Annual Report 2005

Year ended March 31, 2005

MITSUI FUDOSAN

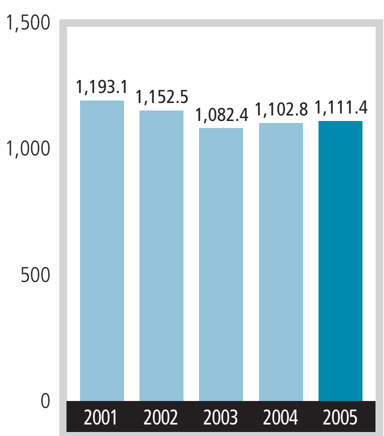
Financial Highlights

Mitsui Fudosan Co., Ltd. and its Subsidiaries
For the years ended March 31, 2005 and 2004

	Millions of yen except per share amounts		% Change	Thousands of U.S. dollars except per share amounts
	2005	2004	2005/2004	2005
For the Year:				
Revenue from operations	**¥1,111,359**	¥1,102,844	0.8 %	**$10,348,813**
Operating income	**115,765**	109,246	6.0	**1,077,987**
Net income	**28,693**	14,455	98.5	**267,185**
As a percentage of revenue from operations	**2.6%**	1.3%	1.3 pt.	
As a percentage of average shareholders' equity	**4.3%**	2.2%	2.1 pt.	
Free cash flow	**23,265**	120,478	(80.7)	**216,640**
Cash dividends	**5,756**	5,756	—	**53,599**
At Year-End:				
Total assets	**¥2,928,199**	¥2,916,583	0.4 %	**$27,266,962**
Shareholders' equity	**687,718**	659,165	4.3	**6,403,930**
Debt / Equity ratio (times)	**1.9**	2.0		
Number of shareholders	**47,511**	49,594	(4.2)	
Number of employees	**12,707**	12,808	(0.8)	
Per Share Data:				
Net income	**¥34.7**	¥17.5	98.3 %	**$0.323**
Diluted net income	**32.5**	16.3	99.4	**0.303**
Cash dividends applicable to the year	**7.0**	7.0	—	**0.065**

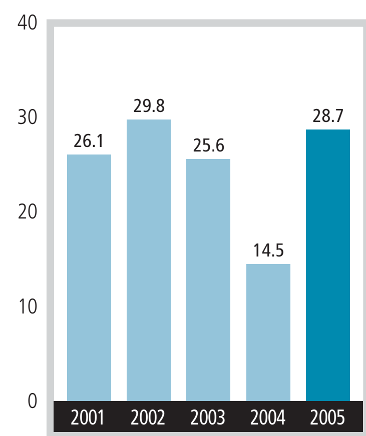
Notes: 1. Free cash flow = Cash flows from operating activities + Cash flows from investing activities
2. Debt / Equity ratio = Interest-bearing debt / Shareholders' equity

Revenue from Operations (Billions of yen)



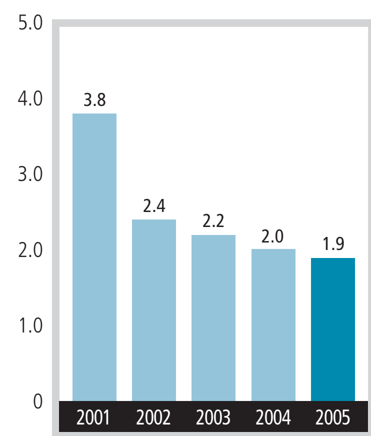
(Years ended March 31)

Net Income (Billions of yen)



(Years ended March 31)

Debt / Equity Ratio (Times)



(As of March 31)

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Notes

* U.S. dollar amounts are translated from yen at the rate of ¥107.39 = U.S.$1.00, the approximate exchange rate at March 31, 2005.
* Revenue from operations in this annual report refers to sales to outside customers unless otherwise noted.

A Caution Concerning Forward-Looking Statements

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

Overview of the Mitsui Fudosan Group

- Japan's largest comprehensive real estate group
- Diversified portfolio of properties and businesses generates strong cash flow
- Clear focus on creating value by providing solutions to end users, originators and investors
- Constantly developing new business models to remain at the forefront of its changing markets
- Emphasis on reducing debt to further improve financial strength

(Year ended March 31, 2005)

Segment	Business	Segment Revenue from Operations (Share of Total Revenue from Operations) (Millions of yen)	Segment Operating Income (Share of Total Operating Income) (Millions of yen)
Leasing	Leasing of owned and masterleased properties, consisting mainly of office buildings and retail facilities. Also involved in residential and car-park leasing.	343,719 (30.9%)	62,520 (54.0%)
Sales of Housing, Office Buildings and Land	Sales of developed properties, including sales of condominiums and detached houses to individual clients, sales of office, retail and residential properties to investors, and sales of securitized assets.	334,472 (30.1%)	35,154 (30.4%)
Construction	Primarily construction of detached houses through Mitsui Home Co., Ltd., a listed subsidiary.	183,552 (16.5%)	2,359 (2.0%)
Brokerage, Consignment Sales and Consulting	Real estate brokerage of used homes for individuals and buildings and land for corporations. Consignment sales of condominiums and detached houses. Consulting services range from project management to asset management.	60,224 (5.4%)	18,608 (16.1%)
Property Management	Property management services for owners of office buildings, retail facilities and condominiums. Services include tenant improvement.	78,249 (7.0%)	10,768 (9.3%)
Sales of Housing Materials and Merchandise	Manufacture and sales of housing materials, as well as wholesale and retail sales of general goods.	65,229 (5.9%)	188 (0.2%)
Facility Operations	Operation of hotels, including the Halekulani Hotel in Hawaii, and golf courses, etc.	38,509 (3.5%)	1,385 (1.2%)
Other	Other	7,405 (0.7%)	1,850 (1.6%)

Note: The above operating income figures do not reflect unallocatable selling, general and administrative expenses, and therefore the total is different from consolidated operating income. See Note 17, page 51 for additional segment information.

Office Buildings

The Mitsui Fudosan brand encompasses around 2.5 million square meters of total leased floor space under management in office buildings. Superior design, excellent facilities and management, and premium locations mean that Mitsui Fudosan maintains high occupancy rates. Mitsui Fudosan's belief under its "workers first" concept is to provide office buildings that are safe and comfortable for the people who work in them.

Nihonbashi 1-chome Building
(incorporating COREDO Nihonbashi)

Retail Facilities

Mitsui Fudosan develops regional malls, factory outlet malls, lifestyle centers and urban facilities that delight shoppers and anticipate their needs. We opened Japan's first large-scale regional shopping center, LaLaport Funabashi (now called Tokyo-Bay LaLaport) in 1981. Since then, Mitsui Fudosan has continuously remained at the forefront of the industry by creating malls that attract each of its customer groups, from local residents to tenants and investors.

Tokyo-Bay LaLaport

Housing

For both condominiums and detached houses, we provide housing environments with the comfort, convenience and class that residents want. From planning and development to sales and maintenance, Mitsui Fudosan is a trusted brand in the housing segment. The Mitsui Fudosan Group also utilizes its broad expertise and relationships to package rental residential properties as investments and to conduct a brokerage business for used residential housing.

River City 21

A Leading Brand throughout the Real Estate Va

Real Estate Solutions

Real estate owners demand effective use of their assets. As the linkage between the real estate and financial markets grows stronger, Mitsui Fudosan is increasing its presence as an intermediary between the two markets. We use our expertise and broad network as real estate professionals to maximize the value of real estate assets in providing optimal solutions for originators, investors and end users.

alue Chain

The History of Mitsui Fudosan

1673	• Opening of the Echigo-ya clothing store in Nihonbashi (Chuo-ku, Tokyo) by Takatoshi Mitsui, founder of the House of Mitsui
1929	• Completion of Mitsui Main Building (Chuo-ku, Tokyo)
1941	• Establishment of Mitsui Fudosan Co., Ltd.
1960	• Completion of Hibiya Mitsui Building (Chiyoda-ku, Tokyo)
1968	• Completion of Kasumigaseki Building (Minato-ku, Tokyo), the first skyscraper in Japan • Start of development and sale of condominiums
1974	• Completion of Shinjuku Mitsui Building (Shinjuku-ku, Tokyo)
1981	• Completion of Japan's first large-scale regional shopping center, LaLaport Funabashi, now called Tokyo-Bay LaLaport (Funabashi-shi, Chiba Prefecture)
1986	• Acquired Exxon Building, now called 1251 Avenue of the Americas (New York City, U.S.A.)
1997	• Formation of consortium with overseas financial institution and successful bid for the site of Shiodome City Center (Minato-ku, Tokyo)
1998	• Completion of a factory outlet mall, Yokohama Bayside Marina Shops and Restaurants (Yokohama-shi, Kanagawa Prefecture), using a fixed-term leasehold
1999	• Acquisition of Shin Nikko Building (Minato-ku, Tokyo), initiating joint investment business with investors using a securitization scheme • Acquisition of Japan Landic portfolio, initiating value-enhanced fund business
2001	• Listing of Japan's first real estate investment trust (J-REIT), Nippon Building Fund, Inc. • Formation of consortium with domestic investors and successful bid for the former Defense Agency site in Roppongi, now called Tokyo Midtown (Minato-ku, Tokyo)
2003	• Shiodome City Center completed
2005	• Nihonbashi Mitsui Tower completed (Chuo-ku, Tokyo)

To Our Stakeholders

The Mitsui Fudosan Group made solid progress in generating value for customers, shareholders and other stakeholders during the second year of Challenge Plan 2008.

Hiromichi Iwasa
President and Chief Executive Officer

Operating Environment and Results

During fiscal 2004, the year ended March 31, 2005, the Japanese economy continued to recover moderately. Despite factors such as the rise in the price of crude oil, the domestic operating environment benefited from growth in the global economy, improved corporate profits and firm private capital investment.

In the real estate industry, vacancy rates decreased in the office building market as a result of successful efforts to acquire tenants at large-scale office buildings in the Tokyo metropolitan area. Conditions in the housing sales market remained favorable, although customer selectivity based on factors such as product quality and location intensified. The flow of funds into real estate investment through Japanese real estate investment trusts (J-REITs) and private funds continued to increase.

The Mitsui Fudosan Group proceeded with the implementation of Challenge Plan 2008, the long-term management plan for the Group announced in May 2003, and made solid progress in generating value for customers, shareholders and other stakeholders during the second year of the plan.

Consolidated revenue from operations increased 0.8 percent year-on-year, or ¥8.5 billion, to ¥1,111.4 billion. Mitsui Fudosan generated success in its core businesses during the second year of Challenge Plan 2008 with increased revenue from operations due to factors including office buildings and retail facilities that began operating recently or made their first full-year contribution, higher real estate brokerage revenue and a rise in the number of securitization deals we handled.

Operating income increased by 6.0 percent, or ¥6.5 billion, to ¥115.8 billion. Earnings rose in the management business, reflecting our emphasis on operations that are not capital intensive, and in the trading business, due to expanded sales to investors of income-producing properties developed or value-enhanced by the Company. Net income increased 98.5 percent, or ¥14.2 billion, to ¥28.7 billion despite ¥33.8 billion in

A strong presence in each of our core businesses — holding, trading and management — positions us to succeed throughout the real estate value chain.

percent, or ¥14.2 billion, to ¥28.7 billion despite ¥33.8 billion in extraordinary losses due to the early adoption of impairment accounting for fixed assets. Return on assets (ROA) increased to 4.3 percent from 4.1 percent a year earlier, and the Company reduced interest-bearing debt from ¥1.32 trillion to ¥1.28 trillion. We thus made progress toward the goals of Challenge Plan 2008, and look forward to accelerating the pace of goal achievement through growth in our core businesses.

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

Challenge Plan 2008

Challenge Plan 2008 is designed to help us capture opportunities in new growth segments of the real estate market. It encompasses three core strategies: customer-focused management; business model reform to adapt to changing market realities; and efficient Group management based on our mission of evolving as Japan's leading provider of real estate solutions and

Consolidated Targets of Challenge Plan 2008

(Billions of yen)

	FY 2003	FY 2004	FY 2008 (Targets)
Revenue from operations	¥1,102.8	¥1,111.4	¥1,300.0
Operating income	¥109.2	¥115.8	¥160.0
Operating income margin	9.9%	10.4%	12.3%
Operating cash flow	¥141.6	¥100.1	¥130.0
Total assets	¥2,916.6	¥2,928.2	¥2,700.0
Interest-bearing debt	¥1,321.5	¥1,279.1	¥990.0
ROA*	4.1%	4.3%	6.0%
Debt / Equity ratio**	2.0 times	1.9 times	1.2 times

* ROA = (Operating income + Non-operating income) / Total assets (Note: Total assets for FY 2003 and FY 2004 are averages; total assets for FY 2008 are as of the fiscal year end.)
** Debt / Equity ratio = Interest-bearing debt / Shareholders' equity

services. We see holding, trading and management as our three core businesses. While working to increase income in these core businesses, we also moved to reinforce our financial structure.

Fiscal 2005, ending March 31, 2006, will be an important phase of Challenge Plan 2008. A number of projects we have been developing will begin contributing to earnings. In addition, Nihonbashi Mitsui Tower and other projects will begin making their first full-year contribution to results in fiscal 2006. We expect these developments to drive earnings to meet our targets under Challenge Plan 2008.

Evolution of Our Business Model

Our business model positions us at every stage of the real estate value chain, from development to trading, brokerage and management. We can therefore make use of our comprehensive strengths to both build established operations and capture emerging market opportunities. This approach also ensures that we have access to every major group of real estate market participants. Our brand is one of Japan's best known, which will be a key element supporting implementation of this model.

Revitalizing Nihonbashi

Mitsui Fudosan is helping to revitalize the historic Nihonbashi district in a cooperative effort involving the public and private sectors and residents. We established the Nihonbashi Urban Planning and Development Department in April 2003 to support this effort.

