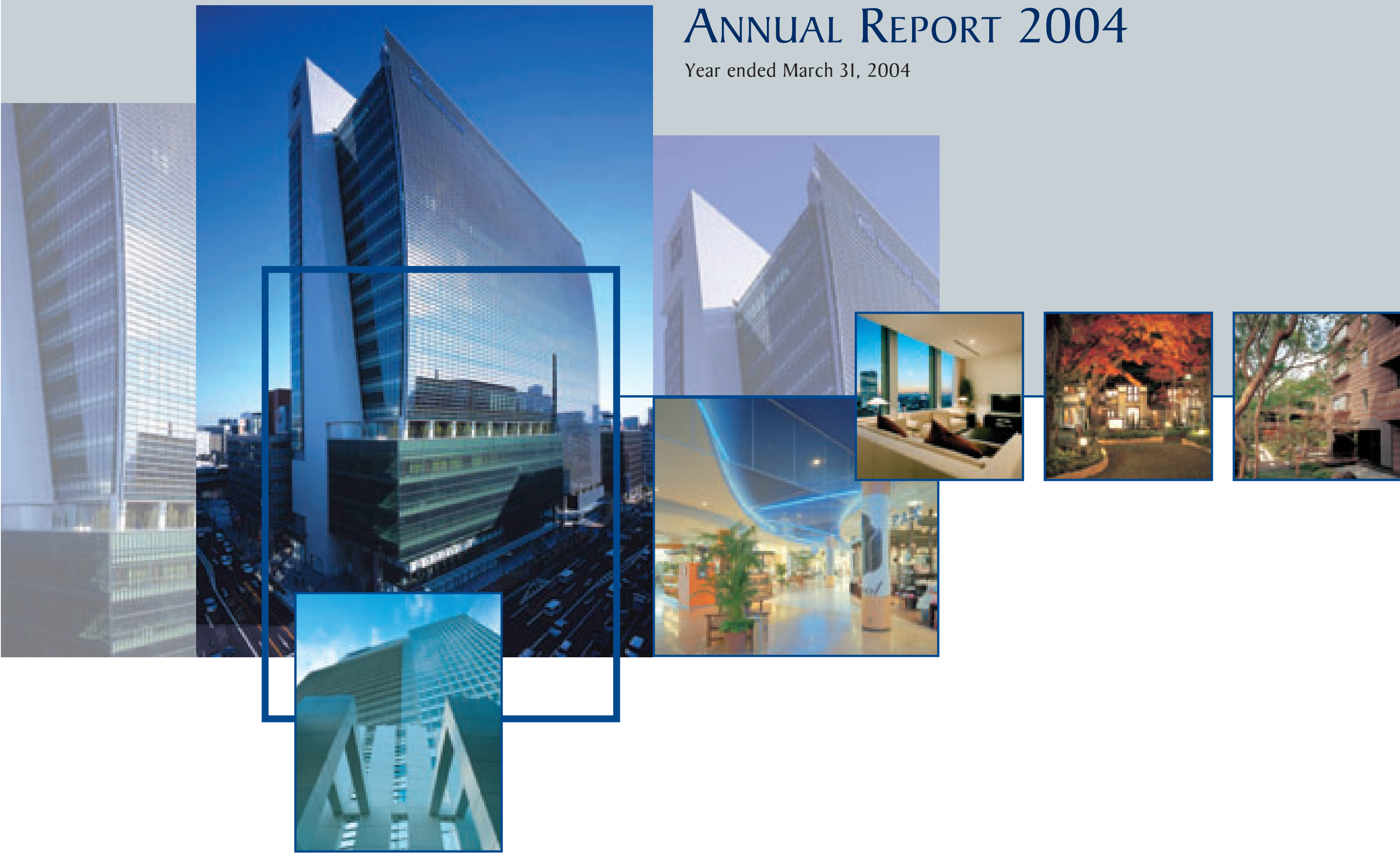
ANNUAL REPORT 2004

Year ended March 31, 2004



MITSUI FUDOSAN CO.,LTD.

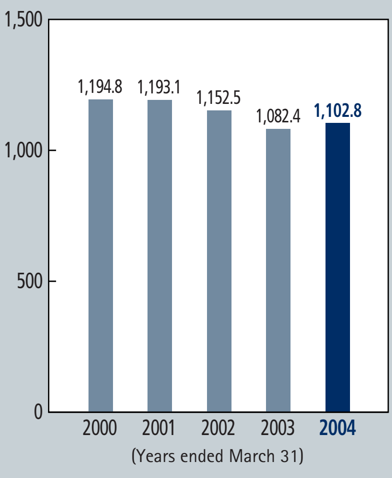
Financial Highlights

Mitsui Fudosan Co., Ltd. and its Subsidiaries
For the years ended March 31, 2004 and 2003

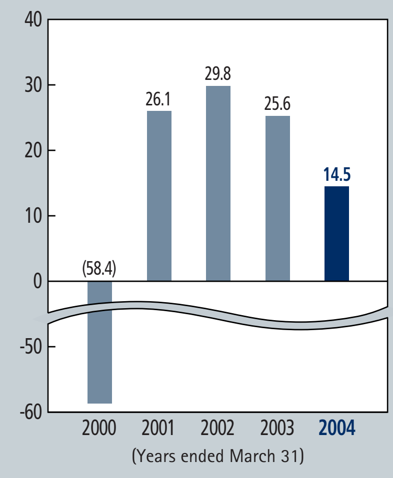
	Millions of yen except per share amounts		% Change	Thousands of U.S. dollars except per share amounts
	2004	2003	2004/2003	**2004**
For the year:				
Revenue from operations	**¥1,102,844**	¥1,082,398	1.9 %	**$10,434,705**
Net income	**14,455**	25,554	(43.4)	**136,768**
As a percentage of revenue from operations	**1.3%**	2.4%	(1.1) pt.	
As a percentage of shareholders' equity	**2.2%**	4.1%	(1.9) pt.	
Free cash flow	**120,478**	57,733	108.7	**1,139,919**
Cash dividends	**5,756**	5,687	1.2	**54,461**
At Year-End:				
Total assets	**¥2,916,583**	¥2,929,070	(0.4)%	**$27,595,638**
Shareholders' equity	**659,165**	628,434	4.9	**6,236,777**
Common stock	**134,433**	134,433	—	**1,271,956**
Number of shareholders	**49,594**	53,252	—	
Number of employees	**12,808**	12,615	(0.9)	
Per Share Data:				
Net income	**¥ 17.5**	¥ 31.1	(43.9)%	**$ 0.166**
Diluted net income	**16.3**	28.9	(43.6)	**0.154**
Cash dividends applicable to the year	**7.0**	7.0	—	**0.066**

Notes: 1. U.S. dollar amounts are translated from yen at the rate of ¥105.69=U.S.$1.00, the approximate exchange rate at March 31, 2004.
2. Revenue from operations in this annual report refers to sales to outside customers unless otherwise noted.

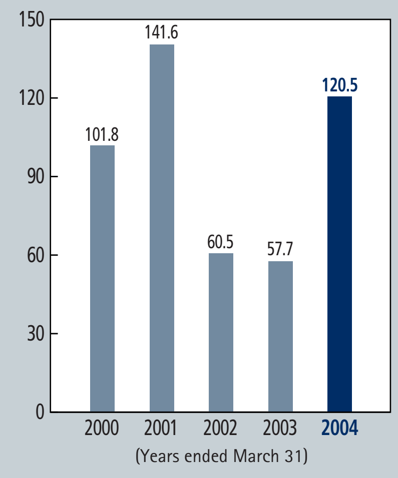
Revenue from Operations
(Billions of yen)



Net Income (Loss)
(Billions of yen)



Free Cash Flow
(Billions of yen)



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A Caution Concerning Forward-looking Statements

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.

Overview of the Mitsui Fudosan Group

- Japan's largest comprehensive real estate group
- Strong cash flow generated by diversified portfolio of properties and businesses
- Clear focus on creating value by providing solutions to end users, originators and investors
- Constantly developing new business models to remain at the forefront of its changing markets
- Emphasizing lower debt levels to improve financial strength

Business	Market and Positioning	Share of Revenue from Operations	Share of Operating Income
Leasing	Over 5 million square meters of total floor space in office buildings and retail facilities, in addition to more than 40 thousand units of rental housing owned and/or managed by Mitsui Fudosan. Superior facilities and outstanding locations, with customer-oriented operations. Occupancy rates in our leasing business remain high.	30.1%	50.6%
Sales of Housing, Office Buildings and Land	Cumulative sales of over 100 thousand residential units, with sales of about 6,000 units annually, including condominiums and detached housing. Attention to excellent living environments and customer asset value. Now involved in developing a variety of properties for sale to investors.	31.8%	26.5%
Construction	Primarily the construction of 2x4 wood-frame homes through listed subsidiary, Mitsui Home Co., Ltd. Integrated construction and planning capabilities, as well as a reputation for quality. Reorganization has reduced costs.	16.4%	1.1%
Brokerage, Consignment Sales and Consulting	Leading position in the real estate brokerage business and in consignment sales of residential housing. Well-experienced in providing various consulting services to originators and investors using a powerful network of relationships with corporate clients. A strategic business because it is less capital intensive.	4.9%	11.3%
Property Management	Well known as a trusted provider of property management services for office buildings, retail facilities and condominiums. Demonstrated success in maintaining and improving the value of properties entrusted by clients. Also a strategic business because it is less capital intensive.	7.0%	8.7%
Sales of Housing Materials and Merchandise	Wholesale and retail sales of housing materials, DIY products, flowers and gardening supplies.	5.6%	0.1%
Facility Operations	Operation of approximately 3,500 hotel rooms in 15 hotels throughout Japan, the Halekulani Hotel and the Waikiki Parc Hotel in Hawaii, and 7 golf courses.	3.4%	—
Other	Financing operations for housing loans, leasing business and other activities.	0.8%	2.1%

Note: Operating income data includes unallocatable eliminations and corporate. See Note 16, page 51 for additional segment information.

An Interview with President and CEO Hiromichi Iwasa

A discussion of Mitsui Fudosan's three core businesses of holding, trading and management, performance in the first year of Challenge Plan 2008, and strategies for generating additional shareholder value.

How did Challenge Plan 2008 create value for stakeholders during the year ended March 31, 2004, the first year of the plan?

Challenge Plan 2008 has already helped Mitsui Fudosan generate value for customers, shareholders and other stakeholders despite a challenging operating environment.

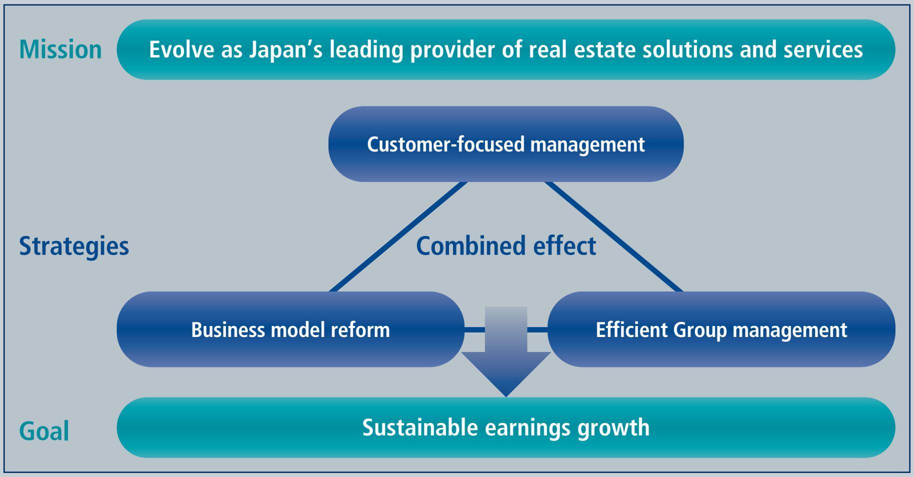
We made good progress during the past fiscal year, the first year of the plan. Consolidated revenue from operations increased 1.9 percent year-on-year, or ¥20.4 billion, to ¥1,102.8 billion. Revenue increased in each of our core operating segments, where we are concentrating resources on businesses in which our competitive advantage is strongest. Operating income increased by ¥6.0 billion to ¥109.2 billion, primarily because of an increase in fee-based income. Net income decreased to ¥14.5 billion because of extraordinary losses, including a devaluation of real property for sale. Despite lower net income, we maintained dividends at ¥7.0 per share.

Hiromichi Iwasa, *Member of the Board, President and Chief Executive Officer*

Challenge Plan 2008

Challenge Plan 2008 is a long-term management plan announced in May 2003 covering the six years from April 2003 to March 2009 (fiscal 2003 — fiscal 2008). It encompasses three core strategies based on our mission of evolving as Japan's leading provider of real estate solutions and services. While maintaining our intense focus on our customers, we will adapt our business model to changing market realities and improve the efficiency of Group company cooperation to achieve our objectives. Our goal is to generate sustainable earnings growth — and shareholder returns.

Mission, strategies and goal



How were results in Mitsui Fudosan's three core businesses of holding, trading and management in the first year of Challenge Plan 2008?

During the past fiscal year, operating income in the holding business decreased. However, we exceeded our operating income projections in the trading and management businesses.

In the holding business, demolition of several major office buildings to make way for reconstruction reduced earnings. In addition, the large supply of new office space that went on the market in 2003 has affected our existing buildings, and contributed to the ¥4.9 billion decrease in operating income from the holding business for the past fiscal year. However, the office building market continues to recover, and we have formulated a package of measures to accomplish in moving toward our goal of operating income of ¥80.0 billion in this business.

Earnings in the trading business increased slightly. We are implementing incremental changes in its profit structure and increasing its weighting as an investor-oriented business. We are reshaping and expanding the trading business to make it a driving force for growth by using our network of end users, investors and originators.

The management business made dramatic progress during the past fiscal year. The success of the Mitsui Fudosan Group in delivering services and solutions to end users, investors and originators increased fee income. The restructuring and consolidation of Group subsidiaries involved in the management business has had a strongly beneficial effect.

In covering what these three business specifically entail, the status of their respective operating environments, and the Mitsui Fudosan Group's strategies for each business during the current fiscal year and beyond, what are your goals for the **holding business**, and how will you achieve them?

In the holding business, we expect growth because of the recovery of the office building market and our project pipeline.

Long-term stable revenues generated from office and retail properties, and asset quality improvement through replacement, reconstruction and renovation characterize the holding business.

The operating environment for the office building business appears to be improving measurably and returning to a more normal state. While large-scale buildings put in operation by other companies substantially increased

We are targeting operating income of ¥160 billion while reducing total assets to ¥2,700 billion. Growth in development and management operations will be one key to success. We also intend to consistently reduce interest-bearing debt, with a target of reducing the debt/equity ratio to 1.2 times, which will be key to maintaining a solid financial structure.

Quantitative consolidated targets

	FY 2008 (Targets)	FY 2003	FY 2002
Revenue from operations	¥1,300.0 billion	**¥1,102.8 billion**	¥1,082.4 billion
Operating income	¥160.0 billion	**¥109.2 billion**	¥103.3 billion
Operating income margin	12.3%	**9.9%**	9.5%
Operating cash flow	¥130.0 billion	**¥141.6 billion**	¥118.5 billion
Total assets	¥2,700.0 billion	**¥2,916.6 billion**	¥2,929.1 billion
Interest-bearing debt	¥990.0 billion	**¥1,321.5 billion**	¥1,397.2 billion
ROA*	6.0%	**4.1%**	3.8%
Debt/Equity ratio**	1.2	**2.0**	2.2

* ROA = (Operating income + Non-operating income) / Total assets at fiscal year-end
** Debt/Equity ratio = Interest-bearing debt / Shareholders' equity

supply in the Tokyo metropolitan area during the first half of fiscal 2003, vacancies gradually decreased and the leasing market began to recover from the second half of fiscal 2003. The performance of tenant companies improved, and we have already begun to see increased demand for space among the more successful companies. On a parent company basis, our vacancy rate for office buildings in the Tokyo metropolitan area as of March 31, 2004 was 4.4 percent, and we project further improvement by March 2005 based on the reduced amount of floor space we have to market.

In addition to the start of operation of new buildings, rental revenue at existing buildings is stabilizing. As a result, we project a recovery in earnings from the second half of the current fiscal year. Moreover, we will complete a series of projects under Challenge Plan 2008, and our project pipeline supports our favorable outlook.

Mitsui Fudosan has fully leased the approximately 800,000 square meters of new floor space it put into operation from spring 2002 to the completion of the Nihonbashi 1-Chome Building in January 2004. This performance indicates that with the base of trust of our broad network of tenant companies we can achieve the objectives of Challenge Plan 2008. We have also begun fortifying our sales organization for the new large-scale office buildings that we will be completing.

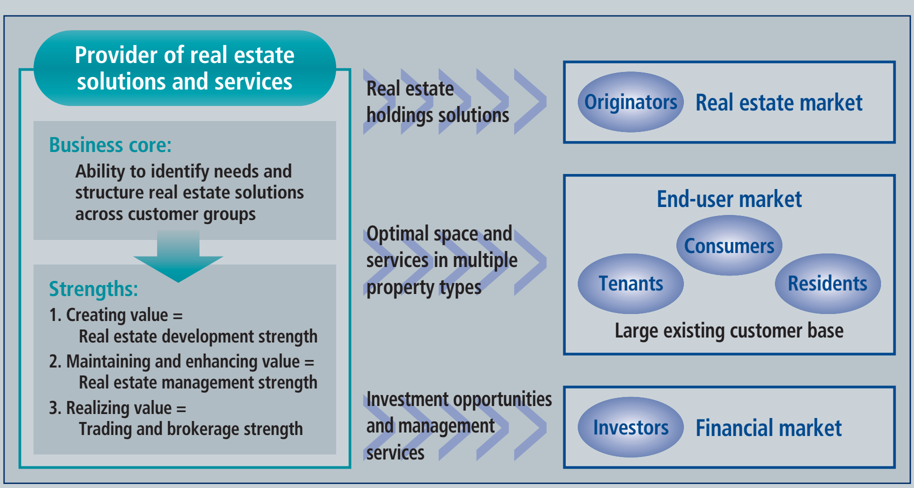
What is the status of the retail facilities business, a key component of the holding business?

The retail facilities business is a Mitsui Fudosan strength, and we intend to generate substantial growth in it.

Since opening the Tokyo Bay LaLaport shopping center in 1981, we have been developing retail facilities in various locations throughout Japan, and strengthening our retail facility management know-how and our network of relationships with retail tenant companies. We have also developed outlet malls in six locations, thus creating a new type of facility configuration that allows tenant companies to raise supply chain efficiency, which has strengthened our relationships with tenants. In addition, we have developed a variety of facility configurations with features that suit the communities they serve, including super-regional shopping centers, the Lifestyle Park series and central business district retail facilities. Over the years, we have developed a wide array of facilities using a broad range of techniques in working with our network of originators. In particular, we have used fixed-term leaseholds in aggressively expanding our retail facility business. These sorts of businesses have a high return on investment, and increase return on assets.

