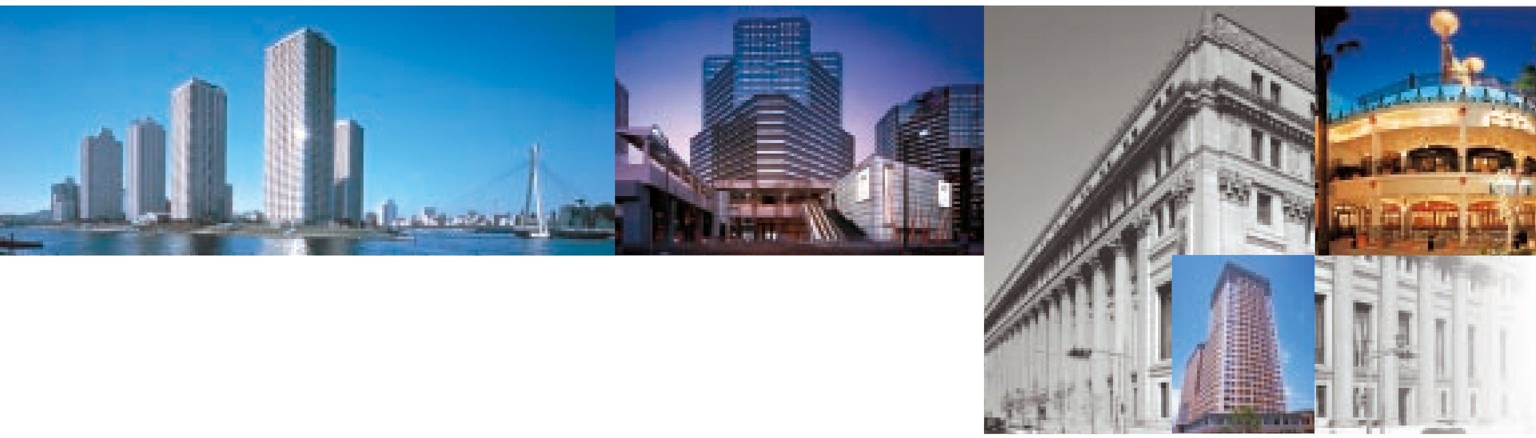
Annual Report 2002

Year ended March 31, 2002



MITSUI FUDOSAN CO.,LTD.

PROFILE

The Mitsui Fudosan Group is Japan's Largest Comprehensive Real Estate Group.

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

In the 21st century in Japan, where the real estate and financial markets are merging to form a new hybrid field, Mitsui Fudosan Co., Ltd. aims to remain active as a key player in its 61th year of business by making optimal use of its power to create value toward building its influence and presence in the industry and further reinforcing its position as a leading real estate company.

CONTENTS

CONSOLIDATED FINANCIAL HIGHLIGHTS 1

TO OUR SHAREHOLDERS 2

SEGMENT INFORMATION 7

CORPORATE GOVERNANCE 20

ENVIRONMENTAL MANAGEMENT 21

MEMBERS OF THE BOARD 22

FINANCIAL SECTION 23

NETWORK 54

CORPORATE DATA 55

Cautionary Statement

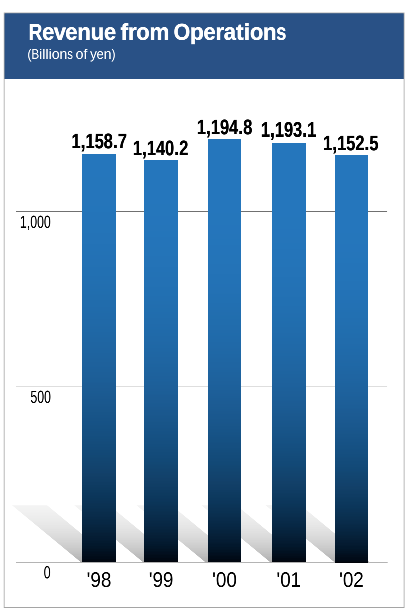
Statements made in this report with respect to Mitsui Fudosan Group's current plans, estimates, strategies and beliefs and other statements that are not historical facts are forward-looking statements about the future performance of Mitsui Fudosan Group. These statements are based on management's assumptions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

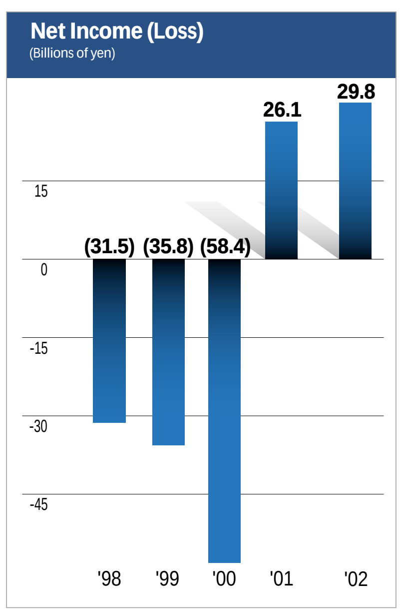
CONSOLIDATED FINANCIAL HIGHLIGHTS

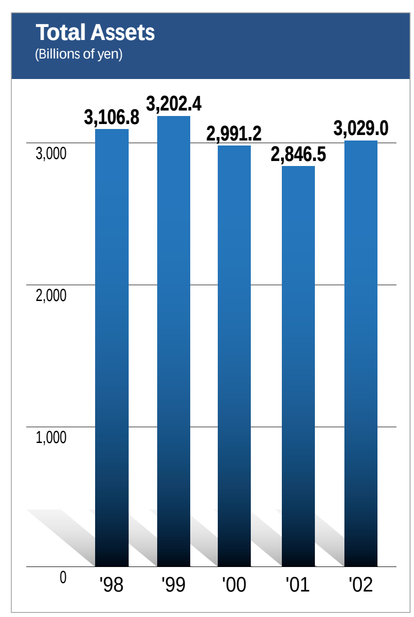
Mitsui Fudosan Co., Ltd. and Subsidiaries

	Millions of yen except per share amounts		Thousands of U.S. dollars except per share amounts	
	2001	**2002**	2001	**2002**
For the Year:				
Revenue from operations	¥ 1,193,081	**¥ 1,152,484**	$ 8,953,703	**$ 8,649,033**
Net income	26,112	**29,807**	195,967	**223,691**
As a percentage of revenue from operations	2.2%	**2.6%**		
As a percentage of shareholders' equity	6.4%	**4.9%**		
At Year-End:				
Cash dividends	4,063	**5,689**	30,490	**42,690**
Total assets	2,846,467	**3,028,969**	21,361,856	**22,731,478**
Shareholders' equity	411,097	**609,536**	3,085,158	**4,574,384**
Common stock	134,433	**134,433**	1,008,880	**1,008,880**
Number of shareholders	51,704	**51,201**		
Number of employees	13,380	**12,503**		
Per Share Data:				
Net income	¥ 32.1	**¥ 36.7**	$ 0.241	**$ 0.275**
Diluted net income	31.8	**36.2**	0.239	**0.272**
Cash dividends applicable to the year	6.0	**7.0**	0.045	**0.053**

Note: U.S. dollar amounts are translated from yen at the rate of ¥133.25=U.S.$1.00, the approximate exchange rate at March 31, 2002.







Overview of Fiscal 2001

Fiscal 2001, ended March 31, 2002, was a noteworthy year, as symbolized by a paradigm shift in Japan's real estate industry. Among the noteworthy developments occurring during the fiscal year, a listing system for Japan Real Estate Investment Trusts (JREITs), which link real estate properties with capital markets, was established on the Tokyo Stock Exchange (TSE). In September 2001, Office Building Fund of Japan, Inc., which was established based on a plan by Mitsui Fudosan Co., Ltd., earned the distinction of being the first fund to be listed on the TSE's JREIT market. The listing of this fund heralded the debut in Japan of a new type of entity that holds high-quality income-producing properties and distributes the majority of income from the management of these properties to investors. In March 2002, Office Building Fund of Japan was the first TSE-listed JREIT to announce its results and distribute its profits. Subsequently, the price of this fund firmed, which, I believe, reflects the market's recognition of this fund's ability to produce stable income as well as its growth potential. In addition to the initially listed funds including Office Building Fund of Japan two more JREITs listed in June and a number of others are scheduled for listing in a few years. Along with these developments, I am confident that, in the near future, we will finally witness a further invigoration of the Japanese real estate investment market.

As was announced on March 1, 2002, at the end of the fiscal year under review the Mitsui Fudosan Group revalued the book value of its landholdings in accordance with the Japanese Law Concerning Land Revaluation. As a result, differentials between market value and book value shrank significantly. This revaluation will facilitate the implementation of flexible strategies to optimize our asset portfolio, including new assets added to our portfolio, with minimal impact on our profit and loss. In April, the Business Accounting Council, an FSA council, announced an exposure draft and decided to adopt impairment accounting in Japan in the near future. However, I believe we have already reduced a large portion of profit risk through the implementation of revaluation.

In the past, I have mentioned that it is imperative for Mitsui Fudosan to reform its business methods as value in real estate evolves from merely holding real estate assets toward emphasis on effectively utilizing real estate. Trends such as the debut of JREITs as well as the implementation of land revaluation by the Mitsui Fudosan Group correspond with the paradigm shift in real estate. We recognize that this shift also represents the first step in an age in which greater stress is not only placed on raising the value of each income-producing property but also on ensuring the outstanding quality and dominance of real estate portfolios.

Performance

I would now like to review our performance for fiscal 2001. Revenues from operations amounted to ¥1,152.5 billion, down 3.4% from the previous fiscal year. Operating income was ¥103.0 billion, a 5.0% decrease. Despite such income-reducing factors as a ¥31.8 billion decrease in net sales, a ¥10.5 billion decline in operating income at Mitsui Home Co., Ltd., and ¥2.7 billion in additional depreciation expenses accompanying the decision to close the LaLaport Ski Dome SSAWS, we were able to achieve this level of operating income thanks to higher income in our asset businesses, including our leasing and sales of housing, office building and land businesses, as well as our non-asset businesses of brokerage, consignment sales and consulting and property managent.

This favorable performance resulted from our continual emphasis on taking a customer-oriented approach in the leasing of office building and others and in our sales of housing, office building and land business as well as promoting a shift to a demand-pull driven business concept while endeavoring to improve business performance.

On a different note, it is with great sadness that I report that executive director Yoshihiko Katori passed away in August 2001. Mr. Katori's extensive efforts and dedication throughout his career at Mitsui Fudosan contributed significantly to the growth of the Company, especially in the sales of housing business.

Next, let me briefly discuss the results and growth of Mitsui Fudosan's non-asset businesses, focusing particularly on the brokerage, consignment sales and consulting segment and the property management segment. In fiscal 2001, these two segments posted combined operating income of ¥25.2 billion, approximately the same level as the ¥26.7 billion in operating income posted by the sales of housing, office building and land segment, which serves as the pillar of our asset business along with leasing. This solid performance was also attributable to the fact that our business models centered on joint investments, plus non-asset businesses began steadily growing in the new real estate market.

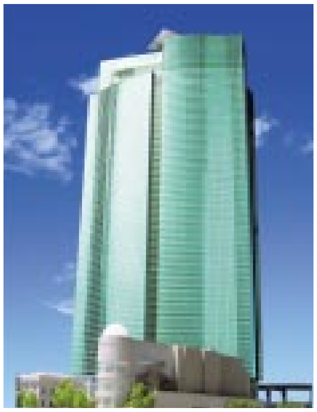
Regarding the Company's financial condition, assets at the end of the fiscal year amounted to ¥3,029 billion, up 6.4%, reflecting the revaluation of land. Interest-bearing debt totaled ¥1,461 billion, down 6.0%, and shareholders' equity was ¥610.0 billion, up 48.3%.

Besides raising the efficiency of our businesses and marketing, we also concentrated on improving the entire Group's financial condition by implementing concrete and highly efficient financial strategies. We started fund procurement on a consolidated basis and introduced a cash management system as well as a system for making loans to subsidiaries. In addition, to maintain immediate liquidity, we have established a ¥145 billion commitment line with several Japanese and overseas banks.

Establishing a Foundation for Future Growth

The Mitsui Fudosan Group is vigorously implementing its three-year Mid-Term Management Plan, which will guide the Company's operations through the fiscal year ending March 31, 2003. During the three years of this plan, Mitsui Fudosan aims to achieve quantitative targets for operating income, interest-bearing debt, ROA, total assets, debt-equity ratio, and operating cash flows. The Company is also working to build an optimal organization for maximizing synergies and will rebuild its value chain.

During the fiscal year under review, steps taken to strengthen our business and finance-related operations have enabled us to promptly review our business and organization. We decided upon and implemented a number of measures that will enable us to lay the foundation for future growth. We have placed top priority on selection and concentration in our businesses. As part of these efforts, first, we will make one of our key subsidiaries, Mitsui Real Estate Sales Co., Ltd., a wholly owned subsidiary in October 2002. Second, at the end of September 2002 we will close the LaLaport Ski Dome SSAWS, which has squeezed our profitability. Third, in March 2002 we sold Mitsui Harbour and Urban Construction Co., Ltd., to the Mirai Group Co., Ltd. In view of the persistently harsh conditions in the construction industry, this decision was made based on the belief that the optimal choice for Mitsui Harbour and Urban Construction in carrying out its future business was to pursue growth outside the Group.



Shiodome City Center
(Scheduled for Completion in January 2003/212,000m^2)

Investment

Mitsui Fudosan places particular emphasis on two types of investment styles. The first is making investments to enhance the value of existing portfolio assets. Specifically, these are investments for renovation that include rebuilding existing facilities or renovating the functions and equipment of these facilities. At present, we are progressing with redevelopment plans at such properties as the Muromachi Mitsui Shinkan Building, which has 134,000m^2 in total floor space, situated in the same Nihonbashi area of Central Tokyo as the Company's headquarters, as well as the Nakanoshima Mitsui Building, with 71,000m^2 in total floor space, in Osaka.

Our second approach is to make joint investments with domestic and overseas institutional investors. Regarding investments in new projects, our joint investment style since 1997 has been modeled on an investment made in the same year with the Government of Singapore Investment Corp. (GIC), which entailed the joint acquisition of land for Shiodome City Center, with total floor space of 212,000m^2, in the Shiodome area of Central Tokyo. Using the same investment style, in September 2001 a consortium of domestic institutional investors formed by Mitsui Fudosan won a ¥180 billion bid for a 7.8-hectare site in Minato-ku Tokyo previously occupied by the Japan Defense Agency.

The aim of joint investments is to minimize the share of investments required for each project, which allows invested capital to be committed to an even wider range of projects. The Mitsui Fudosan Group not only seeks returns as an investor. As a service provider in all phases of a project—from commencement of construction to completion and start-up of operations—the Group aims to offer joint investors its real estate related skills and specialized expertise, through which it is able to earn management fees. We believe this approach is key to maximize returns per investment unit without increasing interest-bearing debt. Mitsui Fudosan is promoting this investment approach a step ahead of other companies in the industry and the results of these endeavors are steadily emerging.

Looking Ahead

The general economic outlook surrounding the Mitsui Fudosan Group is expecting to make progress in business restructuring and improve corporate earnings . However, remains clouded by such factors as the likely continued curtailments in capital investment and sluggish personal consumption caused by the adverse employment and income environments.

There are also mounting concerns about the so-called 2003 Issue in the urban office building market. Amid an upsurge in the supply of large-sized office building in prime urban locations, slumping demand will conspire with the elimination and consolidation of offices by corporate tenants to heighten competition among different areas as well as individual buildings.

Looking at the market for condominiums in the Tokyo metropolitan area, the continued high supply of condominiums is likely to trigger a shakeout among products that lack attractiveness in terms of location, product planning, and prices, as consumers become increasingly selective in their purchases.

To minimize the impact of these market changes on its operations, the Company will continue maintaining a certain level of operating income through persistent measures to improve operations in its mainstay asset businesses while further expanding its non-asset businesses especially in fiscal 2002.

Supported by these efforts and achievements, during fiscal 2002, the last year of our Mid-Term Management Plan, we are implementing new business plans based on a wide range of assumptions. During the fiscal year, we are examining our achievements under the current plan. We hope to clarify details of our next management plan that will begin in 2003.

The transformation of Japan's social and economic structures will heighten the importance and necessity of liquidating real estate held by companies. At the same time, there is expected to be a direct inflow of funds from capital markets to real estate investment markets. From a macroeconomic perspective, as part of the creation of demand necessary to revitalize the Japanese economy, I am confident that it will become increasingly important to use real estate as a public good in urban revitalization. Our view is that "urban revitalization" and "invigorating new real estate investment markets that combine real estate and finance" are the most important factors in stimulating the Japanese economy. The Mitsui Fudosan Group will fulfill its corporate mission in this area as it contributes to urban revitalization.

We believe that this medium- and long-term business environment will provide us with unlimited opportunities to create added value for real estate by utilizing the Group's expertise and skills under our next management vision. To take advantage of these opportunities, the Company will draw on three aspects of its operations to serve as valuable assets as well as the foundations of future operations. First are the 4,000 tenant companies occupying our buildings and shopping centers as well as 180,000 so-called housing mates—those who wish to purchase our condominiums and detached houses. Together, these customer segments form a network of customers from whom the Company has earned a high level of trust. Second is Mitsui Fudosan's network of essential partners (cooperating parties) that participate during the development stage. These include originators, general contractors, design companies, and various government agencies. Third are the Group's human resources who draw on their skills and expertise to effectively use the two previously mentioned networks. By utilizing these three aspects of its operations to the fullest, we aim to position the Mitsui Fudosan Group as the "continued choice of stakeholders."

