromichi Iwasa
Right : Jun-Ichirō Tanaka

MEMBERS OF THE BOARD

Chairman of the Board

Jun-Ichirō Tanaka

President and CEO

Hiromichi Iwasa

Executive Vice President

Yotaro Hayashi

Senior Managing Directors

Koichi Omuro
Osamu Ogawa
Kazuichi Nagata

Managing Directors

Takayuki Namae
Tatsuo Soda

AUDITORS

Senior Corporate Auditor

Hisamitsu Tsubahara

Corporate Auditors

Sadafumi Abe
Ken-Ichi Kamiya
Ken Fujii
Akira Watanabe

OFFICERS

President and CEO

Hiromichi Iwasa

Executive Vice President

Yotaro Hayashi

Senior Executive Officers

Koichi Omuro
Osamu Ogawa
Kazuichi Nagata

Executive Officers

Yuji Yokoyama
Takayuki Namae
Tatsuo Soda
Minoru Satou
Kuniaki Ikeya
Yoshiki Kageyama

Officers

Nobumi Tobari
Shigeo Sasaki
Takayoshi Saito
Takao Iwadou
Masayuki Isobe
Teruaki Ueyama

From left : Takayuki Namae, Osamu Ogawa
Yotaro Hayashi, Koichi Omuro
Kazuichi Nagata, Tatsuo Soda

Financial Section

Contents

Six-Year Summary

Mitsui Fudosan Co., Ltd. and its Subsidiaries

	Millions of yen except per share amounts						Thousand of U.S. dollars except per share amounts
Years ended March 31,	1998	1999	2000	2001	2002	**2003**	**2003**
FOR THE YEAR:							
Revenue from operations	¥1,158,715	¥1,140,242	¥1,194,837	¥1,193,081	¥1,152,484	**¥1,082,398**	**$ 9,004,974**
Interest, dividends and miscellaneous	46,535	9,426	16,565	61,205	35,842	**11,187**	**93,073**
Costs and expenses (including tax)	1,243,791	1,205,625	1,274,736	1,226,612	1,163,972	**1,070,613**	**8,906,929**
Equity in net income (loss) of affiliated companies	5,614	(663)	4,768	510	3,301	**2,905**	**24,163**
Minority interests	1,403	20,826	148	(2,072)	2,152	**(323)**	**(2,688)**
Net income (loss)	(31,524)	(35,794)	(58,418)	26,112	29,807	**25,554**	**212,593**
AT YEAR-END:							
Total assets	¥3,106,789	¥3,202,426	¥2,991,203	¥2,846,467	¥3,028,969	**¥2,929,070**	**$24,368,303**
Shareholders' equity	516,754	492,591	395,132	411,097	609,536	**628,434**	**5,228,238**
Common stock	134,428	134,433	134,433	134,433	134,433	**134,433**	**1,118,413**
Number of employees	13,823	13,589	13,484	13,380	12,503	**12,615**	
PER SHARE DATA:							
Net income (loss)	¥ (38.8)	¥ (44.1)	¥ (71.9)	¥ 32.1	¥ 36.7	**¥ 31.1**	**$ 0.259**
Cash dividends applicable to the year	5.0	5.0	5.0	6.0	7.0	**7.0**	**0.058**
RATIOS:							
Equity ratio (%)	16.6	15.4	13.2	14.4	20.1	**21.5**	
Return on assets (%)	2.20	2.06	3.10	3.98	3.86	**3.84**	

Note: U.S. dollar amounts are translated from yen at the rate of ¥120.20 = U.S.$1.00, the approximate exchange rate at March 31, 2003.
ROA = (Operating income + Non-operating income) / Total assets

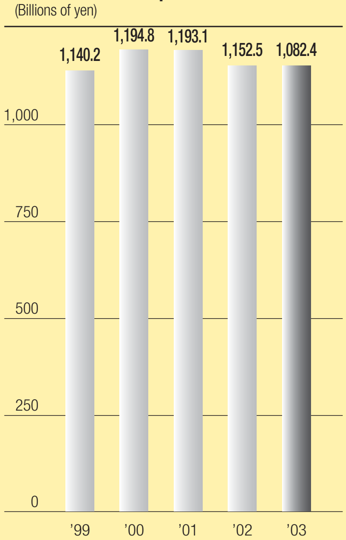
Income Analysis

Years ended March 31	2001		2002		**2003**	
					(Billions of yen, %)	
Revenue from operations	¥1,193.1	(100.0)	¥1,152.5	(100.0)	**¥1,082.4**	**(100.0)**
Cost of revenue from operations	950.3	(79.6)	916.8	(79.6)	**858.6**	**(79.3)**
Selling, general and administrative expenses	134.5	(11.3)	132.7	(11.5)	**120.5**	**(11.1)**
Operating income	108.3	(9.1)	103.0	(8.9)	**103.3**	**(9.6)**
Other revenues	61.2	(5.1)	35.8	(3.1)	**11.2**	**(1.0)**
Interest expenses	34.6	(2.9)	31.8	(2.8)	**26.6**	**(2.5)**
Other expenses	73.0	(6.1)	67.0	(5.8)	**46.6**	**(4.3)**
Equity in net income of affiliated companies	0.5	(0.0)	3.3	(0.3)	**2.9**	**(0.3)**
Income before income taxes	62.4	(5.2)	43.3	(3.7)	**44.2**	**(4.1)**
Income taxes	34.3	(2.9)	15.7	(1.4)	**18.3**	**(1.7)**
Minority interests	(2.0)	(0.2)	2.2	(0.2)	**(0.3)**	**(0.0)**
Net income	26.1	(2.1)	29.8	(2.5)	**25.6**	**(2.4)**

Revenue from Operations

In FY2002, the fiscal year ended March 31, 2003, revenue from operations was ¥1,082.4 billion, a drop of 6.1%, or ¥70.1 billion, from the previous fiscal year. This drop reflected Group reorganization and consolidated efforts to concentrate further on core activities. The main factors contributing to the decline in revenue were the sale of wholly owned subsidiary Mitsui Harbour and Urban Construction Co., Ltd., the sale of the supermarket business of Uni Living Co., Ltd., a retailer of DIY goods, and the closure of the unprofitable *Ski Dome SSAWS*. In particular, the sale in March 2002 of Mitsui Harbour and Urban Construction, whose principal activities include harbor construction, civil engineering and housing land development impacted heavily on results. This sale and other factors led to a reduction in the Construction segment revenue of ¥54.1 billion.

Revenue from Operations
(Billions of yen)



Cost of Revenue from Operations and SG&A

Cost of revenue from operations was ¥858.6 billion, a year-on-year decline of ¥58.2 billion, the principal factor being the decline of Construction segment costs totaling ¥60.8 billions which comprised the sale of Mitsui Harbour and Urban Construction and cost reductions at Mitsui Home Co., Ltd. The Group was successful in reducing selling, general and administrative (SG&A) expenses to ¥120.5 billion, a year-on-year decline of 9.2%.

Operating Income

Operating income edged up ¥0.3 billion, or 0.3%, to ¥103.3 billion. By business and segment, operating income in the Sales of Housing, Office Buildings and Land segment increased ¥5.9 billion due to the increase in development and sale of properties for lease. Operating income in the Construction segment rose ¥5.5 billion reflecting the benefits from structural reform at Mitsui Home. With a view to improving future profitability, Mitsui Fudosan continued activities in the renovation and reconstruction of existing buildings in the Leasing segment, in an effort to enhance its asset portfolio value. As a result, operating income in this segment fell ¥5.1 billion. Operating income in the Brokerage, Consignment Sales and Consulting segment declined ¥6.5 billion mainly owing to a year-on-year decline of the number of large-scale projects, a significant source of fee-based income. Guided by its three-year Mid-Term Management Plan, which commenced in FY2000, Mitsui Fudosan has steadily established a business portfolio and platform with the aim of producing sustained growth and earnings. On conclusion of the plan, operating income in FY2002 increased 26% from ¥81.9 billion in FY 1999.

Other Revenue

Interest, dividend and miscellaneous other revenues were down ¥24.6 billion, as extraordinary gain fell from ¥28.7 billion in the previous fiscal year to ¥4.9 billion. FY2001 extraordinary gain included profits on the securitization and sale of a high-rise condominium held by a subsidiary and the sale of a portion of land at the former Kashiwa Golf Course. The extraordinary gain for the fiscal year under review also includes profits from partial sale of the *Celestine Shiba Mitsui Building*, completed in April 2002.

Interest Expense

In FY2002, interest expense amounted to ¥26.6 billion, a decline of ¥5.2 billion from the previous fiscal year. This decline was due to continued efforts to reduce interest-bearing debts and enhanced funds efficiency through the introduction of a group-wide cash management system.

Other Expenses

Other expenses decreased ¥20.4 billion to ¥46.6 billion. Despite posting a write down of investment securities of ¥20.3 billion, mainly in finance-related stocks, this decline was attributed to the absence of a one-time extraordinary depreciation expense relating to *LaLaport Ski Dome SSAWS* in the previous fiscal year.

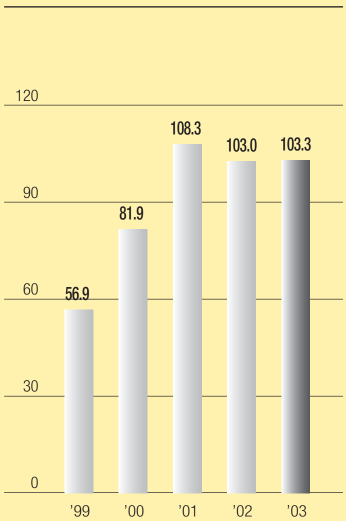
Equity in Net Income of Affiliated Companies

Mitsui Fudosan recorded a gain of ¥2.9 billion in equity in net income of affiliated companies, a decrease of ¥0.4 billion from the previous fiscal year. Although the Company benefited from higher earnings at Oriental Land Co. Ltd., this was more than offset by reduced earnings at Kokusai Kanko Kaikan Co., Ltd. As a result, Mitsui Fudosan reported a net decline in this item.

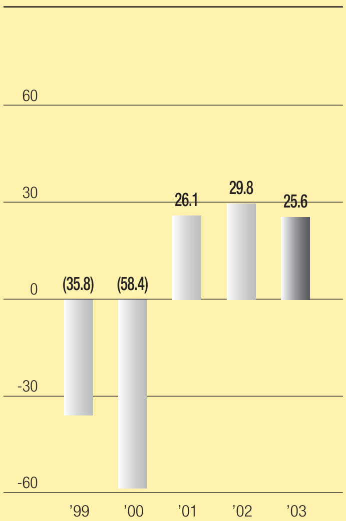
Net Income

As a result of the preceding factors, income before income taxes was ¥44.2 billion, an increase of ¥0.9 billion, and net income totaled ¥25.6 billion, a decrease of ¥4.2 billion. The profit margin was 2.4%, with net earnings per share (EPS) ¥31.1, and diluted EPS ¥28.9.