CHALLENGE PLAN 2008

Mitsui Fudosan's business model



Our business model positions us at every stage of the real estate value chain, from development to trading, brokerage and management. It allows us to make use of our comprehensive strengths to both build established operations and capture emerging market opportunities. This business model also ensures that we have access to every major group of real estate market participants. Our prominent brand will be a key factor supporting effective implementation of this model.

Looking forward, Mitsui Fudosan plans to continue opening facilities that contribute to revenue and earnings by using our strong network of originators to make proposals for projects such as making effective use of formerly industrial land. This will enhance our pipeline of large-scale projects.

What does the **trading business** entail, what is the status of the operating environment for this business, and where is it headed during the current fiscal year and beyond?

Quality properties coupled with expertise and a broad network of relationships will support growth in serving both end users and investors.

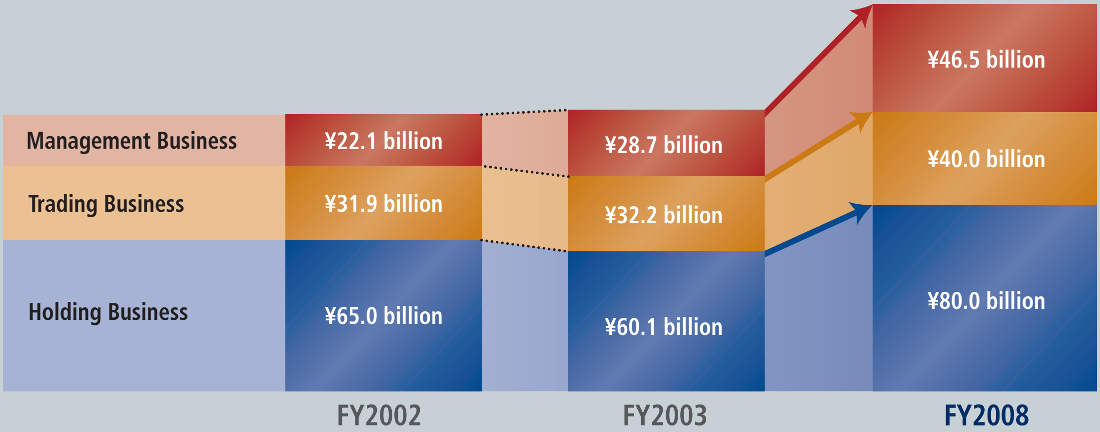
The trading business entails capital gains in the near and medium term from sales of developed properties, including the sale of condominiums and detached houses to individual clients; the development and sale of office, retail and residential properties to real estate investors; and the sale of assets held in private funds. The opportunities presented by Japan's growing real estate investment markets are significant.

In the business of developing residential housing for sale to end users, more than 80,000 units annually have come onto the condominium market of the Tokyo metropolitan area since 1999. At the same time, the needs of customers acquiring housing have moved to a higher level and diversified. As a result, the balance among location, product planning and price has become even more crucial, and will remain central in the future. In this operating environment, Mitsui Fudosan is emphasizing high quality and profitability with the aim of stably supplying 5,000 to 5,500 condominium units and 800 to 1,000 detached houses annually. Our tasks include reducing sales expenses and increasing operating margins. We are therefore restructuring our approach to sales for greater efficiency.

The operating environment for the business of developing properties for sale to investors is characterized by a desire among corporations and financial institutions to scale back assets. Moreover, investors are increasingly interested in quality properties. Mitsui Fudosan is deploying its operating expertise and network of relationships to answer these needs. In the investor-oriented trading business, we aim to achieve profitable growth through quantitative expansion. In the year ended March 31, 2004, we generated earnings from the Park Axis and other projects, and from other innovative approaches to the real estate investment market.

We project further growth by linking the development and sale of housing to end users and the solidly growing business of developing properties for sale to investors. Controlling overall segment investment and return will be key to achieving our objective under Challenge Plan 2008 of operating income of ¥40.0 billion in this business.

Operating income targets for core businesses



How has Mitsui Fudosan structured its value-up type trading and asset management business and what is the outlook for this business?

Flexibly structured deals will generate capital gains and move Mitsui Fudosan smoothly along the value chain from flow business to stable fee business.

We invested heavily in our value-up type trading and asset management business during the past fiscal year, and project that it will contribute to performance in the future. In our value-up type trading business, we add value to assets and sell them to investors. We aim to provide good investment opportunities to investors and to enjoy capital gains from the assets. This part of the business model is the so-called flow business. After that, however, by providing asset management services to the investors, we successively shift our position in the value chain from the flow business to the stable fee business. This business represents one of the techniques we are using to implement business model reform under Challenge Plan 2008.

Our information network and ability to provide solutions to originators is the starting point from which we use our expertise in real estate selection to acquire business opportunities. We create flexibly structured deals that accommodate the needs of originators and potential investors and the features of particular buildings and parcels of land. We then add value in numerous ways to the assets acquired from originators to create investment products with enhanced appeal to investors. Specific examples of the ways we enhance the value of assets include using our development capabilities not only to create new buildings, but also to renovate buildings and convert them to new uses, and using our management skills to raise occupancy and streamline administrative costs. Once investors have acquired the assets we have enhanced, we then provide high-level asset and property management services that maintain and increase the value of the asset into the future. Expansion in such assets under management will serve to increase our earnings in the management business.

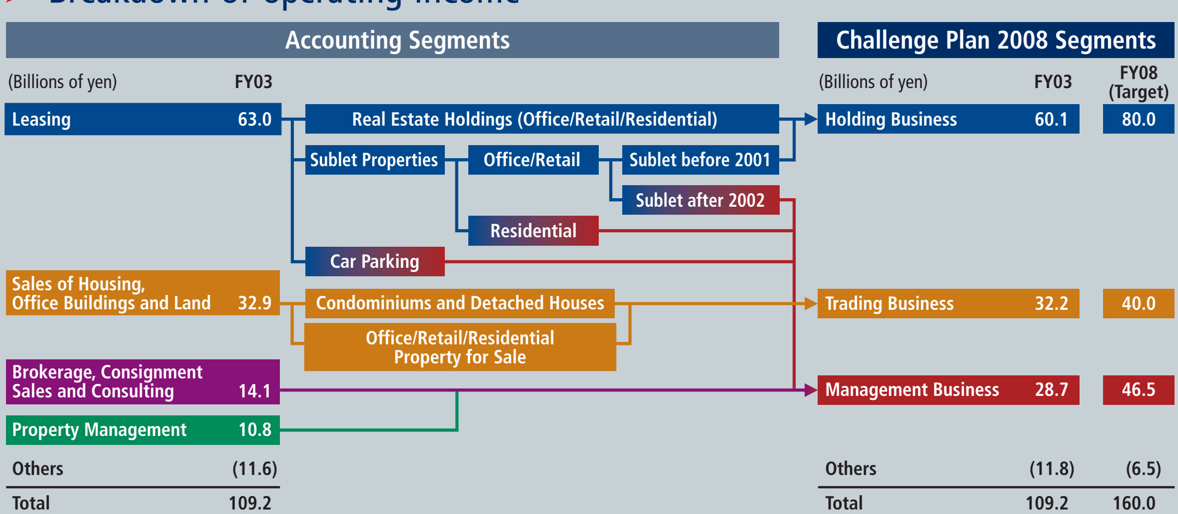
What does the **management business** entail, what is the status of the operating environment for this business, and where is it headed during the current fiscal year and beyond?

The management business is a key component of our drive to generate earnings from our expertise in making our business less capital intensive.

The management business entails fee income generated from a full range of management services, including brokerage, consulting, master leases, project management, and asset and property management. This

CHALLENGE PLAN 2008

Breakdown of operating income



business is professional expertise intensive rather than capital intensive. We aim to generate growth in this business by increasing originator and investor assets under management. The balance of assets under management as of March 31, 2004 totaled ¥1.44 trillion. The fee income from assets under management accounted for approximately ¥10 billion of the ¥28.7 billion in operating income from the management business. Our target is assets under management totaling ¥3 trillion by the end of March 2009, and we expect growth in the value-up type trading business to contribute to this increase. We moved to raise efficiency throughout the Mitsui Fudosan Group during the past fiscal year by implementing a functional reorganization that addressed the need for an efficient allocation of operating responsibilities among the Group subsidiaries included in the management business.

The residential housing brokerage services for individuals and the corporate brokerage services of Mitsui Real Estate Sales Co., Ltd. contributed strongly to the increase in operating income from the management business during the year ended March 2004. In addition, we expect a significant increase in the contribution from the business of subleasing office buildings, retail facilities and rental housing, and the car-park leasing business in the future.

Financial integrity and efficient operations will be critical to future success. How is Mitsui Fudosan improving its financial structure and raising management efficiency to support the interests of shareholders?

A key step has been further strengthening our sound financial structure, with the goal of improving our ability to flexibly structure our overall exposure to risk for maximum return.

Interest-bearing debt totaled ¥1.3 trillion as of March 31, 2004. We have been reducing interest-bearing debt consistently, and exceeded the targets we set at the beginning of the past fiscal year. We also increased shareholders' equity and reduced our debt-to-equity ratio to 2.0 times as well.

Japan's economy is recovering, and we are continuing to implement the initiatives contained in Challenge Plan 2008 to further strengthen our financial structure so that we can continue to aggressively pursue our many business opportunities while insulating the Company against interest rate increases.

On the other hand, off-balance-sheet liabilities have increased. The active real estate investment market has created a substantial increase in investment opportunities for Mitsui Fudosan. We have used special purpose companies (SPCs) to introduce capital from investors. Our net equity investments in SPCs on the balance sheet as of March 31, 2004 totaled approximately ¥105 billion. We have complemented equity investment with loans to cover the property acquisition costs of investment vehicles, which resulted in off-balance-sheet liabilities totaling approximately ¥215 billion. While this debt is not on Mitsui Fudosan's balance sheet, we are monitoring it in an investment management approach that combines off-balance-sheet liabilities with on-balance-sheet equity investment. We will also continue to appropriately disclose off-balance-sheet liabilities in the future.

What are Mitsui Fudosan's main initiatives and objectives for the current fiscal year?

We will further accelerate execution of the three core strategies of Challenge Plan 2008.

While new businesses such as the trading and management business for the real estate investors' market generated solid growth and contributed to earnings, our existing office building and condominium businesses require further effort. Challenge Plan 2008 encompasses three core strategies: customer-focused management, business model reform and efficient Group management. Our strategic focus is not limited to new growth opportunities, but also includes rapidly re-engineering existing businesses.

Our objective is to generate stable returns for shareholders as we further associate the Mitsui Fudosan brand with customer and client satisfaction, innovation and quality. I would like to thank our shareholders and other stakeholders for their support. We look forward to continuing to earn that support as we evolve as a leading provider of real estate solutions and services.

Nihonbashi 1-Chome Building
(Completed in January 2004 / 98,063m²)

An Invigorating Atmosphere...

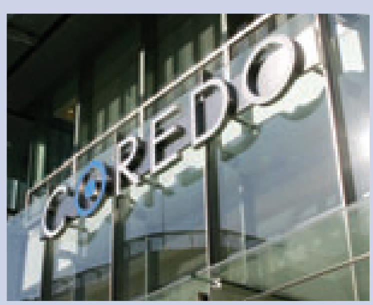
The Nihonbashi 1-Chome Building, a striking multipurpose office and retail facility developed with strong partners, is a new landmark completed in January 2004. Featuring a plaza and atrium to invigorate and refresh occupants, the curved glass façade also enhances the use of natural light to provide a comfortable working environment. Office tenants appreciate the incorporation of the latest security, earthquake resistance and information technologies.

LEASING

The Mitsui Fudosan brand encompasses more than five million square meters of total floor space under management in office buildings and retail facilities as well as more than 40,000 units of rental housing, offering superior environments for living, working and shopping.

...A Reinvigorating Influence

COREDO Nihonbashi, the retail facility at the Nihonbashi 1-Chome Building, has become a popular shopping destination that has revitalized its environs. A redevelopment on a site that had been occupied by an aging department store, the facility connects Nihonbashi's long history as a shopping and cultural district with a stylish present. COREDO Nihonbashi's 33 restaurants, boutiques and other stores add appeal to the building — and vitality to the shopping experience.



Results

Leasing segment revenue for the fiscal year ended March 31, 2004 increased 0.8 percent year-on-year, or ¥2.7 billion, to ¥332.4 billion. New office buildings and properties in operation for a full year contributed to revenue growth, supported by the Company's strengths in marketing. The car-park leasing business operated by a subsidiary also secured strong orders and increased revenue. Demolition of several major existing office buildings to make way for reconstruction, however, restrained growth in revenue, as did decreased revenue from existing buildings. Segment operating income decreased 5.3 percent year-on-year, or ¥3.5 billion, to ¥63.0 billion. Factors in the decline included the decrease in revenue associated with the reconstruction projects under way during the fiscal year, and an increase in floor space that was temporarily unleased due to tenant changeover.

On a consolidated basis including overseas operations, the vacancy rate for office buildings and retail facilities was 5.0 percent as of March 31, 2004, compared to 6.0 percent on March 31, 2003 and September 30, 2003. The vacancy rate of Tokyo metropolitan area office buildings on a parent basis as of March 31, 2004 improved to 4.4 percent from 5.4 percent a year earlier and 5.8 percent in September 2003.

Office Buildings

Mitsui Fudosan centers its office building business on the concept of placing "workers first." Office buildings serve as the base of operations for corporate activities. Buildings that are designed with a focus on the people who work in them contribute to tenant operating efficiency and effective worker relationships.

The Company's office buildings are located in a variety of areas according to multiple core and multiple area strategies. Throughout Japan's urban areas, and especially in Tokyo's central business district, 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. The Mitsui Fudosan Group meets these needs by offering a wide variety of options ranging from large corporate head office buildings to small office space.

Performance benefited from the full-year contribution of the Garden Air Tower (Chiyoda-ku, Tokyo), which was completed in February 2003, and the Jimbocho Mitsui Building (Chiyoda-ku, Tokyo), completed in March 2003 as a part of urban redevelopment in the culturally rich Jimbocho area. Through these and other projects, we create office buildings with enduring value that support both their neighboring communities and tenants.

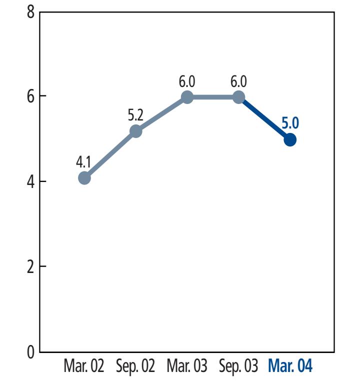
Newly completed projects also contributed to results. Roppongi T-Cube (Minato-ku, Tokyo), a mixed-use residential and office property, was fully leased. Operation of the Nihonbashi 1-Chome Building (Chuo-ku, Tokyo) began in January 2004. This uniquely designed office building with sophisticated technologies includes a retail facility, COREDO Nihonbashi.

Mitsui Fudosan moved forward with new projects under construction, such as the Toranomon Kotohira Tower (Minato-ku, Tokyo). We also made steady progress in the Ginza 8-Chome project (tentative name; Chuo-ku, Tokyo), which is a reconstruction of the predecessor Ginza Mitsui Building. Moreover, the former Mitsui-East Number 3 Building is under reconstruction in the Muromachi Mitsui Shinkan Building project (tentative name; Chuo-ku, Tokyo), a cutting-edge high-rise building complex. The project is designed to complement the historical ambience of the Mitsui Main Building, and to provide the latest in office functions to satisfy the needs of global corporations. The Muromachi Mitsui Shinkan Building will also include a Mandarin Oriental Hotel and will enhance the new prosperity of the area.

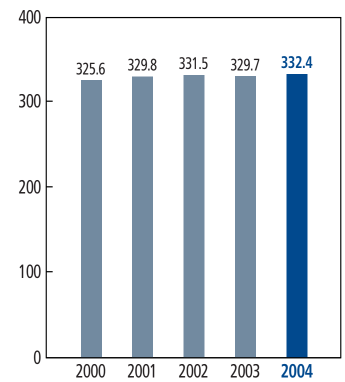
Retail Facilities

Mitsui Fudosan operates approximately 50 retail facilities throughout Japan and maintains relationships with over 1,000 client companies and a wide range of originators, including regional public entities. Mitsui Fudosan frequently works with originators using fixed-term leaseholds, which serve to limit its initial capital outlays for developing retail facilities and increase its return on assets (ROA). Since the 1981 opening of Tokyo-Bay LaLaport (Funabashi-shi, Chiba Prefecture), the first large-scale suburban shopping center in Japan, Mitsui Fudosan has created exciting retail space that is

Vacancy Rate for Office Buildings and Retail Facilities
(%)

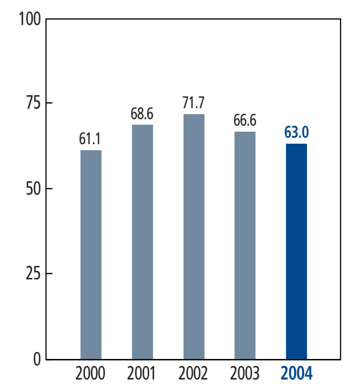


Revenue from Operations
(Billions of yen)



(Years ended March 31)

Operating Income
(Billions of yen)



(Years ended March 31)

LALA Garden Tsukuba
(Completed in March 2004 / 22,218m^2)

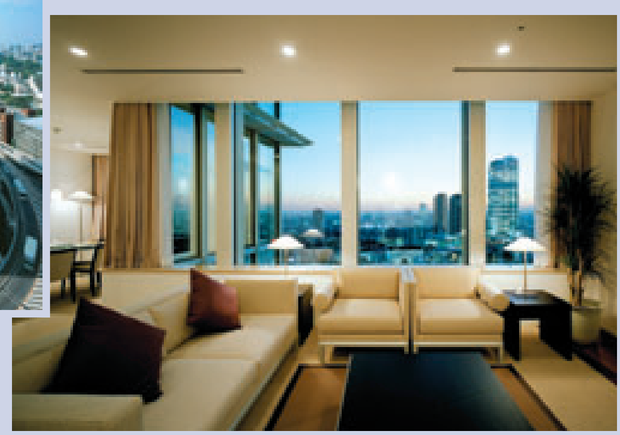
New Concepts in Shopping

Opened in March 2004, LALA Garden Tsukuba embodies the Mitsui Lifestyle Park concept of a shopping center encompassing small and medium-sized retail spaces that serves as a place for the community to gather and communicate. Designed for 62 tenants, the facility creates a city center for Tsukuba, a planned city that is home to many research facilities. Families appreciate the inviting atmosphere and convenient access to everyday goods and special luxuries in one location.