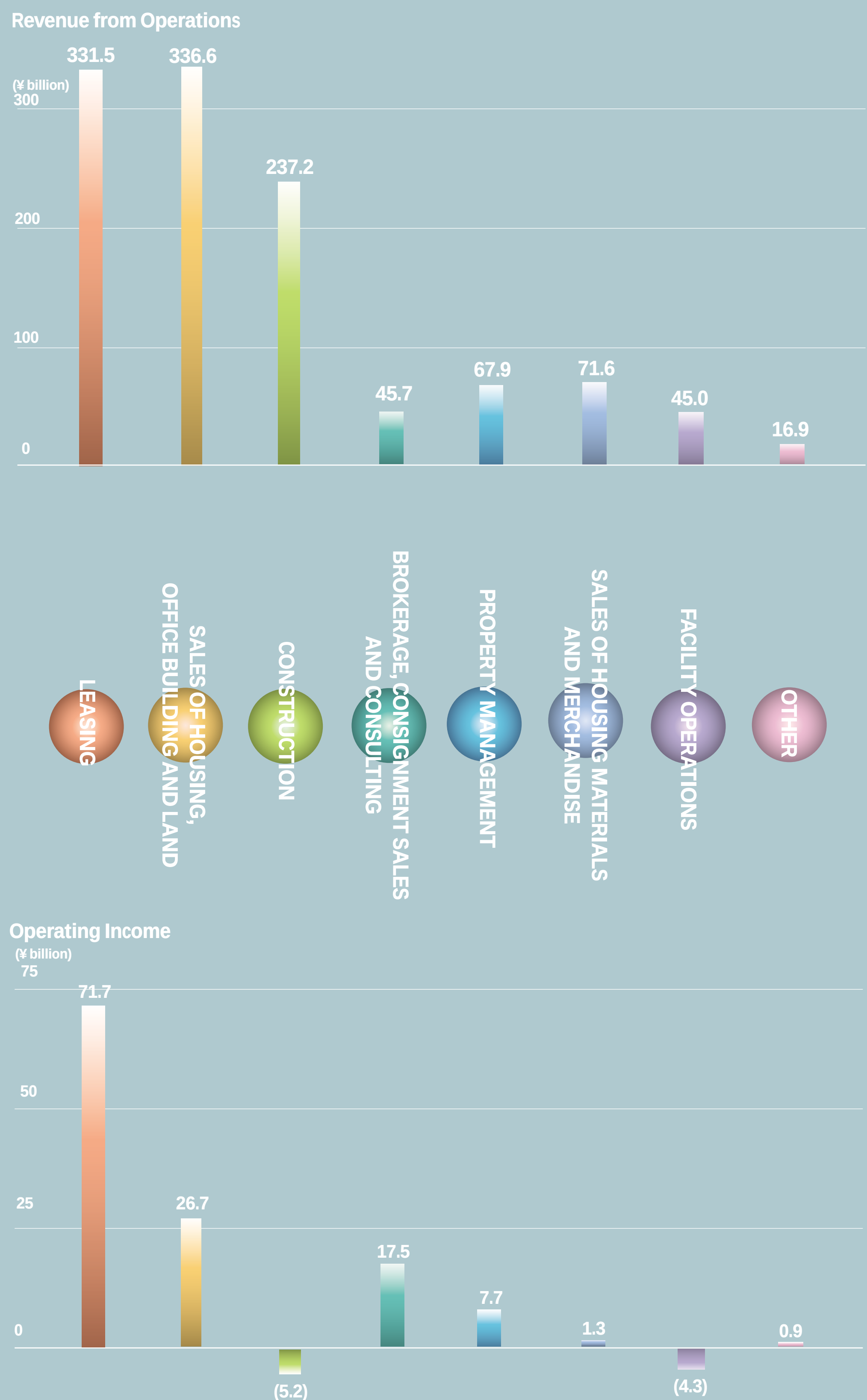
As we build a new Mitsui Fudosan Group for the 21st century with high growth potential and profitability, the Group will focus on consistently increasing its profits.

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

Hiromichi Iwasa

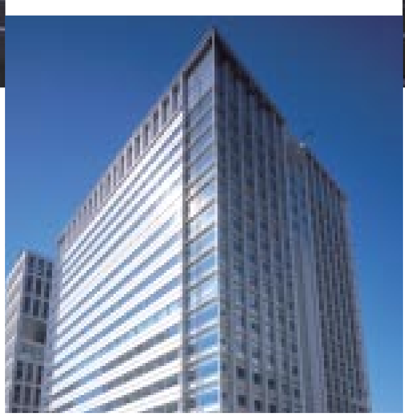
HIROMICHI IWASA
Member of the Board
President and Chief Executive Officer

Segment Information

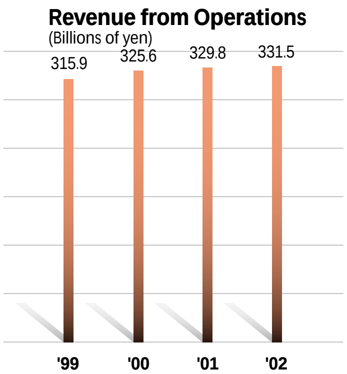


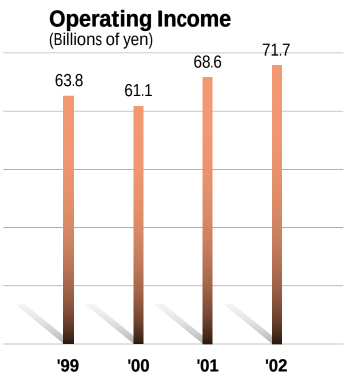
Leasing

Gate City Ohsaki (Completed in February 1999/292,000m^2)



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





Review

Office Buildings

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

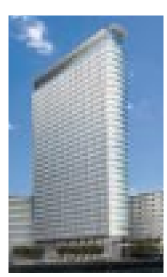
In our operations in cities throughout Japan, and especially in Central Tokyo, the Mitsui Fudosan Group has always pursued a policy of "human-centered development." We succeeded in this as early as 1968, when we completed the 153,000m^2 Kasumigaseki Building (Chiyoda-ku, Tokyo), Japan's first modern high-rise building. By building modern skyscrapers, we free up space on the ground for more greenery, creating more relaxing spaces for people. In this way, we simultaneously pursue purely rational business objectives and development that also takes human needs into account. At first glance, these two goals might seem to be in conflict, but we have been able to reconcile them.

In the years since 1968, we have steadily built up an impressive list of achievements, including the 180,000m^2 Shinjuku Mitsui Building (Shinjuku-ku, Tokyo in 1974). Now, we are applying our experience and expertise to the planning of vast new urban redevelopment projects. Japan's largest-ever private-sector redevelopment project, Gate City Ohsaki (Shinagawa-ku, Tokyo), was completed in February 1999. Then, in April 1999, we finished the Nishi-Shinjuku Mitsui Building (Shinjuku-ku, Tokyo). The Celestine Shiba Mitsui Building (Minato-ku, Tokyo) was completed in April 2002.

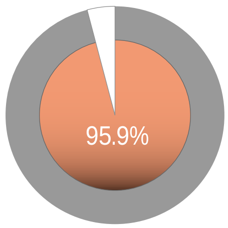
The Mitsui Fudosan Group is engaged in a number of leading new office building projects in the 21st century. As one such project, the Mitsui Honkan Block Redevelopment Plan (Chuo-ku, Tokyo) entered the demolition phase in May 2002 and completion is scheduled for autumn 2005. This project is the first such project undertaken in a district codified under the Registered Important Cultural Properties Specific District System. Furthermore, Mitsui Honkan Building was designated a Registered Important Cultural Property Structure in 1998, and will be preserved. In the project, a new high-rise building complex, tentatively named Muromachi Mitsui Shinkan Building, will complement the historical ambience of the Mitsui Honkan Building, and will be outfitted with the latest in office functions to satisfy the needs of global corporations. Plans also include the incorporation of hotels, stores, and restaurants to magnify the new prosperity of the area.

Scheduled for completion in August 2002, the Nakanoshima Mitsui Building (Osaka-shi, Osaka) will replace the existing Nakanoshima Mitsui Building Honshinkan with a towering skyscraper that will function as an information center for international corporations, and also create a business and cultural hub in the Kansai region for the 21st century.


Muromachi Mitsui Shinkan Building
(Scheduled for Completion in Autumn 2005/134,000m^2)


Nakanoshima Mitsui Building
(Scheduled for Completion in August 2002/71,000m^2)

Occupancy (%)



Total for the office buildings and commercial facility category (As of March 31, 2002)

We are pushing forward with several other projects to lead Tokyo into the 21st century, including the Jimbocho Mitsui Building (Chiyoda-ku, Tokyo), which is scheduled for completion in March 2003 and the Nihonbashi 1-chome project (Chuo-ku, Tokyo), which is scheduled to be completed in January 2004.

To maintain the highest level of competitiveness, we go beyond merely maintaining our assets, instead engaging in large-scale renovation projects to create highly functional office buildings with the latest technologies. At the Shinjuku Mitsui Building, where renovation was completed in March 2000, we sought to create a new class of office environment. Additionally, we focused on upgrading the interior and remodeling public spaces to match the progressive exterior design. Grasping the changing office needs of our tenants, we upgraded basic facility functions with advanced electrical and information systems, air conditioning, elevators, and a central security facility. We also undertook major renovations of the Kasumigaseki Building (Chiyoda-ku, Tokyo) and the Toranomon Mitsui Building (Minato-ku, Tokyo). To increase competitiveness, we are steadily fortifying our position by staying one step ahead of our tenants' needs.

Commercial Facilities

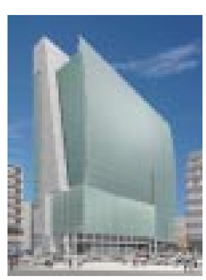
The Mitsui Fudosan Group has long played a leading role in the building of environments conducive to affluent and comfortable living. Tokyo-Bay LaLaport (Funabashi-shi, Chiba), which we developed in 1981, was one of Japan's very first large-scale suburban shopping centers, and we have followed it up with more than 30 others throughout Japan in such places as Sapporo, Sendai, Saitama, Tokyo, Shiga, Osaka, and Hiroshima. In March 2002, we began to operate the newly renovated Kinshicho Sogo Building as the Lifestyle Value Mall ARCAKIT KINSHICHO (79,000m^2). As a truly value-oriented shopping complex with supermarkets, large specialty stores, and amusement facilities, the new shopping mall attracts a broad spectrum of shoppers.

To ensure the continued popularity of our facilities, we are always working to keep our shopping centers at the forefront in addressing the needs of the times. In April 2000, we opened LaLaport 3, a new addition to Tokyo-Bay LaLaport that houses an outstanding array of boutiques for a wide range of shopping tastes. In September 2001, we opened LaLaport WEST in the remodeled Funabashi Sogo Building. This shopping center, Tokyo-Bay LaLaport, has been converted into a facility with total of 450 shops that attracts approximately 25 million visitors per year.

We opened Japan's first factory outlet mall, the Tsurumi-Hanaport Blossom, "BLOSSOM" OUTLET (Osaka-shi, Osaka), in 1995. The purpose of a factory outlet mall is to sell clearance items and sample products at reasonable prices directly from manufacturers. Outlet malls represent a pivotal new development in Japan, for they are not bound by the rules of existing distribution systems.

In the Tokyo metropolitan area and Kansai region, we have opened YOKOHAMA BAYSIDE MARINA SHOPS & RESTAURANTS (Yokohama-shi, Kanagawa); MARINE PIA KOBE PORTO BAZAR (Kobe-shi, Hyogo); LA FETE TAMA MINAMI OSAWA (Hachioji-shi, Tokyo); and GARDEN WALK Makuhari (Chiba-shi, Chiba). Delighted by the new shopping experience, people flocked to these

J city TOKYO Jimbocho Mitsui Building (Right) (Scheduled for Completion in March 2003/89,000m^2)



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

Years ended March 31	2001		2002	
	Floor space (m^2)	Revenue (Millions of yen)	Floor space (m^2)	Revenue (Millions of yen)
Office buildings and commercial facilities		¥ 267,568		**¥ 264,480**
Owned	2,026,852		**1,900,141**	
Managed	1,276,948		**1,326,281**	
Total	3,303,800	¥ 267,568	**3,226,422**	**¥ 264,480**
	Units	Revenue (Millions of yen)	Units	Revenue (Millions of yen)
Residential		¥ 42,923		**¥ 44,602**
Owned	909		**365**	
Managed	28,708		**31,832**	
Total	29,617	¥ 42,923	**32,197**	**¥ 44,602**
		Revenue (Millions of yen)		Revenue (Millions of yen)
Other		¥ 19,344		**¥ 22,419**
Total revenue		¥ 329,835		**¥ 331,501**
Operating income		¥ 68,551		**¥ 71,718**

shopping centers. In March 2002, we opened our sixth outlet mall, Jazz Dream at NAGASHIMA Shops and Restaurants (Kawana-gun, Mie), the largest such facility in the Tokai region. Jazz Dream at NAGASHIMA Shops and Restaurants radiates an atmosphere of entertainment based on a New Orleans jazz theme.

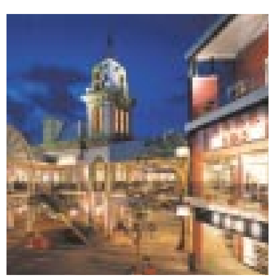
Jazz Dream at NAGASHIMA Shops and Restaurants is one example of a new type of outlet mall called the "Mitsui Outlet Park." We take care to bring forth the true style of a factory outlet mall by focusing on clearance items, rather than outlet-only products and regularly priced items. These facilities are developed around a theme, and the many events carried out on the premises make for a lively atmosphere. People do not just go to our outlet parks to shop, they go to stroll around, relax, and have a good time.

Results

Revenue from the leasing segment in the fiscal year ended March 31, 2002, was ¥331.5 billion, an increase of ¥1.7 billion from the previous fiscal year. Leasing revenue increased as a result of higher revenues from such subsidiaries as Mitsui Real Estate Sales Co., Ltd. and Mitsui Fudosan Housing Lease Co., Ltd., which compensated for a decrease in parent company revenue due to the expiration of large-scale office building subleases. Operating income in the segment advanced 4.6% to ¥71.7 billion, an increase of ¥3.2 billion from a year earlier, owing to reduced leasing expenses and favorable foreign exchange rates at Mitsui Fudosan America, Inc.

As of March 31, 2002, on a consolidated basis, the vacancy rate of office buildings and commercial facilities worsened 1.9 percentage points to 4.1% compared with the end of the previous fiscal year. Of this increase, 1.3 percentage points are attributable to the withdrawal of a key tenant at a large-scale shopping center operated by the parent company in the Chukyo area.

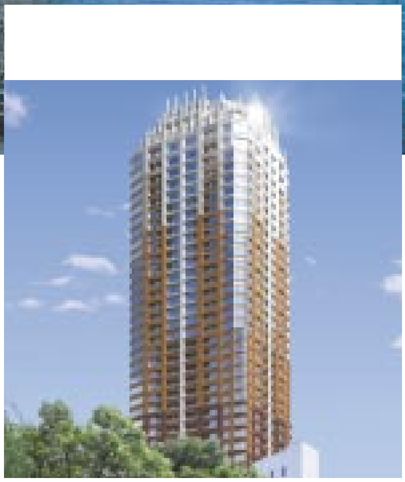
Tokyo-Bay LaLaport (Completed in April 1981/230,000m^2)



Jazz Dream at NAGASHIMA Shops and Restaurants (Completed in March 2002/20,000m^2)

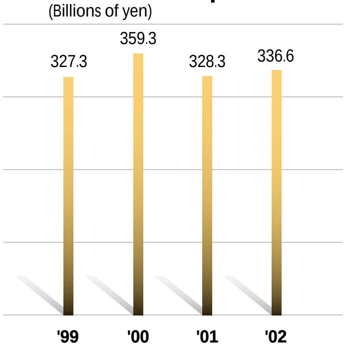
Sales of Housing, Office Building and Land

River City 21 Century Park Tower (Front) (Completed in March 1999/756 units)

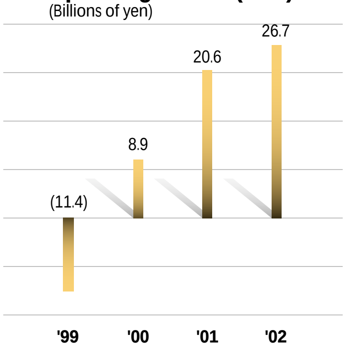


Aoyama Park Tower (Scheduled for Completion in May 2003/314 units)

Revenue from Operations
(Billions of yen)



Operating Income (Loss)
(Billions of yen)



Review

The Mitsui Fudosan Group engages in the housing sales business while meeting a wide variety of home-owner needs. With a view to coordinating entire communities, our guiding principle in the housing business is to create living environments that satisfy the needs of residents. This way of thinking is evident in our large-scale developments throughout Japan.