Operating Income
(Billions of yen)



Net Income (Loss)
(Billions of yen)



Financial Position

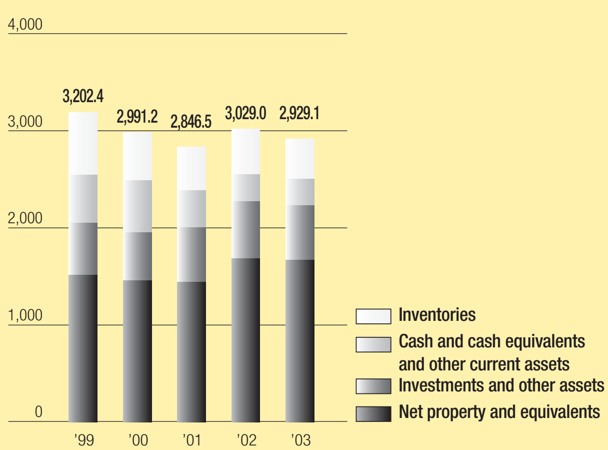
Assets

As of March 31,	2001		2002		**2003**	
					(Billions of yen, %)	
Cash and cash equivalents	¥ 158.4	(5.5)	¥ 117.5	(4.0)	**¥ 114.8**	**(3.9)**
Inventories	453.0	(15.9)	467.7	(15.4)	**417.0**	**(14.3)**
Other current assets	221.1	(7.8)	163.8	(5.4)	**156.1**	**(5.3)**
Investments and other assets	563.5	(19.8)	588.9	(19.4)	**562.9**	**(19.2)**
Net property and equipment	1,450.4	(51.0)	1,691.1	(55.8)	**1,678.3**	**(57.3)**
Total	¥2,846.5	(100.0)	¥3,029.0	(100.0)	**¥2,929.1**	**(100.0)**

Total Assets

As of March 31, 2003, total assets were ¥2,929.1 billion, a decrease of 3.3% from the previous fiscal year-end, and 20.9% below the peak of ¥3,702.1 billion recorded at FY1992 year-end. This is the result of aggressive efforts to streamline the bloated balance sheet of the bubble economy. As of March 31, 2002, Mitsui Fudosan adopted new accounting standards pursuant to the Law Concerning Land Revaluation. Mitsui Fudosan's balance sheet exceeded ¥3 trillion for the first time in three years as of year-end FY2001. As of March 31, 2003, however, the level of assets fell below this level.

Total Assets
(Billions of yen)



Inventories

The bulk of inventories are land and buildings earmarked for residential subdivision and other real estate for sale. Real estate for sale however has been on the decline over the past decade, falling from a peak of ¥1 trillion due to sales and write-downs. In the fiscal year under review, the recovery of costs by the Company exceeded the acquisition of new properties. Accordingly, the balance of fiscal year-end inventories fell ¥50.7 billion from a year earlier, to ¥417.0 billion.

Net Property and Equipment

Capital investment totaled ¥61.2 billion. The principal components were construction investment for new large-scale office building projects including the *Celestine Shiba Mitsui Building*, completed in April 2002, the *Nakanoshima Mitsui Building*, completed in August 2002, and the *Jimbocho Mitsui Building*, completed in March 2003. Depreciation was ¥39.8 billion, a significant decline of ¥26.2 billion, due to the absence of the one-time expense relating to the *LaLaport Ski Dome SSAWS* charged in the previous fiscal year. The balance of property and equipment was also affected by the sharp movement of the yen against the U.S. dollar. As of March 31, 2003, net property and equipment stood at ¥1,678.3 billion, a decrease of ¥12.8 billion.

Liabilities, Minority Interest in Consolidated Subsidiaries and Shareholders' Equity

As of March 31	2001		2002		(Billions of yen, %) **2003**	
Interest-bearing debt—Short-term	¥ 403.8	(14.2)	¥ 310.4	(10.2)	**¥ 293.7**	**(10.0)**
Interest-bearing debt—Long-term	1,150.6	(40.4)	1,150.1	(38.0)	**1,103.5**	**(37.7)**
Total interest-bearing debt	1,554.4	(54.6)	1,460.5	(48.2)	**1,397.2**	**(47.7)**
Other current liabilities	371.7	(13.1)	344.6	(11.4)	**307.5**	**(10.5)**
Other long-term liabilities	471.5	(16.6)	594.2	(19.6)	**578.8**	**(19.7)**
Minority interests in consolidated subsidiaries	37.8	(1.3)	20.2	(0.7)	**17.2**	**(0.6)**
Shareholders' equity	411.1	(14.4)	609.5	(20.1)	**628.4**	**(21.5)**
Total	¥2,846.5	(100.0)	¥3,029.0	(100.0)	**¥2,929.1**	**(100.0)**

Interest-Bearing Debt

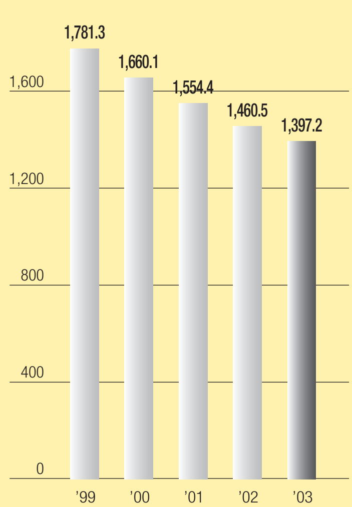
Interest-bearing debt was slashed ¥63.3 billion, to ¥1,397.2 billion, a decrease of over ¥0.7 trillion from peak levels. The Group continues to use cash from operating activities to aggressively pare down interest-bearing debt while investing the capital necessary for future growth.

Mitsui Fudosan established a commitment line of ¥140.0 billion through overseas and Japanese banks, ensuring liquidity in cash on hand. The Company is also working to improve capital efficiency and has introduced a group-wide cash management system and the integration of funds procurement at the Company.

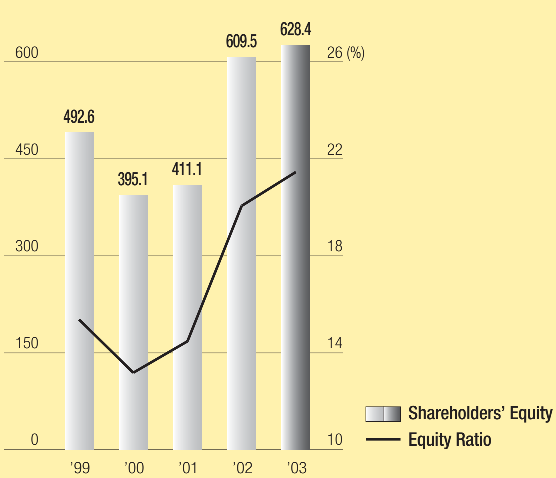
Shareholders' Equity

Shareholders' equity climbed ¥18.9 billion to ¥628.4 billion. The increase was mainly due to retained earnings totaling ¥18.4 billion after the payment of cash dividends and reversal of reserve on land valuation due to the sale of revalued land. As a result, the equity ratio edged up to 21.5%, compared with 20.1% a year earlier. Moreover, the book value per share (BPS) improved to ¥764.2 from ¥750.2 a year ago.

Interest-Bearing Debt
(Billions of yen)



Shareholders' Equity/Equity Ratio
(Billions of yen)



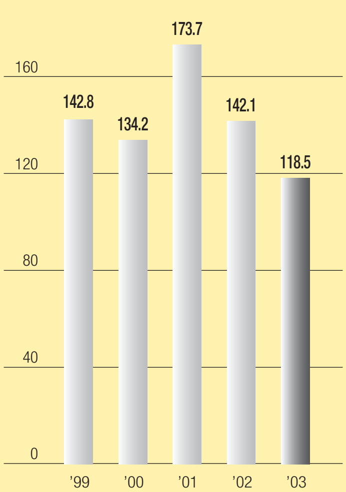
Cash Flows

Years ended March 31,	2001	2002	(Billions of yen) 2003
Cash flows from operating activities	¥173.7	¥142.1	**¥118.5**
Cash flows from investing activities	(32.1)	(81.7)	**(60.8)**
Cash flows from financing activities	(150.0)	(103.3)	**(59.9)**
Effect of exchange rate changes on cash and cash equivalents	1.5	2.0	**(0.5)**
Net decrease in cash and cash equivalents	(6.9)	(40.9)	**(2.7)**
Cash and cash equivalents at beginning of year	165.3	158.4	**117.5**
Cash and cash equivalents at end of year	158.4	117.5	**114.8**

Cash Flows

Net cash provided by operating activities amounted to ¥118.5 billion. The primary sources were operating income of ¥103.3 billion, and depreciation and amortization of ¥39.8 billion, while the principal use is cash payment of interest expense of ¥26.6 billion. Net cash used in investing activities decreased to ¥60.8 billion. The principal component was the purchase of property and equipment of ¥55.1 billion. Net cash used in financing activities dropped to ¥59.9 billion. The Company issued convertible bonds totaling ¥80.0 billion, while repaying long-term debt totaling ¥289.5 billion. As a result, cash and cash equivalents at the end of the year was ¥114.8 billion, a decrease of ¥2.7 billion as of the end of the previous fiscal year.

Cash Flows from Operating Activities
(Billions of yen)



Consolidated Balance Sheets

Mitsui Fudosan Co., Ltd. and its Subsidiaries
As of March 31, 2002 and 2003

	Millions of yen		Thousands of U.S. dollars (Note 1)	
	2002	**2003**	2002	**2003**
ASSETS				
CURRENT ASSETS				
Cash and cash equivalents	¥ 117,559	**¥ 114,832**	$ 978,028	**$ 955,340**
Marketable securities (Note 3)	150	**190**	1,248	**1,579**
Notes and accounts receivable—trade (Note 4)	32,237	**32,350**	268,198	**269,134**
Short-term loans receivable	32,454	**26,722**	270,003	**222,314**
Allowance for doubtful accounts	(6,285)	**(3,564)**	(52,292)	**(29,650)**
Inventories (Note 5)	467,658	**416,971**	3,890,662	**3,468,978**
Advances paid for purchases (Note 6)	12,221	**11,447**	101,671	**95,237**
Deferred income taxes (Note 8)	41,897	**38,783**	348,558	**322,656**
Other current assets	51,137	**50,181**	425,437	**417,475**
Total current assets	749,028	**687,912**	6,231,513	**5,723,063**
INVESTMENTS and OTHER ASSETS				
Investments in unconsolidated subsidiaries and affiliated companies (Note 3)	70,591	**71,856**	587,284	**597,804**
Investment securities (Note 3)	136,322	**130,379**	1,134,128	**1,084,679**
Non-current loans and accounts receivable	126,347	**113,095**	1,051,145	**940,892**
Allowance for doubtful accounts	(28,121)	**(27,343)**	(233,954)	**(227,477)**
Lease deposits (Note 7)	224,544	**216,490**	1,868,084	**1,801,084**
Deferred income taxes (Note 8)	14,204	**13,605**	118,166	**113,184**
Deferred tax assets on land revaluation	37,192	**35,959**	309,417	**299,158**
Other	7,797	**8,810**	64,871	**73,296**
	588,876	**562,851**	4,899,141	**4,682,620**
PROPERTY and EQUIPMENT, at cost:				
Land (Note 10)	1,126,087	**1,118,871**	9,368,444	**9,308,413**
Buildings and structures (Note 10)	871,622	**899,377**	7,251,428	**7,482,336**
Machinery and equipment	83,788	**86,910**	697,073	**723,046**
Construction in progress	40,824	**13,161**	339,632	**109,495**
	2,122,321	**2,118,319**	17,656,577	**17,623,290**
Accumulated depreciation	(431,256)	**(440,012)**	(3,587,819)	**(3,660,670)**
Net property and equipment	1,691,065	**1,678,307**	14,068,758	**13,962,620**
	¥3,028,969	**¥2,929,070**	$25,199,412	**$24,368,303**

See accompanying notes.