Roppongi T-Cube
(Completed in September 2003 / 61,807m^2)

A Modern, Multipurpose Office Complex

A joint development between Samsung Japan Corporation and Mitsui Fudosan , Roppongi T-Cube was completed in September 2003. This multipurpose complex incorporates serviced apartments and retail facilities around a core of leased office space. Roppongi T-Cube is located in the heart of the vibrant Roppongi district, which is gaining attention as a new business center.



Muromachi Mitsui Shinkan Building (tentative name) and Mitsui Main Building
(Muromachi Mitsui Shinkan Building: Scheduled for completion in September 2005 / 133,855m^2. Mitsui Main Building: Completed in June 1929 / 36,225m^2)

Combining the Old and the New

This project juxtaposes the modern architecture of the Muromachi Mitsui Shinkan Building with the Mitsui Main Building, a Registered Important Cultural Property in Nihonbashi, a center of history, culture and industry.

Years ended March 31	2004		2003	
	Floor space (m^2)	Revenue (Millions of yen)	Floor space (m^2)	Revenue (Millions of yen)
Office buildings and retail facilities:				
Owned	**1,877,654**		1,839,819	
Managed	**1,434,888**		1,404,963	
Total	**3,312,542**	**¥259,396**	3,244,782	¥259,029
	Units	Revenue (Millions of yen)	Units	Revenue (Millions of yen)
Residential:				
Owned	**274**		373	
Managed	**44,671**		42,169	
Total	**44,945**	**¥ 49,295**	42,542	¥ 46,730
		Revenue (Millions of yen)		Revenue (Millions of yen)
Other		**¥ 23,689**		¥ 23,912
Total revenue		**¥332,380**		¥329,671
Operating income		**¥ 63,017**		¥ 66,563

in step with diversifying lifestyles, including the development of Japan's first factory outlet mall in Osaka in 1995. Since then, the Company has developed a total of six outlet malls through 2002, demonstrating the appeal of outlet shopping to the general public.

Adding to its portfolio of shopping centers that offer new lifestyle proposals and generate a high return on investment, the Company opened TREAGE Shirahata (Fujisawa-Shi, Kanagawa Prefecture) in April 2003. It was the first in the Mitsui Lifestyle Park series of unique retail facilities that contain numerous small and medium-sized shopping complexes. Mitsui Fudosan expanded this series by opening LALA Garden Tsukuba (Tsukuba-shi, Ibaraki Prefecture) in March 2004. LaLa Terrace Minamisenju (Arakawa-ku, Tokyo), another in the series, opened soon after in April 2004. The potential markets for this shopping center format in Japan are numerous, and Mitsui Fudosan expects steady expansion in this sector.

Urban shopping centers remain an important strategic focus. COREDO Nihonbashi (Chuo-ku, Tokyo) opened within the Nihonbashi 1-Chome Building during the past fiscal year. The Kojun Building in Ginza (Chuo-ku, Tokyo), another urban shopping center, will open in September 2004.

Exemplifying a strategic focus on super-regional shopping centers, Mitsui Fudosan also opened Stellar Town, one of the largest shopping centers in Saitama Prefecture. Another retail project currently under development is the tentatively named Koshien Shopping Center (Nishinomiya-shi, Hyogo Prefecture). This project, which will open in November 2004, is representative of Mitsui Fudosan's ability to create compelling proposals for prospective tenants and shoppers alike as this shopping center also has an entertainment facility where customers can enjoy themselves.

Leased Housing and Other

The Mitsui Fudosan Group has built a solid position in the leased housing business and operated 44,945 units as of March 31, 2004. This business is based on 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 clarified 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. These businesses supported revenue growth during the past fiscal year.

The Leasing segment also includes the car-park leasing business of Mitsui Real Estate Sales, which entails the management of parking facilities and is a growing business that contributed to revenue gains. In this business, the Mitsui Fudosan Group typically works with an originator in creating a profitable, immediate solution for idle land assets.

LaLa Terrace Minamisenju
(Completed in April 2004 / 13,385m^2)

Opened in April 2004 as a Mitsui Lifestyle Park, LaLa Terrace Minamisenju is an open mall on a human scale with 31 tenants.

Stellar Town
(Completed in April 2004 / 141,621m^2)

One of the largest shopping centers in Saitama Prefecture, Stellar Town opened in April 2004 to meet the needs of its residential area with style.

Park City Tokyo Bay Shin-Urayasu
(Two buildings completed in March 2004 and one scheduled for completion in March 2005, totaling 701 units)

Theme Town by the Sea

Minutes from both Tokyo and the Tokyo Disney Resort, Park City Tokyo Bay Shin-Urayasu offers residents the opportunity to live in a "Theme Town" in a park-like setting by the sea while allowing easy access to central Tokyo. The condominiums are designed to appeal to the needs and tastes of modern urban families and to flexibly accommodate changing stages of life. Park City Tokyo Bay Shin-Urayasu embodies enduring value and comfortable living.

SALES OF HOUSING, OFFICE BUILDINGS AND LAND

Sales of condominiums and detached houses are a core business in the Tokyo metropolitan area and throughout Japan. The Mitsui Fudosan Group also utilizes its broad expertise and relationships in packaging properties as investments.

Shibuya Garden Front
(Completed in September 2003 / 23,288m²)

New Ways of Creating Value

Completed in September 2003, this cutting-edge office building in a developing business district near Shibuya Station in Tokyo also represents a cutting-edge growth strategy for Mitsui Fudosan. After developing the building in cooperation with a major life insurance company, Mitsui Fudosan sold the property to Nippon Building Fund Inc., and is now generating a steady revenue stream from managing the property under contract.

Sales of Housing, Office Buildings and Land

Results

Sales of Housing, Office Buildings and Land segment revenue for the fiscal year ended March 31, 2004 increased 4.6 percent year-on-year, or ¥15.4 billion, to ¥350.8 billion. The volume of residential unit sales to individuals increased 6.1 percent year-on-year, or 368 units, to 6,407 units. We sold 5,566 condominium units and 841 detached houses. The Company's balance of completed inventories at the end of March 2004 totaled 480 units, a year-on-year decrease of 125 units. Mitsui Fudosan sold an office building and four rental condominium buildings to investors under various arrangements during the past fiscal year. Segment operating income increased 1.1 percent year-on-year, or ¥0.3 billion, to ¥32.9 billion.

Sales of Housing to Individuals

Mitsui Fudosan plays a leading role in creating attractive and comfortable living environments in the Tokyo metropolitan area and throughout Japan. The fundamental strategy of the housing business is based on a customer-oriented perspective that incorporates a detailed understanding of customer desires and opinions in supplying condominiums and detached houses.

High-rise condominium projects delivered and accounted for in operating revenue during the past fiscal year included Aoyama Park Tower (Shibuya-ku, Tokyo), which generated strong unit sales. Park City Tokyo Bay Shin-Urayasu (Urayasu-shi, Chiba Prefecture) has proved popular among families because it accommodates changes in lifestyle in accordance with lifestages and enhances family relationships. In detached housing operations, Mitsui Fudosan has developed the Fine Court brand concept that matches the preference for urban living among a significant segment of home buyers. Unit sales of the the Fine Court series have totaled 4,000 over the past decade. During the past fiscal year, sales at Fine Court Mitaka (Mitaka-shi, Tokyo) and Fine Court Fuchu Southern Fort (Fuchu-shi, Tokyo) benefited from the clearly defined approach to product development and marketing for this brand.

Mitsui Fudosan consistently gathers feedback from consumers for use in designing housing projects they will want to purchase. 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, several product development initiatives are further strengthening the Company's customer-centric perspective.

Positioned at the upper end of the housing market, Mitsui Fudosan emphasizes quality under a program that considers 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. This approach has aligned the Mitsui Fudosan brand with quality and enduring asset value in the minds of prospective housing customers.

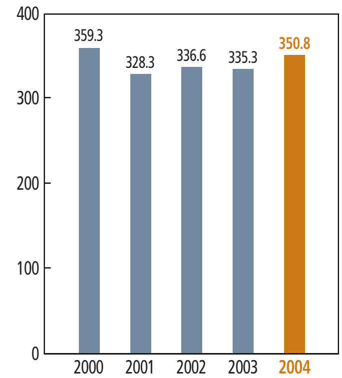
The Mitsui Fudosan Group Condominium Academy deepens employees' knowledge of every stage of product development, sales, and management. Jointly organized with Mitsui Real Estate Sales Co., Ltd. and Mitsui Fudosan Housing Services Co., Ltd., this program continues to support customer satisfaction by refining service quality.

Sales of Office Buildings, Retail Facilities and Other Properties to Investors

The appeal of office buildings, retail facilities, and rental housing to investors has been increasing recently because when properly managed, these types of properties generate reliable cash flow. The Mitsui Fudosan Group utilizes its expertise in information gathering and network formation and capitalizes on its professional skills in development and management to package properties as investments. The Company emphasizes meeting the expectations of investors and earning their trust.

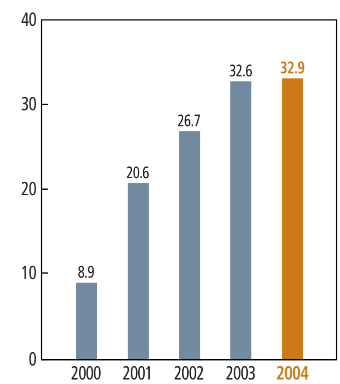
Sales of properties to investors were solid during the past fiscal year. Mitsui Fudosan sold Shibuya Garden Front (Shibuya-ku, Tokyo), an

Revenue from Operations
(Billions of yen)

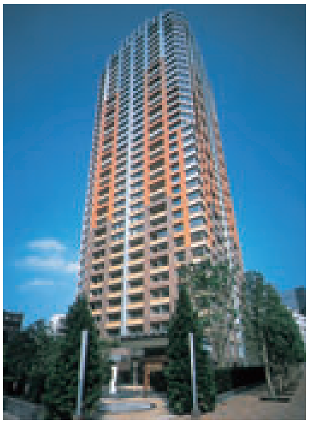


(Years ended March 31)

Operating Income
(Billions of yen)



(Years ended March 31)



Aoyama Park Tower
(Completed in May 2003 / 314 units)

Strongly appealing as a cutting-edge urban condominium building, Aoyama Park Tower is a luxurious, high-end development that displays Mitsui Fudosan's expertise in earthquake resistance, anti-aging and environmental conservation in a super-high-rise condominium tower.

Years ended March 31	2004			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	655	¥ 35,117	¥53.6	709	¥ 39,872	¥56.2
Other	186	4,574	24.6	212	7,112	33.5
Total	841	¥ 39,691	¥47.2	921	¥ 46,984	¥51.0
Condominiums: Tokyo metropolitan area	3,934	¥204,201	¥51.9	3,514	¥117,226	¥50.4
Other	1,632	49,973	30.6	1,604	51,416	32.1
Total	5,566	¥254,174	¥45.7	5,118	¥228,642	¥44.7
Total housing sales: Tokyo metropolitan area	4,589	¥239,318	¥52.2	4,223	¥217,098	¥51.4
Other	1,818	54,547	30.0	1,816	58,528	32.2
Total	6,407	¥293,865	¥45.9	6,039	¥275,626	¥45.6
Other sales revenue: Land		¥ 28,893			¥ 28,583	
Buildings		28,004			31,132	
Total		¥ 56,897			¥ 59,715	
Total revenue		¥350,762			¥335,341	
Operating income		¥ 32,937			¥ 32,590	

office building, to the Nippon Building Fund, Inc., a J-REIT. The Company also packaged and sold to investors four rental housing properties, including Park Axis Minami Azabu (Minato-ku, Tokyo) and Park Axis Azabu Sendaizaka (Minato-ku, Tokyo).

In this business, Mitsui Fudosan works with originators that seek to lighten the asset side of their balance sheets. The Company recorded dividends allocated in proportion to its equity investment in such projects during the past fiscal year. Mitsui Fudosan expects to generate further growth in this business by fully deploying its know-how and expertise.

Fine Court Mitaka
(46 units)

Mitsui Fudosan puts its expertise in creating beautiful living environments to use in its Fine Court series of detached housing, offered primarily in the Tokyo metropolitan area.

Park Axis Minami Azabu
(Completed in February 2003 / 64 units)

The Park Axis series of rental condominiums, all in excellent Tokyo locations, is designed for a diverse array of lifestyles.

CONSTRUCTION

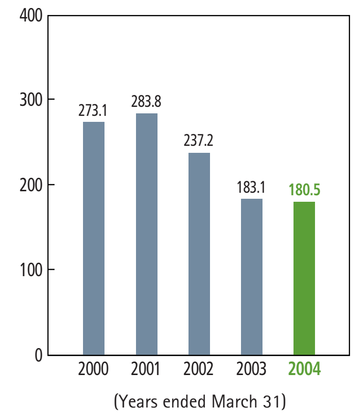
Results

Revenue for the Construction segment decreased 1.4 percent year-on-year, or ¥2.6 billion, to ¥180.5 billion. Segment operating income increased ¥1.0 billion to ¥1.3 billion. The Group company responsible for this business, Mitsui Home Co., Ltd. executed a sweeping reform program that reduced cost of revenues and selling, general and administrative expenses. In addition, the specialized company that Mitsui Home created in 2002 to handle its remodeling business, Mitsui Home Remodeling Co., Ltd., contributed to improved earnings through revenue gains.

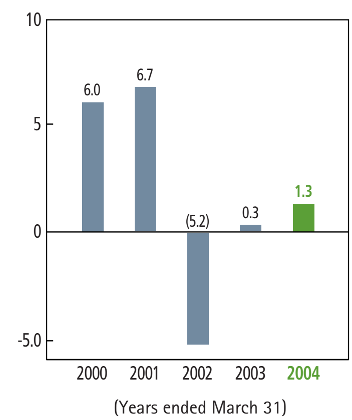
Review

Mitsui Home Co., Ltd. is one of the leaders in Japan in constructing two-by-four wood-frame homes. The company takes orders mainly for the construction of individual houses and flats. Reduced contract volume in a challenging market, however, has put pressure on segment revenue and earnings. Mitsui Home has responded with a comprehensive reform program that has generated strong results and a return to profitability. Aside from the cost reductions mentioned above, the program entailed revising the Mitsui Home's organizational structure while further strengthening brand power and improving customer satisfaction.

Revenue from Operations
(Billions of yen)



Operating Income
(Billions of yen)



Orders, Order Backlogs and Project Completions

(Millions of yen)

Years ended March 31	2004	2003
Orders: Work-on-hand at beginning of period	¥ 90,944	¥ 90,701
Orders during period	141,666	149,041
Total	¥232,610	¥239,742
Project completions	¥143,764	¥148,798
Work-on-hand at end of period	¥ 88,846	¥ 90,944

Projects

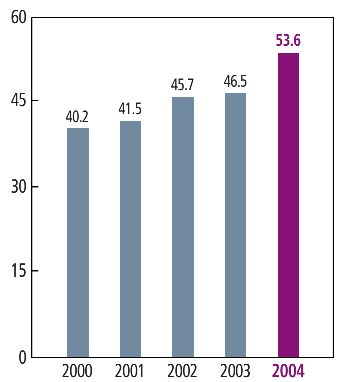
(Millions of yen)

Years ended March 31	2004	2003
Orders: Project completions	¥143,764	¥148,798
Work-on-hand at end of period:		
Total	¥ 88,846	¥ 90,944
Work in progress	8,911	12,993
As a percentage of work-on-hand at end of period	10.0%	14.3%
Projects during period	¥139,682	¥147,408

Note: Includes Mitsui Home Co., Ltd., but does not include subsidiaries of Mitsui Home Group.

BROKERAGE, CONSIGNMENT SALES AND CONSULTING

Revenue from Operations
(Billions of yen)



(Years ended March 31)

Results

Revenue for the Brokerage, Consignment Sales and Consulting segment increased 15.2 percent year-on-year, or ¥7.1 billion, to ¥53.6 billion. The increase in revenue was primarily the result of strong growth in brokerage transaction volume at the Group company primarily responsible for this business, Mitsui Real Estate Sales Co., Ltd. Consulting operations also generated solid gains in fee revenue from project management and investment management services. Segment operating income increased 28.0 percent, or ¥3.1 billion, to ¥14.1 billion.

Review

The Brokerage, Consignment Sales and Consulting segment is central to Mitsui Fudosan's ability to achieve the targets of Challenge Plan 2008 in evolving as a comprehensive provider of real estate solutions and services.

Mitsui Real Estate Sales has the leading brokerage share in Japan's residential housing secondary market. This strength is based on a nationwide network of 234 brokerage offices as of March 2004. Corporate brokerage is a rapidly growing area because of increasing demand among corporations to lighten the asset side of their balance sheets. Mitsui Real Estate Sales became a wholly owned consolidated subsidiary, after which it assumed responsibility for Mitsui Fudosan's corporate brokerage business in April 2003.

In addition, Mitsui Real Estate Sales builds on strong synergy with Mitsui Fudosan's condominium operations, and employs its well-developed marketing and operating capabilities in handling consignment sales of condominiums on behalf of a number of client companies as well.

In consulting services, Mitsui Fudosan manages various projects, providing investors and owners with expertise and specialized knowledge in real estate development. Projects completed during the past fiscal year include Shiodome Media Tower (Minato-ku, Tokyo), which was completed in July 2003 on

Tokyo Mid-Town Project
(Grand opening scheduled for Spring 2007 / 566,000m^2)

A New International Gateway

Under redevelopment with domestic partners on a former Defense Agency site in Roppongi, Tokyo, the Tokyo Mid-Town Project will create an attractive venue for work, pleasure, home life and relaxation. Mitsui Fudosan is the manager of this project, which will encompass office, retail, residential and cultural facilities, and will include a Ritz-Carlton hotel. Four hectares of parkland surround the complex.

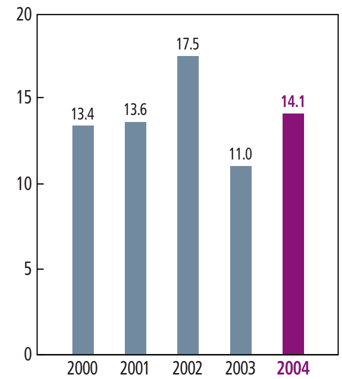
Years ended March 31	2004		2003	
	Units	Revenue (Millions of yen)	Units	Revenue (Millions of yen)
Brokerage	28,499	¥37,919	24,885	¥29,406
Consignment sales	7,632	9,173	7,682	10,578
Consulting	—	6,493	—	6,520
Total revenue	—	¥53,585	—	¥46,504
Operating income	—	¥14,078	—	¥10,997

behalf of Kyodo News; and Roppongi T-Cube (Minato-ku, Tokyo), a mixed-use office and residential complex completed in September 2003 on behalf of Samsung Japan.