In the fiscal year ended March 31, 2002, we recorded sales of high-rise condominiums in urban centers, including at The Park Tower Tokyo South (Shinagawa-ku, Tokyo), Shiba Park Tower (Minato-ku, Tokyo) and Park City Ichikawa (Ichikawa-shi, Chiba). In addition, we also posted brisk sales of condominiums in the Aoyama Park Tower (Shibuya-ku, Tokyo) and the Tokyo Park Tower (Chiyoda-ku, Tokyo). Sales of our high-rise condominiums, which offer comfortable living spaces in urban centers, were robust in the fiscal year under review.

In detached housing operations, our activities center on sales of our Fine Court series of single-unit homes, which achieve a balance between convenience and relaxation. This series includes Fine Court Ogikubo Masters Fort (Suginami-ku, Tokyo) and Fine Court Kurihira (Kawasaki-shi, Kanagawa), which have received high acclaim for accommodating customer preferences.

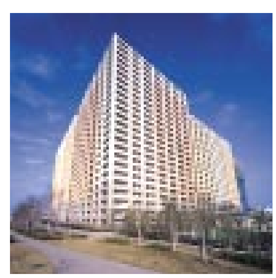
The Mitsui Fudosan Group makes every effort to improve quality in all processes, including condominium planning, construction, sales, management, and after-sales service, by providing products and services that customers appreciate.

- We respond to ecological concerns by employing energy conservation measures, extending the life cycles of buildings, and using ecologically friendly materials that are easy on the environment and people.
- We provide an easy-to-understand explanation of home functions, including basic characteristics that are not immediately apparent.
- We also offer floor plans and amenities with home care in mind, making life more enjoyable for senior citizens.
- We opened the Mitsui Condominium After-Sales Service Center to facilitate the provision of Mitsui Fudosan after-sales services in a swift, efficient, and helpful manner.

We have redefined our approach to ensuring quality into three categories, which we call Object Quality for interior furnishings and materials, Experiential Quality for excellent design and feel, and Latent Quality for the enduring aspects of long-term performance, including foundations and core material strength.

With the belief that quality starts with precisely meeting the needs of residents, we constantly create new

The Park Tower Tokyo South (Completed in July 2001/ 239 units)



Park City Ichikawa (Completed in March 2002/815 units)

Years ended March 31	2001			2002		
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	542	¥ 33,928	¥62.6	**697**	**¥ 38,119**	**¥54.7**
Other	227	9,319	41.1	**203**	**8,167**	**40.2**
Total	769	¥ 43,247	¥56.2	**900**	**¥ 46,286**	**¥51.4**
Condominiums:						
Tokyo metropolitan area	3,589	¥188,447	¥52.5	**3,583**	**¥183,649**	**¥51.3**
Other	1,626	55,160	33.9	**1,782**	**59,482**	**33.4**
Total	5,215	¥243,607	¥46.7	**5,365**	**¥243,131**	**¥45.3**
Total housing sales:						
Tokyo metropolitan area	4,131	¥222,375	¥53.8	**4,280**	**¥221,768**	**¥51.8**
Other	1,853	64,479	34.8	**1,985**	**67,649**	**34.1**
Total	5,984	¥286,854	¥47.9	**6,265**	**¥289,417**	**¥46.2**

Years ended March 31	(Millions of yen) 2001	(Millions of yen) 2002
Other sales revenue:		
Land	¥ 24,174	**¥ 26,123**
Buildings	17,253	**21,102**
Total	¥ 41,427	**¥ 47,225**
Total revenue	¥328,281	**¥336,642**
Operating income	¥ 20,606	**¥ 26,669**

proposals that reflect customers' opinions in our condominiums and single-unit homes. We do this through Mitsui Open Communication, a system that promotes frank and sincere communication with customers through group discussions, surveys, and the Internet.

Results

In the fiscal year ended March 31, 2002, the Mitsui Fudosan Group recorded the sale of 5,365 condominiums, an increase of 150 units, and 900 detached homes, an increase of 131 units from the previous fiscal year. As a result, total revenues from sales of housing grew ¥2.6 billion to ¥289.4 billion while revenues from sales of office buildings and land rose ¥5.8 billion to ¥47.2 billion with the sale of two office buildings, one in Hawaii, U.S.A., and the other in Paris, France.

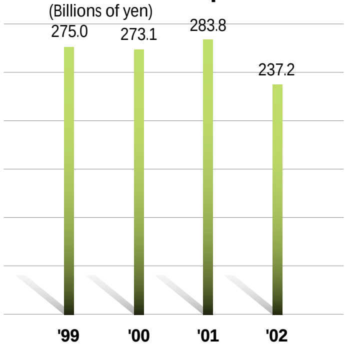
Total revenues in this segment climbed ¥8.4 billion to ¥336.6 billion. Operating income advanced 29.4%, or ¥6.1 billion, to ¥26.7 billion on the back of higher revenues.

Park Heim Ogikubo 2-chome (Completed in June 2001/ 71 units)

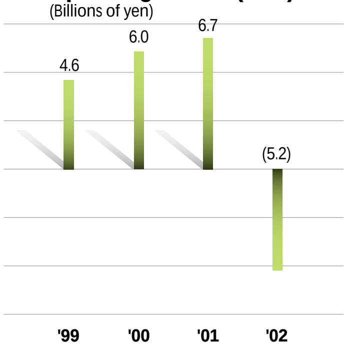
Fine Court Ogikubo Masters Fort (Completed in May 2002/ 13 units)

Construction

Revenue from Operations
(Billions of yen)



Operating Income (Loss)
(Billions of yen)



Review

The construction segment mainly comprises the operations of two subsidiaries. One, a leading company in the construction of 2x4 houses, is Mitsui Home Co., Ltd., which takes orders for the construction of individual homes and apartments. The other is Mitsui Harbour and Urban Construction Co., Ltd., which performs civil engineering projects for ports and residential land preparation.

During the fiscal year under review, Mitsui Home was adversely affected by a sudden deterioration in market conditions that included a sharp drop in single-unit housing starts. Seriously affected by losses at Mitsui Home, revenues and operating income fell considerably in the construction segment. In response, Mitsui Home announced the formulation of a business restructuring plan in March 2002. While working to strengthen brand power and raise customer satisfaction, the plan calls for the examination of major reforms to the business structure, including substantial cost reductions and a review of the personnel and organizational system, to respond to an operating environment that is expected to become more challenging in the future. These measures aim to restore earnings and to create a company that generates long-term stable profits.

In March 2002, Mitsui Fudosan transferred all of its holdings in Mitsui Harbour and Urban Construction, the other company in this segment, to the Mirai Group Co., Ltd. As a consequence, the fiscal year ended March 31, 2002 is the last fiscal year to reflect the results of Mitsui Harbour and Urban Construction in the consolidated accounts of the Mitsui Fudosan Group.

Results

Revenue from the construction segment declined 16.4%, or ¥46.6 billion, to ¥237.2 billion. An operating loss of ¥5.2 billion was recorded, compared with operating income of ¥6.7 billion in the previous fiscal year.

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

Years ended March 31	2001			**2002**					
	Building construction	Civil engineering	Total	Building construction		Civil engineering		Total	
Orders:									
Work-on-hand at beginning of period	¥105,802	¥ 65,832	¥171,634	**¥ 96,007**		**¥ 53,916**		**¥149,923**	
Orders during period	157,448	59,421	216,869	**139,103**		**54,022**		**193,125**	
Total	¥263,250	¥125,253	¥388,503	**¥235,110**		**¥107,938**		**¥343,048**	
Project completions	¥167,243	¥ 71,337	¥238,580	**¥140,812**		**¥ 62,093**		**¥202,905**	
Work-on-hand at end of period	¥ 96,007	¥ 53,916	¥149,923	**¥ 94,298**	**¥(90,701)**	**¥ 45,845**	**¥ (—)**	**¥140,143**	**¥(90,701)**

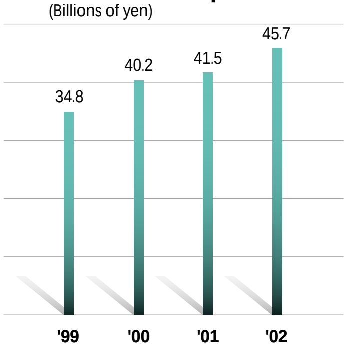
Projects (Millions of yen)

Years ended March 31	2001			**2002**					
	Building construction	Civil engineering	Total	Building construction		Civil engineering		Total	
Orders:									
Project completions	¥167,243	¥ 71,337	¥238,580	**¥140,812**		**¥ 62,093**		**¥202,905**	
Work-on-hand at end of period:									
Total	96,007	53,916	149,923	**94,298**	**(90,701)**	**45,845**		**140,143**	**(90,701)**
Work in progress	12,003	9,471	21,474	**14,603**	**(14,358)**	**9,646**		**24,249**	**(14,358)**
As a percentage of work-on-hand at end of period	12.5%	17.6%	14.3%	**15.5%**	**(15.8%)**	**21.0%**	**(—)**	**17.3%**	**(15.8%)**
Projects during period	¥165,621	¥ 68,706	¥234,327	**¥143,412**		**¥ 62,268**		**¥205,680**	

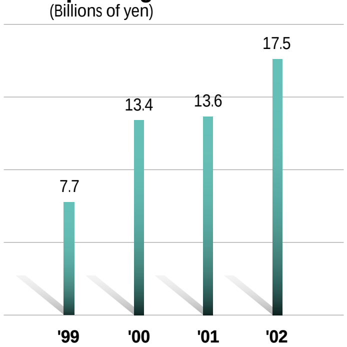
Notes: Affiliates of Mitsui Home Group are not included although Mitsui Home is included.
Figures in brackets represent the amounts excluding those of Mitsui Harbour and Urban Construction's and Sanei Engineering's which were no longer consolidated subsidiaries as from March 31, 2002.

Brokerage, Consignment Sales and Consulting

Revenue from Operations
(Billions of yen)



Operating Income
(Billions of yen)



Review

Targeting aggressive growth in the Mitsui Fudosan Group, this segment is an important non-asset business providing a variety of services related to real estate.

Specializing in brokerage and consignment sales services, Mitsui Real Estate Sales Co., Ltd. reinforced its area network centering on "Rehouse" companies and regional sales companies to more swiftly and flexibly meet customer needs. We also launched "e-Rehouse," which provides real estate information via the Internet. These measures have resulted in a robust increase in revenues from brokerage services and maintained the same level in consignment sales. The Company has decided to make Mitsui Real Estate Sales a wholly owned subsidiary in October 2002. While advancing the integration and restructuring of overlapping businesses within the Mitsui Fudosan Group, Mitsui Real Estate Sales aims to grow as a leading company in the real estate brokerage and consignment sales industry.

In consulting services, the Company is responsible for the management of various projects, including the Shiodome City Center (Minato-ku, Tokyo), Shiodome Block E (Minato-ku, Tokyo), the Iidabashi Project (Chiyoda-ku, Tokyo), and the Roppongi 3-chome Project (Minato-ku, Tokyo). Backed by a long list of accomplishments, the Company provides investors and owners with sophisticated expertise and specialized knowledge in real estate development.

Office Building Fund Management Japan, Ltd., which manages on consignment the fund of Office Building Fund of Japan, Inc., contrib,uted to revenues and profits throughout most of the fiscal year under review.

In September 2001, a consortium led by Mitsui Fudosan made a successful bid for a 7.8-hectare site previously occupied by the Japan Defense Agency (Minato-ku, Tokyo). We are combining our efforts to make the project a textbook example of urban revitalization, and to reflect the cosmopolitan nature of Tokyo. The project presents a new opportunity for Mitsui Fudosan Investment Advisors, Inc., which is entrusted with the management of the collaborating investors' assets, and for the Company, which is entrusted with managing the project, making use of the Group's experience in creating added value in real estate.

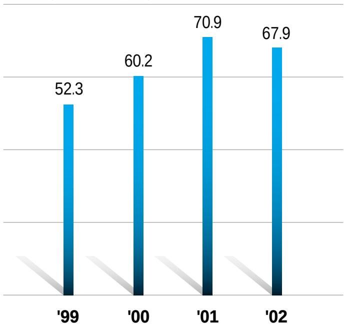
Results

In the brokerage, consignment sales and consulting segment, revenues in the consulting category soared 47.3% to ¥9.1 billion. As a result, revenues from the segment climbed 10.1% to ¥45.7 billion, an increase of ¥4.2 billion from the previous fiscal year. Operating income rose 28.9%, or ¥3.9 billion, to ¥17.5 billion.

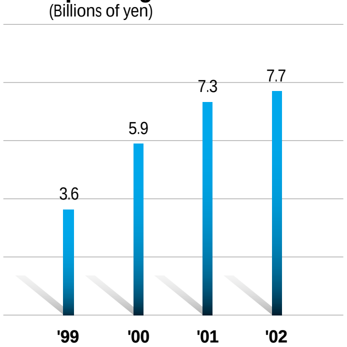
Years ended March 31	2001		**2002**	
	Units	Revenue (Millions of yen)	Units	Revenue (Millions of yen)
Brokerage	22,941	¥26,910	**24,121**	**¥28,581**
Consignment sales	5,436	8,469	**5,236**	**8,076**
Consulting	—	6,169	**—**	**9,086**
Total revenue	—	¥41,548	**—**	**¥45,743**
Operating income	—	¥13,608	**—**	**¥17,542**

Property Management

Revenue from Operations
(Billions of yen)



Operating Income
(Billions of yen)



Review

The property management segment is an important non-asset business of the Mitsui Fudosan Group, on par with the brokerage, consignment sales and consulting segment.

The Mitsui Fudosan Group provides office management services mainly through Group companies Daiichi Seibi Co., Ltd. and M.F. Building Management Co., Ltd., taking full advantage of office building management know-how in property management, leasing management and other areas. In a comfortable office environment, from basic infrastructure, such as air conditioning and power and communications systems to the final touches in security, janitorial services, environmental friendliness, and amenities, we consider first what it takes to create an office environment that employees find pleasant and stimulating, and then put everything into providing services to make this ideal workplace possible.

Meeting a variety of client needs, the tenant improvement category is an important element in creating comfortable office environments. While clearly discerning the assets of building owners and tenants, we perform construction for tenants, including moving in preparations, floor layout changes, and restoring spaces to their original status on moving out. For the owner, we are placed in charge of preserving and improving asset value with repair and maintenance services.

Mitsui Fudosan Housing Services Co., Ltd. and Daiichi Management Co., Ltd. engage in condominium management, while Lalaport Co., Ltd. and others manage commercial facilities.

Results

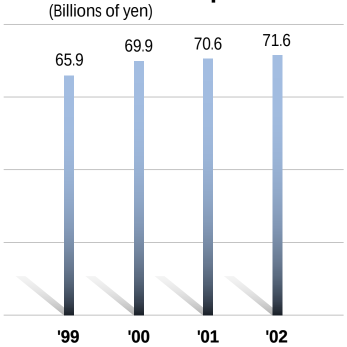
In the fiscal year under review, revenues in the tenant improvement category declined ¥8.2 billion to ¥21.5 billion due to the absence of management projects in line with the moving in of major tenants recorded in the previous fiscal year. However, revenues in the property management category rose ¥5.2 billion to ¥46.4 billion, owing to such factors as office building management services consigned by the Office Building Fund of Japan, Inc.

Total revenues in the property management segment decreased 4.2%, or ¥3 billion, to ¥67.9 billion in the fiscal year under review. Operating income increased 5.0%, or ¥0.4 billion, to ¥7.7 billion.

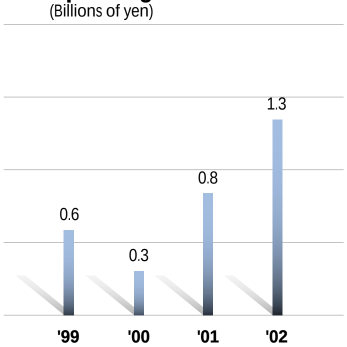
Years ended March 31	2001	(Millions of yen) **2002**
Revenue:		
Property management	¥41,177	**¥46,403**
Tenant Improvement	29,696	**21,513**
Total revenue	¥70,873	**¥67,916**
Operating income	¥ 7,298	**¥ 7,665**

Sales of Housing Materials and Merchandise

Revenue from Operations
(Billions of yen)



Operating Income
(Billions of yen)



Review

Mitsui Home Components Co., Ltd. and other subsidiaries engage in the production and sale of housing materials. Uni Living Co., Ltd. manages home centers and supermarkets mainly in the Tokyo metropolitan area, and retails do-it-yourself (DIY) goods and foodstuffs.

Daiichi Seed Co., Ltd. engages in the wholesale and retail of flowers, seeds, and gardening supplies.

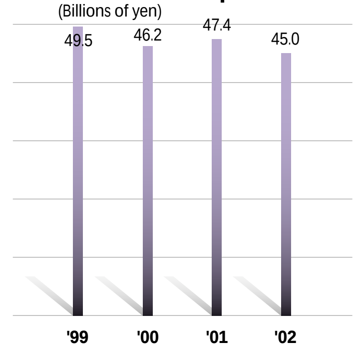
Results

Sales in the housing materials section amounted to ¥21.0 billion, while sales in the housing merchandise section were ¥50.6 billion, providing total sales for the segment of ¥71.6 billion, an increase of ¥1.0 billion, and operating income of ¥1.3 billion, up ¥0.5 billion from the previous fiscal year.