	Millions of yen		Thousands of U.S. dollars (Note 1)	
	2002	**2003**	2002	**2003**
LIABILITIES, MINORITY INTERESTS IN CONSOLIDATED SUBSIDIARIES AND SHAREHOLDERS' EQUITY				
CURRENT LIABILITIES				
Banks loans (Note 10)	¥ 35,408	**¥ 36,816**	$ 294,574	**$ 306,292**
Commercial paper	37,000	**18,000**	307,820	**149,751**
Long-term debt due within one year (Note 10)	238,001	**238,881**	1,980,046	**1,987,360**
Notes and accounts payable—trade	87,677	**91,823**	729,426	**763,918**
Accrued expenses	21,901	**17,839**	182,204	**148,413**
Income taxes payable	10,304	**3,398**	85,720	**28,268**
Advances and deposits received	180,784	**145,582**	1,504,027	**1,211,165**
Deferred income taxes (Note 8)	14	**—**	116	**—**
Other current liabilities	43,808	**48,789**	364,455	**405,899**
Total current liabilities	654,897	**601,128**	5,448,388	**5,001,066**
LONG-TERM LIABILITIES				
Allowance for employees' retirement benefits (Note 9)	18,361	**20,530**	152,751	**170,802**
Allowance for directors' and corporate auditors' retirement benefits	1,888	**2,083**	15,711	**17,331**
Long-term debt due after one year (Note 10)	1,150,117	**1,103,514**	9,568,362	**9,180,652**
Deposits from tenants (Note 11)	327,360	**307,786**	2,723,457	**2,560,611**
Deferred income taxes (Note 8)	15,042	**22,604**	125,144	**188,052**
Deferred tax liabilities on land revaluation	160,925	**156,438**	1,338,810	**1,301,479**
Other liabilities and deferred credits	70,651	**69,367**	587,778	**577,096**
Total long-term liabilities	1,744,344	**1,682,322**	14,512,013	**13,996,023**
MINORITY INTERESTS IN CONSOLIDATED SUBSIDIARIES	20,192	**17,186**	167,990	**142,976**
SHAREHOLDERS' EQUITY (Note 12)				
Common stock	134,433	**134,433**	1,118,413	**1,118,413**
Authorized—1,770,000,000 shares				
Issued—812,560,001 shares in 2002 and 823,390,384 shares in 2003				
Additional paid-in capital	204,693	**205,823**	1,702,939	**1,712,340**
Reserve on land revaluation	156,405	**162,289**	1,301,206	**1,350,159**
Retained earnings	137,027	**155,391**	1,139,989	**1,292,769**
Net unrealized holding losses on securities	(2,905)	**(3,452)**	(24,170)	**(28,723)**
Foreign currency translation adjustment	(20,014)	**(25,010)**	(166,503)	**(208,071)**
	609,639	**629,474**	5,071,874	**5,236,887**
Treasury stock	(103)	**(1,040)**	(853)	**(8,649)**
TOTAL SHAREHOLDERS' EQUITY	609,536	**628,434**	5,071,021	**5,228,238**
	¥3,028,969	**¥2,929,070**	$25,199,412	**$24,368,303**

See accompanying notes.

Consolidated Statements of Income

Mitsui Fudosan Co., Ltd. and its Subsidiaries
For the years ended March 31, 2002 and 2003

	Millions of yen		Thousands of U.S. dollars (Note 1)	
	2002	**2003**	2002	**2003**
REVENUE				
Revenue from operations (Note 16)	¥1,152,484	**¥1,082,398**	$9,588,051	**$9,004,974**
Interest, dividends and miscellaneous (Note 13)	35,842	**11,187**	298,191	**93,073**
	1,188,326	**1,093,585**	9,886,242	**9,098,047**
COSTS AND EXPENSES				
Cost of revenue from operations	916,845	**858,584**	7,627,660	**7,142,959**
Selling, general and administrative expenses	132,688	**120,519**	1,103,897	**1,002,651**
Interest	31,761	**26,617**	264,232	**221,441**
Other (Note 14)	66,964	**46,557**	557,107	**387,333**
	1,148,258	**1,052,277**	9,552,896	**8,754,384**
EQUITY IN NET INCOME OF AFFILIATED COMPANIES	3,301	**2,905**	27,462	**24,163**
INCOME BEFORE INCOME TAXES	43,369	**44,213**	360,808	**367,826**
INCOME TAXES (Note 8)				
Current	14,608	**5,516**	121,531	**45,890**
Deferred	1,106	**12,820**	9,202	**106,655**
Total	15,714	**18,336**	130,733	**152,545**
	27,655	**25,877**	230,075	**215,281**
MINORITY INTERESTS	2,152	**(323)**	17,903	**(2,688)**
NET INCOME	¥ 29,807	**¥ 25,554**	$ 247,978	**$ 212,593**

	Yen		U.S. dollars (Note 1)	
PER SHARE INFORMATION	2002	**2003**	2002	**2003**
Net assets per share	¥ 750.2	**¥ 764.2**	$ 6.242	**$ 6.357**
Net income per share				
— Basic	36.7	**31.1**	0.305	**0.259**
— Diluted	36.2	**28.9**	0.301	**0.240**
Cash dividends	7.0	**7.0**	0.058	**0.058**

See accompanying notes.

Consolidated Statements of Shareholders' Equity

Mitsui Fudosan Co., Ltd. and its Subsidiaries

For the years ended March 31, 2002 and 2003

	Shares of common stock (thousands)	Millions of yen Common stock	Additional paid-in capital	Reserve on land revaluation	Retained earnings	Net unrealized holding gains (losses) on securities	Foreign currency translation adjustment	Treasury stock
BALANCE AT MARCH 31, 2001	812,560	¥ 134,433	¥ 204,693	¥ —	¥ 98,644	¥ 729	¥(27,397)	¥ (5)
Revaluation of property and equipment	—	—	—	—	368	—	—	—
Change in number of consolidated subsidiaries	—	—	—	—	3,697	—	—	—
Increase due to land revaluation	—	—	—	156,405	10,368	—	—	—
Net income	—	—	—	—	29,807	—	—	—
Cash dividends paid (¥6.0 per share)	—	—	—	—	(5,689)	—	—	—
Bonuses to directors	—	—	—	—	(168)	—	—	—
Foreign currency translation adjustment	—	—	—	—	—	—	7,383	—
Treasury stock	—	—	—	—	—	—	—	(98)
Net unrealized holding losses on securities	—	—	—	—	—	(3,634)	—	—
BALANCE AT MARCH 31, 2002	812,560	134,433	204,693	156,405	137,027	(2,905)	(20,014)	(103)
Increase due to integration of MITSUI REAL ESTATE SALES Co., Ltd.	10,830	—	1,130	—	—	—	—	—
Revaluation of property and equipment	—	—	—	—	120	—	—	—
Increase due to changes in effective tax rates	—	—	—	5,884	—	—	—	—
Reversal of reserve on land revaluation, net of tax	—	—	—	—	(1,515)	—	—	—
Other	—	—	—	—	(3)	—	—	—
Net income	—	—	—	—	25,554	—	—	—
Cash dividends paid (¥7.0 per share)	—	—	—	—	(5,687)	—	—	—
Bonuses to directors	—	—	—	—	(105)	—	—	—
Foreign currency translation adjustment	—	—	—	—	—	—	(4,996)	—
Treasury stock	—	—	—	—	—	—	—	(937)
Net unrealized holding losses on securities	—	—	—	—	—	(547)	—	—
BALANCE AT MARCH 31, 2003	**823,390**	**¥134,433**	**¥205,823**	**¥162,289**	**¥155,391**	**¥(3,452)**	**¥(25,010)**	**¥(1,040)**

	Thousands of U.S. Dollars (Note 1) Common stock	Additional paid-in capital	Reserve on land revaluation	Retained earnings	Net unrealized holding gains (losses) on securities	Foreign currency translation adjustment	Treasury stock
BALANCE AT MARCH 31, 2001	$ 1,118,413	$ 1,702,939	$ —	$ 820,663	$ 6,065	$ (227,928)	$ (42)
Revaluation of property and equipment	—	—	—	3,060	—	—	—
Change in number of consolidated subsidiaries	—	—	—	30,758	—	—	—
Increase due to land revaluation	—	—	1,301,206	86,252	—	—	—
Net income	—	—	—	247,978	—	—	—
Cash dividends paid ($0.045 per share)	—	—	—	(47,325)	—	—	—
Bonuses to directors	—	—	—	(1,397)	—	—	—
Foreign currency translation adjustment	—	—	—	—	—	61,425	—
Treasury stock	—	—	—	—	—	—	(811)
Net unrealized holding losses on securities	—	—	—	—	(30,235)	—	—
BALANCE AT MARCH 31, 2002	1,118,413	1,702,939	1,301,206	1,139,989	(24,170)	(166,503)	(853)
Increase due to integration of MITSUI REAL ESTATE SALES Co., Ltd.	—	9,401	—	—	—	—	—
Revaluation of property and equipment	—	—	—	1,000	—	—	—
Increase due to changes in effective tax rates	—	—	48,953	—	—	—	—
Reversal of reserve on land revaluation, net of tax	—	—	—	(12,605)	—	—	—
Other	—	—	—	(24)	—	—	—
Net income	—	—	—	212,593	—	—	—
Cash dividends paid ($0.058 per share)	—	—	—	(47,311)	—	—	—
Bonuses to directors	—	—	—	(873)	—	—	—
Foreign currency translation adjustment	—	—	—	—	—	(41,568)	—
Treasury stock	—	—	—	—	—	—	(7,796)
Net unrealized holding losses on securities	—	—	—	—	(4,553)	—	—
BALANCE AT MARCH 31, 2003	**$ 1,118,413**	**$ 1,712,340**	**$ 1,350,159**	**$ 1,292,769**	**$ (28,723)**	**$ (208,071)**	**$(8,649)**

See accompanying notes.