Other projects under way include the Tokyo Mid-Town Project (Minato-ku, Tokyo), which is scheduled for completion in spring 2007. In the Minami Aoyama 1-Chome Housing Complex Reconstruction Project, Mitsui Fudosan structured a consortium and will create an integrated complex incorporating public housing and private facilities. Mitsui Fudosan is also providing consulting services in connection with the Akasaka 5-Chome TBS Redevelopment Project. Management of these projects will deploy the capabilities of Group companies.

J-REITs and other real estate investment businesses are an increasingly important area of operations that offer opportunities for growth in revenue and earnings. Nippon Building Fund Management Ltd. offers fund management services on a consignment basis, acting on behalf of Nippon Building Fund Inc. In addition, the Company provides brokerage services for office buildings that Nippon Building Fund may decide to purchase. Moreover, Mitsui Fudosan Investment Advisors, Inc. provides investors with asset management services and other arrangement and coordination services. In April 2004, Mitsui Fudosan also set up Mitsui Gemstone Fund I, a value-added private real estate investment fund that serves institutional investors, including domestic pension funds. As the fund's investment and asset manager, Mitsui Fudosan also receives fee income.

Operating Income
(Billions of yen)



(Years ended March 31)

Shiodome Media Tower
(Completed in July 2003 / 66,488m^2)

Adding Value to a Client's Head Office

Kyodo News, a cooperative news organization, needed a head office that maximized its value, and turned to Mitsui Fudosan for solutions. As a project manager, Mitsui Fudosan created a plan that entailed developing the high-tech Shiodome Media Tower, an office and hotel complex, on a superb site in central Tokyo on behalf of Kyodo. Upon completion of the complex in July 2003, Mitsui Fudosan was selected as the property manager.

Property Management

Results

Revenue for the Property Management segment increased 11.3 percent year-on-year, or ¥7.9 billion, to ¥77.5 billion. New property management contracts for large-scale buildings that Mitsui Fudosan developed, such as Shiodome City Center (Minato-ku, Tokyo), Jimbocho Mitsui Building (Chiyoda-ku, Tokyo) and Shiodome Media Tower (Minato-ku, Tokyo) supported the gain in revenue. Segment operating income increased 40.6 percent, or ¥3.1 billion, to ¥10.8 billion as a result of the increase in revenue.

Review

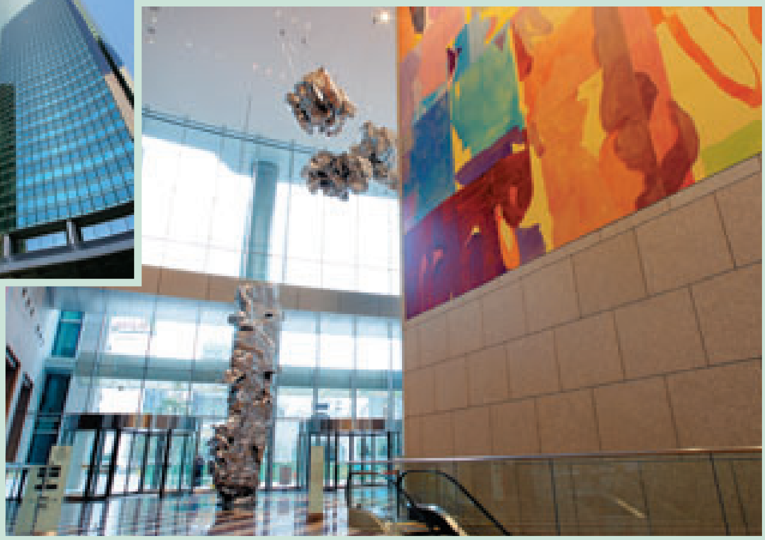
The Mitsui Fudosan Group provides office management services mainly through Group companies Mitsui Fudosan Building Management Co., Ltd. and Daiichi Seibi Co., Ltd. Other Group companies involved in property management include Mitsui Fudosan Housing Services Co., Ltd., which manages condominiums developed by Mitsui Fudosan, and Lalaport Co., Ltd., which manages retail facilities. This business also draws strength from the comprehensive skills portfolio of the Mitsui Fudosan Group covering property management, leasing management and other areas. At the same time, property management operations provide opportunities for Mitsui Fudosan to listen to clients and learn their needs, which provides valuable feedback supporting the development and marketing of compelling properties.

As in the case of the Brokerage, Consignment Sales and Consulting segment,

Shiodome City Center
(Completed in January 2003 / 211,641m^2)

Fee Business Maximizes Benefits

Completed in early 2003, Shiodome City Center is a large-scale, mixed-use redevelopment project in which joint ownership with Alderney Investments Pte. Ltd., an affiliate of the Government of Singapore Investment Corporation Pte. Ltd., minimized Mitsui Fudosan's initial outlays and increased fee revenue. Mitsui Fudosan is currently handling property and asset management responsibilities including tenant leasing.



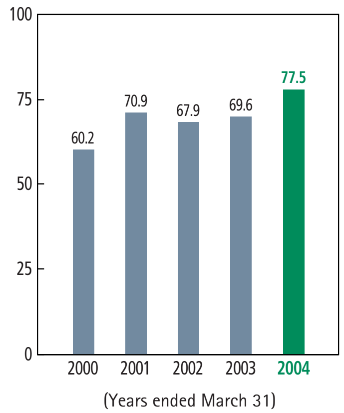
Mitsui Fudosan has designated Property Management as a strategic segment because of its role in increasing fee-based revenue and earnings under Challenge Plan 2008. The Company is therefore further raising the quality and cost competitiveness of its service to increase segment earnings, while retaining and strengthening the trust of owners and investors.

Mitsui Fudosan's property management services for office buildings embrace the Company's "workers first" principle with the goal of creating and maintaining a working environment that is safe and comfortable for office workers. Services encompass providing fundamental infrastructure quality including air conditioning, power and communication systems. Security, janitorial services, environmental friendliness and amenities are also important factors. Moreover, interior office construction, assisting in tenant preparations to move into a space, and floor layout changes are other components of the Company's comprehensive portfolio of property management services. Primary emphases in serving property owners include preserving and improving asset value, restoring spaces to their original status when a tenant moves out, and repair and maintenance services. Mitsui Fudosan also provides property management services for retail and residential facilities with the same commitment to assisting tenants and property owners.

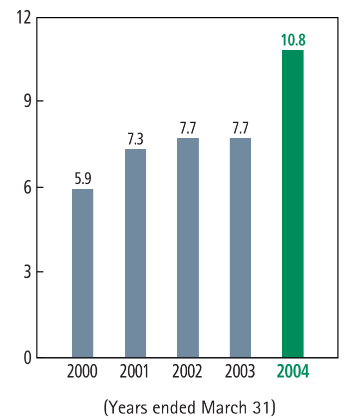
(Millions of yen)

Years ended March 31	2004	2003
Revenue:		
Property management	¥51,512	¥47,242
Tenant improvement	25,970	22,347
Total revenue	¥77,482	¥69,589
Operating income	¥10,844	¥ 7,713

Revenue from Operations
(Billions of yen)



Operating Income
(Billions of yen)



Sales of Housing Materials and Merchandise

(Millions of yen)

Years ended March 31	2004	2003
Revenue:		
Housing materials	¥19,956	¥21,336
Merchandise	41,813	44,346
Total revenue	¥61,769	¥65,682
Operating income	¥151	¥ 105

Results

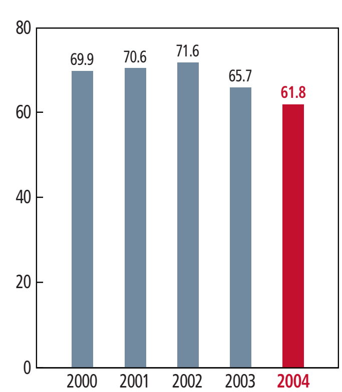
Segment revenue decreased 6.0 percent year-on-year, or ¥3.9 billion, to ¥61.8 billion. Consumer spending remained lackluster during the past fiscal year, and revenues decreased as a result of the divestiture of the supermarket operations of Uni Living Co., Ltd. Segment operating income, however, increased to ¥0.2 billion, primarily due to recovery in Mitsui Home's material processing and sales business.

Review

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

Revenue from Operations

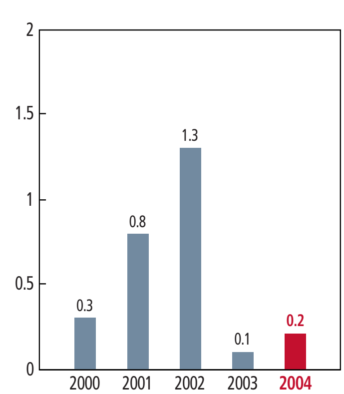
(Billions of yen)



(Years ended March 31)

Operating Income

(Billions of yen)



(Years ended March 31)

Facility Operations

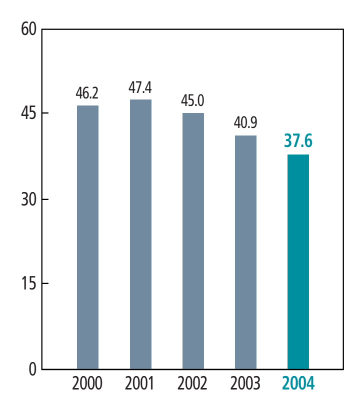
Years ended March 31
Revenue:
Hotels
Other
Total revenue
Operating income (loss)

Results

Segment revenue decreased 8.0 percent year-on-year, or ¥3.3 billion, to ¥37.6 billion. The discontinuation of LaLaport Ski Dome SSAWS in September 2002 has depressed revenue in this segment, and an unfavorable domestic and international environment during the past fiscal year restrained travel, which reduced hotel occupancy rates and revenue from hotel operations. Segment operating loss totaled ¥0.5 billion, compared to an operating loss

Revenue from Operations

(Billions of yen)



(Years ended March 31)

(Millions of yen)

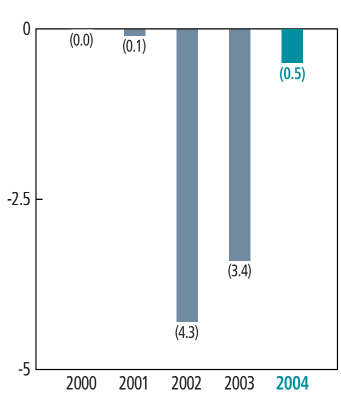
	2004	2003
....	¥24,486	¥25,664
....	13,144	15,216
....	¥37,630	¥40,880
....	¥ (527)	¥ (3,356)

of ¥3.4 billion for the previous fiscal year due to the closure of the unprofitable LaLaport Ski Dome SSAWS.

Review

The Garden Hotel chain comprises approximately 3,500 rooms in 15 hotels throughout Japan. Hotel operations also include the Halekulani Hotel in Honolulu, Hawaii, which is highly rated for the quality of its hospitality. In Japan, the Group manages seven golf courses.

Operating Income (Loss)
(Billions of yen)



(Years ended March 31)

OTHER

(Millions of yen)

Years ended March 31	2004	2003
Revenue:		
Finance and lease	¥1,583	¥ 2,029
Other	7,150	9,611
Total revenue	¥8,733	¥11,640
Operating income	¥2,591	¥ 2,535

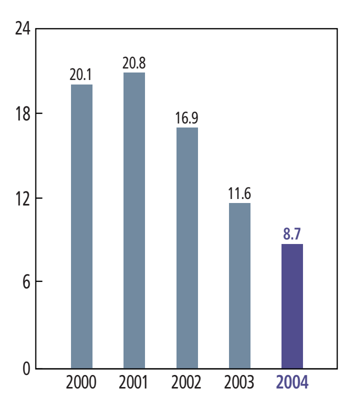
Results

Segment revenue decreased 25.0 percent year-on-year, or ¥2.9 billion, to ¥8.7 billion. Segment operating income increased 2.2 percent to ¥2.6 billion.

Review

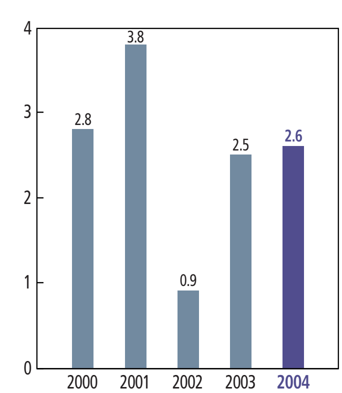
Mitsui Home Linkage Co., Ltd. provides bridging finance to the customers of Mitsui Home and engages in finance and lease business. Mitsui Fudosan Loan Guarantee Co., Ltd. provides home loan guarantees.

Revenue from Operations
(Billions of yen)



(Years ended March 31)

Operating Income
(Billions of yen)



(Years ended March 31)

Corporate Governance

An approach to corporate governance based on ensuring sound, transparent and efficient management.

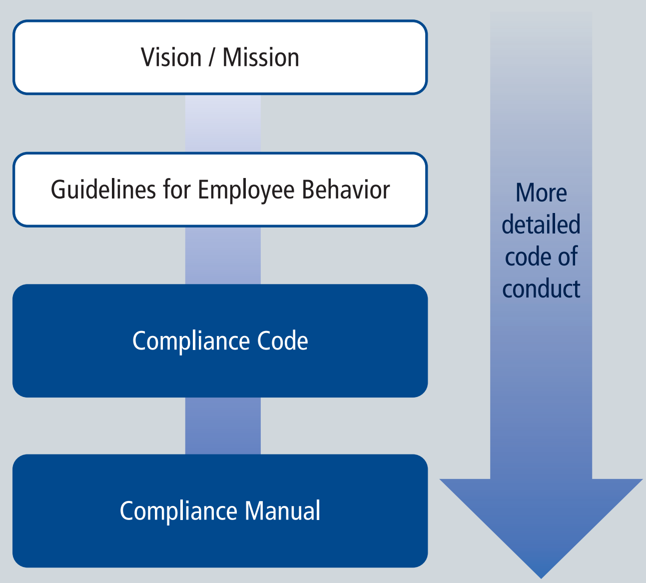
An Efficient, Effective Organization

Mitsui Fudosan's corporate officer system separates management and executive functions to create a business execution system that can flexibly accommodate both the Company's capabilities and the changing operating environment. The corporate officer system supplements the responsibilities of the Board of Directors by enhancing Group decision-making, thus supporting the integrity and efficiency of management. In addition, Mitsui Fudosan reduced the number of directors to eight during the past fiscal year to allow greater flexibility in the decision-making process.

Mitsui Fudosan employs a system of autonomous corporate auditors to ensure transparency and objective evaluation of management. Three of the five members of the Board of Corporate Auditors are from outside the Company to enhance objectivity. Our corporate governance system also benefits from the Advisory Committee, which provides management with the diverse perspectives of external experts from academia and business.

Strengthening Compliance

Circumspect compliance is essential to maintaining the trust of stakeholders and society and achieving the goals of Challenge Plan 2008 in strategic areas such as asset management. A member of the Board of Directors is responsible for overseeing compliance. This director chairs a Compliance Committee that ensures full understanding of and compliance with relevant rules and regulations. Activities include managing the compliance code for employee behavior and the compliance manual detailing operating rules, regulations, and other matters.



MANAGEMENT (As of June 29, 2004)

Left : Hiromichi Iwasa, Right : Jun-Ichirō Tanaka

Seated, from left: Osamu Ogawa, Yotaro Hayashi, Koichi Omuro
Standing, from left: Tatsuo Soda, Kazuichi Nagata, Takayuki Namae

Members of the Board

Chairman of the Board
Jun-Ichirō Tanaka

President and
Chief Executive Officer
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
Nobumi Tobari
Ken-Ichi Kamiya
Ken Fujii
Akira Watanabe

Officers

President and
Chief Executive Officer
Hiromichi Iwasa

Executive Vice President
Yotaro Hayashi

Senior Executive Officers
Koichi Omuro
Osamu Ogawa
Kazuichi Nagata

Executive Officers
Takayuki Namae
Tatsuo Soda
Yuji Yokoyama
Mitsuhiro Matsumoto
Minoru Satou
Kuniaki Ikeya
Yoshiki Kageyama

Officers
Shigeo Sasaki
Takayoshi Saito
Takao Iwadou
Masayuki Isobe
Teruaki Ueyama

CORPORATE SOCIAL RESPONSIBILITY

CSR is a core management theme for Mitsui Fudosan, which conducts vigorous environmental and social contribution activities.

Environmental Activities

Mitsui Fudosan's Environmental Policy has codified the Company's serious commitment to harmonious coexistence with the environment by establishing goals and plans based on a clear understanding of the impact of corporate activities. We aim to continually improve our contribution through aggressive measures to conserve the global environment by working to reduce ecological impact and to prevent pollution. When necessary, we employ independent standards, based on strict observance of relevant laws. Mitsui Fudosan also employs an environmental management system that includes environmental accounting. We conduct open communication with communities and society through disclosure of relevant information via the Internet and other media. Ongoing education programs promote awareness of environmental issues among all employees.

Environmental Accounting

Mitsui Fudosan applies environmental accounting to all buildings it owns and manages in its Office Building Division. The system is linked to the Company's financial management system to permit automatic evaluation of the impact of environmental costs and refinement to examine them on a per-unit basis. The environmental accounting system has improved awareness of ecological considerations and prompt cost-efficient responses.

Reduction of Hazardous Materials

Mitsui Fudosan has standardized its high-grade, low-formaldehyde building materials as part of its commitment to people's health in offering condominiums and detached houses. In addition, Mitsui Fudosan has built a framework for compliance with environment-related laws and ordinances to reduce the use of hazardous materials. Measures include rigorous control of polychlorinated biphenyl, chlorofluorocarbons and halons.

CO_2 Emission Reduction

As part of efforts to reduce the volume of CO_2 emissions, we are vigorously implementing such measures as the introduction of energy-saving equipment and systems and the development of buildings with longer lives. We are also aggressive in developing buildings that incorporate ample green spaces both on the ground and on rooftops.

Waste Reduction

Mitsui Fudosan recycles used paper and tile carpet. This annual report is printed with 100% recycled paper utilizing used OA paper collected from office buildings managed by Mitsui Fudosan. In addition, Mitsui Fudosan separates and collects waste construction materials at building sites with the aim of reusing these materials to the greatest extent possible.