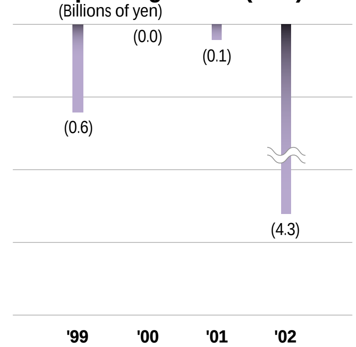
Years ended March 31	2001	(Millions of yen) **2002**
Revenue:		
Housing materials	¥21,452	**¥20,953**
Merchandise	49,131	**50,624**
Total revenue	¥70,583	**¥71,577**
Operating income	¥ 834	**¥ 1,342**

Facility Operations

Revenue from Operations
(Billions of yen)



Operating Income (Loss)
(Billions of yen)



Review

The Company manages the Garden Hotel chain comprising approximately 3,500 rooms in 15 hotels throughout Japan. The Company also operates the Halekulani Hotel in Honolulu, Hawaii, which has won the Five Diamond Award from the American Automobile Association (AAA) for 17 consecutive years.

The Company manages seven golf courses in Japan.

In September 2002, Mitsui

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

Other

Fudosan Co., Ltd. decided to close the LaLaport Ski Dome SSAWS, an indoor ski facility opened in Funabashi, Chiba in 1993. The facility was in the red as customer interest has fallen off due to the demise of the skiing and snowboarding boom in Japan. The decision was made after management determined that the facility closure would result in higher shareholder value than continued operation, and in due consideration of new capital investment needed in the future.

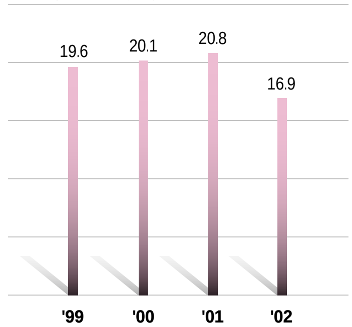
Results

Sales in the hotel management section declined ¥0.9 billion to ¥28.7 billion, owing partly to the adverse effect of lower revenues at the Halekulani Hotel after the September 11 terrorist attacks in the United States. Sales in the other facility operations section fell ¥1.5 billion to ¥16.3 billion. Overall, sales in the facility operations segment declined ¥2.4 billion to ¥45.0 billion.

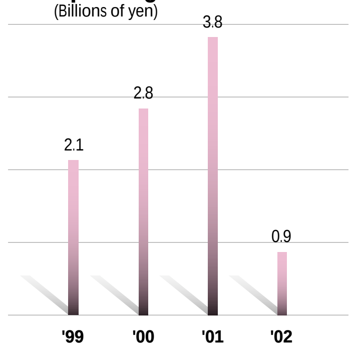
The segment posted an operating loss of ¥4.3 billion, owing mainly to an increase in depreciation from the decision to close the LaLaport Ski Dome SSAWS resulting from reduction in the useful life of the facility.

	2001	(Millions of yen) 2002
	¥29,549	**¥28,659**
	17,838	**16,309**
	¥47,387	**¥44,968**
	¥ (55)	**¥(4,271)**

Revenue from Operations
(Billions of yen)



Operating Income
(Billions of yen)



Review

Mitsui Home Linkage Co., Ltd. engages in leasing operations. Mitsui Fudosan Loan Guarantee Co., Ltd. provides home loan guarantees.

Results

Sales of the finance leasing section were ¥3.9 billion, and those of other sections totaled ¥13.0 billion, giving total sales in the other segment of ¥16.9 billion, while operating income was ¥0.9 billion.

Years ended March 31	2001	(Millions of yen) 2002
Revenue:		
Finance and lease	¥ 4,068	**¥ 3,926**
Other	16,699	**12,968**
Total revenue	¥20,767	**¥16,894**
Operating income	¥ 3,807	**¥ 861**

Management recognizes the urgent need to build an efficient organization with thorough compliance procedures, while making concerted efforts throughout the Group to realize customer-oriented operations.

1. Corporate Officer System

(introduced April 2001)

Corporate officers appointed by the Board of Directors shall execute the Company's business in accordance with basic management policies determined by the Board. The president, who also serves as the chief executive officer, holds the highest level of responsibility for business execution.

By shifting the business execution role from the Board of Directors to the corporate officers, the Company aims to transfer and concentrate business execution authority in a flexible manner unconstrained by the Board framework. In this way, we seek to create a business execution system that best suits the operating environment and our capacity.

2. Compliance

We are witnessing the evolution of a brand-new real estate market, symbolized by the advent of Japan Real Estate Investment Trusts (JREITs). In order to gain the confidence of customers and investors, while reinforcing our non-asset business as outlined in Mid-Term Management Plan, we are upgrading our compliance systems based on fresh perspectives.

We have set up the Compliance Committee, headed by the chief compliance officer. Through the Committee, we promote a thorough understanding and enforcement of compliance-related rules and regulations via in-house training and other measures.

To foster a common awareness and raise the level of required knowledge among all employees, we are preparing a compliance manual and formulating in-house compliance rules.

3. Advisory Committee

(established July 2001)

The Advisory Committee has been set up to provide management with multifaceted perspectives gained through the diversified opinions of external experts.

The Committee consists of corporate managers, academic specialists, and others, whose advice is embraced by the president. Members are listed below (two-year tenure).

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

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

Tomoyo Nonaka
(Journalist)

Toshihiko Fukui
(Chairman, Fujitsu Research Institute)

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

Environmental Policy

(Enacted on November, 2001)

1. Promote harmonious coexistence with the environment by establishing environmental goals and plans based on a firm grasp of the impact of corporate activities on the global environment.

2. Aim to continually improve environmental efficiency from the standpoint of preserving the global environment by working to reduce environmental impact and prevent pollution through aggressive environmental measures

3. Coexist with the environment by setting independent standards when necessary, based on a strict observance of laws regarding the environment.

4. Coexist with the environment, construct and maintain an environmental management system.

5. Through environmental education and awareness activities, perpetuate an awareness of environmental issues in all employees.

6. Promote communication with communities and society through efforts to disclose necessary information, such as the Company's environmental measures.

Environmental Activities

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

Reduction of Hazardous Materials

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

CO_2 Emission Reduction

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

Waste Reduction

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

Approach to Contributing to the Betterment of the Earth

Environmental Improvement

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

Environmental Communication

The Company is maintaining open communications with its customers through its Mitsui Open Communication (MOC) System. Also, Mitsui Fudosan strives to raise the environmental awareness of each employee by providing environment-related education.

Environmental Contributions

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

Hiromichi Iwasa *Jun-Ichirō Tanaka*

From left : Koichi Omuro, Tadamasa Nishihara, Moriya Saito, Hisamitsu Tsubahara, Yotaro Hayashi, Osamu Ogawa

Members of the Board

Chairman of the Board
Jun-Ichirō Tanaka

President and CEO
Hiromichi Iwasa

Executive Vice President
Moriya Saito

Senior Managing Director
Hisamitsu Tsubahara

Senior Managing Director
Tadamasa Nishihara

Senior Managing Director
Yotaro Hayashi

Senior Managing Director
Koichi Omuro

Senior Managing Director
Osamu Ogawa

Auditors

Corporate Auditor
Sadafumi Abe

Corporate Auditor
Ken-Ichi Kamiya

Corporate Auditor
Ken Fujii

Corporate Auditor
Akira Watanabe

Officers

President and CEO
Hiromichi Iwasa

Executive Vice President
Moriya Saito

Senior Excective Officer
Hisamitsu Tsubahara

Senior Excective Officer
Tadamasa Nishihara

Senior Excective Officer
Yotaro Hayashi

Senior Excective Officer
Koichi Omuro

Senior Excective Officer
Osamu Ogawa

Executive Officer
Hirohiko Kamei

Executive Officer
Yuji Yokoyama

Executive Officer
Kazuichi Nagata

Executive Officer
Takayuki Namae

Executive Officer
Tatsuo Soda

Officer
Minoru Satou

Officer
Kuniaki Ikeya

Officer
Yoshiki Kageyama

Officer
Nobumi Tobari

Officer
Shigeo Sasaki

Officer
Takayoshi Saito

Officer
Takashi Ikeda

Officer
Ryouji Nakamura

CONTENTS

SIX-YEAR SUMMARY 24
MANAGEMENT'S DISCUSSION AND ANALYSIS 25
CONSOLIDATED BALANCE SHEETS 30
CONSOLIDATED STATEMENTS OF INCOME 32
CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY 33
CONSOLIDATED STATEMENTS OF CASH FLOWS 34
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS 35
REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS 51

SIX-YEAR SUMMARY

Mitsui Fudosan Co., Ltd. and Subsidiaries

	Millions of yen except per share amounts						Thousands of U.S. dollars except per share amounts
	1997	1998	1999	2000	2001	**2002**	**2002**
For the Year:							
Revenue from operations	¥1,270,815	¥1,158,715	¥1,140,242	¥1,194,837	¥1,193,081	**¥1,152,484**	**$ 8,649,033**
Interest, dividends and miscellaneous	88,433	46,535	9,426	16,565	61,205	**35,842**	**268,988**
Costs and expenses (including tax)	1,406,546	1,243,791	1,205,625	1,274,736	1,226,612	**1,163,972**	**8,735,251**
Equity in net income (loss) of affiliated companies	6,828	5,614	(663)	4,768	510	**3,301**	**24,772**
Minority interests	(3,521)	1,403	20,826	148	(2,072)	**2,152**	**16,149**
Net income (loss)	(43,991)	(31,524)	(35,794)	(58,418)	26,112	**29,807**	**223,691**
At Year-End:							
Total assets	¥3,248,670	¥3,106,789	¥3,202,426	¥2,991,203	¥2,846,467	**¥3,028,969**	**$22,731,478**
Shareholders' equity	558,515	516,754	492,591	395,132	411,097	**609,536**	**4,574,384**
Common stock	134,417	134,428	134,433	134,433	134,433	**134,433**	**1,008,880**
Number of employees	11,335	13,823	13,589	13,484	13,380	**12,503**	**—**
Per Share Data:							
Net income (loss)	¥ (54.1)	¥ (38.8)	¥ (44.1)	¥ (71.9)	¥ 32.1	**¥ 36.7**	**$ 0.275**
Cash dividends applicable to the year	7.0	5.0	5.0	5.0	6.0	**7.0**	**0.053**
Ratios:							
Equity ratio	17.2	16.6	15.4	13.2	14.4	**20.1**	
Return on assets	0.35	2.20	2.06	3.10	3.98	**3.86**	

Note: U.S. dollar amounts are translated from yen at the rate of $133.25=U.S.$1.00, the approximate exchange rate at March 31, 2002.
ROA (Operating income + Non-operating income)/Average total assets

Income Analysis

(Billions of yen, %)

Years ended March 31	2000		2001		**2002**	
Revenue from operations	¥1,194.8	(100.0)	¥1,193.1	(100.0)	**¥1,152.5**	**(100.0)**
Cost of revenue from operations	983.8	(82.3)	950.3	(79.6)	**916.8**	**(79.6)**
Selling, general and administrative expenses	129.1	(10.8)	134.5	(11.3)	**132.7**	**(11.5)**
Operating income	81.9	(6.9)	108.3	(9.1)	**103.0**	**(8.9)**
Other revenues	16.5	(1.4)	61.2	(5.1)	**35.8**	**(3.1)**
Interest expenses	39.0	(3.3)	34.6	(2.9)	**31.8**	**(2.8)**
Other expenses	171.6	(14.4)	73.0	(6.1)	**67.0**	**(5.8)**
Equity in net income of affiliated companies	4.8	(0.4)	0.5	(0.0)	**3.3**	**(0.3)**
Income (loss) before income taxes	(107.4)	—	62.4	(5.2)	**43.3**	**(3.7)**
Income taxes	(48.8)	—	34.3	(2.9)	**15.7**	**(1.4)**
Minority interests	0.2	(0.0)	(2.0)	(0.2)	**2.2**	**(0.2)**
Net income (loss)	¥ (58.4)	—	¥ 26.1	(2.1)	**¥ 29.8**	**(2.5)**

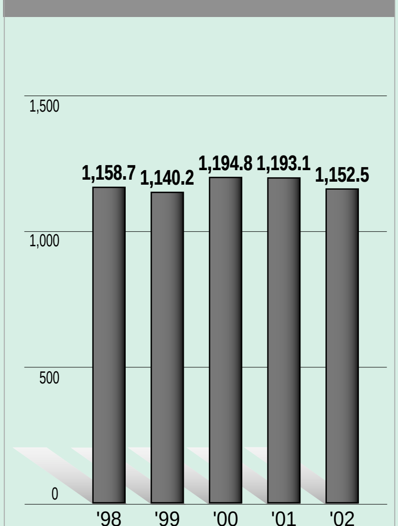
Revenue from Operations

In the fiscal year ended March 31, 2002, revenue from operations was ¥1,152.5 billion, a decrease of 3.4%, or ¥40.6 billion, from the previous fiscal year. Revenues increased in the sales of housing, office building and land segment, in which sales volume grew due to favorable conditions in the housing sales market, and in brokerage, consignment sales and consulting, a core non-asset business segment the Group is aggressively developing. Total revenue from operations declined, however, owing primarily to a considerable decline in revenues from the construction segment, in which revenues at Mitsui Home Co., Ltd. fell ¥31.8 billion from the previous fiscal year due to a drop in single-unit housing construction orders.

Cost of Revenue from Operations and SG&A

Cost of revenue from operations was ¥916.8 billion in the fiscal year ended March 31, 2002. Cost of revenue from operations as a percent of revenue was flat at 79.6%, owing mainly to a decline in orders in the construction segment. Selling, general and administrative (SG&A) expenses edged down ¥1.8 billion to ¥132.7 billion.

Revenue from Operations
(Billions of yen)



Operating Income

Operating income decreased 5%, or ¥5.3 billion, to ¥103.0 billion. The leasing segment and the sales of housing, office building and land segment—the primary asset businesses of the Group—contributed ¥3.2 billion and ¥6.1 billion, respectively, to the increase in operating income. Furthermore, the essential non-asset businesses of the brokerage, consignment sales and consulting segment and the property management segment accounted for ¥3.9 billion and ¥0.4 billion, respectively, of the increase in operating income. However, total operating income declined from the previous year, due mainly to the aforementioned poor performance by Mitsui Home Co., Ltd. in the construction segment, as evidenced by a decrease of ¥11.9 billion in operating income in that segment, as well as a decrease of ¥4.2 billion in operating income in the facility operations segment, which was due to an increase in depreciation from the decision to close the LaLaport Ski Dome SSAWS.

Other Revenues

Interest, dividend and miscellaneous other revenues were down 41.4% to ¥35.8 billion. In the fiscal year under review, such revenues include profits on the sale of high-grade condominiums held by a subsidiary in Central Tokyo and a golf course in Chiba Prefecture. The absence of a substantial gain on the sale of shares in affiliate Oriental Land Co., Ltd. was a major reason for the significant decline in other revenues this year.

Interest Expenses

In fiscal 2001, interest expenses amounted to ¥31.8 billion, a decline of ¥2.8 billion from the previous fiscal year. The decline was due to continued low interest rates and progress in reducing interest-bearing debt.

Other Expenses

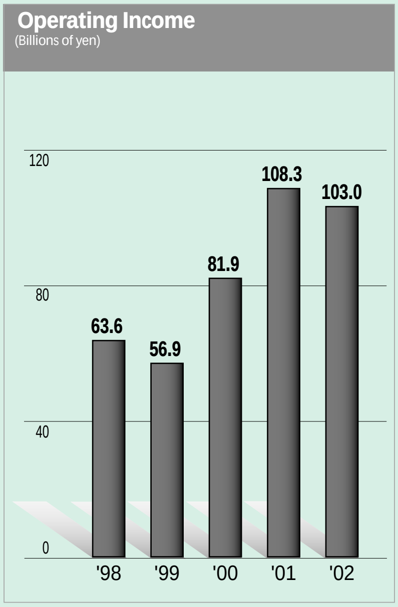
Other expenses decreased ¥6.0 billion to ¥67.0 billion, owing to the absence of losses on restructuring affiliated companies, as well as the absence of amortization differences arising from change in accounting method for retirement benefits that was recorded in fiscal 2001.

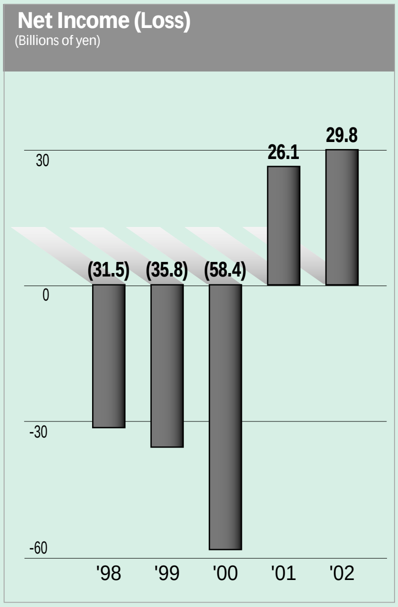
Equity Method Gains

In the fiscal year under review, the Company recorded a gain of ¥3.3 billion in equity in net income of affiliated companies, an increase of ¥2.8 billion from the previous fiscal year, mainly from higher revenues at Oriental Land Co., Ltd. and other subsidiaries.