Consolidated Statements of Cash Flows

Mitsui Fudosan Co., Ltd. and its Subsidiaries
For the years ended March 31, 2002 and 2003

	Millions of yen		Thousands of U.S. dollars (Note 1)	
	2002	**2003**	2002	**2003**
Cash flows from operating activities:				
Income before income taxes	¥ 43,369	**¥ 44,213**	$ 360,808	**$ 367,826**
Adjustments to reconcile income before income taxes to net cash provided by operating activities				
Depreciation and amortization	47,540	**39,782**	395,511	**330,964**
Equity in net income of affiliated companies	(3,301)	**(2,904)**	(27,462)	**(24,163)**
Gain on sales of property and equipment, net	(19,536)	**(2,192)**	(162,529)	**(18,239)**
Loss on disposal of property and equipment, net	419	**5,491**	3,482	**45,680**
Allowance for doubtful accounts	6,491	**1,963**	53,997	**16,329**
Loss on devaluation of real property for sale	444	**—**	3,693	**—**
Loss on disposal of real property for sale	—	**1,575**	—	**13,105**
Interest and dividend income	(3,829)	**(3,370)**	(31,855)	**(28,032)**
Interest expense	31,761	**26,617**	264,232	**221,441**
Loss on devaluation of other securities	21,296	**20,267**	177,172	**168,608**
Gain on sales of marketable securities, net	(1,716)	**(672)**	(14,272)	**(5,590)**
Loss incurred in certain housing project	—	**2,333**	—	**19,408**
Non-recurring depreciation (Note 14)	18,477	**—**	153,720	**—**
Compensation received for retirement of property	(3,015)	**—**	(25,085)	**—**
Changes in assets and liabilities				
Accounts receivable	4,776	**77**	39,736	**638**
Real property for sale and advances paid for purchases	2,988	**49,916**	24,855	**415,270**
Accounts payable	(14,180)	**(2,143)**	(117,968)	**(17,826)**
Bonuses paid to directors	(192)	**(105)**	(1,598)	**(873)**
Cash receipts of interest and dividend income	4,784	**4,070**	39,797	**33,864**
Cash payments of interest expense	(32,155)	**(26,658)**	(267,513)	**(221,777)**
Income taxes paid	(9,395)	**(16,436)**	(78,160)	**(136,736)**
Other, net	47,096	**(23,339)**	391,817	**(194,166)**
Net cash provided by operating activities	142,122	**118,485**	1,182,378	**985,731**
Cash flows from investing activities:				
Purchase of property and equipment	(57,124)	**(55,071)**	(475,246)	**(458,165)**
Proceeds from sale of property and equipment	39,310	**16,191**	327,039	**134,705**
Increase in deposits from tenants	27,252	**39,448**	226,719	**328,184**
Decrease in deposits from tenants	(45,689)	**(57,027)**	(380,106)	**(474,437)**
Increase in lease deposits	(4,360)	**(10,862)**	(36,277)	**(90,364)**
Decrease in lease deposits	18,958	**18,483**	157,723	**153,772**
Purchase of marketable and investment securities	(38,243)	**(20,266)**	(318,159)	**(168,598)**
Proceeds from sale of marketable and investment securities	4,642	**3,770**	38,623	**31,363**
Increase in non-current loans and accounts receivable	(19,999)	**(22,243)**	(166,381)	**(185,054)**
Decrease in non-current loans and accounts receivable	14,948	**24,457**	124,359	**203,468**
Other, net	(21,353)	**2,368**	(177,649)	**19,705**
Net cash used in investing activities	(81,658)	**(60,752)**	(679,355)	**(505,421)**
Cash flows from financing activities:				
Proceeds from long-term debt	299,393	**232,350**	2,490,788	**1,933,024**
Repayment of long-term debt	(187,982)	**(289,504)**	(1,563,909)	**(2,408,516)**
Decrease in bank loans and commercial paper	(188,908)	**(26,553)**	(1,571,613)	**(220,905)**
Proceeds from issuance of bond	—	**80,000**	—	**665,557**
Payments for redemption of bond	(20,000)	**(50,000)**	(166,389)	**(415,973)**
Cash dividends paid	(5,690)	**(5,698)**	(47,338)	**(47,401)**
Proceeds from issuance of shares to minority shareholders	285	**15**	2,372	**122**
Payment of dividends to minority shareholders	(397)	**(524)**	(3,301)	**(4,363)**
Purchase of treasury stocks	—	**17**	—	**140**
Net cash used in financing activities	(103,299)	**(59,897)**	(859,390)	**(498,315)**
Effect of exchange rate changes on cash and cash equivalents	1,958	**(563)**	16,293	**(4,683)**
Net decrease in cash and cash equivalents	(40,877)	**(2,727)**	(340,074)	**(22,688)**
Cash and cash equivalents at beginning of year	158,436	**117,559**	1,318,102	**978,028**
Cash and cash equivalents at end of year	¥117,559	**¥114,832**	$ 978,028	**$ 955,340**

Supplemental information of noncash transaction:
Non-cash investing and financing activities;
Issuance of common stock by stock-for-stock transfer for Integration of MITSUI REAL ESTATE SALES Co., Ltd.

	Millions of yen	Thousands of U.S. dollars
Additional paid in capital	¥1,130	$9,401

See accompanying notes.

Notes to Consolidated Financial Statements

Mitsui Fudosan Co., Ltd. and its Subsidiaries
Years Ended March 31, 2002 and 2003

1. BASIS OF PRESENTING CONSOLIDATED FINANCIAL STATEMENTS

Mitsui Fudosan Co., Ltd. (the "Company") and its consolidated domestic subsidiaries maintain their official accounting records in Japanese yen and in accordance with the provisions set forth in the Japanese Commercial Code (the "Code"), the Securities and Exchange Law and accounting principles and practices generally accepted in Japan ("Japanese GAAP"). The accounts of overseas subsidiaries are based on their accounting records maintained in conformity with generally accepted accounting principles and practices prevailing in the respective countries of domicile. Certain accounting principles and practices generally accepted in Japan are different from International Accounting Standards and standards in other countries in certain respects as to application and disclosure requirements. Accordingly, the accompanying financial statements are intended for use by those who are informed about Japanese accounting principles and practices.

The accompanying consolidated financial statements have been restructured and translated into English (with some expanded descriptions and the inclusion of statements of shareholders' equity) from the consolidated financial statements of the Company prepared in accordance with Japanese GAAP and filed with the appropriate Local Finance Bureau of the Ministry of Finance as required by the Securities and Exchange Law. Some supplementary information included in the statutory Japanese language consolidated financial statements but not required for fair presentation is not presented in the accompanying financial statements.

The translation of the Japanese yen amounts into U.S. dollars are included solely for the convenience of readers, using the prevailing exchange rate at March 31, 2003, which was ¥120.20 to US$1.00. The convenience translations should not be construed as representations that the Japanese yen amounts have been, could have been, or could in the future be, converted into U.S. dollars at this or any other rate of exchange.

2. SIGNIFICANT ACCOUNTING POLICIES

(A) CONSOLIDATION

The consolidated financial statements include the accounts of the Company and its significant subsidiaries. The excess of investment cost over the Company's share of the underlying equity in the net assets of the consolidated subsidiary at the date of acquisition is amortized over five years on a straight-line basis. However, for amounts that are difficult to assess the term of occurrence and immaterial amounts are charged to income as incurred.

All significant inter-company accounts and transactions have been eliminated.

(B) EQUITY METHOD

Investments in all significant affiliated companies are accounted for by the equity method and, accordingly, stated at cost adjusted for equity in undistributed earnings and losses from the date of acquisition.

(C) TRANSLATION OF FOREIGN CURRENCY ACCOUNTS

Foreign currency receivables and payables are translated at appropriate year-end current rates and the resulting translation gains or losses are taken into income currently.

Financial statements of consolidated overseas subsidiaries are translated into Japanese yen at the year-end rate, except that shareholders' equity accounts are translated at historical rates and income statement items resulting from transactions with the Company at the rates used by the Company.

Differences arising from translation are presented as "Foreign currency translation adjustment" in shareholders' equity.

(D) CASH AND CASH EQUIVALENTS

Deposits in banks and short-term investments which are highly liquid, readily convertible to cash and with insignificant risk on market value fluctuation, with a maturity of three months or less at the time of purchase are treated as cash equivalents.

(E) SECURITIES

Held-to-maturity securities are stated at amortized cost.

Other securities with market values are stated at market value. Unrealized gains and unrealized losses on these securities are reported, net of applicable income taxes, as a separate component of shareholders' equity. Realized gains and losses on sale of such securities are computed using moving-average cost.

Other securities without market values and investments in subdsidiaries and affiliated companies are stated at moving-average cost.

When the market value of the other securities declines more than 50% of the carrying amount, those securities are stated at market value. When the market value of the other securities declines from 30% to less than 50% of the carrying amount, the securities are also stated at market value if the market value of the securities is considered to be not recoverable to the carrying amount. The difference between market value and the carrying amount is recognized as a loss on devaluation of other securities.

If the net realizable value of the securities without market value declines significantly below the carrying amount, it should be written down to net realizable value with a corresponding charge in the statement of income.

(F) INVENTORIES, REVENUE AND RELATED COSTS

Inventories are stated at cost, cost being determined mainly by the specific identification method. Costs do not include interest and administrative expenses incurred during or after development of real estate, which are charged to income when incurred. Revenue from the leasing is recognized on an accrual basis over the lease term. Revenue from sale of land and residential housing is recognized in full when delivered and accepted by the customers. Revenue from construction work is recognized by completed contract method, except long-term contracts exceeding certain amounts, which are accounted for by the percentage-of-completion method, and related costs are recognized as incurred.

(G) PROPERTY AND EQUIPMENT, RELATED DEPRECIATION AND REVALUATION

Property and equipment are carried mainly at cost. Land and buildings owned by consolidated subsidiaries in the United Kingdom and Turkey are stated at fair value, with unrealized gains and losses excluded from earnings and reported in a separate component of shareholders' equity as revaluation of property and equipment. When disposed of, the cost and related accumulated depreciation or revaluation of property and equipment are removed from the respective accounts and the net difference, less any amounts realized on disposal, is reflected in the statement of income.

Depreciation of property and equipment is mainly computed by the declining-balance method over the estimated useful lives of the assets, except for those listed below which are calculated using the straight-line method.

1. Office buildings of the Company
2. Buildings acquired by the domestic consolidated subsidiaries after April 1, 1998
3. Property and equipment of overseas subsidiaries

Estimated useful lives used in the computation of depreciation are generally as follows:

Buildings	29–50 years
Building equipment	15–17 years
Machinery	7–15 years
Equipment	3–15 years

For buildings on fixed term leasehold, such as *Yokohama Bay Side Marina*, the Company computes depreciation using the straight-line method, over its lease term assuming no residual value.

Due to the scheduled discontinuance of the *LaLaport Ski Dome SSAWS* operation at September 30, 2002, the Company changed its estimated useful life for depreciation purposes as of April 1, 2001 to be consistent with that date. Accordingly, the Company recorded an additional depreciation amount of ¥18,477 million (US$153,720 thousand) related to prior years as a "Special charge due to a change in estimated useful lives of fixed assets" included in other expense in the accompanying statement of income.

(H) LAND REVALUATION

Pursuant to the Law Concerning Land Revaluation and the revisions there of, the Company and certain consolidated subsidiaries revalued land used for business activities on March 31, 2002.

The land prices for revaluation were determined based on the appraisal prices by Real Estate Appraisers in accordance with Article 2, Paragraph 5 of the Enforcement Ordinance Concerning Land Revaluation. The difference between quoted appraisal value and the carrying amount is recorded, net of applicable income taxes, as "Reserve on land revaluation" as a separate component of shareholders' equity.

(I) ALLOWANCE FOR DOUBTFUL ACCOUNTS

The Company and its domestic consolidated subsidiaries provide for doubtful accounts principally at an amount computed based on the historical bad debt ratio during a certain reference period plus an estimated uncollectable amount based on the analysis of certain individual accounts, including claims in bankruptcy.