Moreover, in July 2005, we also completed a new Nihonbashi landmark, the Nihonbashi Mitsui Tower. This leading-edge 39-story high-rise complex, which includes new offices and the Mandarin Oriental Hotel, reaffirms and complements the rich historical significance of the Mitsui Main Building that is part of the site.

Nihonbashi Mitsui Tower completed in July 2005 / 133,727m^2

NEW GROWTH DRIVERS

Tokyo Midtown

Under redevelopment with domestic investors on a former Defense Agency site in Roppongi, Tokyo, Tokyo Midtown will create a new international gateway. The complex will encompass office, retail and residential facilities, and is set to open in spring 2007. It will also include a Ritz-Carlton hotel, and the Suntory Museum of Art is slated to move there as well. Mitsui Fudosan holds a 40 percent share and is serving as the project manager during development. We will also provide asset management services to maintain profitability and area management services to enhance attractiveness of the site.

Grand opening scheduled for spring 2007 / 569,000m^2

The Holding Business: Long-Term, Stable Revenue

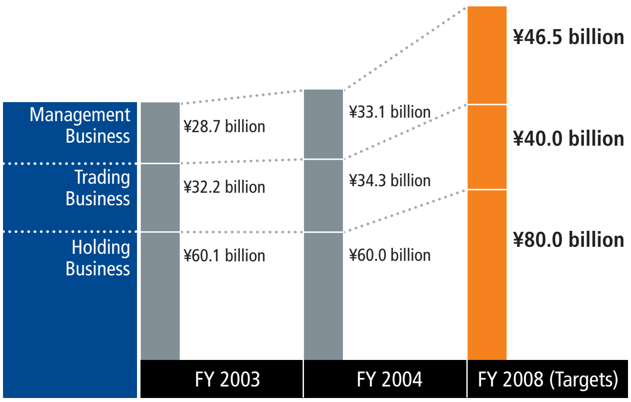
The holding business revolves around long-term, stable revenues generated from office and retail properties. During fiscal 2004, we worked to increase the value of our portfolio by developing new properties and renovating or selling existing properties. Our powerful sales capabilities in leasing and reputation for quality properties allow us to acquire outstanding tenants, supporting both present and future revenue and earnings. In our retail facilities business, which is an important component of the holding business, we leveraged our network of relationships with large companies and our diverse facilities portfolio to accelerate development. Retail development projects completed during the fiscal year included the Kojun Building and LaLaport Koshien.

The Trading Business: Near- and Medium-Term Capital Gains

The trading business entails capital gains in the near and medium term from sales of developed properties, including condominiums and detached houses to individual clients, and office, retail and residential properties to real estate investors. Profit from housing sales to individuals was firm despite a competitive environment, largely because Mitsui Fudosan reduced sales expenses and restrained inventory. We continue to emphasize high quality and profitability in this business, and maintain a stable level of condominium and detached housing unit sales. Competition in acquiring outstanding sites for development has intensified, but Mitsui Fudosan has strengthened its condominium pipeline by participating in large-scale redevelopment projects.

The other sector of the trading business, which has been expanding rapidly, involves acquiring existing properties through special purpose companies (SPCs), enhancing their value, and then selling them to Nippon

Operating Income Targets for Core Businesses



Building Fund, Inc., a J-REIT, or private funds. During fiscal 2004, sales of properties to investors benefited from increased development of rental housing such as the Park Axis series, and from the development and sale of retail facilities. We expect this sector to become a growth driver in the trading business during the current fiscal year.

The Management Business: Growth in Fee Income

The management business entails fee income generated from a full range of management services, including brokerage, consulting, project management, masterleasing, and asset and property management. This business relies on professional expertise rather than intensive employment of capital. In fiscal 2004, Mitsui Fudosan increased assets under management to ¥1.8 trillion from ¥1.4 trillion a year earlier, and our target is to have ¥3 trillion under management by the end of March 2009. Moreover, the fee income from assets under management in fiscal 2004 accounted for around ¥15 billion of the ¥33.1 billion in operating income from the management business. We will generate future growth by using our customer network of outstanding tenants and relationships with originators and investors.

Shibaura Island Project

This project involves a public-private partnership to create a sustainable, multigenerational residential district in Tokyo. We are therefore focusing on meeting a wide array of needs for various types of residents in this large-scale urban development. The project will contain 4,000 condominium units, including rental housing, on a 60,000 square-meter site. It embraces the vision of creating a safe, beautiful town that is an urban oasis of water and greenery. In June 2005, we began selling units in Shibaura Island Globe Tower, a 49-story building with 833 units that is slated for completion in March 2007.

NEW GROWTH DRIVERS

Four Major Shopping Centers

Clockwise from top left: LAZONA Kawasaki, Toyosu Project, Kashiwanoha Campus Station Project, LaLaport Yokohama

Mitsui Fudosan is aggressively developing new retail facilities. Beginning in fall 2006 and running through spring 2007, a series of four shopping centers in the greater Tokyo area will be opened. In these projects, we try to provide not just places to shop, but communities where people can enjoy their lifestyles. The use of fixed-term leaseholds that meet the needs of landowners in two of the four projects will contribute to increased return on investment.

LAZONA Kawasaki: Fall 2006 / 174,000m^2
Toyosu Project: Fall 2006 / 170,000m^2
Kashiwanoha Campus Station Project: Fall 2006 / 159,000m^2
LaLaport Yokohama: Spring 2007 / 215,000m^2

Our value chain from the trading to the asset management business should also contribute to growth. In this approach, we enhance the value of properties and then sell them to investors. We then seek to provide asset management services to these investors, resulting in stable fee income. The alliance we formed with Misawa Resort Co., Ltd. in March 2005 will provide opportunities in the trading business and the management business. In addition, we are preparing to launch two J-REITS, one for rental housing and one for retail facilities, which should contribute to future business expansion.

Corporate Governance, Compliance and Corporate Social Responsibility (CSR)

Mitsui Fudosan's approach to corporate governance is to improve its management soundness, transparency and efficiency. We have implemented a corporate officer system to clarify responsibility for supervision and execution, and more than half of our auditors are external auditors. These and other organizational reforms have strengthened our management structure. The resulting enhancement in effectiveness and flexibility allows us to deal swiftly with our fluid operating environment. In June 2005, as part of our program of continuously improving corporate governance, we added an outside director, Mr. Toshiharu Aoki, to the Board of Directors. His objective viewpoint should encourage lively and forthright strategic discussion.

Under the Mitsui Fudosan Group vision, our corporate philosophy is to coexist in harmony with society and to link diverse values. We intend to fulfill our responsibilities to society while achieving sustainable growth. For our environmental contribution, we set environmental targets and plans for each business, and evaluate progress annually. In addition, our contribution to society encompasses economic and industrial development, health and welfare improvement, and promotion of art and culture.

Commitment to Stakeholders

Mitsui Fudosan relies on the trust of all stakeholders, including shareholders, customers, regional communities and society, and we will work to maintain that trust as we generate continued expansion.

Our current goal is to increase corporate value as we achieve the objectives of Challenge Plan 2008. We will continue to strengthen our financial structure while generating returns for shareholders. I would like to thank our shareholders and other stakeholders for their trust and support, and we intend to deliver the benefits of being a leading provider of real estate solutions and services.

July 2005

Hiromichi Iwasa
President and Chief Executive Officer

Leasing

The Mitsui Fudosan brand encompasses more than 3.4 million square meters of leased floor space in office buildings and retail facilities, and 50,000 units of rental housing.

Toranomon Kotohira Tower

This state-of-the-art office building provides panoramic views of the Kasumigaseki and Toranomon districts, which together make up one of Mitsui Fudosan's core areas. A joint investment project between Mitsui Fudosan and the originator, Kotohiragu, with the participation of Nippon Building Fund Inc. (NBF), the building preserves the historic Kotohiragu Shrine and was fully leased prior to completion. Toranomon Kotohira Tower is designed for optimum worker convenience, productivity and comfort, and floor-to-ceiling windows and high ceilings maximize natural light and views.

(Completed in November 2004 / 29,711m^2)

Results

Leasing segment revenue for the fiscal year ended March 31, 2005 increased 3.4 percent, or ¥11.3 billion, to ¥343.7 billion. Segment operating income decreased marginally to ¥62.5 billion. Operations began at numerous office building and retail facility projects, and several projects made their first full-year contribution to performance, which supported revenue and earnings. In addition, locations and units under management increased in the residential leasing business of Mitsui Fudosan Housing Lease Co., Ltd. and the car-park leasing business of Mitsui Real Estate Sales Co., Ltd. However, the disposition, renovation and renewal of several existing buildings restrained growth in revenue, contributing to the year-on-year decrease in operating income.

Moderate economic recovery supported tenant operating performance, which led to increased demand for floor space in office buildings. The vacancy rate for office buildings in the Tokyo metropolitan area on a nonconsolidated basis decreased to 3.0 percent from 4.4 percent a year earlier and 4.8 percent as of September 30, 2004. On a consolidated basis including overseas operations, the vacancy rate for office buildings and retail facilities was 2.8 percent as of March 31, 2005, compared to 5.0 percent as of March 31, 2004 and 5.2 percent as of September 30, 2004.

Office buildings and retail facilities are the two pillars of the leasing business, and Mitsui Fudosan continues to raise the value of its portfolio. Rather than focusing solely on asset growth, we employ a balanced, sophisticated approach that combines new development with renovation and asset sales to structure a strong, profitable portfolio.

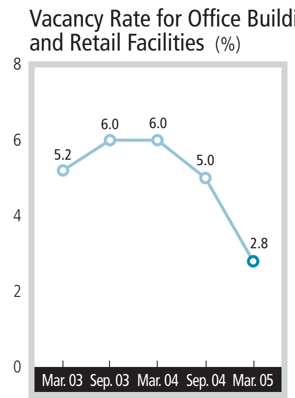
Office Buildings

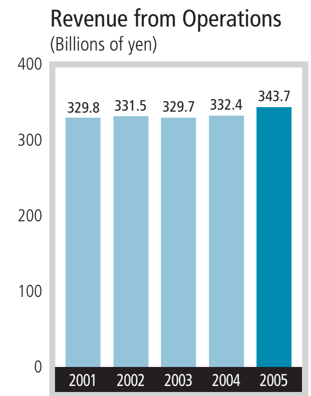
Mitsui Fudosan's office building business centers on the concept of placing "workers first." Our emphasis on designing buildings to benefit the people who work in them supports tenant operating performance and enhances worker relationships, giving us a strong competitive advantage.

Mitsui Fudosan operates approximately 300 buildings that are occupied by more than 3,300 corporate tenants. Our buildings are in Japan's urban areas, with a large number in Tokyo's central business district. Globalization, diversification and the progress of business have created new office building needs. Mitsui Fudosan meets these needs by offering a broad array of choices, ranging from large corporate head office buildings to small office space.

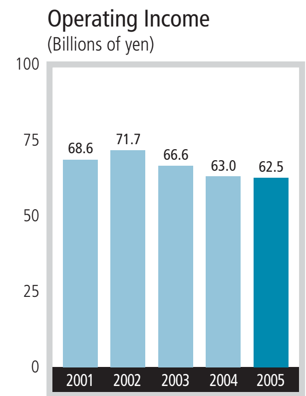
In the fiscal year under review, all newly completed projects

Years ended March 31	2005 Floor space (m²)	2005 Revenue (Millions of yen)	2004 Floor space (m²)	2004 Revenue (Millions of yen)
Office buildings and retail facilities:				
Owned	**1,957,426**		1,877,654	
Managed	**1,464,710**		1,434,888	
Office buildings		**¥215,718**		¥216,438
Retail facilities		**50,957**		42,958
Total	**3,422,135**	**¥266,675**	3,312,542	¥259,396
	Units		Units	
Residential:				
Owned	**258**		274	
Managed	**50,081**		44,671	
Total	**50,339**	**¥ 51,311**	44,945	¥ 49,295
Other (car parks, etc.)		**25,733**		23,689
Total revenue		**¥343,719**		¥332,380
Operating income		**¥ 62,520**		¥ 63,017





(Years ended March 31)



(Years ended March 31)

began operations with 100% occupancy rates, contributing strong support to Mitsui Fudosan's performance. These included Toranomon Kotohira Tower (Minato-ku, Tokyo) in November 2004. For Oval Court Ohsaki Mark East (Shinagawa-ku, Tokyo), part of a major urban redevelopment project, which began operations in December 2004, and Shinkiba Center Building No. 2, which began operations in January 2005, Mitsui Fudosan was project manager during construction and now provides property management and masterleasing services for this building.

Performance also benefited from the full-year contribution of Roppongi T-Cube (Minato-ku, Tokyo), a mixed-use office and residential property, and the Nihonbashi 1-chome Building (Chuo-ku, Tokyo). The latter is a uniquely designed office building that also incorporates an urban retail facility, COREDO Nihonbashi.

By providing superior properties, Mitsui Fudosan has contributed to making Tokyo an exciting and competitive international city, and it will continue to do so in the coming years. The Nihonbashi Mitsui Tower (Chuo-ku, Tokyo), completed in July 2005, will complement the historical ambience of the Mitsui Main Building while offering tenants cutting-edge office space. We expect to complete the Ginza Mitsui Building (Chuo-ku, Tokyo), a reconstruction of the former Ginza Daiichi Hotel, in September 2005, and are

LaLaport Koshien

A regional shopping center with an entertainment facility situated in a park, LaLaport Koshien offers attractions, open space and greenery that make it a destination rather than simply a place to buy things. LaLaport Koshien's 170 specialty stores are anchored by an Ito Yokado general merchandising store. The use of a fixed-term leasehold increases project return on investment.

(Opened in November 2004 / 84,883m^2)

serving as project manager for the Akasaka 5-chome TBS Project (Minato-ku, Tokyo). The latter project is slated for completion in 2008, after which Mitsui Fudosan will provide property management and masterleasing services.