Net Income

As a result of the above factors, income before income taxes was ¥43.3 billion, a decrease of ¥19.1 billion from the previous year, and net income totaled ¥29.8 billion, an increase of ¥3.7 billion. The profit margin improved 0.5 percentage point to 2.6%. Ten years of restructuring since the collapse of the bubble economy has resulted in the restoration of net income to approximately that of fiscal 1992 levels, which was ¥31.1 billion. Fully diluted net income increased to ¥36.2 per share, from ¥31.8 per share a year earlier.





Financial Position

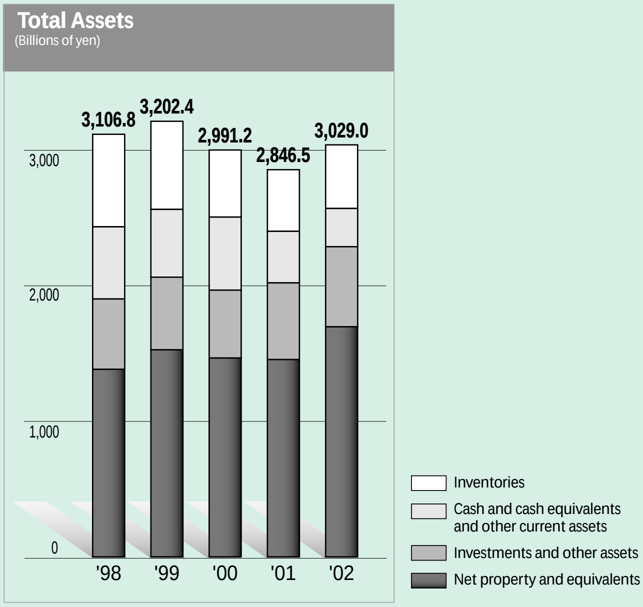
Assets

(Billions of yen, %)

As of March 31	2000		2001		**2002**	
Cash and cash equivalents	¥ 165.3	(5.5)	¥ 158.4	(5.5)	**¥ 117.5**	**(4.0)**
Inventories	493.2	(16.5)	453.0	(15.9)	**467.7**	**(15.4)**
Other current assets	371.8	(12.4)	221.1	(7.8)	**163.8**	**(5.4)**
Investments and other assets	499.3	(16.7)	563.5	(19.8)	**588.9**	**(19.4)**
Net property and equipment	1,461.6	(48.9)	1,450.4	(51.0)	**1,691.1**	**(55.8)**
Total	¥2,991.2	(100.0)	¥2,846.5	(100.0)	**¥3,029.0**	**(100.0)**

Total Assets

As of March 31, 2002, total assets were ¥3,029.0 billion, an increase of 6.4% from the previous fiscal year, and 18.2% below the peak of ¥3,702.1 billion recorded in fiscal 1992. This is the result of aggressive efforts to streamline the bloated balance sheet of the bubble economy. The major reason for the increase in total assets was the surfacing of latent gains resulting from the revaluation of land on a market value basis through appraised value pursuant to the Law Concerning Land Revaluation on March 31, 2002.



Inventories

Making up the bulk of inventories, real estate for sale has been on a decline over the past 10 years, along with other assets, due to sales and lower valuations. Real estate for sale as of March 31, 2002, stood at ¥467.7 billion, an increase of ¥14.7 billion from a year earlier. This increase was the result of transferring several office buildings and the LaLaport Ski Dome SSAWS, which is slated for closure, from fixed assets to real estate for sale as a part of a review of leasing asset portfolios. The Company also focused on recovering costs through the sale of housing and land.

Investments and Other Assets

Investments and other assets grew ¥25.4 billion to ¥588.9 billion at the end of the fiscal year under review. Factors behind this increase included the incurrence of deferred tax assets on the land revaluation of subsidiaries, and financing to the special-purpose company (SPC) that purchased a portion of land that was former site of the Japan Defense Agency in Minato-ku, Tokyo.

Net Property & Equipment

Net property and equipment was ¥1,691.1 billion as of March 31, 2002, an increase of ¥240.7 billion from a year earlier owing to an increase of ¥263.9 billion in land revaluation.

Liabilities, Minority Interest in Consolidated Subsidiaries and Shareholders' Equity

(Billions of yen, %)

As of March 31	2000		2001		**2002**	
Bank loans and current portion	¥ 456.4	(15.3)	¥ 403.8	(14.2)	**¥ 310.4**	**(10.2)**
Other current liabilities	401.4	(13.4)	371.7	(13.1)	**344.6**	**(11.4)**
Long-term debt due after one year	1,203.7	(40.2)	1,150.6	(40.4)	**1,150.1**	**(38.0)**
Other long-term liabilities	496.7	(16.6)	471.5	(16.6)	**594.2**	**(19.6)**
Minority interests in consolidated subsidiaries	37.9	(1.3)	37.8	(1.3)	**20.2**	**(0.7)**
Shareholders' equity	395.1	(13.2)	411.1	(14.4)	**609.5**	**(20.1)**
Total	¥2,991.2	(100.0)	¥2,846.5	(100.0)	**¥3,029.0**	**(100.0)**

Capital Expenditure and Depreciation

Capital investment decreased ¥5.4 billion to ¥62.1 billion. In the fiscal year ended March 31, 2002, Mitsui Fudosan Co., Ltd. acquired the shopping center next to Tokyo-Bay LaLaport, one of the largest shopping malls in Japan operated by the Company, from Sogo Inc., which filed for bankruptcy under the Japanese Corporate Reorganization Law, and reopened the shopping center as LaLaport West. The Company also paid costs for the construction of the Celestine Shiba Mitsui Building, which completed in April 2002. Moreover, Mitsui Fudosan Co., Ltd. acquired the leasehold rights to the Toranomon Kotohira Tower, a new office building project in the central business district (CBD) area of Tokyo.

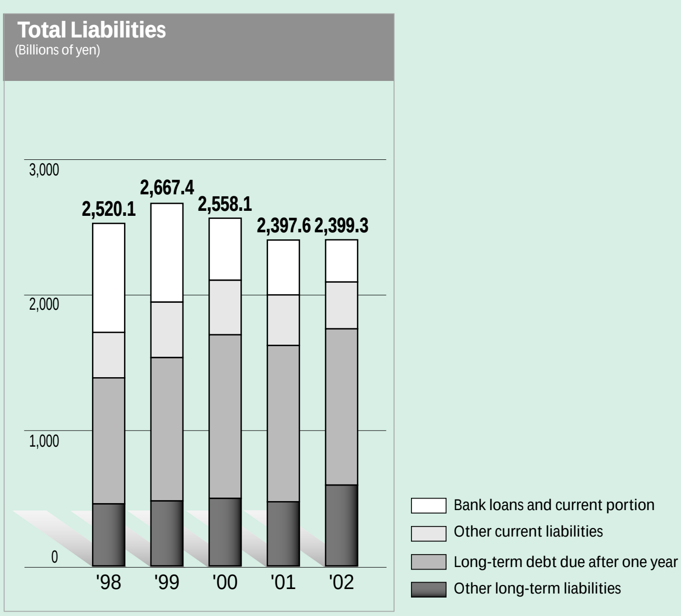
Depreciation climbed ¥21.6 billion to ¥66.0 billion, owing to ¥18.5 billion in one-time expenses related to the LaLaport Ski Dome SSAWS.

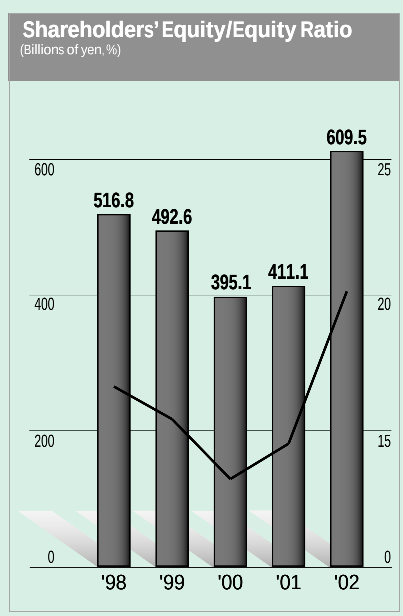
Interest-Bearing Debt

Interest-bearing debt was slashed ¥93.8 billion to ¥1,460.5 billion, which is less than 70% of peak levels. The Group continues to use cash from operating activities to aggressively pare down interest-bearing debt while investing the capital necessary for future growth. In March 2002, the Company established a commitment line of ¥145 billion through overseas and Japanese banks, ensuring liquidity in cash on hand. The Company is working to improve capital efficiency through the introduction of a Groupwide cash management system and the integration of fund procurement at Mitsui Fudosan Co., Ltd. This has resulted in a reduction in cash and cash equivalents of ¥40.9 billion.

Shareholders' Equity

Shareholders' equity advanced 48.3%, or ¥198.4 billion, to ¥609.5 billion. The increase was due mainly to a ¥156.4 billion addition to the reserve on land revaluation on March 31, 2002, and a ¥38.4 billion increase in retained earnings resulting from the high level of net income. As a result, the equity ratio increased to 20.1%, compared with 14.4% a year earlier. Moreover, the price book ratio (PBR) improved to ¥750.23 from ¥505.93 a year ago.





Cash Flows

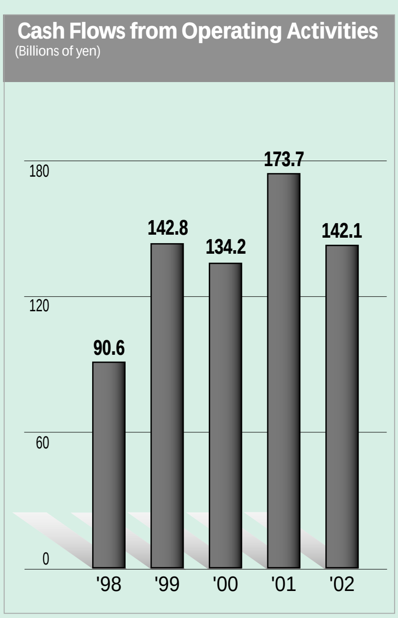
(Billions of yen)

Years ended March 31	2000	2001	**2002**
Cash flows from operating activities	¥134.2	¥173.7	**¥142.1**
Cash flows from investing activities	(32.5)	(32.1)	**(81.7)**
Cash flows from financing activities	(96.6)	(150.0)	**(103.3)**
Effect of exchange rate changes on cash and cash equivalents	(6.1)	1.5	**2.0**
Net decrease in cash and cash equivalents	(1.0)	(6.9)	**(40.9)**
Cash and cash equivalents at beginning of year	166.2	165.3	**158.4**
Increase in cash and cash equivalents due to changes in consolidated subsidiaries	0.1	—	**—**
Cash and cash equivalents at end of year	¥165.3	¥158.4	**¥117.5**

Net cash provided by operating activities dropped 18.2% to ¥142.1 billion. The primary sources of cash were income before income taxes of ¥43.4 billion and depreciation and amortization of ¥47.5 billion. The changes of operating cash flow compared to previous year was mainly due to the absence of costs for sale of real property for sale at subsidiary company.

Net cash used in investing activities advanced 154.5% to ¥81.7 billion. Despite proceeds from the sale of property and equipment amounting to ¥39.3 billion, the Company used ¥57.1 billion for the purchase of property and equipment and ¥33.6 billion for the net purchase of marketable and investment securities.

Net cash used in financing activities dropped 31.1% to ¥103.3 billion. The Company proceeded from long-term debt amounting to ¥299.4 billion, however, the Company used strong cash flow from operations to pay back bank loans and commercial paper amounting to ¥188.9 billion. In aggregate, cash and cash equivalents at end of year declined ¥40.9 billion to ¥117.5 billion.



Mitsui Fudosan Co., Ltd. and Subsidiaries
As of March 31, 2001 and 2002

	Millions of yen		Thousands of U.S. dollars (Note 1)	
	2001	**2002**	2001	**2002**
ASSETS				
CURRENT ASSETS				
Cash and cash equivalents	¥ 158,436	**¥ 117,559**	$ 1,189,012	**$ 882,244**
Marketable securities (Note 3)	165	**150**	1,235	**1,126**
Notes and accounts receivable—trade (Note 4)	60,611	**32,237**	454,867	**241,932**
Short-term loans receivable	40,040	**32,454**	300,491	**243,560**
Allowance for doubtful accounts	(1,785)	**(6,285)**	(13,397)	**(47,170)**
Inventories (Note 5)	452,981	**467,658**	3,399,482	**3,509,626**
Advances paid for purchases (Note 6)	31,198	**12,221**	234,128	**91,713**
Deferred income taxes (Note 8)	47,740	**41,897**	358,276	**314,421**
Other current assets	43,174	**51,137**	324,006	**383,772**
Total current assets	832,560	**749,028**	6,248,100	**5,621,224**
INVESTMENTS & OTHER ASSETS				
Investments in unconsolidated subsidiaries and affiliated companies (Note 3)	71,255	**70,591**	534,747	**529,768**
Investment securities (Note 3)	117,883	**136,322**	884,674	**1,023,056**
Non-current loans and accounts receivable	146,976	**126,347**	1,103,009	**948,200**
Allowance for doubtful accounts	(36,963)	**(28,121)**	(277,393)	**(211,041)**
Lease deposits (Note 7)	238,967	**224,544**	1,793,375	**1,685,131**
Deferred income taxes (Note 8)	19,068	**14,204**	143,100	**106,593**
Deferred tax assets on land revaluation	—	**37,192**	—	**279,113**
Other	6,352	**7,797**	47,671	**58,518**
	563,538	**588,876**	4,229,183	**4,419,338**
PROPERTY & EQUIPMENT, AT COST:				
Land (Note 10)	837,683	**1,126,087**	6,286,548	**8,450,934**
Buildings and structures (Note 10)	928,409	**871,622**	6,967,422	**6,541,251**
Machinery and equipment	97,164	**83,788**	729,189	**628,804**
Construction in progress	29,766	**40,824**	223,388	**306,369**
	1,893,022	**2,122,321**	14,206,547	**15,927,358**
Accumulated depreciation	(442,653)	**(431,256)**	(3,321,974)	**(3,236,442)**
Net property & equipment	1,450,369	**1,691,065**	10,884,573	**12,690,916**
	¥2,846,467	**¥3,028,969**	$21,361,856	**$22,731,478**

See accompanying notes.

	Millions of yen		Thousands of U.S. dollars (Note 1)	
	2001	**2002**	2001	**2002**
LIABILITIES, MINORITY INTERESTS IN CONSOLIDATED SUBSIDIARIES AND SHAREHOLDERS' EQUITY				
CURRENT LIABILITIES				
Banks loans (Note 10)	¥ 240,494	**¥ 35,408**	$ 1,804,829	**$ 265,724**
Commercial paper	10,000	**37,000**	75,047	**277,674**
Long-term debt due within one year (Note 10)	153,270	**238,001**	1,150,248	**1,786,128**
Notes and accounts payable—trade	149,281	**87,677**	1,120,308	**657,989**
Accrued expenses	28,597	**21,901**	214,608	**164,360**
Income taxes payable	6,714	**10,304**	50,389	**77,325**
Advances and deposits received	152,689	**180,784**	1,145,882	**1,356,728**
Deferred income taxes (Note 8)	46	**14**	346	**105**
Reserve for losses on debt guarantees	679	**—**	5,095	**—**
Other current liabilities	33,730	**43,808**	253,132	**328,761**
Total current liabilities	775,500	**654,897**	5,819,884	**4,914,794**
Allowance for employees' retirement benefits (Note 9)	22,865	**18,361**	171,596	**137,791**
Allowance for directors' and corporate auditors' retirement benefits	2,080	**1,888**	15,611	**14,172**
Long-term debt due after one year (Note 10)	1,150,597	**1,150,117**	8,634,871	**8,631,273**
Deposits from tenants (Note 11)	345,101	**327,360**	2,589,879	**2,456,732**
Deferred income taxes (Note 8)	14,731	**15,042**	110,554	**112,888**
Deferred tax liabilities on land revaluation	—	**160,925**	—	**1,207,692**
Other liabilities and deferred credits	86,744	**70,651**	650,984	**530,214**
	1,622,118	**1,744,344**	12,173,495	**13,090,762**
MINORITY INTERESTS IN CONSOLIDATED SUBSIDIARIES	37,752	**20,192**	283,320	**151,538**
SHAREHOLDERS' EQUITY (Note 12):				
Common stock:				
Authorized—1,770,000,000 shares				
Issued—812,560,001 shares	134,433	**134,433**	1,008,880	**1,008,880**
Additional paid-in capital	204,693	**204,693**	1,536,160	**1,536,160**
Reserve on land revaluation	—	**156,405**	—	**1,173,771**
Retained earnings	98,644	**137,027**	740,290	**1,028,343**
Net unrealized holding gains (losses) on securities	729	**(2,905)**	5,470	**(21,803)**
Foreign currency translation adjustment	(27,397)	**(20,014)**	(205,605)	**(150,197)**
	411,102	**609,639**	3,085,195	**4,575,154**
Treasury stock	(5)	**(103)**	(38)	**(770)**
TOTAL SHAREHOLDERS' EQUITY	411,097	**609,536**	3,085,158	**4,574,384**
	¥2,846,467	**¥3,028,969**	$21,361,856	**$22,731,478**

CONSOLIDATED STATEMENTS OF INCOME

Mitsui Fudosan Co., Ltd. and Subsidiaries
For the years ended March 31, 2001 and 2002

	Millions of yen		Thousands of U.S. dollars (Note 1)	
	2001	**2002**	2001	**2002**
REVENUES				
Revenue from operations (Note 16)	¥1,193,081	**¥1,152,484**	$8,953,703	**$8,649,033**
Interest, dividends and miscellaneous (Note 13)	61,205	**35,842**	459,328	**268,988**
	1,254,286	**1,188,326**	9,413,031	**8,918,021**
COSTS AND EXPENSES				
Cost of revenue from operations	950,293	**916,845**	7,131,658	**6,880,636**
Selling, general and administrative expenses	134,453	**132,688**	1,009,028	**995,785**
Interest	34,591	**31,761**	259,596	**238,354**
Other (Note 14)	73,019	**66,964**	547,986	**502,546**
	1,192,356	**1,148,258**	8,948,268	**8,617,321**
EQUITY IN NET INCOME OF AFFILIATED COMPANIES	510	**3,301**	3,827	**24,772**
INCOME BEFORE INCOME TAXES	62,440	**43,369**	468,590	**325,472**
INCOME TAXES (Note 8)				
Current	8,471	**14,608**	63,572	**109,629**
Deferred	25,785	**1,106**	193,503	**8,301**
Total	34,256	**15,714**	257,075	**117,930**
	28,184	**27,655**	211,515	**207,542**
MINORITY INTERESTS	(2,072)	**2,152**	(15,548)	**16,149**
NET INCOME	¥ 26,112	**¥ 29,807**	$ 195,967	**$ 223,691**

	Yen		U.S. dollars (Note 1)	
	2001	**2002**	2001	**2002**
AMOUNT PER SHARE OF COMMON STOCK				
Net income	¥32.1	**¥36.7**	$0.241	**$0.275**
Diluted net income	31.8	**36.2**	0.239	**0.272**
Cash dividends applicable to the year	6.0	**7.0**	0.045	**0.053**

See accompanying notes.

CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY

Mitsui Fudosan Co., Ltd. and Subsidiaries

Years ended March 31, 2001 and 2002

	Shares of common stock (thousands)	Millions of yen: Common stock	Additional paid-in capital	Reserve on land revaluation	Retained earnings	Net unrealized holding gains (losses) on securities	Foreign currency translation adjustment	Treasury stock
BALANCE AT MARCH 31, 2000	812,560	¥ 134,433	¥ 204,693	¥ —	¥ 89,169	¥ —	¥ (33,157)	¥ (6)
Revaluation of property and equipment	—	—	—	—	101	—	—	—
Decrease due to merger of consolidated subsidiaries	—	—	—	—	(12,646)	—	—	—
Net income	—	—	—	—	26,112	—	—	—
Cash dividends paid (¥5.0 per share)	—	—	—	—	(4,063)	—	—	—
Bonuses to directors	—	—	—	—	(29)	—	—	—
Foreign currency translation adjustment	—	—	—	—	—	—	5,760	—
Treasury stock	—	—	—	—	—	—	—	1
Net unrealized holding gains on securities	—	—	—	—	—	729	—	—
BALANCE AT MARCH 31, 2001	812,560	134,433	204,693	—	98,644	729	(27,397)	(5)
Revaluation of property and equipment	—	—	—	—	368	—	—	—
Change in number of consolidated subsidiaries	—	—	—	—	3,697	—	—	—
Increase due to land revaluation	—	—	—	156,405	10,368	—	—	—
Net income	—	—	—	—	29,807	—	—	—
Cash dividends paid (¥6.0 per share)	—	—	—	—	(5,689)	—	—	—
Bonuses to directors	—	—	—	—	(168)	—	—	—
Foreign currency translation adjustment	—	—	—	—	—	—	7,383	—
Treasury stock	—	—	—	—	—	—	—	(98)
Net unrealized holding losses on securities	—	—	—	—	—	(3,634)	—	—
BALANCE AT MARCH 31, 2002	**812,560**	**¥134,433**	**¥204,693**	**¥156,405**	**¥137,027**	**¥(2,905)**	**¥(20,014)**	**¥(103)**

	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, 2000	$ 1,008,880	$ 1,536,160	$ —	$ 669,185	$ —	$ (248,831)	$ (47)
Revaluation of property and equipment	—	—	—	758	—	—	—
Decrease due to merger of consolidated subsidiaries	—	—	—	(94,906)	—	—	—
Net income	—	—	—	195,967	—	—	—
Cash dividends paid ($0.038 per share)	—	—	—	(30,490)	—	—	—
Bonuses to directors	—	—	—	(224)	—	—	—
Foreign currency translation adjustment	—	—	—	—	—	43,226	—
Treasury stock	—	—	—	—	—	—	9
Net unrealized holding gains on securities	—	—	—	—	5,470	—	—
BALANCE AT MARCH 31, 2001	1,008,880	1,536,160	—	740,290	5,470	(205,605)	(38)
Revaluation of property and equipment	—	—	—	2,760	—	—	—
Change in number of consolidated subsidiaries	—	—	—	27,746	—	—	—
Increase due to land revaluation	—	—	1,173,771	77,806	—	—	—
Net income	—	—	—	223,691	—	—	—
Cash dividends paid ($0.045 per share)	—	—	—	(42,690)	—	—	—
Bonuses to directors	—	—	—	(1,260)	—	—	—
Foreign currency translation adjustment	—	—	—	—	—	55,408	—
Treasury stock	—	—	—	—	—	—	(732)
Net unrealized holding losses on securities	—	—	—	—	(27,274)	—	—
BALANCE AT MARCH 31, 2002	**$1,008,880**	**$1,536,160**	**$1,173,771**	**$1,028,343**	**$(21,803)**	**$(150,197)**	**$(770)**

See accompanying notes.

CONSOLIDATED STATEMENTS OF CASH FLOWS

Mitsui Fudosan Co., Ltd. and Subsidiaries
For the years ended March 31, 2001 and 2002

	Millions of yen		Thousands of U.S. dollars Note 1)	
	2001	**2002**	2001	**2002**
Cash flows from operating activities:				
Income before income taxes	¥ 62,440	**¥ 43,369**	$ 468,590	**$ 325,472**
Adjustments to reconcile income before income taxes to net cash provided by operating activities				
Depreciation and amortization	44,418	**47,540**	333,344	**356,776**
Equity in net income of affiliated companies	(510)	**(3,301)**	(3,827)	**(24,772)**
Loss (Gain) on sales of property and equipment, net	7,290	**(19,536)**	54,713	**(146,611)**
Allowance for doubtful accounts	7,090	**6,491**	53,208	**48,709**
Loss on devalution of real property for sale	5,500	**444**	41,280	**3,331**
Interest and dividend income	(4,360)	**(3,829)**	(32,719)	**(28,736)**
Interest expense	34,591	**31,761**	259,595	**238,354**
Amortization differences arising from change in accounting method for retirement benefits	4,168	**—**	31,276	**—**
Loss on devaluation of marketable securities	8,887	**21,296**	66,691	**159,820**
Gain on sales of marketable securities	(30,360)	**(1,716)**	(227,843)	**(12,874)**
Gain on establishment of retirement benefit trust	(2,713)	**—**	(20,360)	**—**
Loss on restructuring affiliated companies	7,612	**—**	57,123	**—**
Non-recurring depreciation (Note 14)	—	**18,477**	—	**138,665**
Compensation received for retirement of property	—	**(3,015)**	—	**(22,628)**
Changes in assets and liabilities				
Accounts receivable	24,025	**4,776**	180,302	**35,845**
Real property for sale and advances paid for purchases	32,374	**2,988**	242,960	**22,421**
Accounts payable	6,939	**(14,180)**	52,076	**(106,415)**
Bonuses paid to directors	(52)	**(192)**	(391)	**(1,441)**
Cash receipts of interest and dividend income	4,726	**4,784**	35,469	**35,900**
Cash payments of interest expense	(33,259)	**(32,155)**	(249,601)	**(241,314)**
Income taxes paid	(7,398)	**(9,395)**	(55,523)	**(70,506)**
Other	2,256	**47,515**	16,931	**356,585**
Net cash provided by operating activities	173,664	**142,122**	1,303,294	**1,066,581**
Cash flows from investing activities:				
Purchase of property and equipment	(80,199)	**(57,124)**	(601,868)	**(428,703)**
Proceeds from sale of property and equipment	16,425	**39,310**	123,270	**295,010**
Increase in deposits from tenants	23,831	**27,252**	178,842	**204,515**
Decrease in deposits from tenants	(35,177)	**(45,689)**	(263,994)	**(342,880)**
Increase in lease deposits	(7,709)	**(4,360)**	(57,853)	**(32,724)**
Decrease in lease deposits	11,453	**18,958**	85,952	**142,276**
Purchase of marketable and investment securities	(48,278)	**(38,243)**	(362,313)	**(286,630)**
Proceeds from sale of marketable and investment securities	100,907	**4,642**	757,277	**34,840**
Increase in non-current loans and accounts receivable	(3,153)	**(19,999)**	(23,664)	**(150,086)**
Decrease in non-current loans and accounts receivable	7,754	**14,948**	58,191	**112,180**
Other	(17,943)	**(21,353)**	(134,657)	**(160,620)**
Net cash used in investing activities	(32,089)	**(81,658)**	(240,817)	**(612,822)**
Cash flows from financing activities:				
Proceeds from long-term debt	84,576	**299,393**	634,716	**2,246,850**
Repayment of long-term debt	(127,707)	**(187,982)**	(958,401)	**(1,410,745)**
Decrease in bank loans and commercial paper	(102,139)	**(188,908)**	(766,522)	**(1,417,695)**
Payments for redemption of bond	—	**(20,000)**	—	**(150,094)**
Cash dividends paid	(4,070)	**(5,690)**	(30,542)	**(42,702)**
Income from issuance of shares to minority interests	30	**285**	223	**2,140**
Payment of dividends to minority interests	(691)	**(397)**	(5,188)	**(2,978)**
Net cash used in financing activities	(150,001)	**(103,299)**	(1,125,714)	**(775,224)**
Effect of exchange rate changes on cash and cash equivalents	1,545	**1,958**	11,600	**14,697**
Net decrease in cash and cash equivalents	(6,881)	**(40,877)**	(51,637)	**(306,768)**
Cash and cash equivalents at beginning of year	165,317	**158,436**	1,240,649	**1,189,012**
Cash and cash equivalents at end of year	¥ 158,436	**¥ 117,559**	$ 1,189,012	**$ 882,244**

See accompanying notes.

1. BASIS OF PRESENTING CONSOLIDATED FINANCIAL STATEMENTS

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

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

The translation of the Japanese yen amounts into U.S. dollars are included solely for the convenience of readers, using the prevailing exchange rate at March 31, 2002, which was ¥133.25 to US$1.00. The convenience translations should not be construed as representations that the Japanese yen amounts have been, could have been, or could in the future be, converted into U.S. dollars at this or any other rate of exchange.

2. SIGNIFICANT ACCOUNTING POLICIES

(A) CONSOLIDATION

The consolidated financial statements include the accounts of the Company and its significant subsidiaries in accordance with the Securities and Exchange Law and related regulations of Japan. The excess of investment cost over net assets at the date of acquisition is amortized over five years on a straight-line basis. However, for amounts that are difficult to assess the term of occurrence and immaterial amounts are charged to income as incurred.

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

(B) EQUITY METHOD

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

(C) TRANSLATION OF FOREIGN CURRENCY ACCOUNTS

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

Prior to April 1, 2000, long-term receivables and payables denominated in foreign currencies were translated at historical rates.

Effective April 1, 2000, the Company and its consolidated subsidiaries adopted the revised accounting standard for foreign currency translation, "Opinion Concerning Revision of Accounting Standard for Foreign Translation," issued by the Business Accounting Deliberation Council on October 22, 1999 (the "Revised Accounting Standard"). Under the Revised Accounting Standard, long-term receivables and payables denominated in foreign currencies are also translated into Japanese yen at the year-end rate.

The effect on the consolidated statements of operations of adopting the Revised Accounting Standard was immaterial.

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

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

(D) CASH AND CASH EQUIVALENTS

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

(E) SECURITIES

Prior to April 1, 2000, securities of the Company and its consolidated subsidiaries were stated at moving-average cost.

Effective April 1, 2000, the Company and its consolidated subsidiaries adopted the new Japanese accounting standard for financial instruments ("Opinion Concerning Establishment of Accounting Standard for Financial Instruments" issued by the Business Accounting Deliberation Council on January 22, 1999).

Upon applying the new accounting standard, all companies are required to examine the intent of holding each security and classify those securities as (a) securities held for trading purposes (hereafter, "trading securities"), (b) debt securities intended to be held to maturity (hereafter, "held-to maturity debt securities"), (c) equity securities issued by subsidiaries and affiliated companies, and (d) for all other securities that are not classified in any of the above categories (hereafter, "available-for-sale securities").

Trading securities are stated at fair market value. Gains and losses realized on disposal and unrealized gains and losses from market value fluctuations are recognized as gains or losses in the period of the change. Held-to-maturity debt securities are stated at amortized cost. Equity securities issued by subsidiaries and affiliated companies which are not consolidated or accounted for using the equity method are stated at moving average cost. Available-for-sale securities with available fair market values are stated at fair 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.

Debt securities with no available fair market value are stated at amortized cost, net of the amount considered not collectible. Other securities with no available fair market value are stated at moving-average cost.

If the market value of held-to-maturity debt securities, equity securities issued by unconsolidated subsidiaries and affiliated companies not on the equity method, and available-for-sale securities, declines significantly (in excess of 50% of the original purchase price), such securities are stated at fair market value and the difference between fair market value and the carrying amount is recognized as loss in the period of the decline. If the fair market value of equity securities issued by unconsolidated subsidiaries and affiliated companies not on the equity method is not readily available, such securities should be written down to net realizable value with a corresponding charge in the statement of operations in the event net realizable value declines significantly. In these cases, such fair market value or the net realizable value will be the carrying amount of the securities at the beginning of the next year.

The effect on the consolidated statements of operations of adopting the new accounting standard for financial instruments was immaterial. Also, based on the examination of the intent of holding each security upon application of the new accounting standard on April 1, 2000, trading securities as well as held-to-maturity debt securities and available-for-sale securities maturing within one year from the balance sheet date are included in current assets, and other securities are included in investments and other assets. As a result, at April 1, 2000, securities in current assets decreased by ¥93,847 million and investment securities increased by the same amount compared with what would have been reported under the previous accounting policy.

(F) INVENTORIES, REVENUE AND RELATED COSTS

Inventories are stated at cost, cost being determined mainly by the specific identification method. Costs do not include interest and administrative expenses incurred during or after development of real estate, which are charged to income when incurred.

Revenue from the leasing of office space is recognized on an accrual basis over the life of the lease.

Revenue from sale of land and residential housing is recognized in full when units are delivered and accepted by the customers.

Payment terms generally involve a down-payment prior to delivery, a further payment upon delivery and a final payment shortly after delivery.

Revenue from construction work is recognized by completed contract method, except long-term contracts exceeding certain amounts, which are accounted for by the percentage-of-completion method, and related costs are recognized as incurred.

(G) PROPERTY AND EQUIPMENT, RELATED DEPRECIATION AND REVALUATION

Property and equipment, including significant renewals, additions and improvements 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 retired or otherwise disposed of, the cost and related accumulated depreciation or revaluation of property and equipment are removed from the respective accounts and the net difference, less any amounts realized on disposal, is reflected in the statement of income.

Depreciation of property and equipment is computed principally by the declining-balance method at rates based on the estimated useful lives of the assets. However, depreciation of property and equipment listed below is computed using the straight-line method.

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

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

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

For buildings on land with fixed assets, the Company computes depreciation using the straight-line method, over its lease term assuming no residual value.

Due to the scheduled discontinuance of the LaLaport Ski Dome SSAWS operation at September 30, 2002, the Company changed its estimated useful life for depreciation purposes as of April 1, 2001 to be consistent with that date. Accordingly, the Company recorded an additional depreciation amount of ¥18,477 million (US$138,665 thousand) related to prior years as a "Special charge due to a change in estimated useful lives of fixed assets" included in other expense in the accompanying statement of income.

Amortization of intangible fixed assets is computed using the straight-line method.

Software costs—In accordance with the provisional rule of the JICPA's Accounting Committee Report No.12 "Practical Guidance for Accounting for Research and Development Costs, etc.", amortization of software for the own use is computed using the straight-line method over the estimated useful lives (five years).

(H) LAND REVALUATION

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

The land prices for revaluation were determined based on the appraisal prices by Real Estate Appraisers in accordance with Article 2, Paragraph 5 of the Enforcement Ordinance Concerning Land Revaluation. Book value before revaluation and carrying amount after revaluation at March 31, 2002 were as follows:

	March 31, 2002	
	Millions of yen	Thousands of U.S. dollars
Book value before revaluation	¥ 748,803	$5,619,537
Carrying amount after revaluation	1,012,703	7,600,026

The difference between quoted appraisal value and the carrying amount is recorded, net of applicable income taxes, as "Reserve on land revaluation" as a separate component of shareholders' equity.

(I) ALLOWANCE FOR DOUBTFUL ACCOUNTS

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

(J) ALLOWANCE FOR EMPLOYEES' RETIREMENT BENEFITS

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

Effective April 1, 2000, the Company and its consolidated subsidiaries adopted the new accounting standard, "Opinion on Setting Accounting Standard for Employees' Severance and Pension Benefits", issued by the Business Accounting Deliberation Council on June 16, 1998 (the "New Accounting Standard").