(J) ALLOWANCE FOR EMPLOYEES' RETIREMENT BENEFITS

The Company has a retirement plan which provides for lump-sum payment and annuity. Upon retirement age or at 60, a regular employee is entitled to receive a lump-sum payment and an annuity, or in certain cases at the option of the retiring employee, the full amount of the retirement benefits may be paid in a lump-sum. The retirement benefits are based primarily upon the years of employee's service and monthly pay at the time of retirement.

The allowance and expenses for retirement benefits are determined based on the amounts actuarially calculated using certain assumptions.

The Company and its consolidated subsidiaries provided allowance for employees' retirement benefits at March 31, 2002 and 2003 based on the estimated amounts of projected benefit obligation and the fair value of the plan assets at that date.

(K) ALLOWANCE FOR DIRECTORS' AND CORPORATE AUDITORS' RETIREMENT BENEFITS

Retirement benefits for directors and corporate auditors of the Company and its 16 consolidated subsidiaries are also provided under the internal guidelines.

(L) ACCOUNTING FOR CERTAIN LEASE TRANSACTIONS

Finance leases which do not transfer ownership to lessees are accounted for as operating leases under accounting principles generally accepted in Japan.

(M) INCOME TAXES

Income taxes are provided for on the basis of income for financial statement purposes. The tax effect of temporary differences between the carrying amounts of assets and liabilities for financial statements and income tax purposes is recognized as deferred income taxes.

The effective tax rate used for calculation of deferred taxes assets and liabilities was 42.02 % for the year ended March 31, 2002 and 2003.

According to the revised local tax law, which introduces the assessment by estimation on the basis of the size of business as to enterprise taxes effective for the year commencing on April 1, 2004 or later, the Company and consolidated domestic subsidiaries used the revised effective tax rates for non-current items for the year ended March 31, 2003. As the result of the change in the effective tax rates, deferred taxes assets decreased by ¥777 million ($6,465 thousand), deferred tax liabilities on land revaluation decreased by ¥4,393 million ($36,546 thousand) and income taxes-deferred increased by ¥699 million ($5,817 thousand) compared with what would have been recorded under the previous local tax law.

(N) DERIVATIVES AND HEDGE ACCOUNTING

The Company and its consolidated subsidiaries defer recognition of gains or losses resulting from changes in fair value of derivative financial instruments until the related losses or gains on the hedged items are recognized, if derivative financial instruments are used as hedges and meet certain hedging criteria.

However, in cases where forward foreign exchange contracts are used as hedges and meet certain hedging criteria, forward foreign exchange contracts and hedged items are accounted for in the following manner:

1. If a forward foreign exchange contract is executed to hedge an existing foreign currency receivable or payable,

(a) the difference, if any, between the Japanese yen amount of the hedged foreign currency receivable or payable translated using the spot rate at the inception date of the contract and the book value of the receivable or payable is recognized in the income statement in the period which includes the inception date, and (b) the discount or premium on the contract (that is, the difference between the Japanese yen amount of the contract translated using the contracted forward rate and that translated using the spot rate at the inception date of the contract) is recognized over the term of the contract.

2. If a forward foreign exchange contract is executed to hedge a future transaction denominated in a foreign currency, the future transaction will be recorded using the contracted forward rate, and no gains or losses on the forward foreign exchange contract are recognized. Also, if interest rate swap contracts are used as hedge and meet certain hedging criteria, the net amount to be paid or received under the interest rate swap contract is added to or deducted from the interest on the assets or liabilities for which the swap contract was executed.

(O) VALUATION OF THE ASSETS AND LIABILITIES OF SUBSIDIARIES

In the elimination of investments in subsidiaries, the assets and liabilities of the subsidiaries, including the portion attributable to minority shareholders, are recorded based on the fair value at the time the Company acquired control of the respective subsidiaries.

(P) EARNINGS PER SHARE

Effective April 1, 2002, the Company and its domestic consolidated subsidiaries adopted the new accounting standard for earnings per share and related guidance (Accounting Standards Board Statement No. 2,"Accounting Standard for Earnings per Share" and Financial Standards Implementation Guidance No. 4, "Implementation Guidance for Accounting Standard for Earnings Per Share," issued by the Accounting Standards Board of Japan on September 25, 2002).

Net assets per share and net income per share for the previous year would have been reported as follows, if this new accounting standard were applied retroactively.

	Yen	U.S. dollars
Net assets per share	¥ 750.2	$6.242
Net income per share		
—Basic	36.5	0.303
—Diluted	36.0	0.300

(Q) TREASURY STOCK AND REDUCTION OF STATUTORY RESERVES

Effective April 1, 2002, the Company adopted the new accounting standard for treasury stock and reversal of statutory reserves (Accounting Standards Board Statement No. 1,"Accounting Standard for Treasury Stock and Reduction of Statutory Reserves," issued by the Accounting Standards Board of Japan on February 21, 2002). The effect on net income of the adoption of the new accounting standard was immaterial.

(R) RECLASSIFICATION

Certain prior years' amounts have been reclassified to conform to the 2003 presentation. These changes had no impact on previously reported results of operations.

(S) EFFECT OF BANK HOLIDAY ON MARCH 31, 2002

In case the balance sheet date is a bank holiday, notes maturing on the balance sheet date were settled on the following business day and accounted for accordingly.

3. MARKET VALUE INFORMATION OF SECURITIES AND DERIVATIVES

(A) MARKET VALUE INFORMATION OF SECURITIES

(1) The following tables summarize historical costs, book values and market value of securities with market values as of March 31, 2002 and 2003:

(a) Held-to-maturity securities

	Millions of yen					
	2002			**2003**		
	Book Value	Market Value	Difference	Book Value	Market Value	Difference
Securities whose market value exceeds book value						
National and local government bonds, etc.	¥ 315	¥ 320	¥ 5	**¥ 485**	**¥ 501**	**¥ 16**
Securities whose market value does not exceed book value						
National and local government bonds, etc.	230	230	—	**156**	**156**	**—**
Total	¥ 545	¥ 550	¥ 5	**¥ 641**	**¥ 657**	**¥ 16**

	Thousands of U.S. dollars					
	2002			**2003**		
	Book Value	Market Value	Difference	Book Value	Market Value	Difference
Securities whose market value exceeds book value						
National and local government bonds, etc.	$ 2,619	$ 2,660	$ 41	**$ 4,032**	**$ 4,168**	**$ 136**
Securities whose market value does not exceed book value						
National and local government bonds, etc.	1,915	1,915	—	**1,297**	**1,296**	**(1)**
Total	$ 4,534	$ 4,575	$ 41	**$ 5,329**	**$ 5,464**	**$ 135**

(b) Other securities with market values

	Millions of yen					
	2002			**2003**		
	Historical Cost	Book Value (Market Value)	Difference	Historical Cost	Book Value (Market Value)	Difference
Securities whose book value (market value) exceeds historical cost						
Stocks	¥13,287	¥16,391	¥ 3,104	**¥ 2,968**	**¥ 3,617**	**¥ 649**
Bonds						
National and local government bonds, etc	105	109	4	**80**	**84**	**4**
Corporate bonds	9	10	1	**10**	**10**	**—**
Other	8,190	8,557	367	**8,191**	**9,409**	**1,218**
Subtotal	21,591	25,067	3,476	**11,249**	**13,120**	**1,871**
Securities whose book value (market value) does not exceed historical cost						
Stocks	56,382	48,071	(8,311)	**49,000**	**41,422**	**(7,578)**
Other	—	—	—	**1**	**1**	**0**
Subtotal	56,382	48,071	(8,311)	**49,001**	**41,423**	**(7,578)**
Total	¥77,973	¥73,138	¥ (4,835)	**¥60,250**	**¥54,543**	**¥ (5,707)**

	Thousands of U.S. dollars					
	2002			**2003**		
	Historical Cost	Book Value (Market Value)	Difference	Historical Cost	Book Value (Market Value)	Difference
Securities whose book value (market value) exceeds historical cost						
Stocks	$110,538	$136,361	$ 25,823	**$ 24,692**	**$ 30,094**	**$ 5,402**
Bonds						
National and local government bonds, etc	873	908	35	**667**	**701**	**34**
Corporate bonds	73	83	10	**80**	**84**	**4**
Other	68,141	71,193	3,052	**68,147**	**78,276**	**10,129**
Subtotal	179,625	208,545	28,920	**93,586**	**109,155**	**15,569**
Securities whose book value (market value) does not exceed historical cost						
Stocks	469,068	399,922	(69,146)	**407,657**	**344,613**	**(63,044)**
Other	—	—	—	**4**	**4**	**0**
Subtotal	469,068	399,922	(69,146)	**407,661**	**344,617**	**(63,044)**
Total	$648,693	$608,467	$(40,226)	**$501,247**	**$453,772**	**$(47,475)**

(2) The following tables summarize other securities sold in the years ended March 31, 2002 and 2003:

Millions of yen					
2002			**2003**		
Sales amount	Gains	Losses	Sales amount	Gains	Losses
¥2,407	¥1,170	¥187	**¥3,282**	**¥678**	**¥(70)**

Thousands of U.S. dollars					
2002			**2003**		
Sales amount	Gains	Losses	Sales amount	Gains	Losses
$20,026	$9,733	$1,559	**$27,304**	**$5,641**	**$(584)**

(3) The following tables summarize book values of securities without market values as of March 31, 2002 and 2003:

	Millions of yen		Thousands of U.S. dollars	
	2002	**2003**	2002	**2003**
Other securities				
Unlisted stocks (excluding OTC securities)	¥28,855	**¥31,499**	$240,059	**$262,060**
Other	33,870	**43,782**	281,778	**364,241**

(4) The redemption schedule on held-to-maturity securities as of March 31, 2002 and 2003 is shown as follows:

	Millions of yen			
	2002			
	Due within 1 Year	Due after 1 Year and within 5 Years	Due after 5 Years and within 10 Years	Due after 10 Years
National and local government bonds, etc	¥ 131	¥ 344	¥ 200	¥ —
Corporate bonds	2	40	—	—
Other	50	—	—	—
Total	¥ 183	¥ 384	¥ 200	¥ —

	2003			
	Due within 1 Year	Due after 1 Year and within 5 Years	Due after 5 Years and within 10 Years	Due after 10 Years
National and local government bonds, etc	**¥ 198**	**¥ 350**	**¥ 190**	**¥ —**
Corporate bonds	**10**	**—**	**—**	**—**
Total	**¥ 208**	**¥ 350**	**¥ 190**	**¥ —**

	Thousands of U.S. dollars			
	2002			
	Due within 1 Year	Due after 1 Year and within 5 Years	Due after 5 Years and within 10 Years	Due after 10 Years
National and local government bonds, etc	$ 1,093	$ 2,863	$ 1,664	$ —
Corporate bonds	17	333	—	—
Other	416	—	—	—
Total	$ 1,526	$ 3,196	$ 1,664	$ —

	2003			
	Due within 1 Year	Due after 1 Year and within 5 Years	Due after 5 Years and within 10 Years	Due after 10 Years
National and local government bonds, etc	**$ 1,647**	**$ 2,912**	**$ 1,581**	**$ —**
Corporate bonds	**83**	**—**	**—**	**—**
Total	**$ 1,730**	**$ 2,912**	**$ 1,581**	**$ —**

(B) DERIVATIVE FINANCIAL INSTRUMENTS AND HEDGING TRANSACTIONS

The Company and its consolidated subsidiaries use forward foreign exchange contracts and interest rate swaps contracts as derivative financial instruments only for the purpose of mitigating future risks of fluctuation of foreign currency exchange rates and interest rate increases.