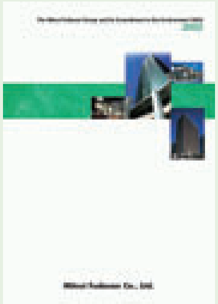
Recycling efforts include tile carpet used in Mitsui Fudosan buildings.

Eco Life Support and Environmental Improvement

Under our Eco Life Support program, we are encouraging individuals to participate in environmental conservation. Regular communication with customers through newsletters and handbooks provides numerous suggestions for meaningful support for environmental conservation that individuals can do without trouble. We have also developed Eco Life Support products such as electric meters that help people manage energy use and automatic switches to turn off power to selected appliances at night. Mitsui Fudosan is also creating systems that allow people to participate in the separation and collection of refuse in offices.

Environmental Communication and Support

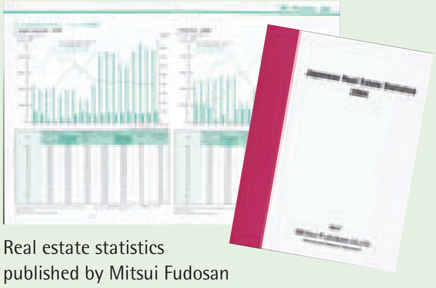
Mitsui Fudosan communicates its environmental policies and activities to society through means such as the Company's environmental reports. In addition, Mitsui Fudosan strives to raise the environmental awareness of each employee by providing environment-related education. We also contribute to environmental organizations and support the efforts of volunteers.



The Mitsui Fudosan Group publishes an environmental report.

Social and Communication Activities

Mitsui Fudosan contributes to its local community and the urban environment by providing financial support for Metrolink Nihonbashi, an electric bus that offers free shuttle service in Nihonbashi, Tokyo's primary business and commercial district. Moreover, Mitsui Fudosan has published statistics on real estate and related issues since 1977. Mitsui Fudosan's sponsorship of annual events includes the Tokyo Summer Festival, which introduces music from around the world, and the Sumida River Fireworks, one of the most famous fireworks displays in Tokyo.



Real estate statistics published by Mitsui Fudosan

Mitsui Fudosan provides support for the Metrolink Nihonbashi electric shuttle bus.

Mitsui Fudosan sponsors the annual Sumida River Fireworks in Tokyo.

SIX-YEAR SUMMARY

Mitsui Fudosan Co., Ltd. and its Subsidiaries

	Millions of yen except per share amounts						Thousands of U.S. dollars except per share amounts
Years ended March 31,	**2004**	2003	2002	2001	2000	1999	**2004**
FOR THE YEAR:							
Revenue from operations	**¥1,102,844**	¥1,082,398	¥1,152,484	¥1,193,081	¥1,194,837	¥1,140,242	**$10,434,705**
Interest, dividends and miscellaneous	**11,652**	11,187	35,842	61,205	16,565	9,426	**110,247**
Costs and expenses (including tax)	**1,103,241**	1,070,613	1,163,972	1,226,612	1,274,736	1,205,625	**10,438,462**
Equity in net income (loss) of affiliated companies	**3,535**	2,905	3,301	510	4,768	(663)	**33,447**
Minority interests	**(335)**	(323)	2,152	(2,072)	148	20,826	**(3,169)**
Net income (loss)	**14,455**	25,554	29,807	26,112	(58,418)	(35,794)	**136,768**
AT YEAR-END:							
Total assets	**¥2,916,583**	¥2,929,070	¥3,028,969	¥2,846,467	¥2,991,203	¥3,202,426	**$27,595,638**
Shareholders' equity	**659,165**	628,434	609,536	411,097	395,132	492,591	**6,236,777**
Common stock	**134,433**	134,433	134,433	134,433	134,433	134,433	**1,271,956**
Number of employees	**12,808**	12,615	12,503	13,380	13,484	13,589	
PER SHARE DATA:							
Net income (loss)	**¥ 17.5**	¥ 31.1	¥ 36.7	¥ 32.1	¥ (71.9)	¥ (44.1)	**$ 0.166**
Cash dividends applicable to the year	**7.0**	7.0	7.0	6.0	5.0	5.0	**0.066**
RATIOS:							
Equity ratio (%)	**22.6**	21.5	20.1	14.4	13.2	15.4	
Return on assets (%)	**4.06**	3.78	3.86	3.98	3.10	2.06	

Note: U.S. dollar amounts are translated from yen at the rate of ¥105.69 =U.S.$1.00, the approximate exchange rate at March 31, 2004.
ROA = (Operating income + Non-operating income) / Average total assets

Management's Discussion and Analysis

Mitsui Fudosan Co., Ltd. and its Subsidiaries

Income Analysis

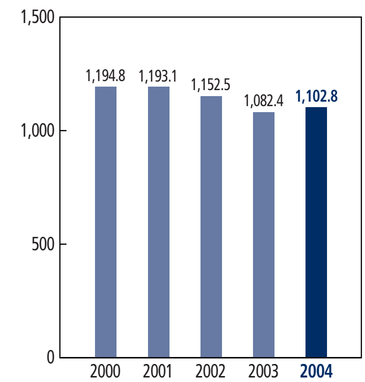
(Billions of yen, %)

Years ended March 31	2004		2003		2002	
Revenue from operations	**¥1,102.8**	**100.0%**	¥1,082.4	100.0%	¥1,152.5	100.0%
Cost of revenue from operations	**873.6**	**79.2**	858.6	79.3	916.8	79.6
Selling, general and administrative expenses	**120.0**	**10.9**	120.5	11.1	132.7	11.5
Operating income	**109.2**	**9.9**	103.3	9.6	103.0	8.9
Other revenues	**11.7**	**1.1**	11.2	1.0	35.8	3.1
Interest expenses	**22.8**	**2.1**	26.6	2.5	31.8	2.8
Other expenses	**78.0**	**7.1**	46.6	4.3	67.0	5.8
Equity in net income of affiliated companies	**3.5**	**0.3**	2.9	0.3	3.3	0.3
Income before income taxes	**23.6**	**2.1**	44.2	4.1	43.3	3.7
Income taxes	**8.8**	**0.8**	18.3	1.7	15.7	1.4
Minority interests	**(0.3)**	**(0.0)**	(0.3)	(0.0)	2.2	0.2
Net income	**¥ 14.5**	**1.3**	¥ 25.6	2.4	¥ 29.8	2.5

Revenue from Operations

For the fiscal year ended March 31, 2004, consolidated revenue from operations increased 1.9 percent year-on-year, or ¥20.4 billion, to ¥1,102.8 billion. Revenue increased in the Leasing segment, the Sales of Housing, Office Buildings and Land segment, the Brokerage, Consignment Sales and Consulting segment, and the Property Management segment. This growth compensated for lower revenue in other segments that has resulted from Mitsui Fudosan's emphasis on selection and concentration on businesses in which its competitive advantage is strongest, and on reorganizing the Mitsui Fudosan Group for improved operating efficiency. Revenue growth was particularly pronounced in the Sales of Housing, Office Buildings and Land segment, reflecting in part the increase in units of housing sold.

Revenue from Operations
(Billions of yen)



(Years ended March 31)

Cost of Revenue from Operations and SGA Expenses

Cost of revenue from operations increased 1.8 percent year-on-year, or ¥15.0 billion, to ¥873.6 billion, in line with the increase in revenue from operations. As a result, gross profit increased 2.4 percent, or ¥5.4 billion, to ¥229.2 billion, and the gross margin improved slightly to 20.8 percent from 20.7 percent for the previous fiscal year.

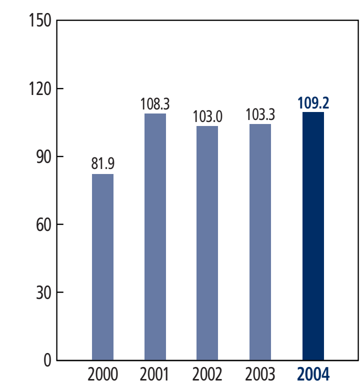
Despite the increase in revenue from operations, selling, general and administrative (SGA) expenses decreased 0.5 percent year-on-year, or ¥0.5 billion, to ¥120.0 billion.

Operating Income

The accompanying consolidated financial statements do not include operating income as a discrete line item. Calculated as revenue from operations less cost of revenue from operations and SGA expenses, operating income increased 5.8 percent, or ¥6.0 billion, year-on-year to ¥109.2 billion.

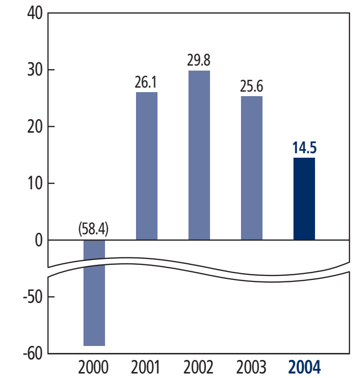
By primary operating segment, operating income for the Leasing segment decreased 5.3 percent, or ¥3.5 billion, to ¥63.0 billion. Factors included the decline in revenue because of reconstruction projects as part of an ongoing renovation program to improve the value of Mitsui Fudosan's assets and an increase in temporarily unleased floor space during tenant changeovers. The vacancy rate for office buildings and retail facilities, however, improved to 5.0 percent from 6.0 percent at the previous fiscal year-end. Operating income for the Sales of Housing, Office Buildings and Land segment increased 1.1 percent, or ¥0.3 billion, to ¥32.9 billion. Units of detached housing and condominiums sold increased by 368 to 6,407. Sales of office and rental condominium buildings to investors also supported earnings. Operating income for the Construction segment increased to ¥1.3 billion, reflecting a reduction in operating costs as

Operating Income
(Billions of yen)



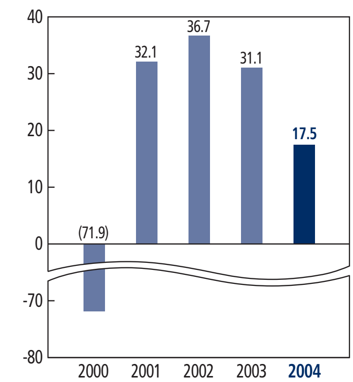
(Years ended March 31)

Net Income (Loss)
(Billions of yen)



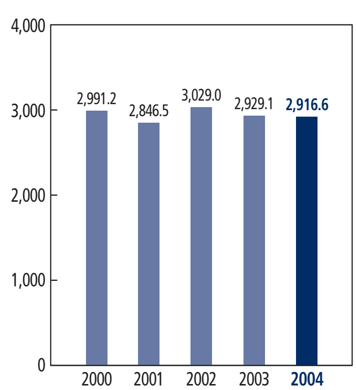
(Years ended March 31)

Net Income (Loss) per Share
(Yen)



(Years ended March 31)

Total Assets
(Billions of yen)



(As of March 31)

a result of restructuring at Mitsui Home. Operating income for the Brokerage, Consignment Sales and Consulting segment increased 28.0 percent, or ¥3.1 billion, to ¥14.1 billion. A substantial increase in fee income from project and investment fund management supported earnings in this segment, as did higher brokerage transaction volume in the individual and corporate markets at Mitsui Real Estate Sales. Operating income for the Property Management segment increased 40.6 percent, or ¥3.1 billion, to ¥10.8 billion. An increase in property management contracts, largely for buildings for which Mitsui Fudosan served as project manager during construction, supported earnings growth.

Other Revenue and Expenses and Interest Expenses

Interest, dividends and miscellaneous revenue increased marginally to ¥11.7 billion. Interest income decreased 11.3 percent, or ¥0.2 billion, and proceeds from sale of property and equipment also decreased. Gain on sale of investment securities, however, totaled ¥4.7 billion, compared to ¥0.6 billion in the previous fiscal year. Dividend income decreased 2.5 percent.

Interest expense decreased 14.5 percent, or ¥3.9 billion, to ¥22.8 billion, reflecting Mitsui Fudosan's ongoing program of decreasing interest-bearing liabilities and generating revenue from businesses that are less capital intensive. The interest coverage ratio, calculated as the sum of operating income and interest, dividends and miscellaneous revenue divided by interest expense, improved to 5.3 times compared to 4.3 times for the previous fiscal year.

Other expenses increased 67.6 percent, or ¥31.5 billion, to ¥78.0 billion. This year-on-year change was primarily the result of a one-time charge to earnings for loss on devaluation of real property for sale totaling ¥64.2 billion as Mitsui Fudosan moved to ensure the integrity of its balance sheet by aligning the value of assets in its portfolio with current market prices. This devaluation loss was a non-cash charge to earnings that did not reduce cash provided by operations or the Company's ability to meet current obligations and pay dividends. The absence of one-time items recorded in the previous fiscal year, including losses on devaluation of other securities and disposal of fixed assets, helped to mitigate the impact of the devaluation loss.

Income before Income Taxes and Net Income

Equity in net income of affiliated companies increased 21.7 percent to ¥3.5 billion, reflecting improved performance at affiliates including Oriental Land Co., Ltd., the operator of Tokyo Disney Resort. Due to the impact of the revaluation loss discussed above, however, income before income taxes decreased 46.5 percent year-on-year, or ¥20.6 billion, to ¥23.6 billion. Income taxes net of deferrals decreased 51.7 percent, or ¥9.5 billion, to ¥8.8 billion.

Consequently, net income decreased 43.4 percent year-on-year, or ¥11.1 billion, to ¥14.5 billion. Net income per share decreased to ¥17.5 from ¥31.1 for the previous fiscal year. Fully diluted earnings per share decreased to ¥16.3 from ¥28.9 for the previous fiscal year.

Annual cash dividends per share totaled ¥7.0, unchanged from the previous fiscal year.

Liquidity, Capital Resources and Financial Position

Current Assets

Current assets decreased 2.3 percent from the previous fiscal year-end, or ¥16.1 billion, to ¥671.8 billion. Cash and cash equivalents increased 23.4 percent, or ¥26.9 billion, from a year earlier. Compared to the previous fiscal year-end, inventories decreased 18.4 percent, or ¥76.9 billion, to ¥340.1 billion. Inventories decreased due to the devaluation of real property for sale, which also had the effect of increasing deferred income taxes. Inventories also decreased due to cost recovery on sales of housing. Investment in special purpose companies as part of the trading business resulted in an increase in other current assets.

Working capital decreased to ¥56.6 billion from ¥86.8 billion a year earlier, and the current ratio was 1.09 times, compared to 1.14 times a year earlier.

Assets

(Billions of yen, %)

As of March 31	2004		2003		2002	
Cash and cash equivalents	¥ 141.7	4.9%	¥ 114.8	3.9%	¥ 117.5	4.0%
Inventories	340.1	11.7	417.0	14.3	467.7	15.4
Other current assets	190.1	6.5	156.1	5.3	163.8	5.4
Investments and other assets	598.0	20.5	562.9	19.2	588.9	19.4
Net property and equipment	1,646.7	56.4	1,678.3	57.3	1,691.1	55.8
Total	¥2,916.6	100.0%	¥2,929.1	100.0%	¥3,029.0	100.0%

Liabilities, Minority Interests in Consolidated Subsidiaries and Shareholders' Equity

(Billions of yen, %)

As of March 31	2004		2003		2002	
Interest-bearing debt—Short term	¥ 275.2	9.4%	¥ 293.7	10.0%	¥ 310.4	10.2%
Interest-bearing debt—Long term	1,046.3	35.9	1,103.5	37.7	1,150.1	38.0
Total interest-bearing debt	1,321.5	45.3	1,397.2	47.7	1,460.5	48.2
Other current liabilities	340.1	11.7	307.5	10.5	344.6	11.4
Other long-term liabilities	579.8	19.9	578.8	19.7	594.2	19.6
Minority interests in consolidated subsidiaries	16.0	0.5	17.2	0.6	20.2	0.7
Shareholders' equity	659.2	22.6	628.4	21.5	609.5	20.1
Total	¥2,916.6	100.0%	¥2,929.1	100.0%	¥3,029.0	100.0%

Investments and Other Assets

Investments and other assets increased 6.2 percent from a year earlier, or ¥35.2 billion, to ¥598.0 billion. The primary factor was an increase in the total of investment securities to ¥189.3 billion, an increase of 45.2 percent, or ¥58.9 billion, from a year earlier. This increase resulted in part from recovery in the prices of listed stocks in the Company's portfolio.

Property and Equipment

Property and equipment decreased 1.9 percent from a year earlier, or ¥31.6 billion, to ¥1,646.7 billion, primarily reflecting normal depreciation.

Current Liabilities

Current liabilities increased 2.4 percent from a year earlier, or ¥14.2 billion, to ¥615.3 billion. Notes and accounts payable increased compared to a year earlier. Long-term debt due within one year decreased substantially, despite additions including ¥10.0 billion in 1.05 percent yen notes due during 2004, as a result of the redemption of 1.4 percent convertible debentures and 1.7 percent yen notes during the past fiscal year, which together totaled ¥81.2 billion. Commercial paper as of the balance sheet date increased, as did income taxes payable. Despite the increase in current liabilities, Mitsui Fudosan's ability to meet its short-term commitments as expressed by the current ratio was essentially unchanged from a year earlier.

Long-term Liabilities

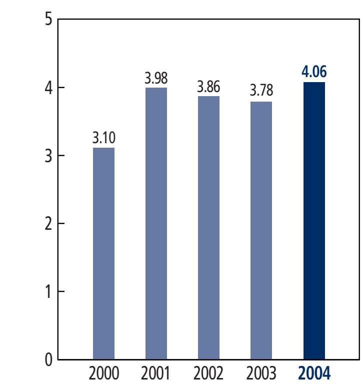
Long-term liabilities decreased 3.3 percent from a year earlier, or ¥56.2 billion, to ¥1,626.2 billion. Long-term debt due after one year decreased 5.2 percent from a year earlier, or ¥57.2 billion, to ¥1,046.3 billion, reflecting Mitsui Fudosan's emphasis on steadily reducing interest-bearing debt, which decreased to ¥1,321.5 billion, and on enhancing the trading and management businesses.