Under the New Accounting Standard, the allowance and expenses for retirement benefits are determined based on the amounts actuarially calculated using certain assumptions.

The Company and its consolidated subsidiaries provided allowance for employees' retirement benefits at March 31, 2001 and 2002 based on the estimated amounts of projected benefit obligation and the fair value of the plan assets at that date.

The excess of the projected benefit obligation over the total of the fair value of pension assets as of April 1, 2000, allowance for retirement benefits recorded as of April 1, 2000 and the amount of contribution of investment securities to the retirement benefit trust (the "net transition obligation") amounted to ¥4,168 million was expensed in the year ended March 31, 2001.

As a result of the adoption of the New Accounting Standard, in the year ended March 31, 2001, retirement benefit expenses increased by ¥3,506 million and income before income taxes decreased by ¥3,506 million compared with what would have been recorded under the previous accounting standard.

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

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

(L) ACCOUNTING FOR CERTAIN LEASE TRANSACTIONS

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

(M) INCOME TAXES

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

(N) DERIVATIVES AND HEDGE ACCOUNTING

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

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

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

(a) the difference, if any, between the Japanese yen amount of the hedged foreign currency receivable or payable translated using the spot rate at the inception date of the contract and the book value of the receivable or payable is recognized in the income statement in the period which includes the inception date, and

(b) the discount or premium on the contract (that is, the difference between the Japanese yen amount of the contract translated using the contracted forward rate and that translated using the spot rate at the inception date of the contract) is recognized over the term of the contract.

2. If a forward foreign exchange contract is executed to hedge a future transaction denominated in a foreign currency, the future transaction will be recorded using the contracted forward rate, and no gains or losses on the forward foreign exchange contract are recognized.

Also, if interest rate swap contracts are used as hedge and meet certain hedging criteria, the net amount to be paid or received under the interest rate swap contract is added to or deducted from the interest on the assets or liabilities for which the swap contract was executed.

(O) VALUATION OF THE ASSETS AND LIABILITIES OF SUBSIDIARIES

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

(P) AMOUNTS PER SHARE OF COMMON STOCK

In computing net income per share, the weighted average number of shares outstanding during each fiscal year has been used.

(Q) RECLASSIFICATION

Certain prior years' amounts have been reclassified to conform to the 2002 presentation. These changes had no impact on previously reported results of operations.

(R) EFFECT OF BANK HOLIDAY ON MARCH 31, 2001 and 2002

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

3. MARKET VALUE INFORMATION OF SECURITIES AND DERIVATIVES

(A) MARKETABLE SECURITIES AND INVESTMENT SECURITIES

(1) The following tables summarize acquisition costs, book values and fair value of securities with available fair values as of March 31, 2001 and 2002:

(a) Held-to-maturity debt securities

	Millions of yen						Thousands of U.S. dollars					
	2001			**2002**			2001			**2002**		
	Book Value	Market Value	Difference	Book Value	Market Value	Difference	Book Value	Market Value	Difference	Book Value	Market Value	Difference
Securities whose market value exceeds book value:												
National and local government bonds, etc.	¥503	¥511	¥8	**¥315**	**¥320**	**¥5**	$3,778	$3,838	$60	**$2,363**	**$2,400**	**$37**
Securities whose market value does not exceed book value:												
National and local government bonds, etc.	30	30	0	**230**	**230**	**—**	226	225	(1)	**1,727**	**1,727**	**—**
Total	¥533	¥541	¥8	**¥545**	**¥550**	**¥5**	$4,004	$4,063	$59	**$4,090**	**$4,127**	**$37**

(b) Available-for-sale securities

	Millions of yen						Thousands of U.S. dollars					
	2001			**2002**			2001			**2002**		
	Historical Cost	Book Value	Difference	Historical Cost	Book Value	Difference	Historical Cost	Book Value	Difference	Historical Cost	Book Value	Difference
Securities whose book value (market value) exceeds historical cost:												
Stocks	¥51,624	¥57,581	¥ 5,957	**¥13,287**	**¥16,391**	**¥ 3,104**	$387,422	$432,125	$ 44,703	**$ 99,712**	**$123,007**	**$ 23,295**
Bonds												
National and local government bonds, etc.	114	119	5	**105**	**109**	**4**	856	895	39	**788**	**819**	**31**
Corporate bonds	10	12	2	**9**	**10**	**1**	74	93	19	**66**	**75**	**9**
Other	—	—	—	**8,190**	**8,557**	**367**	—	—	—	**61,467**	**64,220**	**2,753**
Subtotal	¥51,748	¥57,712	¥ 5,964	**¥21,591**	**¥25,067**	**¥ 3,476**	$388,352	$433,113	$ 44,761	**$162,033**	**$188,121**	**$ 26,088**
Securities whose book value (market value) does not exceed historical cost:												
Stocks	¥35,627	¥30,885	¥(4,742)	**¥56,382**	**¥48,071**	**¥(8,311)**	$267,368	$231,778	$(35,590)	**$423,129**	**$360,755**	**$(62,374)**
Bonds												
Other	1	1	—	**—**	**—**	**—**	8	8	—	**—**	**—**	**—**
Subtotal	35,628	30,886	(4,742)	**56,382**	**48,071**	**(8,311)**	267,376	231,786	(35,590)	**423,129**	**360,755**	**(62,374)**
Total	¥87,376	¥88,598	¥ 1,222	**¥77,973**	**¥73,138**	**¥(4,835)**	$655,728	$664,899	$ 9,171	**$585,162**	**$548,876**	**$(36,286)**

(2) The following tables summarize book values of securities with no available fair values as of March 31, 2001 and 2002:

(a) Available-for-sale securities

Other investments

	Millions of yen		Thousands of U.S. dollars	
	2001	**2002**	2001	**2002**
Unlisted stocks (excluding OTC securities)	¥28,687	**¥28,855**	$215,284	**$216,548**
Other	—	**33,870**	—	**254,182**

(3) Available-for-sale securities with maturities and held-to-maturity debt securities as of March 31, 2001 and 2002:

	Millions of yen				Thousands of U.S. dollars			
2001	Due within 1 Year	Due after 1 Year and within 5 Years	Due after 5 Years and within 10 Years	Due after 10 Years	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.	¥ 90	¥381	¥190	¥—	$ 676	$2,856	$1,426	$—
Corporate bonds	2	40	—	—	15	300	—	—
Other	72	0	—	—	539	0	—	—
Total	¥164	¥421	¥190	¥—	$1,230	$3,156	$1,426	$—

2002	Due within 1 Year	Due after 1 Year and within 5 Years	Due after 5 Years and within 10 Years	Due after 10 Years	Due within 1 Year	Due after 1 Year and within 5 Years	Due after 5 Years and within 10 Years	Due after 10 Years
National and local government bonds, etc.	**¥131**	**¥344**	**¥200**	**¥—**	**$ 987**	**$2,583**	**$ 1,501**	**$—**
Corporate bonds	**2**	**40**	**—**	**—**	**15**	**300**	**—**	**—**
Other	**50**	**—**	**—**	**—**	**375**	**—**	**—**	**—**
Total	**¥183**	**¥384**	**¥200**	**¥—**	**$1,377**	**$2,883**	**$ 1,501**	**$—**

(4) Total sales of available-for-sale securities sold in the year ended March 31, 2001 and 2002:

Millions of yen						Thousands of U.S. dollars					
2001			**2002**			2001			**2002**		
Sales amount	Gains	Losses	Sales amount	Gains	Losses	Sales amount	Gains	Losses	Sales amount	Gains	Losses
¥54,371	¥19,273	¥19,444	**¥2,407**	**¥1,170**	**¥187**	$408,039	$144,636	$145,923	**$18,065**	**$8,780**	**$1,406**

(B) DERIVATIVE FINANCIAL INSTRUMENTS AND HEDGING TRANSACTIONS

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

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

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

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

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

Hedging instruments:
- Forward foreign exchange contracts
- Foreign currency swap contract
- Interest rate swap contracts

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

4. ACCOUNTS RECEIVABLE—TRADE

The accounts receivable – trade sold to a third party during fiscal 2001 and 2002 amounted to ¥15,691 million (US$117,753 thousand) and ¥15,462 million (US$116,039 thousand), respectively. These sales were reflected as reduction of trade accounts receivable in 2001 and 2002. The Company guaranteed the collection of these receivables.

5. INVENTORIES

Inventories at March 31, 2001 and 2002, comprised the following:

	Millions of yen		Thousands of U.S. dollars	
	2001	**2002**	2001	**2002**
Real property for sale	¥421,856	**¥447,620**	$3,165,898	**$3,359,244**
Expenditure on contracts in progress	21,528	**11,593**	161,561	**87,004**
Materials and supplies	9,597	**8,445**	72,023	**63,378**
	¥452,981	**¥467,658**	$3,399,482	**$3,509,626**

6. ADVANCES PAID FOR PURCHASES

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

7. LEASE DEPOSITS

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

8. INCOME TAXES

Significant components of the Company's deferred tax assets and liabilities as of March 31, 2001 and 2002, are as follows:

	Millions of yen		Thousands of U.S. dollars	
	2001	**2002**	2001	**2002**
Deferred tax assets:				
Allowance for loss on sale of real property held for sale	¥ 33,064	**¥ 30,249**	$ 248,131	**$ 227,008**
Unrealized inter-company transactions	25,769	**6,550**	193,390	**49,153**
Allowance for loss on valuation of securities	15,144	**20,474**	113,654	**153,648**
Net operating loss carryforwards	11,022	**6,769**	82,718	**50,799**
Excess allowance for retirement benefits	6,981	**6,066**	52,389	**45,519**
Excess allowance for doubtful accounts	5,638	**7,174**	42,310	**53,836**
Excess accrued employees' bonuses	2,237	**2,719**	16,786	**20,408**
Unrealized gain (loss) on valuation of securities	2,016	**2,160**	15,129	**16,212**
Excess depreciation expense	1,277	**4,805**	9,587	**36,064**
Excess prepaid expense	1,154	**1,501**	8,664	**11,268**
Other	6,075	**5,708**	45,590	**42,838**
Total	¥110,377	**¥ 94,175**	$ 828,348	**$ 706,753**
Deferred tax liabilities:				
Deferred gain on sale of land and buildings for tax purposes	¥ (34,123)	**¥(31,769)**	$(256,084)	**$(238,416)**
Unrealized loss on valuation of shares held in consolidated subsidiaries	(12,047)	**(12,047)**	(90,410)	**(90,410)**
Unrealized inter-company transactions	(6,954)	**(5,637)**	(52,188)	**(42,306)**
Unrealized gain (loss) on valuation of securities	(2,498)	**(133)**	(18,745)	**(996)**
Consolidation difference in real property	(423)	**(423)**	(3,179)	**(3,179)**
Other	(2,301)	**(3,122)**	(17,266)	**(23,424)**
Total	¥ (58,346)	**¥(53,131)**	$(437,872)	**$(398,731)**
Net deferred tax assets	¥ 52,031	**¥ 41,044**	$ 390,476	**$ 308,022**

Significant differences between the statutory tax rate and the Company's effective tax rate as of March 31, 2001 and 2002, are as follows:

	2001	**2002**
Statutory tax rate (adjustments)	42.02%	**42.02%**
Sale of shares in subsidiaries accounted for by the equity method	11.33	**0.39**
Change in consolidated subsidiaries	—	**(3.48)**
Equity in net income of affiliated companies	(0.34)	**(3.20)**
Other	1.85	**0.50**
Effective tax rate	54.86%	**36.23%**

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.

Twenty-one consolidated subsidiaries have adopted tax qualified pension plans. Sixty-six consolidated subsidiaries have adopted lump-sum pension plans. Two consolidated subsidiaries have adopted employees' pension funds.

(2) Details of projected benefit obligation

	Millions of yen		Thousands of U.S. dollars	
	2001	**2002**	2001	**2002**
1. Projected benefit obligation	¥(57,228)	**¥(63,959)**	$(429,481)	**$(479,992)**
2. Fair value of pension assets	30,806	**31,095**	231,189	**233,362**
3. Unaccrued projected benefit obligation (1+2)	(26,422)	**(32,864)**	(198,292)	**(246,630)**
4. Unrecognized actuarial differences	3,557	**15,082**	26,696	**113,187**
5. Unrecognized prior service cost	—	**(579)**	—	**(4,348)**
6. Allowance for employees' retirement benefits (3+4+5)	(22,865)	**(18,361)**	(171,596)	**(137,791)**

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	
	2001	**2002**	2001	**2002**
1. Service costs—benefits earned during the year	¥3,545	**¥3,519**	$26,602	**$26,410**
2. Interest costs on projected benefit obligation	1,827	**1,867**	13,713	**14,007**
3. Expected return on plan assets	(1,021)	**(952)**	(7,665)	**(7,146)**
4. Amortization of actuarial differences	—	**355**	—	**2,668**
5. Amortization of net transition obligation	3,833	**—**	28,767	**—**
6. Amortization of prior service costs	(132)	**—**	(988)	**—**
7. Retirement benefit expenses (1+2+3+4+5+6)	8,052	**4,789**	60,429	**35,939**

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

	2001		**2002**	
1. Allocation method for the projected retirement benefits	Straight-line method		**Straight-line method**	
2. Discount rates	3.5%		**3.0%**	
3. Expected rates of return on plan assets	3.5%		**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**
5. Years over which the actuarial differences obligations are allocated	5-10 years	Straight-line method over a certain number of years within the average remaining service years	**5-10 years**	**Straight-line method over a certain number of years within the average remaining service years**
6. Years over which the net transition obligation is allocated	1 year		**—**	

10. BANK LOANS AND LONG-TERM DEBT

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

Long-term debt at March 31, 2001 and 2002, comprised the following:

	Millions of yen		Thousands of U.S. dollars	
	2001	**2002**	2001	**2002**
Long-term loans, principally from banks and insurance companies:				
Loans secured by collateral or bank guarantees due through 2011	¥ 65,311	**¥ 68,541**	$ 490,139	**$ 514,384**
Unsecured loans due through 2022	952,314	**1,053,335**	7,146,822	**7,904,953**
	1,017,625	**1,121,876**	7,636,961	**8,419,337**
Bonds and debentures				
Domestic:				
1.4% convertible debentures due 2003	46,242	**46,242**	347,032	**347,032**
1.77% yen notes due 2002	20,000	**—**	150,094	**—**
2.45% yen notes due 2008	25,000	**25,000**	187,617	**187,617**
1.70% yen notes due 2003	35,000	**35,000**	262,664	**262,664**
3.00% yen notes due 2013	10,000	**10,000**	75,047	**75,047**
1.45% yen notes due 2002	30,000	**30,000**	225,141	**225,141**
1.05% yen notes due 2004	10,000	**10,000**	75,047	**75,047**
1.56% yen notes due 2006	10,000	**10,000**	75,047	**75,047**
2.08% yen notes due 2009	10,000	**10,000**	75,047	**75,047**
1.77% yen notes due 2006	10,000	**10,000**	75,047	**75,047**
2.20% yen notes due 2009	10,000	**10,000**	75,047	**75,047**
2.33% yen notes due 2009	10,000	**10,000**	75,047	**75,047**
2.17% yen notes due 2008	5,000	**5,000**	37,523	**37,523**
1.84% yen notes due 2006	10,000	**10,000**	75,047	**75,047**
2.29% yen notes due 2009	10,000	**10,000**	75,047	**75,047**
2.25% yen notes due 2012	5,000	**5,000**	37,523	**37,523**
2.04% yen notes due 2010	10,000	**10,000**	75,047	**75,047**
Overseas:				
6.05% euro yen notes due 2002	20,000	**20,000**	150,094	**150,094**
	1,303,867	**1,388,118**	9,785,119	**10,417,401**
Less amount due within one year	153,270	**238,001**	1,150,248	**1,786,128**
	¥1,150,597	**¥1,150,117**	$8,634,871	**$ 8,631,273**

The following assets were pledged as collateral for secured loans:

	Millions of yen		Thousands of U.S. dollars	
	2001	**2002**	2001	**2002**
Collateralized assets				
Land	¥ 40,762	**¥ 41,753**	$ 305,911	**$ 313,341**
Buildings and structures and others	97,484	**103,873**	731,586	**779,538**
	¥138,246	**¥145,626**	$1,037,497	**$1,092,879**

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

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

If the outstanding convertible bonds had been converted at March 31, 2002, 20,830 thousand shares of common stock would have been issued.

The annual maturities of long-term debt at March 31, 2002, were as follows:

Year ending March 31	Millions of yen	Thousands of U.S. dollars
2003	¥245,349	$1,841,270
2004	190,274	1,427,947
2005	144,262	1,082,644
2006	123,033	923,322
2007	65,002	487,820
Thereafter	382,197	2,868,270

11. DEPOSITS FROM TENANTS

Deposits from tenants at March 31, 2001 and 2002, comprised the following:

	Millions of yen		Thousands of U.S. dollars	
	2001	**2002**	2001	**2002**
Deposits and guarantees				
Non-interest-bearing	¥304,465	**¥289,584**	$2,284,916	**$2,173,237**
Interest-bearing	40,636	**37,776**	304,963	**283,495**
	¥345,101	**¥327,360**	$2,589,879	**$2,456,732**

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 11th year with an interest rate of 2% per annum from the beginning of the 11th year.