Mitsui Fudosan's greatest strength in its office building leasing operations is its ability to attract tenants. Both in the near future and over the long term, the Company will continue to build relationships of trust with its customers in this field. All projects scheduled to begin operations in the current fiscal year have been fully pre-leased during construction, as they were during the fiscal year under review. In addition, our properties maintain a vacancy rate lower than the market average. These two facts are proof of our powerful sales capabilities.

Retail Facilities

Mitsui Fudosan opened Japan's first large-scale regional shopping center, LaLaport Funabashi (Funabashi-shi, Chiba Prefecture; now called Tokyo-Bay LaLaport), in 1981 and has been focusing on the development of retail facilities in recent years. Mitsui Fudosan operates approximately 50 retail facilities throughout Japan, including regional malls, factory outlet malls and urban facilities. Our network of relationships encompasses over 1,900 shops and restaurants and a broad array of originators, including regional public entities. Mitsui Fudosan often works with land owners using fixed-term leaseholds to help them make effective use of their land without selling it. This method reduces risk by limiting initial capital outlays for developing retail facilities and increases return on investment.

Good relationships with companies in the fashion and food industries are essential in developing retail facilities. Mall management also requires expertise built upon a detailed understanding of consumer needs. Since developing Tokyo-Bay LaLaport, Mitsui Fudosan has acquired extensive expertise and relationships at numerous retail facilities in many locations. This network of relationships continues to expand as we construct new retail facilities. At the same time, we continue to refine our expertise in managing retail facilities. A core Mitsui Fudosan strength is our ability to provide solutions to our superior client companies, including mall tenants. This establishes the foundation for succeeding projects, creating a virtuous cycle. Adding to its portfolio of shopping centers, in November 2004 the Company opened LaLaport Koshien (Nishinomiya-shi, Hyogo Prefecture), a regional shopping center that offers entertainment making it attractive to both tenants and shoppers.

Kojun Building

Mitsui Fudosan developed this new landmark in Ginza in cooperation with the Kojun Club, Japan's first social club. It encompasses a stylish array of shops, from major international retailers to beauty care and restaurants, on the lower floors, with office space on the upper floors.

(Opened in October 2004 / 21,962m^2)

ZOE Ginza

People can indulge in life's luxuries at this urban retail facility, which features nine spacious shops ranging from 400 to 1,300 square meters. The shops create a unique presence that embodies sophisticated urban shopping. Mitsui Fudosan provided comprehensive planning and now handles masterleasing for this building.

(Opened in March 2005 / 8,678m^2)

Ginza Mitsui Building

This totally remodeled building will include the flagship Mitsui Garden Hotel on floors 16 through 25. A major Japanese electronics corporation will be the main tenant for office space on floors 2 through 15, and a public information center for tourists will occupy the first floor.

(Scheduled for completion in September 2005 / 50,000m^2)

Urban retail facilities remain an important strategic focus. In October 2004, Mitsui Fudosan opened the Kojun Building in Ginza (Chuo-ku, Tokyo), which combines retail and office space in a single convenient location. In addition, ZOE Ginza (Chuo-ku, Tokyo), a nine-story property that houses nine stores and restaurants, opened in March 2005. Mitsui Fudosan provided project management services for the owner, and now delivers property management and masterleasing services.

We are accelerating the development of new retail facilities. During 2006 and 2007, we plan to open four large-scale retail facilities under a shared concept that goes beyond constructing buildings where customers can acquire goods to creating spaces where people communicate and enhance their lifestyle. LAZONA Kawasaki (Kawasaki-shi, Kanagawa Prefecture) is scheduled to open in fall 2006 with approximately 300 retail outlets, while the Toyosu Project (Koto-ku, Tokyo) and Kashiwanoha Campus Station Project (Kashiwa-shi, Chiba Prefecture) also scheduled for completion in fall 2006, will each have approximately 200 retail outlets. In spring 2007, Mitsui Fudosan plans to open LaLaport Yokohama (Yokohama-shi, Kanagawa Prefecture), a regional shopping center with 300 outlets that will be anchored by several large tenants.

Leased Housing and Other

The Mitsui Fudosan Group has built a strong leased housing business that comprised more than 50,000 units as of March 31, 2005. This business is based on masterleasing from corporate and individual owners. Mitsui Fudosan will add to this business significantly with the completion of several major projects. One is the Minami Aoyama 1-chome Apartment Project (Minato-ku, Tokyo), in which Mitsui Fudosan is working with the Tokyo Metropolitan Government under a 70-year fixed-term leasehold. Other projects are currently under construction in locations including Roppongi, Shibaura and Akasaka (all Minato-ku, Tokyo).

The Leasing segment also includes the car-park leasing business of Mitsui Real Estate Sales. This growing business entails the management of parking facilities. In our car-park leasing operations, we typically work with a landowner that is an originator in creating a profitable, immediate solution for idle land assets.

Sales of Housing, Office Buildings and Land

Mitsui Fudosan sells high-quality condominiums and detached houses to individuals and packages value-added properties for sale to investors.

Park Mansion Chidorigafuchi

Another in the Park Mansion series of condominiums that offer the ultimate in quality, Park Mansion Chidorigafuchi was completed in June 2004. On a redeveloped site formerly occupied by a hotel in a prime central Tokyo location facing the Imperial Palace, it embodies, Mitsui Fudosan's many years of experience in developing and marketing condominiums to meet the needs of modern urban residents.

(Completed in June 2004 / 62 units)

Results

Sales of Housing, Office Buildings and Land segment revenue for fiscal 2004 decreased 4.6 percent year-on-year, or ¥16.3 billion, to ¥334.5 billion. Segment operating income increased 6.7 percent year-on-year, or ¥2.2 billion, to ¥35.2 billion.

In the area of housing for end-users, Mitsui Fudosan sold 5,130 condominium units and 676 detached houses. Although revenue decreased due to the drop in the number of housing units sold, operating income from sales of housing to individuals was stable because of successful reduction in marketing expenses and the prevention of excess inventories. On a nonconsolidated basis, the balance of completed inventories at the end of March 2005 totaled 545 units, consisting of 490 condominium units and 55 detached houses.

During fiscal 2004, Japan's real estate investment market continued to expand. Revenue from sales of income-producing properties to investors increased, as Mitsui Fudosan sold properties that it developed, primarily condominiums for lease, to institutional investors. This business was highly profitable due in part to favorable returns from special purpose companies (SPCs). As a result, overall segment operating income increased.

Sales of Housing to End-Users

Demand for condominiums remained solid, which supported firm sales. Potential buyers, however, became increasingly selective because of the large supply of units on the market. The market is in an adjustment phase, with a growing disparity between units that sell and those that do not.

Mitsui Fudosan anticipated the current market conditions, and has held the number of units it supplies steady to preclude sharp increases in completed unit

Fine Court Musashisakai

This development in western Tokyo exemplifies the high standards of the Fine Court series of detached houses. The well-planned configuration creates an open, relaxed ambience complemented by extensive landscaping and greenery. Fine Court Musashisakai contributes to the quality of residents' lives.

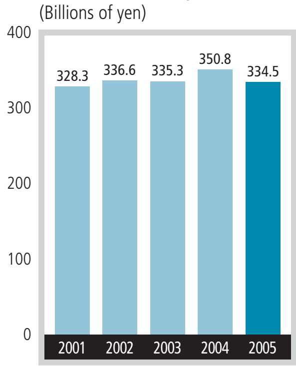
Years ended March 31		2005 Units	2005 Revenue (Millions of yen)	2005 Average unit price (Millions of yen)	2004 Units	2004 Revenue (Millions of yen)	2004 Average unit price (Millions of yen)
Detached housing:	Tokyo metropolitan area	560	¥ 30,400	¥54.3	655	¥ 35,117	¥53.6
	Other	116	2,610	22.5	186	4,574	24.6
	Total	676	¥ 33,010	¥48.8	841	¥ 39,691	¥47.2
Condominiums:	Tokyo metropolitan area	3,445	¥170,601	¥49.5	3,934	¥204,201	¥51.9
	Other	1,685	52,017	30.9	1,632	49,973	30.6
	Total	5,130	¥222,618	¥43.4	5,566	¥254,174	¥45.7
Total housing sales:	Tokyo metropolitan area	4,005	¥201,001	¥50.2	4,589	¥239,318	¥52.2
	Other	1,801	54,627	30.3	1,818	54,547	30.0
	Total	5,806	¥255,628	¥44.0	6,407	¥293,865	¥45.9
Other sales revenue:	Land		¥ 16,052			¥ 28,893	
	Buildings		62,792			28,004	
	Total		¥ 78,844			¥ 56,897	
Total revenue			¥334,472			¥350,762	
Operating income			¥ 35,154			¥ 32,937	

inventory and to prevent gross margins from falling. Other approaches to maintain and expand operating income have included reducing marketing expenses. We began to see the benefits of our approach in the fiscal year under review, and operating profitability improved further during fiscal 2004.

In the condominium market, Mitsui Fudosan is responding to diversifying lifestyles. With the Park Homes series of highly functional, superbly designed housing as a base, we respond to the needs of urban residents with superior product design tailored to customer demographics. We emphasize creating luxurious environments with high-rise condominiums, such as the Park Tower series, and large-scale developments, such as the Park City series.

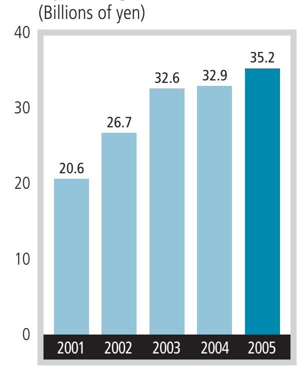
Condominium projects delivered and accounted for in operating revenue during fiscal 2004 included Park Mansion Chidorigafuchi (Chiyoda-ku, Tokyo) and Park City Tokyo Bay Shin-Urayasu CoCo (Urayasu-shi, Chiba Prefecture). The economic recovery in Japan has also resulted in an increase in the number of large-scale urban redevelopment projects. Mitsui Fudosan's ability to generate value in such projects has received enthusiastic praise. This positive response is one reason why Mitsui Fudosan has been able to steadily take advantage of opportunities in its condominium business amid fierce competition for building sites.

Revenue from Operations
(Billions of yen)



(Years ended March 31)

Operating Income
(Billions of yen)



(Years ended March 31)

In the detached housing market, Mitsui Fudosan's core brand is the Fine Court series. An enthusiastic response from purchasers interested in high-quality properties near urban centers has resulted in substantial sales for this series. Our efforts to enhance quality include employing different designers for different projects and creating outstanding environments.

Needs in the condominium and detached housing markets are diversifying rapidly and becoming increasingly sophisticated. Mitsui Fudosan will respond to these changes by integrating relevant development and sales divisions from Mitsui Fudosan and Mitsui Real Estate Sales in a single new company in October 2006.

Aqua Dojima

After acquiring several underutilized buildings from a company through an SPC, Mitsui Fudosan reduced management costs and attracted new tenants, then sold the properties successively to NBF and private investment funds to receive capital gains from the added value. Aqua Dojima was one of those buildings. In addition, the resulting increase in assets of NBF generated an increase in fee income for our subsidiary, Nippon Building Fund Management Ltd.

Sales of Income-Producing Properties to Investors

Growth in the real estate investment market has contributed to solid gains in our revenue and earnings. Sales of income-producing properties to investors are a significant driver of growth. The Park Axis series of rental condominiums is one example of Mitsui Fudosan's success in this field. Sales to investors also entail acquiring existing properties through SPCs, enhancing their value, and then selling them to Nippon Building Fund Inc., a J-REIT, or private funds. Properties sold to Nippon Building Fund included Aqua Dojima (Kita-ku, Osaka).

The Mitsui Fudosan Group deploys its broad range of capabilities from developing profitable properties to providing comprehensive solutions to our clients. New developments are a key means of creating value, and we also excel at enhancing the value of existing properties. We then receive capital gains from selling both types of properties to investors. We also typically conclude a management contract with the investors that purchase a property, creating a sustainable value chain.

Park Axis Nihonbashi Stage

Mitsui Fudosan developed Park Axis Nihonbashi Stage to meet the needs of people who want to rent, rather than buy, quality homes in the heart of the city. We deployed our extensive experience to create a residential condominium property that is not only attractive to renters, but also satisfies the investors who purchased the building.

(Completed in September 2004 / 184 units)

Oakwood Residence Azabujyuban

Oakwood Residence Azabujyuban was Mitsui Fudosan's first building of serviced apartments that was sold to a foreign investor. Each unit is leased with furniture, fixtures and international hospitality service for foreign expatriates and business travelers on medium or long-term stays. Each superbly decorated apartment unit is two to three times the size of a hotel room and features a complete range of the latest technologies.

(Opened October 2004 / 83 units)

Construction

Orders, Order Backlogs and Project Completions Years ended March 31	2005	2004
		(Millions of yen)
Orders: Work-on-hand at beginning of period	¥ 88,846	¥ 90,944
Orders during period	142,790	141,666
Total	¥ 231,636	¥ 232,610
Project completions	¥ 142,872	¥ 143,764
Work-on-hand at end of period	¥ 88,764	¥ 88,846

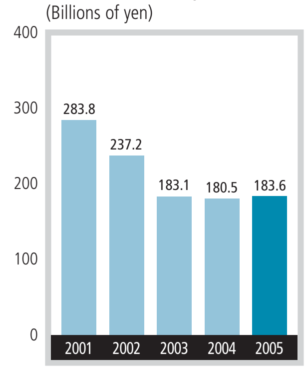
Projects Years ended March 31	2005	2004
		(Millions of yen)
Project completions	¥ 142,872	¥ 143,764
Work-on-hand at end of period:		
Total	¥ 88,764	¥ 88,846
Work in progress	10,754	8,911
As a percentage of work-on-hand at end of period	12.1%	10.0%
Projects during period	¥ 144,714	¥ 139,682

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

Results

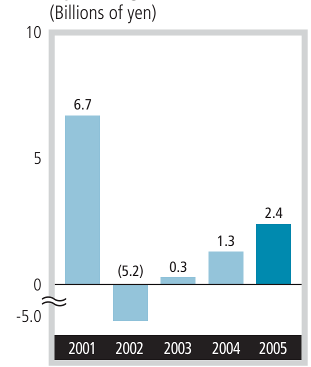
Revenue for the Construction segment increased 1.7 percent year-on-year, or ¥3.0 billion, to ¥183.6 billion. Segment operating income increased 77.1 percent, or ¥1.0 billion, to ¥2.4 billion. The Group company responsible for this business is Mitsui Home Co., Ltd. During fiscal 2004, the number of units decreased in Mitsui Home's contract construction business, but price per unit rose and Mitsui Home reduced marketing expenses. In addition, Mitsui Home Remodeling Co., Ltd. performed well in the home remodeling business. As a result, revenue and operating income increased.