Forward foreign currency and interest rate swap contracts are subject to risks of foreign exchange rate changes and interest rate changes, respectively.

The derivative transactions are executed and managed by the Company's Finance Department in accordance with the established policies and within the specified limits on the amounts of derivative transactions allowed.

The Company and its consolidated subsidiaries do not use derivative financial instruments for speculative trading purposes. The derivative financial instruments are executed with creditworthy financial institutions, and the Company's management believes there is little risk of default by counterparties.

The following summarizes hedging derivative financial instruments used by the Company and its consolidated subsidiaries and items hedged:

Hedging instruments:
Forward foreign exchange contracts
Foreign currency swap contracts
Interest rate swap contracts
Hedged items:
Expected foreign currency transactions
Foreign currency debt
Borrowings and debentures

Forward foreign exchange contracts are executed within the scope of ordinary payments and receipts in foreign currency to hedge against market fluctuation risks. Interest rate swap contracts are executed on a provisional basis to hedge against market fluctuation risks.

The assessment of hedge effectiveness is omitted because significant terms of hedging instruments and those of the items hedged are the same and the risk of changes in foreign exchange rates and interest rates would be entirely eliminated.

4. ACCOUNTS RECEIVABLE—TRADE

The accounts receivable—trade sold to a third party during FY2002 and 2003 amounted to ¥15,462 million (U.S. $ 128,637 thousand) and ¥ 24,861million (U.S. $ 206,827 thousand), respectively. These sales were reflected as reduction of trade accounts receivable in 2002 and 2003. The Company guaranteed the collection of these receivables.

5. INVENTORIES

Inventories at March 31, 2002 and 2003 comprised the following:

	Millions of yen		Thousands of U.S. dollars	
	2002	**2003**	2002	**2003**
Real property for sale	¥447,620	**¥397,547**	$3,723,954	**$3,307,382**
Expenditure on contracts in progress	11,593	**10,233**	96,449	**85,130**
Other	8,445	**9,191**	70,259	**76,466**
	¥467,658	**¥416,971**	$3,890,662	**$3,468,978**

6. ADVANCES PAID FOR PURCHASES

Advances paid for purchases comprise primarily advance payments for purchasing real estate.

7. LEASE DEPOSITS

The Company and its consolidated subsidiaries sometimes lease certain office buildings and commercial facilities from the owners thereof and sublease them to subtenants. In these transactions, the Company and consolidated subsidiaries pay lease deposits to the owners and receive deposits from subtenants.

8. INCOME TAXES

Significant components of the Company's deferred tax assets and liabilities as of March 31, 2002 and 2003 are as follows:

	Millions of yen		Thousands of U.S. dollars	
	2002	**2003**	2002	**2003**
Deferred tax assets:				
Allowance for loss on sale of real property held for sale	¥ 30,249	**¥ 21,921**	$ 251,654	**$ 182,370**
Unrealized inter-company transactions	6,550	**7,058**	54,489	**58,721**
Allowance for loss on valuation of securities	20,474	**14,100**	170,330	**117,301**
Net operating loss carryforwards	6,769	**5,627**	56,314	**46,818**
Excess allowance for retirement benefits	6,066	**7,430**	50,461	**61,815**
Excess allowance for doubtful accounts	7,174	**6,402**	59,681	**53,261**
Excess accrued employees' bonuses	2,719	**3,479**	22,624	**28,943**
Unrealized gain (loss) on valuation of securities	2,160	**3,185**	17,972	**26,495**
Excess depreciation expense	4,805	**5,748**	39,979	**47,819**
Excess prepaid expense	1,501	**1,208**	12,491	**10,049**
Other	5,708	**11,086**	47,489	**92,231**
Total	¥ 94,175	**¥ 87,244**	$ 783,484	**$ 725,823**
Deferred tax liabilities:				
Deferred gain on sale of land and buildings for tax purposes	¥(31,769)	**¥(33,813)**	$(264,300)	**$(281,304)**
Unrealized loss on valuation of shares held in consolidated subsidiaries	(12,047)	**(12,903)**	(100,226)	**(107,349)**
Unrealized inter-company transactions	(5,637)	**(5,660)**	(46,899)	**(47,088)**
Unrealized gain (loss) on valuation of securities	(133)	**(844)**	(1,104)	**(7,018)**
Consolidation difference in real property	(423)	**(423)**	(3,524)	**(3,524)**
Other	(3,122)	**(3,817)**	(25,967)	**(31,752)**
Total	¥(53,131)	**¥(57,460)**	$(442,020)	**$(478,035)**
Net deferred tax assets	¥ 41,044	**¥ 29,784**	$ 341,464	**$ 247,788**

Significant differences between the statutory tax rate and the Company's effective tax rate as of March 31, 2002 are as follows:

	2002
Statutory tax rate	42.02%
(Adjustments)	
Sale of shares in subsidiaries accounted for by the equity method	0.39
Change in consolidated subsidiaries	(3.48)
Equity in net income of affiliated companies	(3.20)
Other	0.50
Effective tax rate	36.23%

Information as of March 31, 2003 has not been disclosed as the differences are immaterial.

9. EMPLOYEES' RETIREMENT BENEFITS

(1) Outline of retirement plan

The Company has adopted a tax qualified pension plan and lump-sum pension plans as a defined benefit pension plan. The Company has also adopted a retirement benefit trust.

19 consolidated subsidiaries have adopted tax qualified pension plans. 59 consolidated subsidiaries have adopted lump-sum pension plans. One consolidated subsidiary has adopted employees' pension funds.

(2) Details of projected benefit obligation

	Millions of yen		Thousands of U.S. dollars	
	2002	**2003**	2002	**2003**
1. Projected benefit obligation	¥(63,959)	**¥(73,034)**	$(523,752)	**$(607,600)**
2. Fair value of plan assets	31,095	**29,071**	258,698	**241,851**
3. Unaccrued projected benefit obligation (1+2)	(32,864)	**(43,963)**	(265,054)	**(365,749)**
4. Unrecognized actuarial differences	15,082	**23,726**	117,123	**197,384**
5. Unrecognized prior service costs	(579)	**(281)**	(4,820)	**(2,337)**
6. Prepaid pension expenses	—	**(12)**	—	**(100)**
7. Allowance for employees' retirement benefits (3+4+5+6)	¥(18,361)	**¥(20,530)**	$(152,751)	**$(170,802)**

Note: Some consolidated subsidiaries adopt the simple method to calculate projected benefit obligation.

(3) Details of retirement benefit expenses

	Millions of yen		Thousands of U.S. dollars	
	2002	**2003**	2002	**2003**
1. Service costs—benefits earned during the year	¥3,519	**¥3,630**	$29,277	**$30,197**
2. Interest costs on projected benefit obligation	1,867	**1,837**	15,528	**15,281**
3. Expected return on plan assets	(952)	**(816)**	(7,923)	**(6,791)**
4. Amortization of actuarial differences	355	**1,575**	2,958	**13,107**
5. Amortization of net transition obligation	—	**197**	—	**1,640**
6. Amortization of prior service costs	—	**(31)**	—	**(260)**
7. Retirement benefit expenses (1+2+3+4+5+6)	¥4,789	**¥6,392**	$39,840	**$53,174**

Note: Retirement benefit expenses of consolidated subsidiaries adopting the simple method are included in service costs.

(4) Basis for measurement of projected benefit obligation and other items

	2002		2003	
1. Allocation method for the projected retirement benefits	Straight-line method		**Straight-line method**	
2. Discount rates	3.0%		**2.5%**	
3. Expected rates of return on plan assets	3.5%		**3.0%**	
4. Years over which the prior service costs are allocated	1-10 years	Straight-line method over a certain number of years within the average remaining service years	**1-10 years**	**Straight-line method over a certain number of years within the average remaining service years**
5. Years over which the actuarial differences obligations are allocated	5-10 years	Straight-line method over a certain number of years within the average remaining service years	**5-10 years**	**Straight-line method over a certain number of years within the average remaining service years**
6. Years over which the net transition obligation is allocated	—		**1 year**	

10. BANK LOANS AND LONG-TERM DEBT

Bank loans consist mainly of short-term notes and short-term borrowings under the loan agreements. The Company and its consolidated subsidiaries have had no difficulty in renewing such notes and borrowings, when they considered it appropriate to do so.

Long-term debt at March 31, 2002 and 2003 comprised the following:

	Millions of yen		Thousands of U.S. dollars	
	2002	**2003**	2002	**2003**
Long-term loans, principally from banks and insurance companies:				
Loans secured by collateral or bank guarantees	¥ 68,541	**¥ 62,299**	$ 570,230	**$ 518,295**
Unsecured loans	1,053,335	**983,854**	8,763,186	**8,185,141**
	1,121,876	**1,046,153**	9,333,416	**8,703,436**
Bonds and debentures				
Domestic:				
1.4% convertible debentures due 2003	46,242	**46,242**	384,708	**384,708**
2.45% yen notes due 2008	25,000	**25,000**	207,986	**207,986**
1.70% yen notes due 2003	35,000	**35,000**	291,181	**291,181**
3.00% yen notes due 2013	10,000	**10,000**	83,195	**83,195**
1.45% yen notes due 2002	30,000	**—**	249,584	**—**
1.05% yen notes due 2004	10,000	**10,000**	83,195	**83,195**
1.56% yen notes due 2006	10,000	**10,000**	83,195	**83,195**
2.08% yen notes due 2009	10,000	**10,000**	83,195	**83,195**
1.77% yen notes due 2006	10,000	**10,000**	83,195	**83,195**
2.20% yen notes due 2009	10,000	**10,000**	83,195	**83,195**
2.33% yen notes due 2009	10,000	**10,000**	83,195	**83,195**
2.17% yen notes due 2008	5,000	**5,000**	41,597	**41,597**
1.84% yen notes due 2006	10,000	**10,000**	83,195	**83,195**
2.29% yen notes due 2009	10,000	**10,000**	83,195	**83,195**
2.25% yen notes due 2012	5,000	**5,000**	41,597	**41,597**
2.04% yen notes due 2010	10,000	**10,000**	83,195	**83,195**
Overseas:				
6.05% euro yen notes due 2002	20,000	**—**	166,389	**—**
0% convertible bonds with stock acquisition rights due 2010	—	**80,000**	—	**665,557**
	1,388,118	**1,342,395**	11,548,408	**11,168,012**
Less amount due within one year	238,001	**238,881**	1,980,046	**1,987,360**
	¥1,150,117	**¥1,103,514**	$ 9,568,362	**$ 9,180,652**

The following assets were pledged as collateral for secured loans:

	Millions of yen		Thousands of U.S. dollars	
	2002	**2003**	2002	**2003**
Collateralized assets				
Land	¥ 41,753	**¥ 35,300**	$ 347,361	**$ 293,676**
Buildings and structures and others	103,873	**94,303**	864,171	**784,554**
Total	¥145,626	**¥129,603**	$1,211,532	**$1,078,230**

As is customary in Japan, collateral must be given if requested, under certain circumstances, by a lending bank and such bank has the right to offset cash deposited with it against any debt or obligation that becomes due and, in case of default and certain other specified events, against all debt payable to the bank. The Company and its consolidated subsidiaries have never received any such requests nor do they expect that any such request will be made.