Shareholders' Equity and Total Capital

Shareholders' equity increased 4.9 percent from a year earlier, or ¥30.7 billion, to ¥659.2 billion. Additions to net assets as a result of net income for the fiscal year as represented by retained earnings supported the increase in shareholders' equity. In addition, the rise in financial asset prices during the fiscal year

ROA

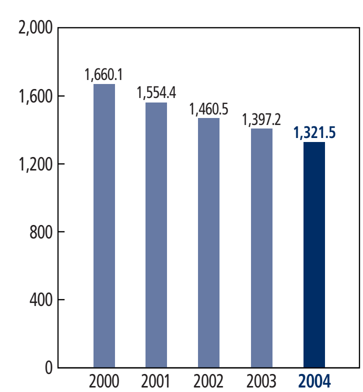
(%)



(Years ended March 31)

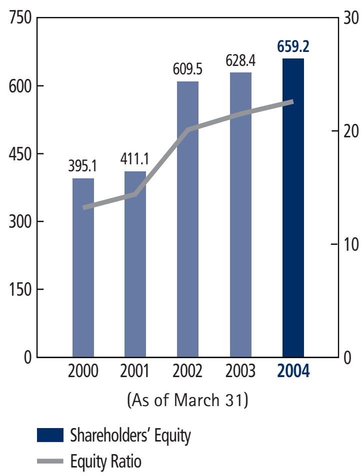
Interest-Bearing Debt

(Billions of yen)



(As of March 31)

Shareholders' Equity/Equity Ratio
(Billions of yen) (%)



increased shareholders' equity through net unrealized holding gains on securities totaling ¥26.3 billion, which is recorded as a component of shareholders' equity under Japanese GAAP. This represented a contribution to shareholders' equity of ¥29.8 billion when compared to unrealized holding losses on securities totaling ¥3.5 billion at the previous fiscal year-end. These factors offset negative foreign currency translation adjustment resulting from the yen's appreciation versus the U.S. dollar at the fiscal year-end, and a ¥4.1 billion decrease in reserve on land revaluation, both of which are also changes in asset values that are recorded as components of shareholders' equity under Japanese GAAP.

Total capital, the sum of bank loans, commercial paper, long-term debt due within one year, long-term debt due after one year, and shareholders' equity, decreased ¥45.0 billion to ¥1,980.7 billion from ¥2,025.6 billion at the previous fiscal year-end, due largely to reduction in interest-bearing liabilities totaling ¥75.7 billion. Shareholders' equity represented 33.3 percent of total capital, compared to 31.0 percent at the previous fiscal year-end.

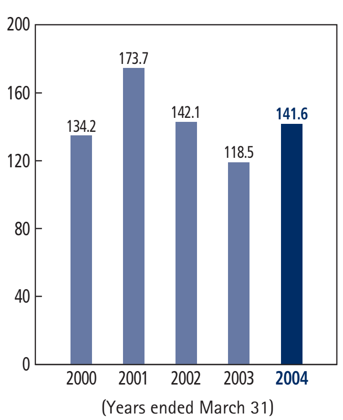
Return on assets (ROA) was 4.1 percent, compared to 3.8 percent for the previous fiscal year. Return on average total shareholders' equity (ROE), calculated as net income divided by average total shareholders' equity, was 2.2 percent, compared to 4.1 percent for the previous fiscal year.

Cash Flows

(Billions of yen)

Years ended March 31	2004	2003	2002
Cash flows from operating activities	¥141.6	¥118.5	¥ 142.1
Cash flows from investing activities	(21.1)	(60.8)	(81.7)
Cash flows from financing activities	(92.5)	(59.9)	(103.3)
Effect of exchange rate changes on cash and cash equivalents	(1.1)	(0.5)	2.0
Net increase (decrease) in cash and cash equivalents	26.9	(2.7)	(40.9)
Cash and cash equivalents at beginning of year	114.8	117.5	158.4
Cash and cash equivalents at end of year	¥141.7	¥114.8	¥ 117.5

Cash Flows from Operating Activities
(Billions of yen)



Cash Flows

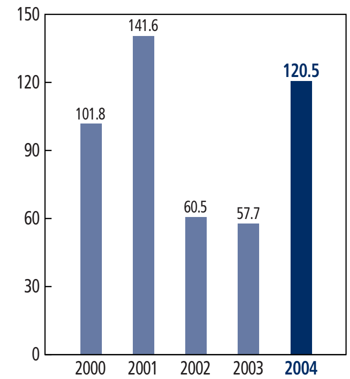
Net cash provided by operating activities totaled ¥141.6 billion, compared to ¥118.5 billion for the previous fiscal year, despite the year-on-year decrease in income before income taxes. Income before income taxes decreased on an accrual basis primarily as a result of loss on devaluation of real property for sale totaling ¥64.2 billion, which as a non-cash charge to earnings did not reduce net cash provided by operations. Depreciation and amortization was up slightly year-on-year at ¥40.4 billion. The line item "Decrease in real property for sale and advances paid for purchases" represents the net effect of cost recovery and purchase of inventories, which consist primarily of property held for sale. Net reduction in inventories resulted in the addition of ¥36.0 billion to cash flow, compared to the addition of ¥49.9 billion for the previous fiscal year.

Net cash used in investing activities totaled ¥21.1 billion, compared to ¥60.8 billion for the previous fiscal year. Consequently, free cash flow, calculated as net cash provided by operating activities less net cash used in investing activities, increased significantly to ¥120.5 billion, compared to ¥57.7 billion for the previous fiscal year. Purchase of property and equipment totaled ¥45.1 billion, compared to ¥55.1 billion for the previous fiscal year as a result of greater selectivity in adding assets to the Company's portfolio and the increased proportion of projects developed for sale to investors, which are accounted for under inventories. The net effect of these capital expenditures after proceeds from sale of property and equipment increased cash flow by ¥7.2 billion compared to the previous fiscal year. Representative capital investments during the past fiscal year included construction of the Muromachi Mitsui Shinkan Building and LALA Garden Tsukuba. Net decrease in lease deposits and deposits from tenants used cash of ¥0.6 billion, compared to a net decrease that used cash totaling ¥10.0 billion for the previous fiscal year. Net purchase of marketable and investment securities totaled ¥3.4 billion, compared to net purchase of ¥16.5 billion for the previous fiscal year as Mitsui Fudosan increased sales of cross-holding securities, while also increasing investments in *Tokutei Mokuteki Kaisha*, specific purpose companies, in trading business during the fiscal year.

Net cash used in financing activities totaled ¥92.5 billion, compared to ¥59.9 billion for the previous fiscal year, primarily because Mitsui Fudosan increased its use of internal capital resources to fund debt reduction and restrain additional borrowing. Net increase in bank loans and commercial paper totaled ¥24.3 billion, compared to a net decrease of ¥26.6 billion for the previous fiscal year, primarily reflecting the increase in favorably priced commercial paper used for short-term working capital requirements. Proceeds from long-term debt totaled ¥180.1 billion, down substantially from ¥232.4 billion for the previous fiscal year. Repayment of long-term debt, consisting primarily of long-term bank loans, totaled ¥219.8 billion, compared to ¥289.5 billion for the previous fiscal year. Proceeds from issuance of bond totaling ¥10.0 billion, representing the domestic issue of an unsecured yen straight bond, was down significantly absent the issue of ¥80.0 billion in convertible bonds in the previous fiscal year, while payments for redemption of bonds increased to ¥81.2 billion from ¥50.0 billion for the previous fiscal year. Net repayments of long-term debt therefore totaled ¥110.9 billion on a cash basis, reflecting Mitsui Fudosan's emphasis on reducing operating leverage and future interest expense. Cash dividends paid totaled ¥5.8 billion, compared to ¥5.7 billion for the previous fiscal year.

The Company therefore reduced long-term interest bearing liabilities and paid cash dividends well within the scope of free cash flow as defined above. This supported a net increase in cash and cash equivalents of 23.4 percent from a year earlier, or ¥26.9 billion, to ¥141.7 billion.

Free Cash Flow
(Billions of yen)



(Years ended March 31)

Risk Information

The operations of the Mitsui Fudosan Group are subject to a number of risks, some of which are outlined below along with issues that may not necessarily constitute risk factors but that may influence investor decisions.

Changes in Demand

Economic conditions influence demand among tenant companies for space in the office buildings that the Mitsui Fudosan Group owns and manages, and influence demand among individuals for housing. A downturn in the Japanese economy may exert a material impact on the Mitsui Fudosan Group's performance and the value of its assets.

Interest Rates

Higher interest rates in the future could increase the Mitsui Fudosan Group's funding costs, raise the returns investors expect from real estate investments and reduce demand among individuals for housing, and may therefore exert a material impact on the Mitsui Fudosan Group's performance and the value of its assets.

Regulations and Taxation

Changes in the regulations and systems of taxation relevant to the real estate business may exert a material impact on the Mitsui Fudosan Group's performance and the value of its assets.

Natural Disasters

Natural disasters may damage or destroy the Mitsui Fudosan Group's assets, and may therefore exert a material impact on the Mitsui Fudosan Group's performance and the value of its assets.

CONSOLIDATED BALANCE SHEETS

Mitsui Fudosan Co., Ltd. and its Subsidiaries
As of March 31, 2004 and 2003

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2004	2003	**2004**
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	**¥ 141,717**	¥ 114,832	**$ 1,340,874**
Marketable securities (Note 3)	**106**	190	**1,003**
Notes and accounts receivable — trade	**28,478**	32,350	**269,448**
Short-term loans receivable	**14,021**	26,722	**132,662**
Allowance for doubtful accounts	**(2,913)**	(3,564)	**(27,562)**
Inventories (Note 5)	**340,106**	416,971	**3,217,958**
Advances paid for purchases (Note 6)	**20,266**	11,447	**191,749**
Deferred income taxes (Note 8)	**56,329**	38,783	**532,964**
Other current assets	**73,738**	50,181	**697,683**
Total current assets	**671,848**	687,912	**6,356,779**
INVESTMENTS and OTHER ASSETS			
Investments in unconsolidated subsidiaries and affiliated companies (Note 3)	**73,495**	71,856	**695,383**
Investment securities (Note 3)	**189,269**	130,379	**1,790,794**
Non-current loans and accounts receivable	**98,534**	113,095	**932,293**
Allowance for doubtful accounts	**(19,152)**	(27,343)	**(181,209)**
Lease deposits (Note 7)	**201,846**	216,490	**1,909,793**
Deferred income taxes (Note 8)	**11,984**	13,605	**113,388**
Deferred tax assets on land revaluation	**33,305**	35,959	**315,120**
Other	**8,728**	8,810	**82,580**
Total investments and other assets	**598,009**	562,851	**5,658,142**
PROPERTY and EQUIPMENT, at cost:			
Land (Note 10)	**1,113,214**	1,118,871	**10,532,823**
Buildings and structures (Note 10)	**888,903**	899,377	**8,410,474**
Machinery and equipment	**88,878**	86,910	**840,931**
Construction in progress	**18,860**	13,161	**178,446**
	2,109,855	2,118,319	**19,962,674**
Accumulated depreciation	**(463,129)**	(440,012)	**(4,381,957)**
Net property and equipment	**1,646,726**	1,678,307	**15,580,717**
	¥2,916,583	¥2,929,070	**$27,595,638**

See accompanying notes.

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2004	2003	2004
LIABILITIES, MINORITY INTERESTS IN CONSOLIDATED SUBSIDIARIES AND SHAREHOLDERS' EQUITY			
CURRENT LIABILITIES			
Banks loans (Note 10)	¥ 45,036	¥ 36,816	$ 426,114
Commercial paper	37,000	18,000	350,080
Long-term debt due within one year (Note 10)	193,174	238,881	1,827,742
Notes and accounts payable — trade	117,965	91,823	1,116,142
Accrued expenses	17,850	17,839	168,890
Income taxes payable	16,975	3,398	160,611
Advances and deposits received	149,530	145,582	1,414,798
Other current liabilities	37,762	48,789	357,290
Total current liabilities	615,292	601,128	5,821,667
LONG-TERM LIABILITIES			
Allowance for employees' retirement benefits (Note 9)	23,420	20,530	221,591
Allowance for directors' and corporate auditors' retirement benefits	1,683	2,083	15,924
Long-term debt due after one year (Note 10)	1,046,292	1,103,514	9,899,631
Deposits from tenants (Note 11)	291,322	307,786	2,756,382
Deferred income taxes (Note 8)	46,099	22,604	436,172
Deferred tax liabilities on land revaluation	151,019	156,438	1,428,886
Other liabilities and deferred credits	66,317	69,367	627,468
Total long-term liabilities	1,626,152	1,682,322	15,386,054
MINORITY INTERESTS IN CONSOLIDATED SUBSIDIARIES	15,974	17,186	151,140
CONTINGENT LIABILITIES (Note 17)			
SHAREHOLDERS' EQUITY (Note 12)			
Common stock			
Authorized—1,770,000,000 shares			
Issued— 823,390,384 shares in 2004 and 2003	134,433	134,433	1,271,956
Additional paid-in capital	205,823	205,823	1,947,422
Reserve on land revaluation	158,227	162,289	1,497,086
Retained earnings	167,890	155,391	1,588,514
Net unrealized holding gains (losses) on securities	26,317	(3,452)	249,002
Foreign currency translation adjustment	(32,545)	(25,010)	(307,930)
	660,145	629,474	6,246,050
Treasury stock	(980)	(1,040)	(9,273)
Total shareholders' equity	659,165	628,434	6,236,777
	¥2,916,583	¥2,929,070	$27,595,638

See accompanying notes.

CONSOLIDATED STATEMENTS OF INCOME

Mitsui Fudosan Co., Ltd. and its Subsidiaries
For the years ended March 31, 2004, 2003 and 2002

	Millions of yen			Thousands of U.S. dollars (Note 1)
	2004	2003	2002	2004
REVENUES				
Revenue from operations (Note 16)	¥1,102,844	¥1,082,398	¥1,152,484	$10,434,705
Interest, dividends and miscellaneous (Note 13)	11,652	11,187	35,842	110,247
	1,114,496	1,093,585	1,188,326	10,544,952
COSTS AND EXPENSES				
Cost of revenue from operations	873,627	858,584	916,845	8,265,938
Selling, general and administrative expenses	119,971	120,519	132,688	1,135,122
Interest	22,758	26,617	31,761	215,328
Other (Note 14)	78,028	46,557	66,964	738,272
	1,094,384	1,052,277	1,148,258	10,354,660
EQUITY IN NET INCOME OF AFFILIATED COMPANIES	3,535	2,905	3,301	33,447
INCOME BEFORE INCOME TAXES	23,647	44,213	43,369	223,739
INCOME TAXES (Note 8)				
Current	23,915	5,516	14,608	226,275
Deferred	(15,058)	12,820	1,106	(142,473)
Total	8,857	18,336	15,714	83,802
	14,790	25,877	27,655	139,937
MINORITY INTERESTS	(335)	(323)	2,152	(3,169)
NET INCOME	¥ 14,455	¥ 25,554	¥ 29,807	$ 136,768

	Yen			U.S. dollars (Note 1)
PER SHARE INFORMATION	2004	2003	2002	2004
Net assets per share	¥ 801.5	¥ 764.2	¥ 750.2	$ 7.583
Net income per share				
— Basic	17.5	31.1	36.7	0.166
— Diluted	16.3	28.9	36.2	0.154
Cash dividends	7.0	7.0	7.0	0.066

See accompanying notes.

CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY

Mitsui Fudosan Co., Ltd. and its Subsidiaries
For the years ended March 31, 2004, 2003 and 2002

		Millions of yen						
	Shares of common stock (thousands)	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	—	—	—	—	(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	—	—	—	—	(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)
Revaluation of property and equipment (Note 2(H))	—	—	—	—	(285)	—	—	—
Reversal of reserve on land revaluation, net of tax	—	—	—	(4,062)	4,204	—	—	—
Other	—	—	—	—	(6)	—	—	—
Net income	—	—	—	—	14,455	—	—	—
Cash dividends paid	—	—	—	—	(5,756)	—	—	—
Bonuses to directors	—	—	—	—	(113)	—	—	—
Foreign currency translation adjustment	—	—	—	—	—	—	(7,535)	—
Treasury stock	—	—	—	—	—	—	—	60
Net unrealized holding gains on securities	—	—	—	—	—	29,769	—	—
BALANCE AT MARCH 31, 2004	**823,390**	**¥134,433**	**¥205,823**	**¥158,227**	**¥167,890**	**¥26,317**	**¥(32,545)**	**¥ (980)**

	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, 2003	$1,271,956	$1,947,422	$1,535,519	$1,470,253	$(32,662)	$(236,635)	$(9,840)
Revaluation of property and equipment (Note 2(H))	—	—	—	(2,697)	—	—	—
Reversal of reserve on land revaluation, net of tax	—	—	(38,433)	39,777	—	—	—
Other	—	—	—	(57)	—	—	—
Net income	—	—	—	136,768	—	—	—
Cash dividends paid	—	—	—	(54,461)	—	—	—
Bonuses to directors	—	—	—	(1,069)	—	—	—
Foreign currency translation adjustment	—	—	—	—	—	(71,295)	—
Treasury stock	—	—	—	—	—	—	567
Net unrealized holding gains on securities	—	—	—	—	281,664	—	—
BALANCE AT MARCH 31, 2004	**$1,271,956**	**$1,947,422**	**$1,497,086**	**$1,588,514**	**$249,002**	**$(307,930)**	**$(9,273)**

See accompanying notes.