Revenue from Operations
(Billions of yen)



(Years ended March 31)

Operating Income
(Billions of yen)



(Years ended March 31)

Review

Mitsui Home Co., Ltd. is one of Japan's leading builders of two-by-four wood-frame homes. Making the most of its trusted brand name and the sophisticated technological and design capabilities it has acquired over many years in business, the company specializes in high-quality, upscale housing with an average unit price above ¥30 million, the highest in the industry.

As conditions remain challenging in the contract construction market, corporate restructuring is beginning to show results in improved revenue and operating income. Moreover, Mitsui Home is using its stock of existing customers to expand its renovation business. Future efforts to improve profitability will focus on increasing customer satisfaction and brand value while strengthening product development and sales.

Brokerage, Consignment Sales and Consulting

Strength in brokerage and consulting services is key to comprehensively providing real estate solutions and services.

Tokyo Midtown

Mitsui Fudosan is project manager and asset manager for this joint project with five other investors. In its role as project manager, Mitsui Fudosan aimed to create an internationally competitive city center from the planning stages. This has included ensuring ample greenery that is otherwise scarce in the city, offering the enticements of a luxury hotel and providing a location for cultural expression that values art and design. Differentiating Tokyo Midtown from other developments is linked to raising asset value for investors.

(Grand opening scheduled for spring 2007 / 569,000m^2)

Results

Revenue for the Brokerage, Consignment Sales and Consulting segment increased 12.4 percent year-on-year, or ¥6.6 billion, to ¥60.2 billion. Segment operating income jumped 32.2 percent, or ¥4.5 billion, to ¥18.6 billion. The real estate investment market became more active during fiscal 2004. Corporate brokerage transaction volume increased at the parent company and at Mitsui Real Estate Sales. Consulting operations also generated solid gains in fee revenue from project management and asset management services. The Mitsui Fudosan Group increased assets under management, including at Nippon Building Fund Inc. (NBF), which is managed by Nippon Building Fund Management Ltd. This resulted in higher fees, which supported the increase in segment revenue and operating income.

Review

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

Mitsui Real Estate Sales, a wholly owned subsidiary, has the leading brokerage share in Japan's residential housing secondary market, which offers potential for growth. This company's strength is based on a nationwide network of 230 brokerage offices as of March 2005. Mitsui Real Estate Sales is also responsible for Mitsui Fudosan's corporate brokerage business, which is a rapidly growing area among corporations looking to sell real estate to optimize their asset portfolios. In addition, Mitsui Real Estate Sales builds on strong synergy with Mitsui Fudosan's housing business, and employs its well-developed marketing and operating capabilities in handling consignment sales of condominiums on behalf of a number of client companies as well.

In consulting services, Mitsui Fudosan manages various projects, providing investors and owners with expertise and specialized knowledge in real estate development. The Company received fees that contributed to revenue and income during the fiscal year under review from projects including Tokyo Midtown (Minato-ku, Tokyo), which is scheduled to open in spring 2007, and the Akasaka 5-chome TBS Project (Minato-ku, Tokyo), which is scheduled for completion in January 2008. Moreover, asset management fee income rose in tandem with the establishment of new private real estate investment funds, such as the Mitsui Gemstone Fund series.

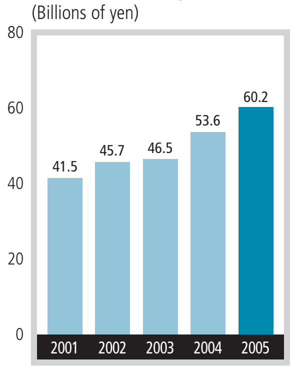
Akasaka 5-chome TBS Project

When Tokyo Broadcasting System, Inc. decided to make more effective use of its assets, it turned to Mitsui Fudosan. We are serving as project manager for this comprehensive development, which is scheduled for completion in January 2008 and will encompass office, residential and theater components. Once construction is complete, Mitsui Fudosan will provide masterleasing and property management services.

(Scheduled for completion in January 2008 / 219,000m^2)

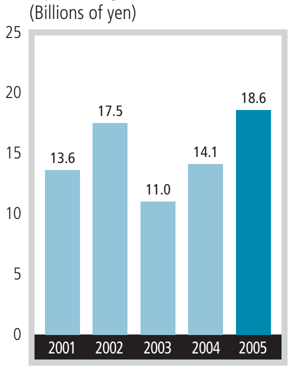
Years ended March 31	2005 Units	2005 Revenue (Millions of yen)	2004 Units	2004 Revenue (Millions of yen)
Revenue:				
Brokerage	**28,966**	**¥41,532**	28,499	¥37,919
Consignment sales	**6,653**	**8,809**	7,632	9,173
Consulting		**9,883**		6,493
Total revenue		**¥60,224**		¥53,585
Operating income		**¥18,608**		¥14,078

Revenue from Operations
(Billions of yen)



(Years ended March 31)

Operating Income
(Billions of yen)



(Years ended March 31)

Nippon Building Fund Management Ltd. offers fund management services on a consignment basis, acting on behalf of NBF. The Company provides brokerage services for office buildings that NBF may decide to purchase. In addition, Mitsui Fudosan Investment Advisors, Inc. provides investors with asset management services and other arrangement and coordination services.

The Mitsui Fudosan Group's network and track record support growth in assets under management on behalf of originators and investors. This growth in assets is linked to our strategy of increasing fee income from areas such as brokerage, project management and asset management. Initiatives to accelerate the expansion of assets under management include an alliance with Misawa Resort Co., Ltd. that began in March 2005 and the preparation for establishment of new J-REITs that will specialize in residential rental properties and retail facilities.

Property Management

The Mitsui Fudosan brand in property management stands for quality, value and reliability among owners and investors.

Oval Court Ohsaki Mark East

Mitsui Fudosan served as project manager for this office building, and began providing property management services when the project was completed during the past fiscal year. We are building our extensive skills and experience in property management by improving quality control based on ISO standards and developing employee skills.

(Completed in December 2004 / 20,609m²)

Results

Revenue for the Property Management segment increased 1.0 percent year-on-year, or ¥0.8 billion, to ¥78.2 billion. Segment operating income was essentially unchanged at ¥10.8 billion. The office building leasing market was stronger during the year and tenant turnover decreased, resulting in a year-on-year decline in revenue and earnings from tenant improvements. Expansion of Mitsui Fudosan's properties, including office buildings, retail facilities and housing, resulted in an increase in property management contracts. Contracts with investors following the sale of investment properties also supported results.

Review

The Mitsui Fudosan Group provides office management services primarily through Group companies Mitsui Fudosan Building Management Co., Ltd. and First Facilities Co., Ltd. Other Group companies involved in property management include Mitsui Fudosan Housing Services Co., Ltd., which manages condominiums developed by Mitsui Fudosan, and Lalaport Co., Ltd., which manages retail facilities. In addition to drawing strength from the comprehensive skills portfolio of the Mitsui Fudosan Group covering property management, leasing management and other areas, this business allows Mitsui Fudosan to obtain feedback from clients and learn their needs. The results are then used in developing and marketing compelling properties.

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

Mitsui Fudosan's "workers first" policy is central to property management services for office buildings. The Company's goal is to create and maintain a working environment that is safe and comfortable for office workers. Services include providing fundamental infrastructure quality including air conditioning, power and communication systems. Security, janitorial services, environmental friendliness and amenities are other main emphases. Moreover, interior office construction, assisting in tenant preparations to move into a space, and floor layout changes are other components of the Company's comprehensive portfolio of property management services. In serving

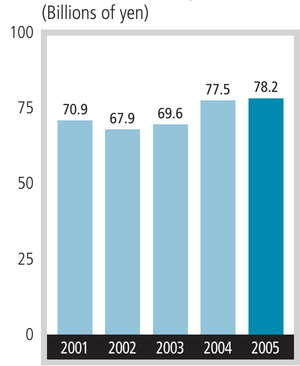
Mitsui Fudosan Housing Services

In addition to 140 thousand managed housing units in the Tokyo metropolitan and Kansai areas, the operations of the Mitsui Fudosan Housing Services Group, which are centered on condominiums, encompass other regions throughout Japan. The firm goes beyond routine property management to provide comprehensive consulting and proposals that help property owners maximize the value of their residential assets. Our constant efforts to raise customer satisfaction include operating a 24-hour customer support center.

(Millions of yen)

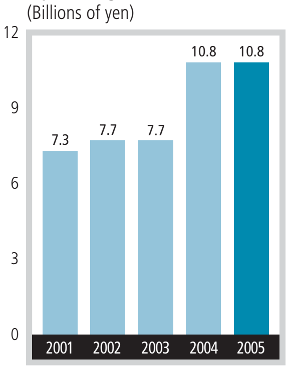
Years ended March 31	2005	2004
Revenue:		
Property management ...	**¥56,145**	¥51,512
Tenant improvement	**22,104**	25,970
Total revenue	**¥78,249**	¥77,482
Operating income	**¥10,768**	¥10,844

Revenue from Operations
(Billions of yen)



(Years ended March 31)

Operating Income
(Billions of yen)



(Years ended March 31)

property owners, the Company's operations include preserving and improving asset value, restoring spaces to their original status when a tenant moves out, and repair and maintenance services. Mitsui Fudosan also provides property management services for retail and residential facilities with the same commitment to assisting tenants and property owners.

Sales of Housing Materials and Merchandise

Results

Segment revenues increased 5.6 percent year-on-year, or ¥3.5 billion, to ¥65.2 billion, due mainly to the opening of new stores by Uni Living Co., Ltd. Although heightened competition in the home center business increased promotional costs, segment operating income increased 24.3 percent to ¥0.2 billion.

Review

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

Facility Operations

Results

Segment revenue increased 2.3 percent year-on-year, or ¥0.9 billion, to ¥38.5 billion. Segment operating income totaled ¥1.4 billion, compared to an operating loss of ¥0.5 billion for the previous fiscal year. Occupancy at the Halekulani Hotel in Hawaii increased, which supported the rise in segment revenue and operating income.

Review

As of March 31, 2005, the Garden Hotel chain operates 3,500 rooms in 15 hotels throughout Japan. Efforts to improve operational efficiency included scaling down the banquet division, together with a shift in focus toward hotels for overnight stays. In addition, the chain sold three hotels in June 2005 and plans to open the Mitsui Garden Hotel Ginza in the new Ginza Mitsui Building to be completed in September 2005. Hotel operations also include the Halekulani Hotel in Honolulu, Hawaii, which is highly rated for the quality of its hospitality.

In Japan, the Group manages seven golf courses.

Other

Results

Segment revenue decreased 15.2 percent year-on-year, or ¥1.3 billion, to ¥7.4 billion. Segment operating income decreased 28.6 percent, or ¥0.7 billion, to ¥1.9 billion.

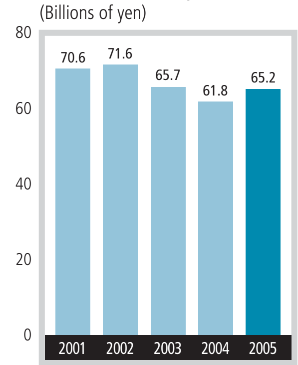
Review

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

(Millions of yen)

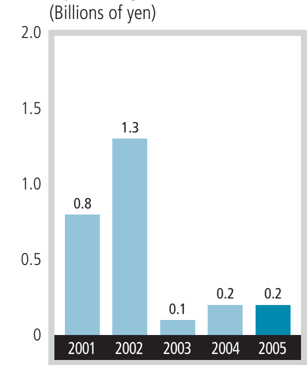
Years ended March 31	2005	2004
Revenue:		
Housing materials	¥20,417	¥19,956
Merchandise	44,812	41,813
Total revenue	**¥65,229**	¥61,769
Operating income	**¥ 188**	¥ 151

Revenue from Operations
(Billions of yen)



(Years ended March 31)

Operating Income
(Billions of yen)

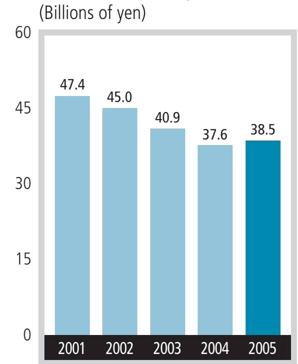


(Years ended March 31)

(Millions of yen)

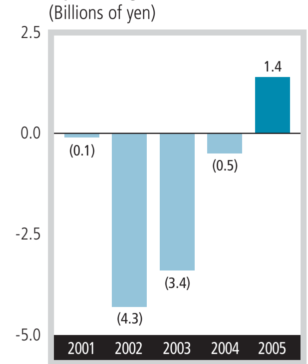
Years ended March 31	2005	2004
Revenue:		
Hotels	¥25,486	¥24,486
Other	13,023	13,144
Total revenue	**¥38,509**	¥37,630
Operating income (loss)	**¥ 1,385**	¥ (527)

Revenue from Operations
(Billions of yen)



(Years ended March 31)

Operating Income (Loss)
(Billions of yen)

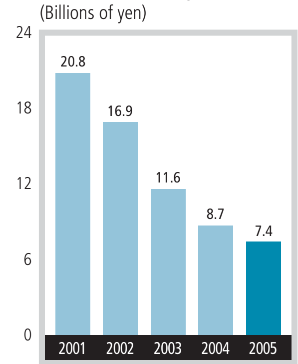


(Years ended March 31)

(Millions of yen)

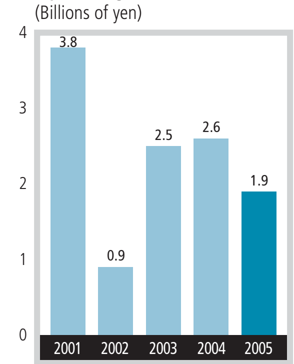
Years ended March 31	2005	2004
Revenue:		
Finance and lease	¥1,549	¥1,583
Other	5,856	7,150
Total revenue	**¥7,405**	¥8,733
Operating income	**¥1,850**	¥2,591

Revenue from Operations
(Billions of yen)



(Years ended March 31)

Operating Income
(Billions of yen)



(Years ended March 31)

Corporate Governance

Sound, transparent and efficient management is the objective of Mitsui Fudosan's approach to corporate governance. Over the past several years, we have implemented aggressive initiatives that extend beyond legal requirements to enhance flexibility in dealing with market change, and objectivity in managing our businesses.