The trust deeds, under which the 1.4% domestic convertible debentures were issued, provide for the conversion thereof into shares at the current conversion prices per share of ¥2,220.0.

Terms and conditions of the 0% convertible bonds with stock acquisition rights (“Bonds”) due 2010 are as follows:

Aggregate principal amount	¥80,000,000,000
Denomination	¥ 2,000,000 each
Conversion price	¥1,425 per share
The issue price of the Bonds	100% of the principal amount of the Bonds
Exercise period of stock acquisition rights	From September 17, 2002 to July 16, 2010
Maturity date	July 30, 2010 unless previously redeemed, exercised or cancelled

If the outstanding convertible bonds had been converted at March 31, 2003, 76,970 thousand shares of common stock would have been issued.

The annual maturities of long-term debt at March 31, 2003 were as follows:

	Millions of yen	Thousands of U.S. dollars
2004	¥ 238,881	$ 1,987,360
2005	190,381	1,583,868
2006	153,624	1,278,073
2007	131,483	1,093,866
2008	71,839	597,661
Thereafter	556,187	4,627,184
Total	¥1,342,395	$11,168,012

11. DEPOSITS FROM TENANTS

Deposits from tenants at March 31, 2002 and 2003 comprised the following:

	Millions of yen		Thousands of U.S. dollars	
	2002	**2003**	2002	**2003**
Non-interest-bearing	¥289,584	**¥274,356**	$2,409,183	**$2,282,494**
Interest-bearing	37,776	**33,430**	314,274	**278,117**
	¥327,360	**¥307,786**	$2,723,457	**$2,560,611**
Average interest rate	2.23%	**1.73%**		

The Company and its consolidated subsidiaries generally make lease agreements with tenants under which they receive both interest-bearing deposits and non-interest-bearing deposits from tenants. The non-interest-bearing deposits are not refundable during the life of the lease. The interest-bearing deposits are generally refundable to the tenant in ten equal annual payments commencing in the eleventh year with an interest rate of 1.73% per annum from the beginning of the eleventh year.

12. SHAREHOLDERS' EQUITY

Under the Code, the entire amount of the issue price of shares is required to be accounted for as capital, although a company may, by resolution of its board of directors, account for an amount not exceeding one-half of the issue price of the new shares as additional paid-in capital.

Effective October 1, 2001, the Code provides that an amount equal to at least 10% of cash dividends and other cash appropriations shall be appropriated and set aside as statutory reserves until the total amount of legal reserve and additional paid-in capital equals 25% of common stock. The legal reserve and additional paid-in capital may be used to eliminate or reduce a deficit by resolution of the shareholders' meeting or may be capitalized by resolution of the Board of Directors. On condition that the total amount of legal reserve and additional paid-in capital remains being equal to or exceeding 25% of common stock, they are available for distribution by the resolution of shareholders' meeting. Legal reserve is included in retained earnings in the accompanying financial statements.

The maximum amount that the Company can distribute as dividends is calculated based on the unconsolidated financial statements of the Company in accordance with the Code.

13. MAJOR COMPONENTS OF INTEREST, DIVIDENDS AND MISCELLANEOUS

	Millions of yen		Thousands of U.S. dollars	
Years ended March 31,	2002	**2003**	2002	**2003**
Interest income	¥ 2,042	**¥ 1,376**	$ 16,984	**$11,446**
Dividends income	1,788	**1,993**	14,875	**16,586**
Gain on sale of fixed assets	23,612	**3,687**	196,444	**30,673**
Gain on sale of shares in affiliated companies	585	**90**	4,864	**747**
Gain on sale of investment securities	1,129	**582**	9,395	**4,843**
Compensation received for retirement of property	3,015	**—**	25,085	**—**
Other	3,671	**3,459**	30,544	**28,778**
Total	¥35,842	**¥11,187**	$298,191	**$93,073**

14. MAJOR COMPONENTS OF COSTS AND EXPENSES—OTHER

Years ended March 31,	Millions of yen 2002	Millions of yen **2003**	Thousands of U.S. dollars 2002	Thousands of U.S. dollars **2003**
Provision to allowance for doubtful accounts	¥ 6,491	**¥ 1,963**	$ 53,997	**$ 16,329**
Loss on sale of fixed assets	4,077	**1,494**	33,915	**12,433**
Loss on disposal of fixed assets	418	**5,491**	3,482	**45,680**
Loss on devaluation of other securities	21,296	**20,267**	177,172	**168,608**
Loss on investments in affiliated companies	914	**492**	7,603	**4,094**
Special charge due to a change in estimated useful lives of fixed assets (Note 2 (G))	18,477	**—**	153,720	**—**
Loss on devaluation of real estate for sale	443	**—**	3,693	**—**
Loss on disposal of real estate for sale	—	**1,575**	—	**13,105**
Loss incurred in certain housing project	—	**2,333**	—	**19,408**
Other	14,848	**12,942**	123,525	**107,676**
Total	¥66,964	**¥46,557**	$557,107	**$387,333**

15. INFORMATION OF CERTAIN LEASES

As lessee:

(A) Information on finance leases accounted for as operating leases;

(1) Summary of assumed amounts of acquisition cost, accumulated depreciation and net book value at March 31, 2002 and 2003 of finance leases that do not transfer ownership to the lessee are as follows:

	Millions of yen					
	2002			**2003**		
	Buildings and structures	Machinery and equipment	Total	Buildings and structures	Machinery and equipment	Total
Acquisition cost	¥ 2,211	¥ 9,225	¥11,436	**¥ 2,107**	**¥ 8,602**	**¥10,709**
Accumulated depreciation	555	4,854	5,409	**665**	**4,216**	**4,881**
Net book value	¥ 1,656	¥ 4,371	¥ 6,027	**¥ 1,442**	**¥ 4,386**	**¥ 5,828**

	Thousands of U.S. dollars					
	2002			**2003**		
	Buildings and structures	Machinery and equipment	Total	Buildings and structures	Machinery and equipment	Total
Acquisition cost	$18,395	$76,748	$95,143	**$17,529**	**$71,561**	**$89,090**
Accumulated depreciation	4,620	40,378	44,998	**5,531**	**35,072**	**40,603**
Net book value	$13,775	$36,370	$50,145	**$11,998**	**$36,489**	**$48,487**

(2) Future lease payment inclusive of interest at March 31, 2002 and 2003

	Millions of yen 2002	Millions of yen **2003**	Thousands of U.S. dollars 2002	Thousands of U.S. dollars **2003**
Amount due within one year	¥1,627	**¥1,482**	$13,541	**$12,331**
Amount due after one year	4,400	**4,346**	36,604	**36,156**
Total	¥6,027	**¥5,828**	$50,145	**$48,487**

(3) Lease payment and depreciation equivalent at March 31, 2002 and 2003

	Millions of yen		Thousands of U.S. dollars	
	2002	**2003**	2002	**2003**
Lease payment for the years ended March 31	¥1,932	**¥1,620**	$16,071	**$13,479**
Depreciation	1,932	**1,620**	16,071	**13,479**

(4) Calculation of depreciation equivalent
Assumed depreciation amounts are computed using the straight-line method over the lease terms assuming no residual value.

(B) Future lease payments under operating leases at March 31, 2002 and 2003;

	Millions of yen		Thousands of U.S. dollars	
	2002	**2003**	2002	**2003**
Amount due within one year	¥ 9,282	**¥11,069**	$ 77,222	**$ 92,093**
Amount due after one year	51,549	**62,709**	428,857	**521,703**
Total	¥60,831	**¥73,778**	$506,079	**$613,796**

As lessor:
(A) Information on finance leases accounted for as operating leases;
(1) Summary of assumed amounts of acquisition cost, accumulated depreciation and net book value at March 31, 2002 and 2003 of finance leases that do not transfer ownership to the lessee are as follows:

	Millions of yen					
	2002			**2003**		
	Buildings and structures	Machinery and equipment	Total	Buildings and structures	Machinery and equipment	Total
Acquisition cost	¥ 3,693	¥ 1,106	¥ 4,799	**¥ 3,279**	**¥ 1,791**	**¥ 5,070**
Accumulated depreciation	2,110	559	2,669	**2,064**	**979**	**3,043**
Net book value	¥ 1,583	¥ 547	¥ 2,130	**¥ 1,215**	**¥ 812**	**¥ 2,027**

	Thousands of U.S. dollars					
	2002			**2003**		
	Buildings and structures	Machinery and equipment	Total	Buildings and structures	Machinery and equipment	Total
Acquisition cost	$30,722	$ 9,206	$39,928	**$27,278**	**$14,899**	**$42,177**
Accumulated depreciation	17,557	4,649	22,206	**17,171**	**8,142**	**25,313**
Net book value	$13,165	$ 4,557	$17,722	**$10,107**	**$ 6,757**	**$16,864**

(2) Future rent revenue inclusive of interest at March 31, 2002 and 2003:

	Millions of yen		Thousands of U.S. dollars	
	2002	**2003**	2002	**2003**
Amount due within one year	¥ 665	**¥ 745**	$ 5,535	**$ 6,198**
Amount due after one year	1,381	**1,188**	11,486	**9,886**
Total	¥2,046	**¥1,933**	$17,021	**$16,084**

(3) Rent revenue and depreciation equivalent at March 31, 2002 and 2003:

	Millions of yen		Thousands of U.S. dollars	
	2002	**2003**	2002	**2003**
Lease income for the years ended March 31	¥788	**¥ 897**	$6,556	**$7,465**
Depreciation	537	**1,016**	4,469	**8,449**

(B) Future rent revenue under operating leases at March 31, 2002 and 2003:

	Millions of yen		Thousands of U.S. dollars	
	2002	**2003**	2002	**2003**
Amount due within one year	¥ 26,090	**¥ 25,863**	$ 217,055	**$ 215,164**
Amount due after one year	169,082	**150,275**	1,406,670	**1,250,206**
Total	¥195,172	**¥176,138**	$1,623,725	**$1,465,370**

16. SEGMENT INFORMATION

(1) Leasing

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

(2) Sales of Housing, Office Buildings and Land

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

(3) Construction

Construction of detached housing, apartments; construction contracts for housing development projects (including planning and design).

(4) 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 and asset management services for investors. Mitsui Real Estate Sales, which is mainly involved in this segment, became a wholly owned subsidiary in October 2002, by stock-for-stock transfer.

(5) Property Management

Property management services (including tenant improvement)

(6) Sales of Housing Materials and Merchandise

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

(7) Facility Operations

Operation of hotels and golf courses, etc. The *Skidome SSAWS* (Chiba), part of this segment, was closed in September 2002.

(8) Other

Financing operations for housing loans and leasing business, etc.