CONSOLIDATED STATEMENTS OF CASH FLOWS

Mitsui Fudosan Co., Ltd. and its Subsidiaries
For the years ended March 31, 2004, 2003 and 2002

	Millions of yen			Thousands of U.S. dollars (Note 1)
	2004	2003	2002	2004
Cash flows from operating activities:				
Income before income taxes	¥ 23,647	¥ 44,213	¥ 43,369	$ 223,739
Adjustments to reconcile income before income taxes to net cash provided by operating activities				
Depreciation and amortization	40,415	39,782	47,540	382,392
Equity in net income of affiliated companies	(3,535)	(2,904)	(3,301)	(33,447)
Gain on sales of property and equipment, net	(411)	(2,192)	(19,536)	(3,889)
Loss on disposal of property and equipment	855	5,491	419	8,090
Allowance for doubtful accounts, net	1,040	1,963	6,491	9,840
Loss on devaluation of real property for sale	64,231	—	444	607,730
Loss on disposal of real property for sale	—	1,575	—	—
Interest and dividend income	(3,163)	(3,370)	(3,829)	(29,927)
Interest expense	22,758	26,617	31,761	215,328
Loss on devaluation of other securities	—	20,267	21,296	—
Gain on sales of marketable securities, net	(4,669)	(672)	(1,716)	(44,176)
Loss incurred in certain housing project	—	2,333	—	—
Non-recurring depreciation (Note 14)	—	—	18,477	—
Compensation received for retirement of property	—	—	(3,015)	—
Decrease in accounts receivable	3,962	77	4,776	37,487
Decrease in real property for sale and advances paid for purchases	35,951	49,916	2,988	340,155
Decrease in accounts payable	(2,711)	(2,143)	(14,180)	(25,650)
Bonuses paid to directors	(117)	(105)	(192)	(1,107)
Interests and dividends received	3,819	4,070	4,784	36,134
Interests paid	(22,652)	(26,658)	(32,155)	(214,325)
Income taxes paid	(5,765)	(16,436)	(9,395)	(54,546)
Other, net	(12,055)	(23,339)	47,096	(114,061)
Net cash provided by operating activities	141,600	118,485	142,122	1,339,767
Cash flows from investing activities:				
Purchase of property and equipment	(45,120)	(55,071)	(57,124)	(426,909)
Proceeds from sale of property and equipment	13,442	16,191	39,310	127,183
Increase in deposits from tenants	51,100	39,448	27,252	483,489
Decrease in deposits from tenants	(63,605)	(57,027)	(45,689)	(601,807)
Increase in lease deposits	(18,962)	(10,862)	(4,360)	(179,411)
Decrease in lease deposits	30,845	18,483	18,958	291,844
Purchase of marketable and investment securities	(14,957)	(20,266)	(38,243)	(141,518)
Proceeds from sale of marketable and investment securities	11,526	3,770	4,642	109,055
Increase in non-current loans and accounts receivable	(6,404)	(22,243)	(19,999)	(60,592)
Decrease in non-current loans and accounts receivable	26,090	24,457	14,948	246,854
Other, net	(5,077)	2,368	(21,353)	(48,037)
Net cash used in investing activities	(21,122)	(60,752)	(81,658)	(199,849)
Cash flows from financing activities:				
Proceeds from long-term debt	180,140	232,350	299,393	1,704,419
Repayment of long-term debt	(219,781)	(289,504)	(187,982)	(2,079,487)
Increase (Decrease) in bank loans and commercial paper	24,250	(26,553)	(188,908)	229,445
Proceeds from issuance of bond	10,000	80,000	—	94,616
Payments for redemption of bond	(81,242)	(50,000)	(20,000)	(768,682)
Cash dividends paid	(5,757)	(5,698)	(5,690)	(54,471)
Proceeds from issuance of shares to minority shareholders	—	15	285	—
Payment of dividends to minority shareholders	(554)	(524)	(397)	(5,242)
Sale of treasury stocks	434	17	—	4,106
Net cash used in financing activities	(92,510)	(59,897)	(103,299)	(875,296)
Effect of exchange rate changes on cash and cash equivalents	(1,083)	(563)	1,958	(10,246)
Net increase (decrease) in cash and cash equivalents	26,885	(2,727)	(40,877)	254,376
Cash and cash equivalents at beginning of year	114,832	117,559	158,436	1,086,498
Cash and cash equivalents at end of year	¥141,717	¥114,832	¥117,559	$1,340,874

See accompanying notes.

Supplemental information of non-cash transaction:
Non-cash investing and financing activities for the year ended March 31, 2003;
Issuance of common stock by stock-for-stock transfer for integration of MITSUI REAL ESTATE SALES Co., Ltd.

	Millions of yen
Additional paid in capital	¥1,130

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Mitsui Fudosan Co., Ltd. and its Subsidiaries

1. BASIS OF PRESENTING CONSOLIDATED FINANCIAL STATEMENTS

The accompanying consolidated financial statements of Mitsui Fudosan Co., Ltd. (the "Company") have been prepared in accordance with the provisions set forth in the Japanese Securities and Exchange Law and its related accounting regulations, and in conformity with accounting principles generally accepted in Japan, which are different in certain respects as to application and disclosure requirements of International Financial Reporting Standards.

The accounts of overseas subsidiaries are based on their accounting records maintained in conformity with generally accepted accounting principles prevailing in the respective countries of domicile. The accompanying consolidated financial statements have been restructured and translated into English (with some expanded descriptions and the inclusion of consolidated 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 consolidated financial statements.

The translations 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, 2004, which was ¥105.69 to U.S. $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 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. 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.

(B) USE OF ESTIMATES

The preparation of the consolidated financial statements in conformity with the generally accepted accounting principles requires management to make certain estimates and assumptions that affect the reported amounts in the financial statements and the accompanying notes. Actual results could differ from those estimates.

(C) 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.

(D) 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.

(E) CASH AND CASH EQUIVALENTS

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

(F) 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 are stated at moving-average cost.

The Company and its consolidated subsidiaries recognize losses for the difference between the market value and the carrying amount when the market value significantly declines. The Company and its consolidated subsidiaries consider the decline to be significant when the market value of the other securities declines more than 50% of the carrying amount. When the market value of the other securities declines from 30% to less than 50% of the carrying amount, the decline is also determined to be significant if the market value of the securities is considered not to be recoverable to the carrying amount.

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

(G) 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 properties is recognized in full when delivered and accepted by the customers. Revenue from construction work is recognized by the 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.

(H) 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 statements 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
Structures	15-17 years
Machinery	7-15 years
Equipment	3-15 years

For buildings on fixed term leasehold, 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 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 for the year ended March 31, 2002.

(I) IMPAIRMENT LOSS ON FIXED ASSETS

On August 9, 2002, "Opinion Concerning Establishment of Accounting Standard for the Impairment of Fixed Assets" was issued by the Business Accounting Deliberation Council and on October 31, 2003, Financial Accounting Standards Implementation Guidance No. 6 "Implementation Guidance for Accounting Standard for the Impairment of Fixed Assets" was issued by the Accounting Standards Board of Japan. The adoption of these standard and guidance are mandatory effective at the beginning of the fiscal year beginning after April 1, 2005. Early application of these standard and guidance is permitted.

The Company and its consolidated subsidiaries have not adopted these standard and guidance.

(J) LAND REVALUATION

Pursuant to the Law Concerning Land Revaluation and the revisions thereof, 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.

(K) 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 uncollectible amount based on the analysis of certain individual accounts, including claims in bankruptcy.

(L) 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 provide allowance for employees' retirement benefits at fiscal year end based on the estimated amounts of projected benefit obligation and the fair value of the plan assets at that date.

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

Allowance for retirement benefits for directors and corporate auditors of the Company and its 21 consolidated subsidiaries are also provided under the internal guidelines.

(N) ACCOUNTING FOR CERTAIN LEASE TRANSACTIONS

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

(O) INCOME TAXES

The Company and its consolidated domestic subsidiaries are subject to a corporate tax of 30%, an inhabitant tax of approximately 6% and a deductible enterprise tax of approximately 10%, which in the aggregate resulted in a statutory income tax rate of approximately 42% for the year ended March 31, 2002, 2003 and 2004.

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.

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 its consolidated domestic subsidiaries used the revised statutory tax rate, 40.7% for calculating the tax effect of the temporary differences expected to be reversed after April 1, 2004 for the year ended March 31, 2003. As a result, deferred tax assets decreased by ¥777 million, deferred tax liabilities on land revaluation decreased by ¥4,393 million and income taxes-deferred increased by ¥699 million compared with what would have been recorded under the previous local tax law at March 31, 2003.

(P) 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 statements 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.

(Q) 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 year ended March 31, 2002 would have been reported as follows, if this new accounting standard were applied retroactively.

	Yen
Net assets per share	¥750.2
Net income per share	
—Basic	36.5
—Diluted	36.0

(R) 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.

(S) RECLASSIFICATIONS
Certain prior years' amounts have been reclassified to conform to the 2004 presentation. These changes had no impact on previously reported results of operations.

3. MARKET VALUE INFORMATION OF MARKETABLE SECURITIES AND INVESTMENT SECURITIES

(1) The following tables summarize historical cost, book value and market value of securities with market values as of March 31, 2004 and 2003:

(a) Held-to-maturity securities with market values

	Millions of yen					
	2004			2003		
	Book Value	Market Value	Difference	Book Value	Market Value	Difference
Securities whose market value exceeds book value						
National and local government bonds, etc.	**¥436**	**¥446**	**¥10**	¥485	¥501	¥16
Securities whose market value does not exceed book value						
National and local government bonds, etc.	**122**	**122**	**—**	156	156	—
Total	**¥558**	**¥568**	**¥10**	¥641	¥657	¥16

	Thousands of U.S. dollars		
	2004		
	Book Value	Market Value	Difference
Securities whose market value exceeds book value			
National and local government bonds, etc.	**$4,125**	**$4,220**	**$95**
Securities whose market value does not exceed book value			
National and local government bonds, etc.	**1,154**	**1,154**	**—**
Total	**$5,279**	**$5,374**	**$95**

(b) Other securities with market values

	Millions of yen					
	2004			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	¥42,682	¥82,746	¥40,064	¥ 2,968	¥ 3,617	¥ 649
Bonds						
National and local government bonds, etc.	60	62	2	80	84	4
Corporate bonds	—	—	—	10	10	—
Other	8,192	12,150	3,958	8,191	9,409	1,218
Subtotal	50,934	94,958	44,024	11,249	13,120	1,871
Securities whose book value (market value) does not exceed historical cost						
Stocks	4,473	4,111	(362)	49,000	41,422	(7,578)
Other	—	—	—	1	1	—
Subtotal	4,473	4,111	(362)	49,001	41,423	(7,578)
Total	¥55,407	¥99,069	¥43,662	¥60,250	¥54,543	¥(5,707)

	Thousands of U.S. dollars		
	2004		
	Historical Cost	Book Value (Market Value)	Difference
Securities whose book value (market value) exceeds historical cost			
Stocks	$403,841	$782,912	$379,071
Bonds			
National and local government bonds, etc.	568	587	19
Corporate bonds	—	—	—
Other	77,510	114,959	37,449
Subtotal	481,919	898,458	416,539
Securities whose book value (market value) does not exceed historical cost			
Stocks	42,322	38,897	(3,425)
Other	—	—	—
Subtotal	42,322	38,897	(3,425)
Total	$524,241	$937,355	$413,114

(2) The following tables summarize other securities sold in the years ended March 31, 2004, 2003 and 2002:

Millions of yen								
2004			2003			2002		
Sales amount	Gains	Losses	Sales amount	Gains	Losses	Sales amount	Gains	Losses
¥11,030	¥4,669	¥160	¥3,282	¥678	¥70	¥2,407	¥1,170	¥187

Thousands of U.S. dollars		
2004		
Sales amount	Gains	Losses
$104,362	$44,176	$1,514

(3) The following tables summarize the book value of securities without market value as of March 31, 2004 and 2003:

	Millions of yen		Thousands of U.S. dollars
	2004	2003	**2004**
Other securities			
Unlisted stocks (excluding OTC securities)	**¥32,348**	¥31,499	**$306,065**
Other (preferred securities and other)	**57,257**	43,782	**541,745**

(4) The redemption schedule on held-to-maturity securities and other securities as of March 31, 2004 and 2003 is shown as follows:

	Millions of yen			
	2004			
	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.	**¥116**	**¥514**	**¥ —**	**¥ —**
Total	**¥116**	**¥514**	**¥ —**	**¥ —**

	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			
	2004			
	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.	**$1,098**	**$4,863**	**$ —**	**$ —**
Total	**$1,098**	**$4,863**	**$ —**	**$ —**

4. 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 Accounting and 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 Companies 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.

5. INVENTORIES

Inventories at March 31, 2004 and 2003 comprised the following:

	Millions of yen		Thousands of U.S. dollars
	2004	2003	**2004**
Real property for sale	**¥323,308**	¥397,547	**$3,059,022**
Expenditure on contracts in progress	**8,211**	10,233	**77,689**
Other	**8,587**	9,191	**81,247**
	¥340,106	¥416,971	**$3,217,958**

6. ADVANCES PAID FOR PURCHASES

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

7. LEASE DEPOSITS

The Company and its consolidated subsidiaries lease certain office buildings and retail facilities from the owners thereof and sublease them to subtenants. In these transactions, the Company and its consolidated subsidiaries pay lease deposits to the owners and receive deposits from subtenants. (See Note 11)

8. INCOME TAXES

Significant components of the Company's deferred tax assets and liabilities as of March 31, 2004 and 2003, are as follows:

	Millions of yen		Thousands of U.S. dollars
	2004	2003	2004
Deferred tax assets:			
Allowance for loss on sale of real property for sale	¥ 43,019	¥ 21,921	$ 407,030
Unrealized inter-company transactions	7,019	7,058	66,411
Allowance for loss on valuation of securities	15,920	14,100	150,629
Net operating loss carryforwards	4,372	5,627	41,366
Excess allowance for retirement benefits	9,240	7,430	87,426
Excess allowance for doubtful accounts	6,458	6,402	61,103
Excess accrued employees' bonuses	—	3,479	—
Accrued employees' bonuses	4,371	—	41,357
Unrealized loss on valuation of securities	7	3,185	66
Excess depreciation expense	2,245	5,748	21,241
Excess prepaid expense	1,514	1,208	14,325
Other	16,298	11,086	154,206
Total	¥110,463	¥ 87,244	$1,045,160
Deferred tax liabilities:			
Deferred gain on sale of land and buildings for tax purposes	¥ (33,481)	¥(33,813)	$ (316,785)
Reversal of loss on valuation of investment in consolidated subsidiaries	(13,655)	(12,903)	(129,199)
Unrealized inter-company transactions	(5,676)	(5,660)	(53,704)
Unrealized gain on valuation of securities	(18,049)	(844)	(170,773)
Valuation differences of consolidated subsidiaries	(996)	(423)	(9,424)
Other	(16,392)	(3,817)	(155,095)
Total	¥ (88,249)	¥(57,460)	$ (834,980)
Net deferred tax assets	¥ (22,214)	¥ 29,784	$ (210,180)

Significant differences between the statutory tax rate and the Company's effective tax rate as of March 31, 2004 and 2002 are as follows:

	2004
Statutory tax rate	42.0 %
(Adjustments)	
Equity in net income of affiliated companies	(6.3)
Permanent differences:	
Expense account and other	4.9
Dividend income and other	(0.6)
Other	(2.5)
Effective tax rate	37.5 %

	2002
Statutory tax rate	42.0 %
(Adjustments)	
Sale of shares in subsidiaries accounted for by the equity method	0.4
Change in consolidated subsidiaries	(3.5)
Equity in net income of affiliated companies	(3.2)
Other	0.5
Effective tax rate	36.2 %

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.

20 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
	2004	2003	**2004**
1. Projected benefit obligation	**¥(78,257)**	¥(73,034)	**$(740,439)**
2. Fair value of plan assets	**33,710**	29,071	**318,952**
3. Unaccrued projected benefit obligation (1+2)	**¥(44,547)**	¥(43,963)	**$(421,487)**
4. Unrecognized actuarial differences	**21,407**	23,726	**202,545**
5. Unrecognized prior service costs	**(250)**	(281)	**(2,365)**
6. Prepaid pension expenses	**(30)**	(12)	**(284)**
7. Allowance for employees' retirement benefits (3+4+5+6)	**¥(23,420)**	¥(20,530)	**$(221,591)**

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
	2004	2003	2002	**2004**
1. Service costs—benefits earned during the year	**¥3,990**	¥3,630	¥3,519	**$37,752**
2. Interest costs on projected benefit obligation	**1,750**	1,837	1,867	**16,558**
3. Expected return on plan assets	**(618)**	(816)	(952)	**(5,847)**
4. Amortization of actuarial differences	**2,755**	1,575	355	**26,067**
5. Amortization of net transition obligation	**—**	197	—	**—**
6. Amortization of prior service costs	**(31)**	(31)	—	**(294)**
7. Retirement benefit expenses (1+2+3+4+5+6)	**¥7,846**	¥6,392	¥4,789	**$74,236**

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

	2004		2003		2002	
1. Allocation method for the projected retirement benefits	**Straight-line method**		Straight-line method		Straight-line method	
2. Discount rates	**2.5%**		2.5%		3.0%	
3. Expected rates of return on plan assets	**2.5%**		3.0%		3.5%	
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	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	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 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, 2004 and 2003 comprised the following:

	Millions of yen		Thousands of U.S. dollars
	2004	2003	2004
Long-term loans, principally from banks and insurance companies:			
Loans secured by collateral or bank guarantees	¥ 62,930	¥ 62,299	$ 595,421
Unsecured loans	951,536	983,854	9,003,084
	1,014,466	1,046,153	9,598,505
Bonds and debentures			
Domestic:			
1.40% convertible debentures due 2003	—	46,242	—
2.45% yen notes due 2008	25,000	25,000	236,541
1.70% yen notes due 2003	—	35,000	—
3.00% yen notes due 2013	10,000	10,000	94,616
1.05% yen notes due 2004	10,000	10,000	94,616
1.56% yen notes due 2006	10,000	10,000	94,616
2.08% yen notes due 2009	10,000	10,000	94,616
1.77% yen notes due 2006	10,000	10,000	94,616
2.20% yen notes due 2009	10,000	10,000	94,616
2.33% yen notes due 2009	10,000	10,000	94,616
2.17% yen notes due 2008	5,000	5,000	47,310
1.84% yen notes due 2006	10,000	10,000	94,616
2.29% yen notes due 2009	10,000	10,000	94,616
2.25% yen notes due 2012	5,000	5,000	47,310
2.04% yen notes due 2010	10,000	10,000	94,616
1.04% yen notes due 2013	10,000	—	94,616
Overseas:			
0% convertible bonds with stock acquisition rights due 2010	80,000	80,000	756,931
	1,239,466	1,342,395	11,727,373
Less amount due within one year	193,174	238,881	1,827,742
	¥1,046,292	¥1,103,514	$ 9,899,631

The following assets were pledged as collateral for secured loans:

	Millions of yen		Thousands of U.S. dollars
	2004	2003	2004
Collateralized assets			
Land	¥ 37,763	¥ 35,300	$ 357,300
Buildings and structures and others	89,103	94,303	843,060
Total	¥126,866	¥129,603	$1,200,360

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, provided for the conversion thereof into shares at the conversion price per share of ¥2,220.00.

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, 2004, 56,140 thousand shares of common stock would have been issued.

The annual maturities of long-term debt at March 31, 2004 were as follows:

Year ending March 31	Millions of yen	Thousands of U.S. dollars
2005	¥ 193,174	$ 1,827,742
2006	163,489	1,546,873
2007	147,568	1,396,234
2008	71,697	678,371
2009	145,616	1,377,765
Thereafter	517,922	4,900,388
Total	¥1,239,466	$11,727,373

11. DEPOSITS FROM TENANTS

Deposits from tenants at March 31, 2004 and 2003 comprised the following:

	Millions of yen		Thousands of U.S. dollars
	2004	2003	**2004**
Non-interest-bearing	**¥263,985**	¥274,356	**$2,497,729**
Interest-bearing	**27,337**	33,430	**258,653**
Total	**¥291,322**	¥307,786	**$2,756,382**
Average interest rate	**1.65%**	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 1.65% per annum from the beginning of the eleventh year.