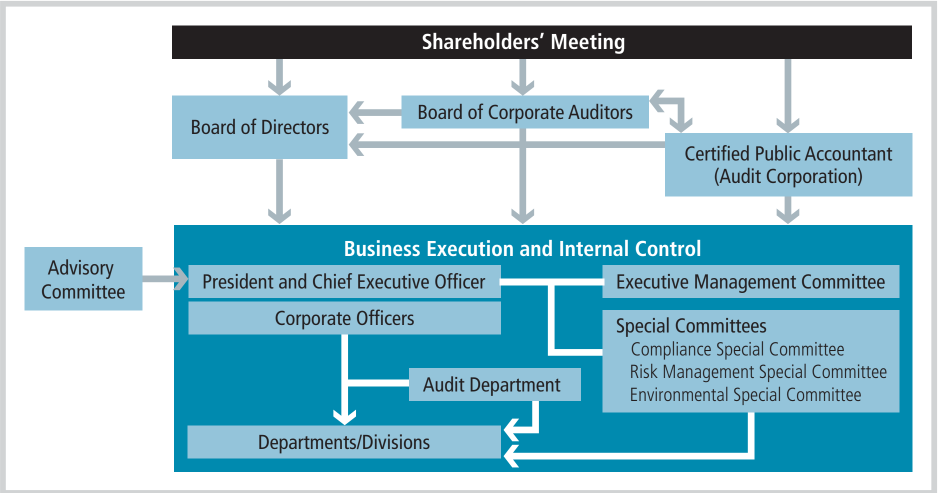
In June 2005, Mitsui Fudosan strengthened the supervisory function of its Board of Directors by increasing the number of members to ten including the addition of one director from outside the Company. An external viewpoint on the Board has enhanced debate and awareness of broader management issues. We also maintain a high degree of objectivity on the Board of Corporate Auditors, which consists of five members. Since 2001, three of the corporate auditors have been from outside the Company. In addition, Mitsui Fudosan obtains an objective viewpoint from its Advisory Committee, which consists of experts from business and academia who advise and critique management. An emphasis on effective internal controls, such as audits in all departments, also contributes to sound and objective management.

Our operating environment changes rapidly, and Japan's real estate business is evolving. Flexibility and focus are paramount. Mitsui Fudosan therefore employs a Corporate Officer System that separates and reinforces supervision and execution in order to raise both efficiency and accountability. Directors and corporate officers on the Executive Management Committee follow business execution and keep management well informed, while standing corporate auditors attend meetings of the Executive Management Committee to ensure that directors are fulfilling their responsibilities.

Corporate governance structures must encompass the entire Mitsui Fudosan Group to be effective, and one of the goals of Challenge 2008 is to strengthen Group management. Executives at Group companies have therefore been given a status and mission similar to those of parent company corporate officers. Mitsui Fudosan has operated under its Group Corporate Officer system since April 2003.

Given the importance of the trust of stakeholders and society, strict compliance and a keen awareness of risk are essential components of corporate governance. A member of the Board of Directors oversees Group compliance and chairs the Compliance Special Committee, which manages the Compliance Manual and promotes a thorough understanding of and adherence to compliance-related rules. The Risk Management Special Committee reinforces and optimizes the Company's risk management capabilities. The Committee locates and identifies risks, determines appropriate responses, and provides access to relevant information throughout the Company.

Corporate Governance Organization



Management Team

(As of June 29, 2005)

From left: Hiromichi Iwasa, Jun-Ichirō Tanaka

From left: Yoshiki Kageyama, Tatsuo Soda, Kazuichi Nagata, Yotaro Hayashi, Koichi Omuro, Takayuki Namae, Minoru Satou

Members of the Board

Chairman of the Board

Jun-Ichirō Tanaka

President and Chief Executive Officer

Hiromichi Iwasa

Executive Vice Presidents

Yotaro Hayashi
Koichi Omuro

Senior Executive Managing Directors

Kazuichi Nagata
Takayuki Namae
Tatsuo Soda

Executive Managing Directors

Minoru Satou
Yoshiki Kageyama

Managing Director

Toshiharu Aoki

Auditors

Senior Corporate Auditor

Hisamitsu Tsubahara

Corporate Auditor

Nobumi Tobari

Corporate Auditors

Ken Fujii
Akira Watanabe
Akishige Okada

Corporate Officers

President and Chief Executive Officer

Hiromichi Iwasa

Executive Vice Presidents

Yotaro Hayashi
Koichi Omuro

Senior Executive Managing Officers

Kazuichi Nagata
Takayuki Namae
Tatsuo Soda
Mitsuhiro Matsumoto

Executive Managing Officers

Minoru Satou
Yoshiki Kageyama
Kuniaki Ikeya
Masayuki Isobe

Managing Officers

Takayoshi Saito
Takao Iwadou
Teruaki Ueyama
Takeshi Suzuki
Yoshiaki Iinuma
Seizo Kuramoto
Hitoshi Saito
Hiroshi Asai
Toshihide Ichikawa
Masanobu Komoda

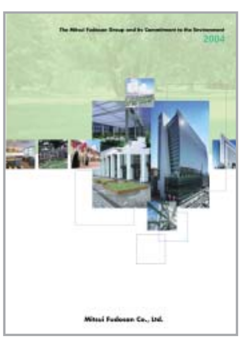
Corporate Social Responsibility

Mitsui Fudosan's corporate philosophy is to coexist in harmony with society and to link diverse values. We strive to contribute to social and economic development and environmental conservation.

Environmental Policy

The Mitsui Fudosan Group Vision and Mission spell out our intent to contribute to social and economic development and the conservation of the global environment. We have also established and implemented an Environmental Policy in accordance with our Group Vision and Mission.

The Mitsui Fudosan Group's mission encompasses the creation of affluent, comfortable urban environments. We therefore aim for harmonious coexistence with the environment, and have formulated a clear, specific philosophy and set of policies to guide our energetic environmental conservation activities. Specifically, these entail establishing environmental goals and basing plans on a clear assessment of environmental impact, while continually promoting conservation. Our initiatives to reduce environmental impact include preventing pollution, strictly observing environmental laws, and setting independent standards when necessary. The Group raises employee awareness of environmental policies through education and other activities, and promotes information disclosure to keep society and local communities informed of our environmental measures and their results.



The Mitsui Fudosan Group and Its Commitment to the Environment 2004

• Environmental Support System

The Mitsui Fudosan Group encourages environmental initiatives that cut across organizational boundaries within the Group through the Environmental Special Committee, which is chaired by the director responsible for administration at Mitsui Fudosan. The Environmental Special Committee summarizes and deliberates upon environmental targets and plans proposed by divisions and departments, and then sets goals, makes plans and reports on results at meetings of the Executive Management Committee, chaired by the president and chief executive officer.

• Mitsui Fudosan's Environmental Measures

The Mitsui Fudosan Group takes a proactive stance in its commitment to environmental improvement. The natural environment is a major concern from the earliest stages, when a building is still on the drawing board. In addition, we are aware that the space inside the building must not be harmful to the health of users.

Promoting Urban Greening

Mitsui Fudosan sets its own standards to promote greening programs in its businesses related to housing, office buildings, and retail facilities. Our aim is to create a comfortable urban environment that is friendly to both residents and the environment. The Mitsui Fudosan Group's efforts to create buildings with ample greenery have earned official recognition from various organizations, including the Urban Greenery Award from the Ministry of Land, Infrastructure and Transport (in the Facilities Greenery Category) for Park Court Futako Tamagawa.

The Laputa rooftop garden at Tokyo Park Tower

Improving Indoor Air Quality

Improving indoor air quality and reducing harmful substances help to ensure the safety of building users and the quality of the environment around them. As one initiative in this area, we have been working to eliminate the use of building materials that employ formaldehyde and other substances that may pose health issues for building occupants.

Reducing CO_2 Emissions

The Mitsui Fudosan Group has adopted the life cycle assessment (LCA) method to reduce CO_2 emissions throughout the lifetime of buildings – from construction and use to demolition. We also design condominiums and office buildings for long life to increase energy efficiency and reduce CO_2 emissions throughout each building's life cycle.

Promoting Recycling

To help create a recycling-based society, Mitsui Fudosan worked with members of related industries to build a recycling system for the waste paper, carpet tiles and used light tubes generated from business operations.

• Environmental Accounting

Mitsui Fudosan applies environmental accounting to all buildings it owns and manages in its Office Building Division. The system is linked to the Office Building Division's financial management system to permit automatic, efficient calculation of environmental costs and benefits.

Support for Safe, Comfortable Lifestyles

Mitsui Fudosan considers customer needs for safety and comfort, and product planning broadly reflects this commitment.

Universal Design

People are less physically capable when they become older, injured or ill. In such cases, routine actions such as walking, standing up, and sitting down may become a burden, and the risk of further injury from falling or other accidents increases. In addition, people in wheelchairs and those who assist them need sufficient space to move around in their houses. In order to ensure a comfortable living space for every resident, Mitsui Fudosan promotes Universal Design in its products.

Automated External Defibrillators for Office Buildings

In connection with its "workers first" principle, Mitsui Fudosan has begun supplying automated external defibrillators (AEDs) as standard equipment in its office buildings. An AED is lifesaving equipment used to stop ventricular fibrillation, which can cause collapse and sudden cardiac death if not treated within minutes. AEDs are starting to be introduced as equipment in public institutions in Japan, but Mitsui Fudosan is among the first companies to supply them as standard office building equipment.

Social Contribution

Our logo (&: ampersand) symbolizes our two key principles: to coexist in harmony with society, and to link diverse values. The Mitsui Fudosan Group therefore cooperates with local communities and society at large in a variety of fields. These include environmental conservation, economic and industrial development, health and welfare improvement, support of the arts, and conservation of traditional cultural assets.

Mitsui Fudosan provides assistance to non-governmental organizations and operates non-profit organizations such as the Mitsui Volunteer Network Center, which supports the volunteer activities of senior citizens. Throughout its history, Mitsui Fudosan has participated in and supported local organizations, such as the Nihonbashi Area Renaissance 100-Year Planning Committee and the Preservation Society for the Famed Nihonbashi Bridge, and has been building strong ties with local communities by sponsoring annual events.

Mitsui Fudosan's sponsorship of annual events includes the Tokyo Summer Festival, which introduces music from around the world, and the Sumida River Fireworks, one of the most famous fireworks displays in Tokyo. We also sponsor Flower Highway, an annual event that decorates a central Tokyo thoroughfare with flowers.

Mitsui Fudosan employees carry a *mikoshi* portable shrine in a festival at Hie Shrine in Nihonbashi, site of the Company's head office.

Participation in tending flowerbeds lining Chuo-dori street in Nihonbashi

Six-Year Summary

Mitsui Fudosan Co., Ltd. and its Subsidiaries

	Millions of yen except per share amounts						Thousands of U.S. dollars except per share amounts
Years ended March 31,	2005	2004	2003	2002	2001	2000	2005
FOR THE YEAR:							
Revenue from operations	¥1,111,359	¥1,102,844	¥1,082,398	¥1,152,484	¥1,193,081	¥1,194,837	$10,348,813
Interest, dividends and miscellaneous	11,320	11,652	11,187	35,842	61,205	16,565	105,410
Costs and expenses (including tax)	1,096,075	1,103,241	1,070,613	1,163,972	1,226,612	1,274,736	10,206,490
Equity in net income of affiliated companies	3,596	3,535	2,905	3,301	510	4,768	33,485
Minority interests	(1,507)	(335)	(323)	2,152	(2,072)	148	(14,033)
Net income (loss)	28,693	14,455	25,554	29,807	26,112	(58,418)	267,185
AT YEAR-END:							
Total assets	¥2,928,199	¥2,916,583	¥2,929,070	¥3,028,969	¥2,846,467	¥2,991,203	$27,266,962
Shareholders' equity	687,718	659,165	628,434	609,536	411,097	395,132	6,403,930
Common stock	134,433	134,433	134,433	134,433	134,433	134,433	1,251,820
Number of employees	12,707	12,808	12,615	12,503	13,380	13,484	
PER SHARE DATA:							
Net income (loss)	¥ 34.7	¥ 17.5	¥ 31.1	¥ 36.7	¥ 32.1	¥ (71.9)	$ 0.323
Cash dividends applicable to the year	7.0	7.0	7.0	7.0	6.0	5.0	0.065
RATIOS:							
Equity ratio (%)	23.5	22.6	21.5	20.1	14.4	13.2	
Return on assets (%)	4.30	4.06	3.78	3.86	3.98	3.10	

Notes: U.S. dollar amounts are translated from yen at the rate of ¥107.39 = U.S.$1.00, the approximate exchange rate at March 31, 2005.
ROA = (Operating income + Non-operating income) / Average total assets

Management's Discussion and Analysis

Mitsui Fudosan Co., Ltd. and its Subsidiaries

Income Analysis

(Billions of yen, %)

Years ended March 31	2005		2004		2003	
Revenue from operations	**¥1,111.4**	**100.0%**	¥1,102.8	100.0%	¥1,082.4	100.0%
Cost of revenue from operations	**879.3**	**79.1**	873.6	79.2	858.6	79.3
Selling, general and administrative expenses	**116.3**	**10.5**	120.0	10.9	120.5	11.1
Operating income	**115.8**	**10.4**	109.2	9.9	103.3	9.6
Other revenues	**11.3**	**1.0**	11.7	1.1	11.2	1.0
Interest expenses	**20.4**	**1.8**	22.8	2.1	26.6	2.5
Other expenses	**58.5**	**5.3**	78.0	7.1	46.6	4.3
Equity in net income of affiliated companies	**3.6**	**0.3**	3.5	0.3	2.9	0.3
Income before income taxes	**51.8**	**4.6**	23.6	2.1	44.2	4.1
Income taxes	**21.6**	**1.9**	8.8	0.8	18.3	1.7
Minority interests	**(1.5)**	**(0.1)**	(0.3)	(0.0)	(0.3)	(0.0)
Net income	**¥ 28.7**	**2.6**	¥ 14.5	1.3	¥ 25.6	2.4

Revenue from Operations

For the fiscal year ended March 31, 2005, consolidated revenue from operations increased 0.8 percent year-on-year, or ¥8.5 billion, to ¥1,111.4 billion. Revenue increased in the Leasing segment because of office buildings and retail facilities that were newly completed or that made their first full-year contribution. This growth was offset by lower revenue from sales of housing because the number of units sold decreased compared to the previous fiscal year. Revenue growth was particularly pronounced in the Brokerage, Consignment Sales and Consulting segment, reflecting higher real estate brokerage revenue and an increase in the volume of securitization deals handled.