12. SHAREHOLDERS' EQUITY

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

Effective October 1, 2001, the Code provides that an amount equal to at least 10% of cash dividends and other cash appropriations shall be appropriated and set aside as statutory reserves until the total amount of legal reserve and additional paid-in capital equals 25% of common stock. The legal reserve and additional paid-in capital may be used to eliminate or reduce a deficit by resolution of the stockholders' 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	2001	**2002**	2001	**2002**
Gain on sale of fixed assets	¥ 314	**¥23,612**	$ 2,357	**$177,205**
Gain on sale of shares in affiliated company	30,531	**585**	229,131	**4,388**
Gain on sale of investment securities	19,273	**1,129**	144,636	**8,475**
Gain on establishment of retirement benefit trust	2,713	**—**	20,360	**—**
Compensation received for retirement of property	—	**3,015**	—	**22,628**
Other	8,374	**7,501**	62,844	**56,292**
Total	¥61,205	**¥35,842**	$459,328	**$268,988**

14. MAJOR COMPONENTS OF COSTS AND EXPENSES—OTHER

Years ended March 31	Millions of yen 2001	Millions of yen **2002**	Thousands of U.S. dollars 2001	Thousands of U.S. dollars **2002**
Provision to allowance for doubtful accounts	¥ 7,090	**¥ 6,491**	$ 53,208	**$ 48,709**
Loss on devaluation of real estate for sale	5,500	**443**	41,280	**3,331**
Loss on sale of fixed assets	7,604	**4,077**	57,070	**30,594**
Loss on disposal of fixed assets	336	**418**	2,522	**3,141**
Loss on devaluation of investment securities	8,887	**21,296**	66,691	**159,821**
Loss on sale of investment securities	19,444	**—**	145,924	**—**
Loss on restructuring affiliated companies	7,612	**—**	57,123	**—**
Amortization differences arising from change in accounting method for retirement benefits	4,168	**—**	31,277	**—**
Special charge due to a change in estimated useful lives of fixed assets (Note 2 (G))	—	**18,477**	—	**138,665**
Loss on investments in affiliated companies	—	**914**	—	**6,858**
Other	12,378	**14,848**	92,891	**111,427**
Total	¥73,019	**¥66,964**	$547,986	**$502,546**

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, 2001 and 2002, of finance leases that do not transfer ownership to the lessee are as follows:

	Millions of yen					
	2001			**2002**		
	Buildings and structures	Machinery and equipment	Total	Buildings and structures	Machinery and equipment	Total
Acquisition cost	¥1,856	¥9,228	¥11,084	**¥2,211**	**¥ 9,225**	**¥11,436**
Accumulated depreciation	463	4,715	5,178	**555**	**4,854**	**5,409**
Net book value	¥1,393	¥4,513	¥ 5,906	**¥1,656**	**¥ 4,371**	**¥ 6,027**

	Thousands of U.S. dollars					
	2001			**2002**		
	Buildings and structures	Machinery and equipment	Total	Buildings and structures	Machinery and equipment	Total
Acquisition cost	$13,927	$69,257	$83,184	**$16,594**	**$69,232**	**$85,826**
Accumulated depreciation	3,475	35,386	38,861	**4,168**	**36,424**	**40,592**
Net book value	$10,452	$33,871	$44,323	**$12,426**	**$32,808**	**$45,234**

(2) Future lease payment inclusive of interest at March 31, 2001 and 2002

	Millions of yen 2001	Millions of yen **2002**	Thousands of U.S. dollars 2001	Thousands of U.S. dollars **2002**
Amount due within one year	¥1,809	**¥1,627**	$13,579	**$12,215**
Amount due after one year	4,097	**4,400**	30,744	**33,019**
Total	¥5,906	**¥6,027**	$44,323	**$45,234**

(3) Lease payment and depreciation equivalent at March 31, 2001 and 2002

	Millions of yen		Thousands of U.S. dollars	
	2001	**2002**	2001	**2002**
Lease payment for the years ended March 31	¥1,851	**¥1,932**	$13,888	**$14,497**
Depreciation	1,851	**1,932**	13,888	**14,497**

(4) Calculation of depreciation equivalent

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

(B) Future lease payments under operating leases at March 31, 2001 and 2002

	Millions of yen		Thousands of U.S. dollars	
	2001	**2002**	2001	**2002**
Amount due within one year	¥ 9,269	**¥ 9,282**	$ 69,562	**$ 69,659**
Amount due after one year	48,148	**51,549**	361,331	**386,856**
Total	¥57,417	**¥60,831**	$430,893	**$456,515**

As lessor:

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

(1) Summary of assumed amounts of acquisition cost, accumulated depreciation and net book value at March 31, 2001 and 2002, of finance leases that do not transfer ownership to the lessee are as follows:

	Millions of yen					
	2001			**2002**		
	Buildings and structures	Machinery and equipment	Total	Buildings and structures	Machinery and equipment	Total
Acquisition cost	¥3,185	¥1,171	¥4,356	**¥3,693**	**¥1,106**	**¥4,799**
Accumulated depreciation	1,967	730	2,697	**2,110**	**559**	**2,669**
Net book value	¥1,218	¥ 441	¥1,659	**¥1,583**	**¥ 547**	**¥2,130**

	Thousands of U.S. dollars					
	2001			**2002**		
	Buildings and structures	Machinery and equipment	Total	Buildings and structures	Machinery and equipment	Total
Acquisition cost	$23,898	$8,791	$32,689	**$27,713**	**$8,304**	**$36,017**
Accumulated depreciation	14,760	5,480	20,240	**15,838**	**4,193**	**20,031**
Net book value	$ 9,138	$3,311	$12,449	**$11,875**	**$4,111**	**$15,986**

(2) Future lease income inclusive of interest at March 31, 2001 and 2002:

	Millions of yen		Thousands of U.S. dollars	
	2001	**2002**	2001	**2002**
Amount due within one year	¥ 598	**¥ 665**	$ 4,488	**$ 4,993**
Amount due after one year	1,056	**1,381**	7,926	**10,361**
Total	¥1,654	**¥2,046**	$12,414	**$15,354**

(3) Lease income and depreciation equivalent at March 31, 2001 and 2002:

	Millions of yen		Thousands of U.S. dollars	
	2001	**2002**	2001	**2002**
Lease income for the years ended March 31	¥706	**¥788**	$5,298	**$5,914**
Depreciation	643	**537**	4,827	**4,031**

(B) Future lease income under operating leases at March 31, 2001 and 2002:

	Millions of yen		Thousands of U.S. dollars	
	2001	**2002**	2001	**2002**
Amount due within one year	¥ 24,451	**¥ 26,090**	$ 183,495	**$ 195,797**
Amount due after one year	168,219	**169,082**	1,262,431	**1,268,906**
Total	¥192,670	**¥195,172**	$1,445,926	**$1,464,703**

16. SEGMENT INFORMATION

Segments:

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

For 2001 (Year ended March 31, 2001)	Millions of yen									
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	Elimination or Corporate	Consolidated
Revenue from operations:										
Outside customers	¥ 329,835	¥328,281	¥283,807	¥41,548	¥70,873	¥ 70,583	¥ 47,387	¥20,767	¥ —	¥1,193,081
Inter-segment	6,191	—	16,306	9,043	23,094	32,819	—	9,487	(96,940)	—
	336,026	328,281	300,113	50,591	93,967	103,402	47,387	30,254	(96,940)	1,193,081
Costs and expenses*	267,475	307,675	293,394	36,983	86,669	102,568	47,442	26,447	(83,907)	1,084,746
Operating income (loss)	¥ 68,551	¥ 20,606	¥ 6,719	¥13,608	¥ 7,298	¥ 834	¥ (55)	¥ 3,807	¥ (13,033)	¥ 108,335
Assets	¥1,618,454	¥486,329	¥165,680	¥48,641	¥32,488	¥ 56,145	¥166,986	¥68,202	¥203,542	¥2,846,467
Depreciation	29,217	461	1,698	732	606	1,257	5,477	4,521	449	44,418
Capital expenditures	46,344	554	3,689	1,155	1,213	681	9,957	3,832	53	67,478

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

For 2002 (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**

For 2001 (Year ended March 31, 2001)	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	Elimination or Corporate	Consolidated
	Thousands of U.S. dollars									
Revenue from operations:										
Outside customers	$ 2,475,308	$2,463,649	$2,129,881	$311,804	$531,879	$529,706	$ 355,629	$155,847	$ —	$ 8,953,703
Inter-segment	46,459	—	122,371	67,864	173,314	246,293	—	71,200	(727,501)	—
	2,521,767	2,463,649	2,252,252	379,668	705,193	775,999	355,629	227,047	(727,501)	8,953,703
Costs and expenses*	2,007,317	2,309,006	2,201,834	277,544	650,423	769,740	356,042	198,475	(629,694)	8,140,687
Operating income (loss)	$ 514,450	$ 154,643	$ 50,418	$102,124	$ 54,770	$ 6,259	$ (413)	$ 28,572	$ (97,807)	$ 813,016
Assets	$12,145,995	$3,649,750	$1,243,380	$365,036	$243,814	$421,350	$1,253,174	$511,839	$1,527,518	$21,361,856
Depreciation	219,262	3,462	12,743	5,494	4,548	9,435	41,103	33,930	3,367	333,344
Capital expenditures	347,800	4,156	27,685	8,671	9,100	5,108	74,725	28,761	396	506,402

For 2002 **(Year ended March 31, 2002)**	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	Elimination or Corporate	Consolidated
	Thousands of U.S. dollars									
Revenue from operations:										
Outside customers	**$ 2,487,814**	**$2,526,390**	**$1,780,437**	**$343,286**	**$509,689**	**$537,166**	**$ 337,469**	**$126,782**	**$ —**	**$ 8,649,033**
Inter-segment	**44,250**	**—**	**78,476**	**70,820**	**138,724**	**220,348**	**4,432**	**87,323**	**(644,373)**	**—**
	2,532,064	**2,526,390**	**1,858,913**	**414,106**	**648,413**	**757,514**	**341,901**	**214,105**	**(644,373)**	**8,649,033**
Costs and expenses*	**1,993,835**	**2,326,249**	**1,898,152**	**282,459**	**590,886**	**747,436**	**373,953**	**207,667**	**(544,216)**	**7,876,421**
Operating income (loss)	**$ 538,229**	**$ 200,141**	**$ (39,239)**	**$131,647**	**$ 57,527**	**$ 10,078**	**$ (32,052)**	**$ 6,438**	**$ (100,157)**	**$ 772,612**
Assets	**$14,893,025**	**$3,413,329**	**$ 452,117**	**$429,817**	**$261,180**	**$366,016**	**$1,005,032**	**$434,680**	**$1,476,282**	**$22,731,478**
Depreciation	**213,400**	**3,000**	**17,363**	**5,157**	**5,674**	**9,094**	**201,014**	**31,088**	**9,652**	**495,442**
Capital expenditures	**354,118**	**2,727**	**29,444**	**7,008**	**6,474**	**3,554**	**22,823**	**30,682**	**9,224**	**466,054**

The Company and its consolidated subsidiaries are primarily engaged in the development of real estate and related lease and sales in activities in eight major segments: leasing of office buildings and commercial facilities; sales of housing, office buildings and land; construction and development of housing, buildings, harbors and land; brokerage, consigned sales and consulting for real estate, as well as project management related to the development of office buildings and commercial facilities; property management (including construction) of office buildings, commercial facilities and residential developments; sales of housing materials and products; operation of hotels, golf courses and other facilities; and other associated businesses including mortgage finance and leasing.

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

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

17. CONTINGENT LIABILITIES

Contingent liabilities at March 31, 2001 and 2002, are as follows:

	Millions of yen		Thousands of U.S. dollars	
	2001	**2002**	2001	**2002**
Notes endorsed	¥ 335	**¥ —**	$ 2,513	**$ —**
Loans guaranteed	261,804	**219,502**	1,964,755	**1,647,297**

18. SUBSEQUENT EVENTS

(A) INTEGRATION OF MITSUI REAL ESTATE SALES Co., Ltd.

On May 17, 2002, based on the resolution of the Board of Directors' meeting of March 1, 2002, the Company entered into an agreement with MITSUI REAL ESTATE SALES Co., Ltd. ("MRES") to render MRES a wholly owned subsidiary of the Company through exchange offer procedures. Pursuant to the terms of the agreement, the Company will issue 10,830,383 shares of common stock to the MRES shareholders as of September 30, 2002, with the share exchange ratio of one share of MRES for 0.475 shares of the Company. The increase of the Company's shareholders' equity by this share issuance will be recorded as additional paid-in capital and the amount of the increase will be equivalent to the net assets value of MRES which should be transferred to the Company through the share exchange.

(B) APPROPRIATION OF RETAINED EARNINGS

At the June 27, 2002, annual general shareholders' meeting, the Company's shareholders approved the appropriations of retained earnings of the Company at March 31, 2002 as follows:

	Millions of yen	Thousands of U.S. dollars
Year-end cash dividends at ¥3.5 (US$0.026) per share	**¥2,844**	**$21,341**
Bonuses to directors	**100**	**750**

REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

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

We have audited the accompanying consolidated balance sheets of MITSUI FUDOSAN CO., LTD. (a Japanese corporation) and subsidiaries as of March 31, 2001 and 2002, and the related consolidated statements of income, shareholders' equity and cash flows for the years then ended, expressed in Japanese yen. Our audits were made in accordance with auditing standards generally accepted in Japan and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the consolidated financial statements referred to above present fairly the consolidated financial position of MITSUI FUDOSAN CO., LTD. and subsidiaries as of March 31, 2001 and 2002, and the consolidated results of their operations and their cash flows for the years then ended in conformity with accounting principles generally accepted in Japan (Note 1) applied on a consistent basis during the periods, except as noted in the following paragraph.

As explained in Note 2, MITSUI FUDOSAN CO., LTD. and subsidiaries prospectively adopted new Japanese accounting standards for employees' retirement benefits and financial instruments and the revised Japanese accounting standards for foreign currency translation in the year ended March 31, 2001.

Also, in our opinion, the U.S. dollar amounts in the accompanying consolidated financial statements have been translated from Japanese yen on the basis set forth in Note 1.

Asahi & Co.

Tokyo, Japan
June 27, 2002

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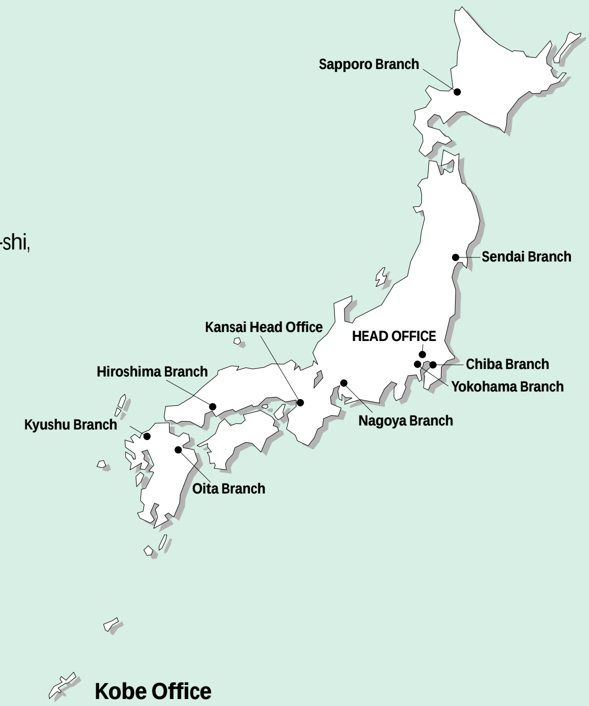

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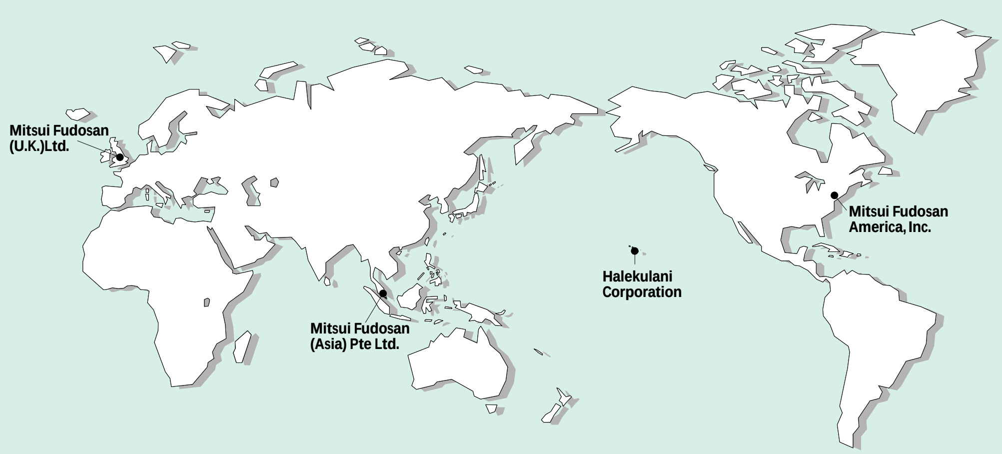

Mitsui Fudosan Co., Ltd.

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103-0022, Japan

Date of Establishment :
July 15, 1941

Share Capital :
¥134,433 million

Listing :
Tokyo, Osaka, Sapporo

Number of Shares :
Authorized: 1,770,000,000
Issued and outstanding: 812,560,001

Number of Shareholders :
51,201

Number of Employees :
1,586

Home Page :
http://www.mitsuifudosan.co.jp/english

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MITSUI FUDOSAN

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