	Millions of yen									
Year ended March 31, 2002	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	Elimination or corporate	Consolidated
Revenue from operations:										
Outside customers	¥ 331,501	¥ 336,642	¥ 237,243	¥ 45,743	¥ 67,916	¥ 71,577	¥ 44,968	¥ 16,894	¥ —	¥ 1,152,484
Inter-segment	5,896	—	10,457	9,437	18,485	29,361	590	11,637	(85,863)	—
	337,397	336,642	247,700	55,180	86,401	100,938	45,558	28,531	(85,863)	1,152,484
Costs and expenses (Note)	265,679	309,973	252,929	37,638	78,736	99,596	49,829	27,670	(72,517)	1,049,533
Operating income (loss)	¥ 71,718	¥ 26,669	¥ (5,229)	¥ 17,542	¥ 7,665	¥ 1,342	¥ (4,271)	¥ 861	¥ (13,346)	¥ 102,951
Assets	¥ 1,984,496	¥ 454,826	¥ 60,245	¥ 57,273	¥ 34,802	¥ 48,772	¥ 133,920	¥ 57,920	¥ 196,715	¥ 3,028,969
Depreciation	28,436	400	2,314	687	756	1,212	26,785	4,142	1,286	66,018
Capital expenditures	47,186	363	3,923	934	863	474	3,041	4,089	1,229	62,102

Note: Costs and expenses includes Cost of revenue from operations and Selling, general and administrative expenses.

	Millions of yen									
Year ended March 31, 2003	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	Elimination or corporate	Consolidated
Revenue from operations:										
Outside customers	**¥ 329,671**	**¥335,341**	**¥183,091**	**¥46,504**	**¥69,589**	**¥65,682**	**¥ 40,880**	**¥11,640**	**¥ —**	**¥1,082,398**
Inter-segment	**5,726**	**—**	**9,304**	**10,098**	**17,554**	**32,183**	**263**	**10,451**	**(85,579)**	**—**
	335,397	**335,341**	**192,395**	**56,602**	**87,143**	**97,865**	**41,143**	**22,091**	**(85,579)**	**1,082,398**
Costs and expenses (See Note above)	**268,834**	**302,751**	**192,068**	**45,605**	**79,430**	**97,760**	**44,499**	**19,555**	**(71,400)**	**979,102**
Operating income (loss)	**¥ 66,563**	**¥ 32,590**	**¥ 327**	**¥10,997**	**¥ 7,713**	**¥ 105**	**¥ (3,356)**	**¥ 2,535**	**¥ (14,179)**	**¥ 103,295**
Assets	**¥1,959,853**	**¥454,474**	**¥ 61,104**	**¥32,291**	**¥36,421**	**¥47,925**	**¥119,455**	**¥33,798**	**¥183,749**	**¥2,929,070**
Depreciation	**26,900**	**466**	**1,945**	**671**	**934**	**1,190**	**3,555**	**3,496**	**625**	**39,782**
Capital expenditures	**48,500**	**770**	**2,488**	**983**	**778**	**824**	**3,307**	**2,411**	**1,098**	**61,159**

Year ended March 31, 2002	Thousands of U.S. dollars									
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	Elimination or corporate	Consolidated
Revenue from operations:										
Outside customers	$ 2,757,914	$ 2,800,678	$ 1,973,738	$ 380,557	$ 565,026	$ 595,486	$ 374,108	$ 140,544	$ —	$ 9,588,051
Inter-segment	49,054	—	86,996	78,509	153,785	244,270	4,913	96,805	(714,332)	——
	2,806,968	2,800,678	2,060,734	459,066	718,811	839,756	379,021	237,349	(714,332)	9,588,051
Costs and expenses (Note)	2,210,304	2,578,808	2,104,232	313,125	655,039	828,584	414,554	230,212	(603,301)	8,731,557
Operating income (loss)	$ 596,664	$ 221,870	$ (43,498)	$ 145,941	$ 63,772	$ 11,172	$ (35,533)	$ 7,137	$ (111,031)	$ 856,494
Assets	$ 16,509,946	$ 3,783,910	$ 501,203	$ 476,482	$ 289,537	$ 405,754	$ 1,114,147	$ 481,873	$ 1,636,560	$ 25,199,412
Depreciation	236,569	3,326	19,248	5,717	6,290	10,082	222,838	34,463	10,700	549,233
Capital expenditures	392,564	3,023	32,641	7,769	7,177	3,940	25,300	34,013	10,226	516,653

Note: Costs and expenses includes Cost of revenue from operations and Selling, general and administrative expenses.

Year ended March 31, 2003	Thousands of U.S. dollars									
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	Elimination or corporate	Consolidated
Revenue from operations:										
Outside customers	**$ 2,742,688**	**$2,789,859**	**$1,523,216**	**$386,888**	**$578,944**	**$546,441**	**$ 340,103**	**$ 96,835**	**$ —**	**$ 9,004,974**
Inter-segment	**47,634**	**—**	**77,405**	**84,013**	**146,041**	**267,744**	**2,187**	**86,944**	**(711,968)**	**—**
	2,790,322	**2,789,859**	**1,600,621**	**470,901**	**724,985**	**814,185**	**342,290**	**183,779**	**(711,968)**	**9,004,974**
Costs and expenses (See Note above)	**2,236,552**	**2,518,731**	**1,597,906**	**379,408**	**660,813**	**813,314**	**370,210**	**162,690**	**(594,014)**	**8,145,610**
Operating income (loss)	**$ 553,770**	**$ 271,128**	**$ 2,715**	**$ 91,493**	**$ 64,172**	**$ 871**	**$ (27,920)**	**$ 21,089**	**$ (117,954)**	**$ 859,364**
Assets	**$16,304,933**	**$3,780,978**	**$ 508,356**	**$268,645**	**$303,005**	**$398,712**	**$ 993,801**	**$ 281,181**	**$1,528,692**	**$24,368,303**
Depreciation	**223,796**	**3,876**	**16,181**	**5,582**	**7,772**	**9,902**	**29,577**	**29,081**	**5,198**	**330,965**
Capital expenditures	**403,497**	**6,408**	**20,699**	**8,175**	**6,468**	**6,858**	**27,515**	**20,059**	**9,131**	**508,810**

Japan area accounted for more than 90% of the consolidated revenue of all segments and the total amount of segment assets. Consequently, disclosure of segment information of areas has been omitted.

Overseas sales accounted for less than 10% of the consolidated revenue. Consequently, disclosure of overseas sales information has been omitted.

17. CONTINGENT LIABILITIES

Contingent liabilities at March 31, 2002 and 2003 are as follows:

	Millions of yen		Thousands of U.S. dollars	
	2002	**2003**	2002	**2003**
Loans guaranteed	¥219,502	**¥188,371**	$1,826,143	**$1,567,142**

18. SUBSEQUENT EVENTS

(A) APPROPRIATION OF RETAINED EARNINGS

At the June 27, 2003, the 91st Ordinary General Meeting of Shareholders, the Company's shareholders approved the appropriations of retained earnings of the Company at March 31, 2003 as follows:

	Millions of yen	Thousands of U.S. dollars
Year-end cash dividends at ¥3.5 (U.S. $0.029) per share	**¥2,879**	**$23,950**
Bonuses to directors	**110**	**914**

Independent Auditors' Report

To the Board of Directors of MITSUI FUDOSAN CO., LTD.:

We have audited the accompanying consolidated balance sheets of MITSUI FUDOSAN CO., LTD. and subsidiaries as of March 31, 2003 and 2002, and the related consolidated statements of income, shareholders' equity and cash flows for the years then ended, expressed in Japanese yen. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of MITSUI FUDOSAN CO., LTD. and subsidiaries as of March 31, 2003 and 2002, and the consolidated results of their operations and their cash flows for the years then ended, in conformity with accounting principles generally accepted in Japan as described in Note 1 to the consolidated financial statements.

The consolidated financial statements as of and for the year ended March 31, 2003 have been translated into United States dollars solely for the convenience of the reader. We have recomputed the translation and, in our opinion, the consolidated financial statements expressed in Japanese yen have been translated into United States dollars on the basis set forth in Note 1 to the consolidated financial statements.

Asahi & Co.

Tokyo, Japan
June 27, 2003

Domestic Network

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Chuo-ku, Tokyo 103-0022

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Miyagi 980-0021

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Oita 870-0044

Kumamoto Office
Nishi]ima Mitsui Building
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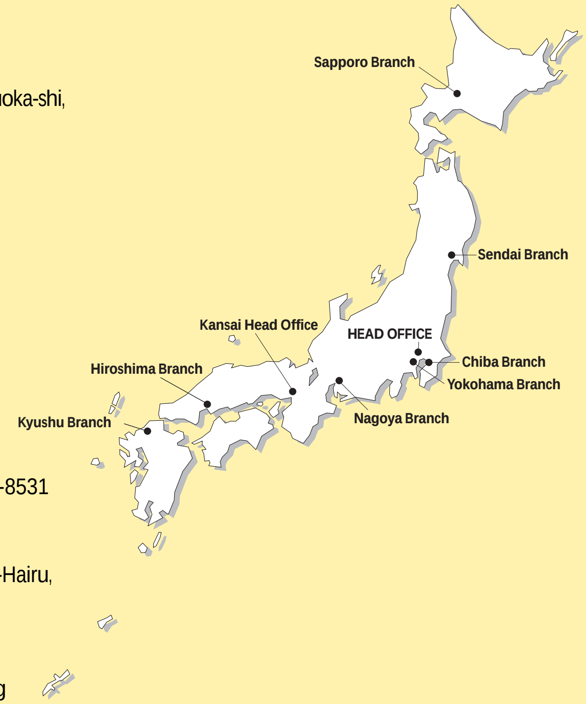
Kumamoto 860-0805



Overseas Network

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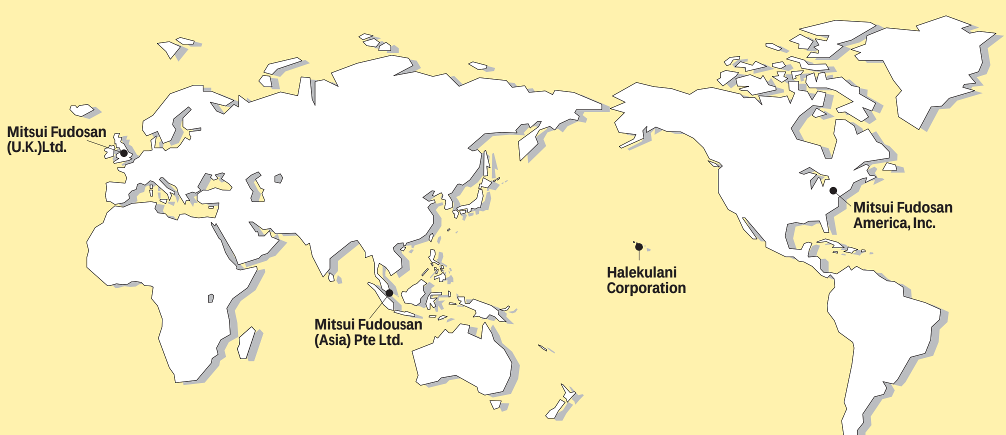

(as of July l, 2003)

Corporate Data (Parent Company)

Mitsui Fudosan Co., Ltd.

Head Office :
1-1, Nihonbashi-Muromachi 2-chome, Chuo-ku, Tokyo, 103-0022, Japan

Date of Establishment :
July 15, 1941

Share Capital :
¥134,433 million

Listing :
Tokyo, Osaka, Sapporo

Number of Shares :
Authorized: 1,770,000,000
Issued and outstanding: 823,390,384

Number of Shareholders :
53,252

Number of Employees :
1,655

URL :
http://www.mitsuifudosan.co.jp/english

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MITSUI FUDOSAN

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