Cost of Revenue from Operations and SGA Expenses

Cost of revenue from operations increased 0.6 percent year-on-year, or ¥5.6 billion, to ¥879.3 billion, in line with the increase in revenue from operations. As a result, gross profit increased 1.3 percent, or ¥2.9 billion, to ¥232.1 billion, and the gross margin improved slightly to 20.9 percent from 20.8 percent for the previous fiscal year.

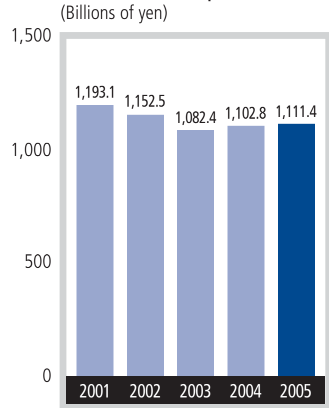
Despite the increase in revenue from operations, selling, general and administrative (SGA) expenses decreased 3.0 percent year-on-year, or ¥3.6 billion, to ¥116.3 billion. Successful efforts to reduce marketing expenses in the housing sales business and in the Construction segment contributed to the year-on-year decrease.

Operating Income

The accompanying consolidated financial statements do not include operating income as a discrete line item. Calculated as revenue from operations less cost of revenue from operations and SGA expenses, operating income increased 6.0 percent, or ¥6.5 billion, year-on-year to ¥115.8 billion.

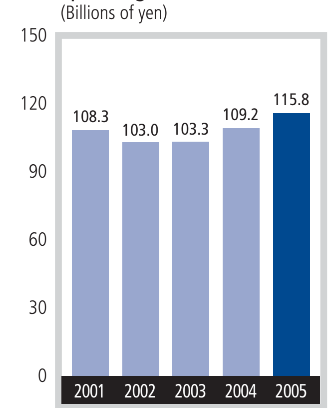
By primary operating segment, operating income for the Leasing segment decreased 0.8 percent, or ¥0.5 billion, to ¥62.5 billion. Factors included the decline in revenue because of the sale and renovation of several buildings during the fiscal year. The vacancy rate for office buildings in the Tokyo metropolitan area on a non-consolidated basis, however, improved to 3.0 percent from 4.4 percent at the previous fiscal year-end. Recovery was especially pronounced in the fourth quarter. Operating income for the Sales of Housing, Office Buildings and Land segment increased 6.7 percent year-on-year, or ¥2.2 billion, to ¥35.2 billion. Although units of detached housing and condominiums sold decreased by 601 to 5,806 units, sales of properties to investors were solidly profitable, and

Revenue from Operations
(Billions of yen)



(Years ended March 31)

Operating Income
(Billions of yen)



(Years ended March 31)

Mitsui Fudosan reduced marketing expenses in sales of housing to individuals. Operating income for the Construction segment increased 77.1 percent, or ¥1.0 billion, to ¥2.4 billion as a result of reduced SGA expenses and an increase in unit prices. Operating income for the Brokerage, Consignment Sales and Consulting segment jumped 32.2 percent, or ¥4.5 billion, to ¥18.6 billion. A substantial increase in fee income from project management and investment fund management supported earnings in this segment, as did higher brokerage transaction volume in the individual and corporate markets. Operating income for the Property Management segment was essentially unchanged at ¥10.8 billion. Lower tenant turnover in a stronger office building leasing market reduced income from tenant improvements, but steady growth in property management contracts supported higher operating income.

Other Revenue and Expenses and Interest Expenses

Interest, dividends and miscellaneous revenue decreased to ¥11.3 billion. Interest income decreased 12.6 percent, or ¥0.2 billion, and gain on sale of investment securities totaled ¥4.3 billion, compared to ¥4.7 billion in the previous fiscal year. Dividend income increased 5.6 percent.

Interest expense decreased 10.2 percent, or ¥2.3 billion, to ¥20.4 billion, reflecting Mitsui Fudosan's ongoing program of reducing interest-bearing liabilities and generating revenue from businesses that are less capital intensive. The interest coverage ratio, calculated as the sum of operating income and interest, dividends and miscellaneous revenue divided by interest expense, improved to 6.2 times compared to 5.3 times for the previous fiscal year.

Other expenses decreased 25.2 percent, or ¥19.6 billion, to ¥58.4 billion. This year-on-year change resulted primarily from the absence of the one-time charge to earnings for loss on devaluation of real property for sale totaling ¥64.2 billion in the previous fiscal year. However, Mitsui Fudosan also began applying new accounting standards for impairment of fixed assets during the fiscal year ended March 31, 2005, in advance of the mandatory introduction date. This resulted in a non-cash charge to earnings totaling ¥33.8 billion that did not reduce cash provided by operations or the Company's ability to meet current obligations and pay dividends. Liquidation of a subsidiary resulted in a one-time charge to earnings totaling ¥7.7 billion, while loss on sale of fixed assets totaled ¥3.3 billion.

Income before Income Taxes and Net Income

Equity in net income of affiliated companies increased 1.7 percent to ¥3.6 billion. Given improved operating income and absent the impact of the devaluation loss in the previous fiscal year discussed above, income before income taxes increased 119.2 percent year-on-year, or ¥28.2 billion, to ¥51.8 billion. Income taxes net of deferrals increased 144.3 percent, or ¥12.8 billion, to ¥21.6 billion.

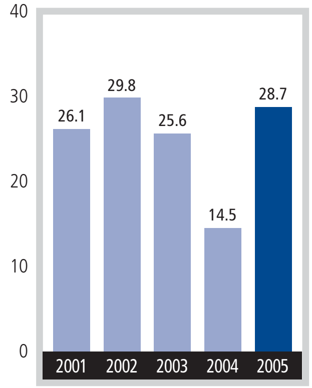
Consequently, net income increased 98.5 percent year-on-year, or ¥14.2 billion, to ¥28.7 billion. Fully diluted earnings per share increased to ¥32.5 from ¥16.3 for the previous fiscal year. Annual cash dividends per share totaled ¥7.0, unchanged from the previous fiscal year. Considering issues including the Company's performance outlook for the current fiscal year and beyond, Mitsui Fudosan plans to increase cash dividends per share to ¥10.0 for the year ending March 31, 2006.

Liquidity, Capital Resources and Financial Position

Current Assets

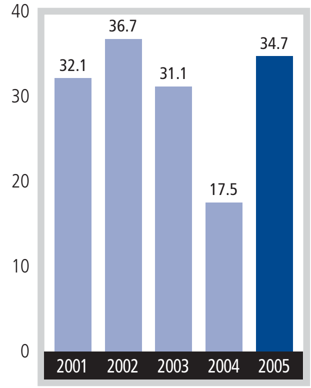
Current assets increased 11.0 percent from the previous fiscal year-end, or ¥73.9 billion, to ¥745.7 billion. Cash and cash equivalents decreased 20.2 percent, or ¥28.6 billion, from a year earlier, in part because of reduced free cash flow. Compared to the previous fiscal

Net Income
(Billions of yen)



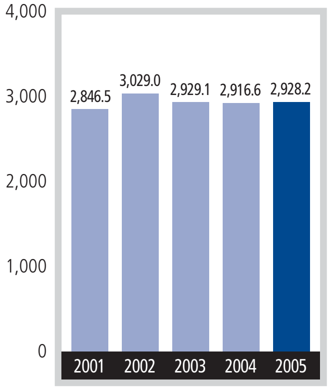
(Years ended March 31)

Net Income per Share
(Yen)



(Years ended March 31)

Total Assets
(Billions of yen)



(As of March 31)

Assets

(Billions of yen, %)

As of March 31	2005		2004		2003	
Cash and cash equivalents	**¥ 113.1**	**3.9%**	¥ 141.7	4.9%	¥ 114.8	3.9%
Inventories	**371.3**	**12.7**	340.1	11.7	417.0	14.3
Other current assets	**261.3**	**8.9**	190.1	6.5	156.1	5.3
Investments and other assets	**545.4**	**18.6**	598.0	20.5	562.9	19.2
Net property and equipment	**1,637.1**	**55.9**	1,646.7	56.4	1,678.3	57.3
Total	**¥2,928.2**	**100.0%**	¥2,916.6	100.0%	¥2,929.1	100.0%

Liabilities, Minority Interests in Consolidated Subsidiaries and Shareholders' Equity

(Billions of yen, %)

As of March 31	2005		2004		2003	
Interest-bearing debt—Short term	**¥ 272.1**	**9.3%**	¥ 275.2	9.4%	¥ 293.7	10.0%
Interest-bearing debt—Long term	**1,007.0**	**34.4**	1,046.3	35.9	1,103.5	37.7
Total interest-bearing debt	**1,279.1**	**43.7**	1,321.5	45.3	1,397.2	47.7
Other current liabilities	**362.8**	**12.4**	340.1	11.7	307.5	10.5
Other long-term liabilities	**578.6**	**19.7**	579.8	19.9	578.8	19.7
Minority interests in consolidated subsidiaries	**20.0**	**0.7**	16.0	0.5	17.2	0.6
Shareholders' equity	**687.7**	**23.5**	659.2	22.6	628.4	21.5
Total	**¥2,928.2**	**100.0%**	¥2,916.6	100.0%	¥2,929.1	100.0%

year-end, inventories increased 9.2 percent, or ¥31.2 billion, to ¥371.3 billion. New acquisitions of real property for sale exceeded cost recovery through property sales, and Mitsui Fudosan transferred real property to inventories from property and equipment. Current assets also increased because certain preferred securities formerly included in investment securities were transferred to current assets as equity investments in properties for sale.

Working capital increased to ¥110.8 billion from ¥56.6 billion a year earlier, and the current ratio was 1.17 times, compared to 1.09 times a year earlier.

Investments and Other Assets

Investments and other assets decreased 8.8 percent from a year earlier, or ¥52.6 billion, to ¥545.4 billion. Investment securities decreased due to the transfer of certain preferred securities to current assets discussed above. In addition, non-current loans and accounts receivable decreased to ¥61.0 billion from ¥98.5 billion a year earlier.

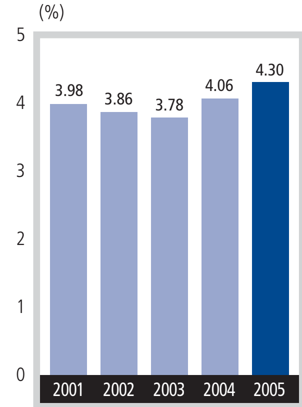
Property and Equipment

Net property and equipment decreased 0.6 percent from a year earlier, or ¥9.6 billion, to ¥1,637.1 billion. Capital expenditures totaled ¥78.9 billion while depreciation reduced property and equipment by ¥38.5 billion, but property and equipment decreased as a result of the application of impairment accounting and sale and disposal of buildings and structures.

Current Liabilities

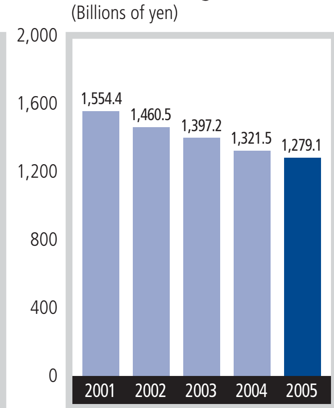
Current liabilities increased 3.2 percent from a year earlier, or ¥19.6 billion, to ¥634.9 billion. While bank loans increased, long-term debt due within one year and commercial paper decreased. As a result, the current ratio improved. Mitsui Fudosan has established committed lines of credit with several financial institutions to ensure access to

ROA
(%)



(Years ended March 31)

Interest-Bearing Debt
(Billions of yen)



(As of March 31)

funds and adequate liquidity. The unused portion of these lines of credit totaled ¥150.0 billion as of the balance sheet date.