12. SHAREHOLDERS' EQUITY

Under the Japanese Commercial Code (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,	**2004**	2003	2002	**2004**
Interest income	**¥ 1,220**	¥ 1,376	¥ 2,042	**$ 11,543**
Dividend income	**1,943**	1,993	1,788	**18,384**
Gain on sale of fixed assets	**411**	3,687	23,612	**3,889**
Gain on sale of shares in affiliated companies	**—**	90	585	**—**
Gain on sale of investment securities	**4,669**	582	1,129	**44,176**
Compensation received for retirement of property	**—**	—	3,015	**—**
Other	**3,409**	3,459	3,671	**32,255**
Total	**¥11,652**	¥11,187	¥35,842	**$110,247**

14. MAJOR COMPONENTS OF COSTS AND EXPENSES — OTHER

	Millions of yen			Thousands of U.S. dollars
Years ended March 31,	**2004**	2003	2002	**2004**
Provision for doubtful accounts	**¥ 1,518**	¥ 1,963	¥ 6,491	**$ 14,363**
Loss on sale of fixed assets	**—**	1,494	4,077	**—**
Loss on disposal of fixed assets	**855**	5,491	418	**8,090**
Loss on devaluation of other securities	**—**	20,267	21,296	**—**
Loss on investments in affiliated companies	**—**	492	914	**—**
Special charge due to a change in estimated useful lives of fixed assets (Note 2 (H))	**—**	—	18,477	**—**
Loss on devaluation of real property for sale	**64,231**	—	443	**607,730**
Loss on disposal of real property for sale	**—**	1,575	—	**—**
Loss incurred in certain housing project	**—**	2,333	—	**—**
Other	**11,424**	12,942	14,848	**108,089**
Total	**¥78,028**	¥46,557	¥66,964	**$738,272**

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, 2004 and 2003 of finance leases that do not transfer ownership to the lessee is as follows:

	Millions of yen					
	2004			2003		
	Buildings and structures	Machinery and equipment	Total	Buildings and structures	Machinery and equipment	Total
Acquisition cost	**¥2,047**	**¥8,301**	**¥10,348**	¥2,107	¥8,602	¥10,709
Accumulated depreciation	**740**	**3,878**	**4,618**	665	4,216	4,881
Net book value	**¥1,307**	**¥4,423**	**¥ 5,730**	¥1,442	¥4,386	¥ 5,828

	Thousands of U.S. dollars		
	2004		
	Buildings and structures	Machinery and equipment	Total
Acquisition cost	**$19,368**	**$78,541**	**$97,909**
Accumulated depreciation	**7,002**	**36,692**	**43,694**
Net book value	**$12,366**	**$41,849**	**$54,215**

(2) Future rental payment inclusive of interest at March 31, 2004 and 2003

	Millions of yen		Thousands of U.S. dollars
	2004	2003	2004
Amount due within one year	**¥1,539**	¥1,482	**$14,561**
Amount due after one year	**4,191**	4,346	**39,654**
Total	**¥5,730**	¥5,828	**$54,215**

(3) Rental expense and assumed amount of depreciation expense for the years ended March 31, 2004, 2003 and 2002

	Millions of yen			Thousands of U.S. dollars
	2004	2003	2002	2004
Rental expense	**¥1,507**	¥1,620	¥1,932	**$14,259**
Depreciation expense	**1,507**	1,620	1,932	**14,259**

(4) Calculation of assumed amount of depreciation expense

Assumed depreciation amounts are computed using the straight-line method over the lease terms assuming no residual value.

(B) Future rental payments under operating leases at March 31, 2004 and 2003;

	Millions of yen		Thousands of U.S. dollars
	2004	2003	2004
Amount due within one year	**¥ 16,153**	¥11,069	**$152,834**
Amount due after one year	**87,357**	62,709	**826,540**
Total	**¥103,510**	¥73,778	**$979,374**

As lessor:

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

(1) Summary of amounts of acquisition cost, accumulated depreciation and net book value at March 31, 2004 and 2003, of finance leases that do not transfer ownership to the lessee is as follows:

	Millions of yen					
	2004			2003		
	Buildings and structures	Machinery and equipment	Total	Buildings and structures	Machinery and equipment	Total
Acquisition cost	¥2,162	¥1,598	¥3,760	¥3,279	¥1,791	¥5,070
Accumulated depreciation	1,466	948	2,414	2,064	979	3,043
Net book value	¥ 696	¥ 650	¥1,346	¥1,215	¥ 812	¥2,027

	Thousands of U.S. dollars		
	2004		
	Buildings and structures	Machinery and equipment	Total
Acquisition cost	$20,456	$15,120	$35,576
Accumulated depreciation	13,871	8,970	22,841
Net book value	$ 6,585	$ 6,150	$12,735

(2) Future rental revenue inclusive of interest at March 31, 2004 and 2003:

	Millions of yen		Thousands of U.S. dollars
	2004	2003	2004
Amount due within one year	¥ 567	¥ 745	$ 5,365
Amount due after one year	780	1,188	7,380
Total	¥1,347	¥1,933	$12,745

(3) Rental revenue and depreciation expense for the years ended March 31, 2004, 2003 and 2002:

	Millions of yen			Thousands of U.S. dollars
	2004	2003	2002	2004
Rental revenue	¥635	¥ 897	¥788	$6,008
Depreciation expense	575	1,016	537	5,440

(B) Future rental revenue under operating leases at March 31, 2004 and 2003:

	Millions of yen		Thousands of U.S. dollars
	2004	2003	2004
Amount due within one year	¥ 31,439	¥ 25,863	$ 297,465
Amount due after one year	157,747	150,275	1,492,544
Total	¥189,186	¥176,138	$1,790,009

16. SEGMENT INFORMATION

(1) Leasing
Leasing of office buildings, retail 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, flats, etc. (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, retail facilities, etc., 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 sales of housing materials, as well as wholesale and retail sale of general goods. In October 2002, the supermarket arm of Uni Living, a "do-it-yourself" retailer, a wholly owned subsidiary, was sold to Maruetsu Inc.
(7) Facility Operations
Operation of hotels and golf courses, etc. 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, 2004	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	Elimination or Corporate	Consolidated
Revenue from operations:										
Outside customers	**¥ 332,380**	**¥350,762**	**¥180,503**	**¥53,585**	**¥77,482**	**¥61,769**	**¥ 37,630**	**¥ 8,733**	**¥ —**	**¥1,102,844**
Inter-segment	**5,329**	**—**	**7,251**	**11,656**	**20,722**	**32,463**	**386**	**10,855**	**(88,662)**	**—**
	337,709	**350,762**	**187,754**	**65,241**	**98,204**	**94,232**	**38,016**	**19,588**	**(88,662)**	**1,102,844**
Costs and expenses*	**274,692**	**317,825**	**186,422**	**51,163**	**87,360**	**94,081**	**38,543**	**16,997**	**(73,485)**	**993,598**
Operating income (loss)	**¥ 63,017**	**¥ 32,937**	**¥ 1,332**	**¥14,078**	**¥10,844**	**¥ 151**	**¥ (527)**	**¥ 2,591**	**¥ (15,177)**	**¥ 109,246**
Assets	**¥1,914,041**	**¥485,771**	**¥ 57,076**	**¥43,973**	**¥39,911**	**¥49,742**	**¥116,140**	**¥31,633**	**¥205,296**	**¥2,916,583**
Depreciation	**27,353**	**565**	**2,198**	**823**	**1,076**	**1,138**	**3,503**	**3,083**	**676**	**40,415**
Capital expenditures	**23,204**	**1,396**	**2,412**	**1,578**	**964**	**2,043**	**1,754**	**1,968**	**520**	**35,839**

	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*	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

*Includes cost of revenue from operations and selling, general and administrative expenses.

Year ended March 31, 2002	Millions of yen (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*	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

Year ended March 31, 2004	Thousands of U.S. dollars (1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	Elimination or Corporate	Consolidated
Revenue from operations:										
Outside customers	**$ 3,144,858**	**$3,318,781**	**$1,707,853**	**$507,001**	**$733,106**	**$584,436**	**$ 356,041**	**$ 82,629**	**$ —**	**$10,434,705**
Inter-segment	**50,421**	**—**	**68,606**	**110,285**	**196,064**	**307,153**	**3,652**	**102,706**	**(838,887)**	**—**
	3,195,279	**3,318,781**	**1,776,459**	**617,286**	**929,170**	**891,589**	**359,693**	**186,335**	**(838,887)**	**10,434,705**
Costs and expenses*	**2,599,035**	**3,007,143**	**1,763,856**	**484,085**	**826,568**	**890,160**	**364,679**	**160,821**	**(695,288)**	**9,401,060**
Operating income (loss)	**$ 596,244**	**$ 311,638**	**$ 12,603**	**$133,201**	**$102,602**	**$ 1,429**	**$ (4,986)**	**$ 24,514**	**$ (143,599)**	**$ 1,033,645**
Assets	**$18,109,954**	**$4,340,723**	**$ 540,032**	**$416,056**	**$377,623**	**$470,641**	**$1,098,874**	**$299,300**	**$1,942,435**	**$27,595,638**
Depreciation	**258,804**	**5,346**	**20,797**	**7,787**	**10,181**	**10,767**	**33,144**	**29,170**	**6,396**	**382,392**
Capital expenditures	**219,548**	**13,208**	**22,821**	**14,930**	**9,121**	**19,330**	**16,596**	**18,621**	**4,920**	**339,095**

*Includes cost of revenue from operations and selling, general and administrative expenses.

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 by geographic area 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, 2004 and 2003 are as follows:

	Millions of yen **2004**	2003	Thousands of U.S. dollars **2004**
Loans guaranteed	**¥163,693**	¥188,371	**$1,548,803**

18. SUBSEQUENT EVENTS

(A) APPROPRIATION OF RETAINED EARNINGS

On June 29, 2004, at the 92nd Ordinary General Shareholder's Meeting, the Company's shareholders approved the appropriations of retained earnings of the Company at March 31, 2004 as follows:

	Millions of yen	Thousands of U.S. dollars
Year-end cash dividends at ¥3.5 (U.S. $0.033) per share	**¥2,878**	**$27,231**
Bonuses to directors	**102**	**965**

INDEPENDENT AUDITORS' REPORT

KPMG

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

We have audited the accompanying consolidated balance sheets of MITSUI FUDOSAN CO., LTD. and consolidated subsidiaries as of March 31, 2004 and 2003, and the related consolidated statements of income, shareholders' equity and cash flows for each of the three years in the period ended March 31, 2004, expressed in Japanese yen. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to independently 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, 2004 and 2003, and the consolidated results of their operations and their cash flows for each of the three years in the period ended March 31, 2004, in conformity with accounting principles generally accepted in Japan.

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2004 are presented solely for convenience. Our audit also included the translation of yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 1 to the consolidated financial statements.

KPMG AZSA & Co.

Tokyo, Japan
June 29, 2004

DOMESTIC AND OVERSEAS NETWORK

Domestic Network

HEAD OFFICE
Mitsui Main Building
1-1, Nihonbashi-Muromachi 2-chome,
Chuo-ku, Tokyo 103-0022

BRANCH OFFICES
Kansai Head Office
Midosuji Mitsui Building
1-3, Bingo-machi 4-chome, Chuo-ku, Osaka-shi,
Osaka 541-0051

Sapporo Branch
Sapporo Mitsui Building
1, Kitanijyo Nishi 4-chome, Chuo-ku, Sapporo-shi,
Hokkaido 060-0002

Sendai Branch
Sendai Sanshin Building
2-2, Chuo 1-chome, Aoba-ku, Sendai-shi,
Miyagi 980-0021

Chiba Branch
Chiba Chuo Twin Building No.1
11-1, Chuo 1-chome, Chuo-ku, Chiba-shi,
Chiba 260-0013

Yokohama Branch
Yokohama Creation Square
5-1, Sakae-cho, Kanagawa-ku, Yokohama-shi,
Kanagawa 221-0052

Nagoya Branch
Nagoya Mitsui Main Building
24-30, Meieki Minami 1-chome, Nakamura-ku,
Nagoya-shi,
Aichi 450-0003

Hiroshima Branch
Nakamachi Mitsui Building
9-12, Nakamachi, Naka-ku, Hiroshima-shi,
Hiroshima 730-0037

Kyushu Branch
Hakata Mitsui Building
10-1, Kami Gofuku-machi, Hakata-ku, Fukuoka-shi,
Fukuoka 812-0036

OFFICES
Yokkaichi Office
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Mie 510-8531

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Shijo-Dori Shimogyo-ku, Kyoto-shi,
Kyoto 600-8008

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Okayama 700-0024

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Oita 870-0044

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Kumamoto 860-0805

Overseas Network

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Fax: 1-212-403-5657

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Honolulu, Hawaii 96813, U.S.A.
Tel: 1-808-526-1186
Fax: 1-808-536-8794

Mitsui Fudosan (U.K.) Ltd.
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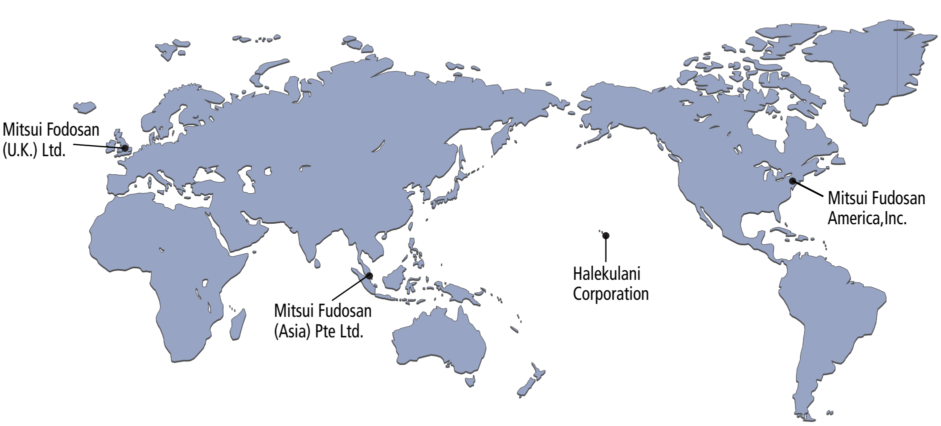
Tel: 44-20-7489-1379
Fax: 44-20-7236-2771

Mitsui Fudosan (Asia) Pte Ltd.
16 Raffles Quay, #37-01 Hong Leong Building,
Singapore 048581
Tel: 65-6-220-8358
Fax: 65-6-224-8783



(as of August 1, 2004)

INVESTOR INFORMATION (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 (Ticker: 8801)

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

Number of Shareholders:
49,594

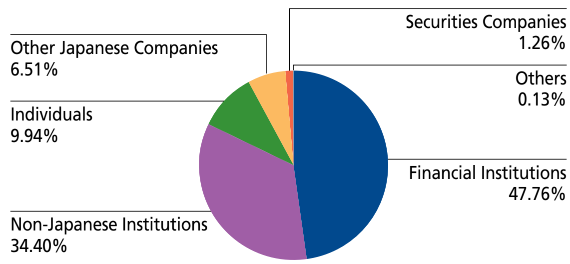
Transfer Agent:
The Chuo Mitsui Trust and Banking Company, Limited

Number of Employees:
1,645

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

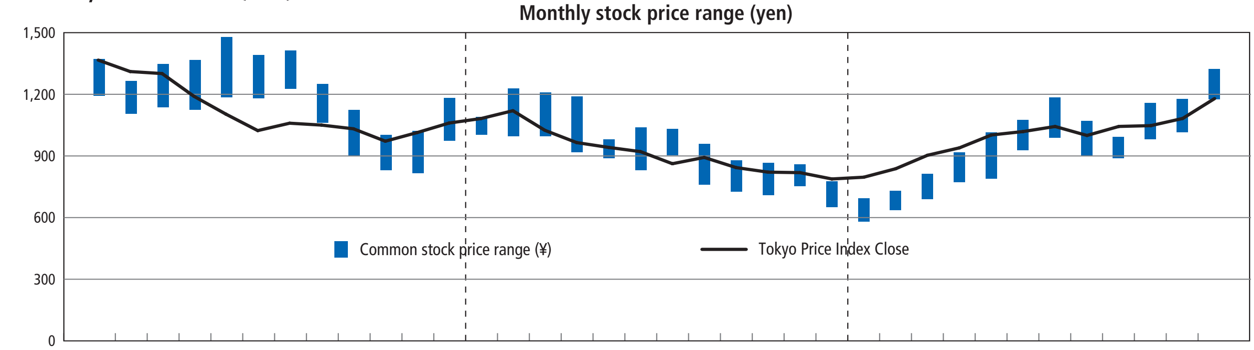
E-mail:
mfir@mitsuifudosan.co.jp

Composition of shareholders:

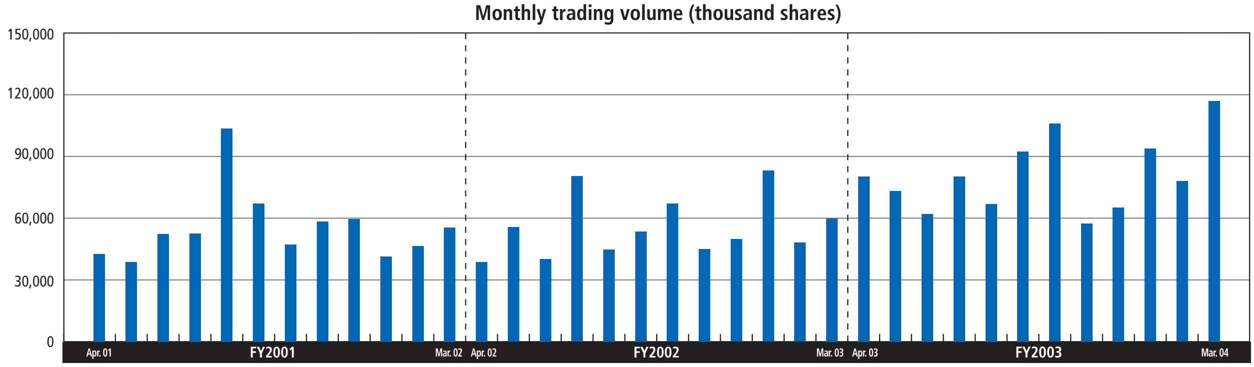


Monthly Stock Data (TSE):

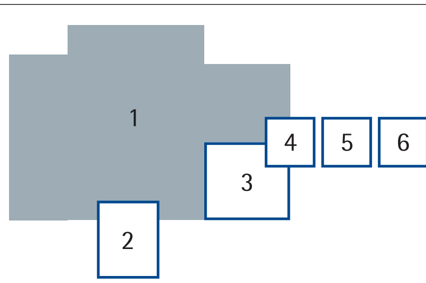
Monthly stock price range (yen)



Monthly trading volume (thousand shares)



On the Cover



1. Nihonbashi 1-chome Building
2&4. Roppongi T-Cube
3. LALA Garden Tsukuba
5. Fine Court Mitaka
6. Park Court Futagotamagawa

This annual report is printed with 100% recycled paper utilizing used OA paper collected from office buildings managed by Mitsui Fudosan.

MITSUI FUDOSAN

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