Long-term Liabilities

Long-term liabilities decreased 2.5 percent from a year earlier, or ¥40.6 billion, to ¥1,585.6 billion. Long-term debt due after one year decreased 3.8 percent from a year earlier, or ¥39.3 billion, to ¥1,007.0 billion, reflecting Mitsui Fudosan's emphasis on steadily reducing interest-bearing debt, which decreased 3.2 percent, or ¥42.5 billion, to ¥1,279.1 billion. Mitsui Fudosan redeemed straight bonds totaling ¥10.0 billion during the fiscal year, and raised ¥20.0 billion through the issue of straight bonds.

Shareholders' Equity and Total Capital

Shareholders' equity increased 4.3 percent from a year earlier, or ¥28.6 billion, to ¥687.7 billion. Retained earnings decreased despite higher net income because retained earnings are subject to adjustment for revaluation of land assets under Japanese GAAP. This adjustment totaled ¥26.4 billion in the fiscal year ended March 31, 2005, mainly as a result of impairment accounting. Reserve on land revaluation, however, which is recorded as a component of shareholders' equity under Japanese GAAP, increased by an equivalent amount. Higher financial asset prices during the fiscal year increased shareholders' equity through net unrealized holding gains on securities totaling ¥33.3 billion, which is recorded as a component of shareholders' equity under Japanese GAAP. Negative foreign currency translation adjustment decreased at the fiscal year-end as a result of the liquidation of subsidiaries in the United States and France.

Total capital, the sum of bank loans, commercial paper, long-term debt due within one year, long-term debt due after one year, and shareholders' equity, decreased ¥13.9 billion to ¥1,966.8 billion from ¥1,980.7 billion at the previous fiscal year-end, due largely to reduction in interest-bearing debt totaling ¥42.5 billion.

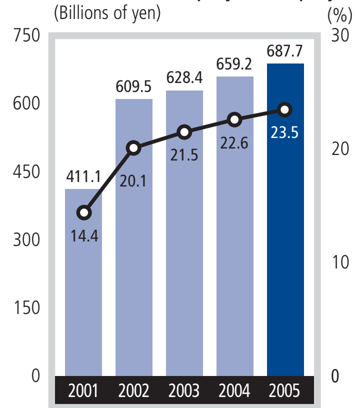
Return on assets (ROA), calculated as the sum of operating income and interest, dividends and miscellaneous revenue divided by average total assets, was 4.3 percent, compared to 4.1 percent for the previous fiscal year. Return on average total shareholders' equity (ROE), calculated as net income divided by average total shareholders' equity, was 4.3 percent, compared to 2.2 percent for the previous fiscal year.

Cash Flow

Net cash provided by operating activities totaled ¥100.1 billion, compared to ¥141.6 billion for the previous fiscal year, primarily due to net additions to working capital in the form of property for sale in the future. Net increase in real property for sale and advances paid for purchases, representing the net effect of cost recovery and purchase of inventories, used cash totaling ¥26.1 billion compared to the addition of ¥36.0 billion to cash flow for the previous fiscal year. The increase in income before income taxes offset the increase in working capital. Depreciation and amortization decreased to ¥38.5 billion from ¥40.4 billion for the previous fiscal year.

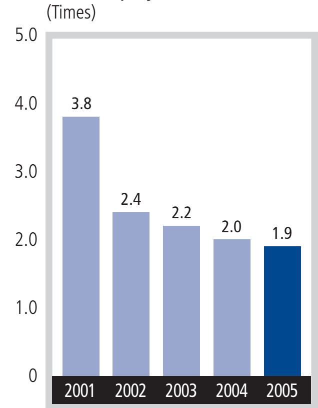
Net cash used in investing activities totaled ¥76.9 billion, compared to ¥21.1 billion for the previous fiscal year. Consequently, free cash flow, calculated as net cash provided by operating activities less net cash used in investing activities, decreased to ¥23.3 billion, compared to ¥120.5 billion for the previous fiscal year. Purchase of property and equipment totaled ¥70.4 billion, compared to ¥45.1 billion for the previous fiscal year as the Company made large-scale investments in development projects such as the Nihonbashi Mitsui Tower and Kojun Building. Net decrease in lease deposits and deposits from tenants used cash of ¥5.9 billion, compared to a net decrease that used cash totaling ¥0.6 billion for the previous fiscal

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



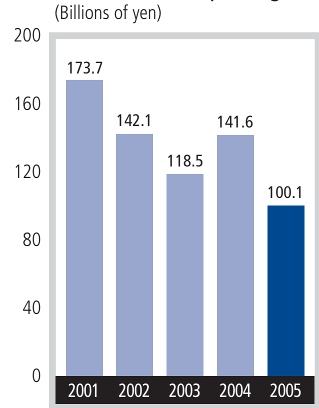
(As of March 31)
Shareholders' Equity
Equity Ratio

Debt / Equity Ratio
(Times)



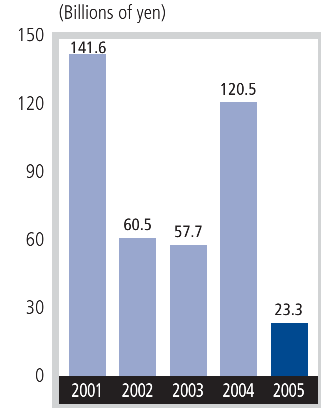
(As of March 31)

Cash Flows from Operating Activities
(Billions of yen)



(Years ended March 31)

Free Cash Flow
(Billions of yen)



(Years ended March 31)

Cash Flows

(Billions of yen)

Years ended March 31	2005	2004	2003
Cash flows from operating activities	¥100.1	¥141.6	¥118.5
Cash flows from investing activities	(76.8)	(21.1)	(60.8)
Cash flows from financing activities	(52.1)	(92.5)	(59.9)
Effect of exchange rate changes on cash and cash equivalents	0.2	(1.1)	(0.5)
Net increase (decrease) in cash and cash equivalents	(28.6)	26.9	(2.7)
Cash and cash equivalents at beginning of year	141.7	114.8	117.5
Cash and cash equivalents at end of year	¥113.1	¥141.7	¥114.8

year. Net purchase of marketable and investment securities totaled ¥4.0 billion, compared to net purchase of ¥3.4 billion for the previous fiscal year.

Net cash used in financing activities totaled ¥52.1 billion, compared to ¥92.5 billion for the previous fiscal year. Proceeds from long-term debt totaled ¥106.3 billion, down substantially from ¥180.1 billion for the previous fiscal year. Repayment of long-term debt, consisting primarily of long-term bank loans, totaled ¥171.3 billion, compared to ¥219.8 billion for the previous fiscal year. Proceeds from issuance of bond totaling ¥20.0 billion represented the domestic issue of an unsecured yen straight bond, while payments for redemption of bond decreased to ¥10.0 billion from ¥81.2 billion for the previous fiscal year. Net repayments of long-term debt therefore totaled ¥55.0 billion on a cash basis, reflecting Mitsui Fudosan's ongoing emphasis on reducing financial leverage and future interest expense. Cash dividends paid totaled ¥5.5 billion, compared to ¥5.8 billion for the previous fiscal year.

Cash and cash equivalents decreased 20.2 percent from a year earlier, or ¥28.6 billion, to ¥113.1 billion.

Risk Information

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

Changes in Demand

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

Interest Rates

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

Regulations and Taxation

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

Natural Disasters

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

Consolidated Balance Sheets

Mitsui Fudosan Co., Ltd. and its Subsidiaries
As of March 31, 2005 and 2004

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2005	2004	2005
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	¥ 113,079	¥ 141,717	$ 1,052,975
Marketable securities (Note 3)	304	106	2,831
Notes and accounts receivable — trade	28,533	28,478	265,695
Short-term loans receivable	12,137	14,021	113,018
Allowance for doubtful accounts	(3,132)	(2,913)	(29,165)
Inventories (Note 5)	371,328	340,106	3,457,752
Advances paid for purchases (Note 6)	23,331	20,266	217,255
Equity investments in properties for sale (Note 3)	91,851	—	855,303
Deferred income taxes (Note 8)	50,873	56,329	473,722
Other current assets	57,400	73,738	534,501
Total current assets	745,704	671,848	6,943,887
INVESTMENTS and OTHER ASSETS			
Investments in unconsolidated subsidiaries and affiliated companies	79,059	73,495	736,186
Investment securities (Note 3)	156,755	189,269	1,459,680
Non-current loans and accounts receivable	60,973	98,534	567,772
Allowance for doubtful accounts	(11,734)	(19,152)	(109,265)
Lease deposits (Note 7)	200,266	201,846	1,864,848
Deferred income taxes (Note 8)	30,708	11,984	285,948
Deferred tax assets on land revaluation	21,263	33,305	197,998
Other	8,127	8,728	75,677
Total investments and other assets	545,417	598,009	5,078,844
PROPERTY and EQUIPMENT, at cost:			
Land (Note 10)	1,111,123	1,113,214	10,346,615
Buildings and structures (Note 10)	892,337	888,903	8,309,312
Machinery and equipment	79,637	88,878	741,568
Construction in progress	30,693	18,860	285,809
	2,113,790	2,109,855	19,683,304
Accumulated depreciation	(476,712)	(463,129)	(4,439,073)
Net property and equipment	1,637,078	1,646,726	15,244,231
	¥2,928,199	¥2,916,583	$27,266,962

See accompanying notes.

	Millions of yen 2005	Millions of yen 2004	Thousands of U.S. dollars (Note 1) 2005
LIABILITIES, MINORITY INTERESTS IN CONSOLIDATED SUBSIDIARIES AND SHAREHOLDERS' EQUITY			
CURRENT LIABILITIES			
Banks loans (Note 10)	**¥ 73,916**	¥ 45,036	**$ 688,295**
Commercial paper	**29,000**	37,000	**270,044**
Long-term debt due within one year (Note 10)	**169,163**	193,174	**1,575,221**
Notes and accounts payable — trade	**114,236**	117,965	**1,063,749**
Accrued expenses	**17,867**	17,850	**166,375**
Income taxes payable	**16,755**	16,975	**156,020**
Advances and deposits received	**171,603**	149,530	**1,597,942**
Other current liabilities	**42,381**	37,762	**394,646**
Total current liabilities	**634,921**	615,292	**5,912,292**
LONG-TERM LIABILITIES			
Allowance for employees' retirement benefits (Note 9)	**26,978**	23,420	**251,215**
Allowance for directors' and corporate auditors' retirement benefits	**1,943**	1,683	**18,093**
Long-term debt due after one year (Note 10)	**1,006,971**	1,046,292	**9,376,767**
Deposits from tenants (Note 11)	**288,252**	291,322	**2,684,161**
Deferred income taxes (Note 8)	**46,497**	46,099	**432,973**
Deferred tax liabilities on land revaluation	**157,996**	151,019	**1,471,236**
Other liabilities and deferred credits	**56,946**	66,317	**530,272**
Total long-term liabilities	**1,585,583**	1,626,152	**14,764,717**
MINORITY INTERESTS IN CONSOLIDATED SUBSIDIARIES	**19,977**	15,974	**186,023**
CONTINGENT LIABILITIES (Note 18)			
SHAREHOLDERS' EQUITY (Note 12)			
Common stock			
Authorized—1,770,000,000 shares (Note 19)			
Issued— 823,390,384 shares in 2005 and 2004	**134,433**	134,433	**1,251,820**
Additional paid-in capital	**205,830**	205,823	**1,916,659**
Reserve on land revaluation	**183,626**	158,227	**1,709,899**
Retained earnings	**155,097**	167,890	**1,444,241**
Net unrealized holding gains on securities	**33,348**	26,317	**310,532**
Foreign currency translation adjustment	**(23,256)**	(32,545)	**(216,557)**
	689,078	660,145	**6,416,594**
Treasury stock	**(1,360)**	(980)	**(12,664)**
Total shareholders' equity	**687,718**	659,165	**6,403,930**
	¥2,928,199	¥2,916,583	**$27,266,962**

See accompanying notes.

Consolidated Statements of Income

Mitsui Fudosan Co., Ltd. and its Subsidiaries
For the years ended March 31, 2005, 2004 and 2003

	Millions of yen			Thousands of U.S. dollars (Note 1)
	2005	2004	2003	2005
REVENUES				
Revenue from operations (Note 17)	¥1,111,359	¥1,102,844	¥1,082,398	$10,348,813
Interest, dividends and miscellaneous (Note 14)	11,320	11,652	11,187	105,410
	1,122,679	1,114,496	1,093,585	10,454,223
COSTS AND EXPENSES				
Cost of revenue from operations	879,260	873,627	858,584	8,187,541
Selling, general and administrative expenses	116,334	119,971	120,519	1,083,285
Interest	20,443	22,758	26,617	190,362
Other (Note 15)	58,396	78,028	46,557	543,775
	1,074,433	1,094,384	1,052,277	10,004,963
EQUITY IN NET INCOME OF AFFILIATED COMPANIES	3,596	3,535	2,905	33,485
INCOME BEFORE INCOME TAXES	51,842	23,647	44,213	482,745
INCOME TAXES (Note 8)				
Current	26,489	23,915	5,516	246,662
Deferred	(4,847)	(15,058)	12,820	(45,135)
Total	21,642	8,857	18,336	201,527
NET INCOME BEFORE MINORITY INTERESTS	30,200	14,790	25,877	281,218
MINORITY INTERESTS	(1,507)	(335)	(323)	(14,033)
NET INCOME	¥ 28,693	¥ 14,455	¥ 25,554	$ 267,185

	Yen			U.S. dollars (Note 1)
PER SHARE INFORMATION	2005	2004	2003	2005
Net assets per share	¥ 836.5	¥ 801.5	¥ 764.2	$ 7.789
Net income per share				
— Basic	34.7	17.5	31.1	0.323
— Diluted	32.5	16.3	28.9	0.303
Cash dividends	7.0	7.0	7.0	0.065

See accompanying notes.

Consolidated Statements of Shareholders' Equity

Mitsui Fudosan Co., Ltd. and its Subsidiaries
For the years ended March 31, 2005, 2004 and 2003

	Shares of common stock (thousands)	Millions of yen						
		Common stock	Additional paid-in capital	Reserve on land revaluation	Retained earnings	Net unrealized holding gains (losses) on securities	Foreign currency translation adjustment	Treasury stock
BALANCE AT MARCH 31, 2002	**812,560**	¥ 134,433	¥ 204,693	¥ 156,405	¥ 137,027	¥ (2,905)	¥ (20,014)	¥ (103)
Increase due to integration of MITSUI REAL ESTATE SALES Co., Ltd.	**10,830**	—	1,130	—	—	—	—	—
Revaluation of property and equipment (Note 2(H))	—	—	—	—	120	—	—	—
Increase due to changes in effective tax rates	—	—	—	5,884	—	—	—	—
Reversal of reserve on land revaluation, net of tax	—	—	—	—	(1,515)	—	—	—
Other	—	—	—	—	(3)	—	—	—
Net income	—	—	—	—	25,554	—	—	—
Cash dividends paid	—	—	—	—	(5,687)	—	—	—
Bonuses to directors	—	—	—	—	(105)	—	—	—
Foreign currency translation adjustment	—	—	—	—	—	—	(4,996)	—
Treasury stock	—	—	—	—	—	—	—	(937)
Net unrealized holding losses on securities	—	—	—	—	—	(547)	—	—
BALANCE AT MARCH 31, 2003	**823,390**	134,433	205,823	162,289	155,391	(3,452)	(25,010)	(1,040)
Revaluation of property and equipment (Note 2(H))	—	—	—	—	(285)	—	—	—
Reversal of reserve on land revaluation, net of tax	—	—	—	(4,062)	4,204	—	—	—
Other	—	—	—	—	(6)	—	—	—
Net income	—	—	—	—	14,455	—	—	—
Cash dividends paid	—	—	—	—	(5,756)	—	—	—
Bonuses to directors	—	—	—	—	(113)	—	—	—
Foreign currency translation adjustment	—	—	—	—	—	—	(7,535)	—
Treasury stock	—	—	—	—	—	—	—	60
Net unrealized holding gains on securities	—	—	—	—	—	29,769	—	—
BALANCE AT MARCH 31, 2004	**823,390**	134,433	205,823	158,227	167,890	26,317	(32,545)	(980)
Integration of consolidated subsidiaries	—	—	—	—	**(8,876)**	—	—	—
Decrease in number of consolidated subsidiaries	—	—	—	—	**(665)**	—	—	—
Decrease in number of affiliated companies	—	—	—	—	**5**	—	—	—
Revaluation of property and equipment (Note 2(H))	—	—	—	—	**288**	—	—	—
Reversal of reserve on land revaluation, net of tax	—	—	—	**25,399**	**(26,376)**	—	—	—
Net income	—	—	—	—	**28,693**	—	—	—
Cash dividends paid	—	—	—	—	**(5,756)**	—	—	—
Bonuses to directors	—	—	—	—	**(106)**	—	—	—
Foreign currency translation adjustment	—	—	—	—	—	—	**9,289**	—
Treasury stock	—	—	—	—	—	—	—	**(380)**
Gain on sale of treasury stock	—	—	**7**	—	—	—	—	—
Net unrealized holding gains on securities	—	—	—	—	—	**7,031**	—	—
BALANCE AT MARCH 31, 2005	**823,390**	**¥134,433**	**¥205,830**	**¥183,626**	**¥155,097**	**¥33,348**	**¥(23,256)**	**¥(1,360)**

	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, 2004	$1,251,820	$1,916,594	$1,473,387	$1,563,367	$245,060	$(303,054)	$ (9,126)
Integration of consolidated subsidiaries	—	—	—	**(82,652)**	—	—	—
Decrease in number of consolidated subsidiaries	—	—	—	**(6,192)**	—	—	—
Decrease in number of affiliated companies	—	—	—	**46**	—	—	—
Revaluation of property and equipment (Note 2(H))	—	—	—	**2,682**	—	—	—
Reversal of reserve on land revaluation, net of tax	—	—	**236,512**	**(245,609)**	—	—	—
Net income	—	—	—	**267,185**	—	—	—
Cash dividends paid	—	—	—	**(53,599)**	—	—	—
Bonuses to directors	—	—	—	**(987)**	—	—	—
Foreign currency translation adjustment	—	—	—	—	—	**86,497**	—
Treasury stock	—	—	—	—	—	—	**(3,538)**
Gain on sale of treasury stock	—	**65**	—	—	—	—	—
Net unrealized holding gains on securities	—	—	—	—	**65,472**	—	—
BALANCE AT MARCH 31, 2005	**$ 1,251,820**	**$ 1,916,659**	**$ 1,709,899**	**$ 1,444,241**	**$ 310,532**	**$ (216,557)**	**$(12,664)**

See accompanying notes.

Consolidated Statements of Cash Flows

Mitsui Fudosan Co., Ltd. and its Subsidiaries
For the years ended March 31, 2005, 2004 and 2003

	Millions of yen			Thousands of U.S. dollars (Note 1)
	2005	2004	2003	2005
Cash flows from operating activities:				
Income before income taxes	¥ 51,842	¥ 23,647	¥ 44,213	$ 482,745
Adjustments to reconcile income before income taxes to net cash provided by operating activities				
Depreciation and amortization	38,513	40,415	39,782	358,627
Loss on impairment of fixed assets	33,807	—	—	314,806
Equity in net income of affiliated companies	(3,596)	(3,535)	(2,904)	(33,485)
Loss (gain) on sales of property and equipment, net	3,294	(411)	(2,192)	30,673
Loss on disposal of property and equipment	1,054	855	5,491	9,815
Allowance for doubtful accounts, net	683	1,040	1,963	6,360
Loss on devaluation of real property for sale	—	64,231	—	—
Loss on disposal of real property for sale	—	—	1,575	—
Interest and dividend income	(3,118)	(3,163)	(3,370)	(29,034)
Interest expense	20,443	22,758	26,617	190,362
Loss on devaluation of other securities	—	—	20,267	—
Gain on sales of marketable securities, net	(4,560)	(4,669)	(672)	(42,462)
Loss on liquidation of consolidated subsidiaries	7,675	—	—	71,468
Loss incurred in certain housing project	—	—	2,333	—
(Increase) decrease in accounts receivable	(60)	3,962	77	(559)
(Increase) decrease in real property for sale and advances paid for purchases	(26,094)	35,951	49,916	(242,984)
Increase in equity investments in properties for sale	(6,699)	—	—	(62,380)
Increase (decrease) in accounts payable	3,182	(2,711)	(2,143)	29,630
Bonuses paid to directors	(110)	(117)	(105)	(1,024)
Interests and dividends received	4,030	3,819	4,070	37,527
Interests paid	(20,681)	(22,652)	(26,658)	(192,578)
Income taxes paid	(27,811)	(5,765)	(16,436)	(258,972)
Other, net	28,341	(12,055)	(23,339)	263,907
Net cash provided by operating activities	100,135	141,600	118,485	932,442
Cash flows from investing activities:				
Purchase of property and equipment	(70,401)	(45,120)	(55,071)	(655,564)
Proceeds from sale of property and equipment	8,710	13,442	16,191	81,106
Increase in deposits from tenants	46,533	51,100	39,448	433,309
Decrease in deposits from tenants	(51,977)	(63,605)	(57,027)	(484,002)
Increase in lease deposits	(18,607)	(18,962)	(10,862)	(173,266)
Decrease in lease deposits	18,105	30,845	18,483	168,591
Purchase of marketable and investment securities	(10,362)	(14,957)	(20,266)	(96,489)
Proceeds from sale of marketable and investment securities	6,401	11,526	3,770	59,605
Increase in non-current loans and accounts receivable	(8,886)	(6,404)	(22,243)	(82,745)
Decrease in non-current loans and accounts receivable	6,390	26,090	24,457	59,503
Other, net	(2,776)	(5,077)	2,368	(25,850)
Net cash used in investing activities	(76,870)	(21,122)	(60,752)	(715,802)
Cash flows from financing activities:				
Proceeds from long-term debt	106,267	180,140	232,350	989,543
Repayment of long-term debt	(171,252)	(219,781)	(289,504)	(1,594,674)
Increase (decrease) in bank loans and commercial paper	9,324	24,250	(26,553)	86,824
Proceeds from issuance of bond	20,000	10,000	80,000	186,237
Payments for redemption of bond	(10,000)	(81,242)	(50,000)	(93,119)
Cash dividends paid	(5,501)	(5,757)	(5,698)	(51,224)
Proceeds from issuance of shares to minority shareholders	—	—	15	—
Payment of dividends to minority shareholders	(539)	(554)	(524)	(5,019)
Sale of treasury stocks	—	434	17	—
Net increase in treasury stocks	(381)	—	—	(3,548)
Net cash used in financing activities	(52,082)	(92,510)	(59,897)	(484,980)
Effect of exchange rate changes on cash and cash equivalents	179	(1,083)	(563)	1,667
Net (decrease) increase in cash and cash equivalents	(28,638)	26,885	(2,727)	(266,673)
Cash and cash equivalents at beginning of year	141,717	114,832	117,559	1,319,648
Cash and cash equivalents at end of year	¥ 113,079	¥ 141,717	¥ 114,832	$ 1,052,975

See accompanying notes.

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

	Millions of yen
Additional paid in capital	¥1,130

Notes to Consolidated Financial Statements

Mitsui Fudosan Co., Ltd. and its Subsidiaries

1. BASIS OF PRESENTING CONSOLIDATED FINANCIAL STATEMENTS

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

The accounts of overseas subsidiaries are based on their accounting records maintained in conformity with generally accepted accounting principles prevailing in the respective countries of domicile. The accompanying consolidated financial statements have been restructured and translated into English (with some expanded descriptions and the inclusion of consolidated statements of shareholders' equity) from the consolidated financial statements of the Company prepared in accordance with Japanese GAAP and filed with the appropriate Local Finance Bureau of the Ministry of Finance as required by the Securities and Exchange Law. Some supplementary information included in the statutory Japanese language consolidated financial statements, but not required for fair presentation, is not presented in the accompanying consolidated financial statements.

The translations of the Japanese yen amounts into U.S. dollars are included solely for the convenience of readers, using the prevailing exchange rate at March 31, 2005, which was ¥107.39 to U.S. $1.00. The convenience translations should not be construed as representations that the Japanese yen amounts have been, could have been, or could in the future be, converted into U.S. dollars at this or any other rate of exchange.

2. SIGNIFICANT ACCOUNTING POLICIES

(A) CONSOLIDATION

The consolidated financial statements include the accounts of the Company and its subsidiaries. The difference between the cost and the underlying net equity at fair value of investments in consolidated subsidiaries and in companies accounted for by the equity method is amortized over a period of 5 years. However, if the amount of the difference is immaterial, it is amortized in the period as incurred.

All significant inter-company accounts and transactions have been eliminated. In the elimination of investments in subsidiaries, the assets and liabilities of the subsidiaries, including the portion attributable to minority shareholders, are recorded based on the fair value at the time the Company acquired control of the respective subsidiaries.

(B) USE OF ESTIMATES

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

(C) EQUITY METHOD

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

(D) TRANSLATION OF FOREIGN CURRENCY ACCOUNTS

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

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

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

(E) CASH AND CASH EQUIVALENTS

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

(F) SECURITIES

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

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

Other securities without market values are stated at moving-average cost.

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

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

(G) INVENTORIES, REVENUE AND RELATED COSTS

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

(H) PROPERTY AND EQUIPMENT, RELATED DEPRECIATION AND REVALUATION

Property and equipment are carried mainly at cost. Land and buildings owned by consolidated subsidiaries in the United Kingdom and Turkey are stated at fair value. Unrealized gains and losses are directly charged or credited to retained earnings. A consolidated subsidiary in Turkey is excluded from consolidation as of March 31, 2005 due to sale of the Company's equity in the subsidiary during the year then ended.

When disposed of, the cost and related accumulated depreciation or revaluation of property and equipment are removed from the respective accounts and the net difference, less any amounts realized on disposal, is reflected in the statements of income.

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

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

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

Buildings	29-50 years
Structures	15-17 years
Machinery	7-15 years
Equipment	3-15 years

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

(I) IMPAIRMENT LOSS ON FIXED ASSETS

Effective April 1, 2004, the Company and its consolidated domestic subsidiaries adopted early the new accounting standards for impairment of fixed assets ("Opinion on Establishment of Accounting Standards for Impairment of Fixed Assets" issued by the Business Accounting Deliberation Council on August 9, 2002) and the guidance on accounting standards for impairment of fixed assets (the "Financial Accounting Standard Guidance No. 6" issued by the Accounting Standards Board of Japan on October 31, 2003). As a result of adopting the accounting standards and the guidance, income before income taxes (and minority interests) for the year ended March 31, 2005 decreased by ¥33,807 million ($314,806 thousand) compared to what would have been reported under the previous accounting standards.

Accumulated impairment losses are deducted from book values of related fixed assets.

(J) LAND REVALUATION

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

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

(K) ALLOWANCE FOR DOUBTFUL ACCOUNTS

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

(L) ALLOWANCE FOR EMPLOYEES' RETIREMENT BENEFITS

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

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

The Company and its consolidated subsidiaries provide allowance for employees' retirement benefits at fiscal year end based on the estimated amounts of projected benefit obligation and the fair value of the plan assets at that date.

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

Allowance for retirement benefits for directors and corporate auditors of the Company and its 24 consolidated subsidiaries are also provided at the amounts to be paid if all eligible directors and corporate auditors would have been retired at year end under the internal guidelines.

(N) ACCOUNTING FOR CERTAIN LEASE TRANSACTIONS

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

(O) INCOME TAXES

The Company and its consolidated domestic subsidiaries are subject to a corporate tax of 30%, an inhabitant tax of approximately 6% and a deductible enterprise tax of approximately 8%, which in the aggregate resulted in a statutory income tax rate of approximately 41% for the year ended March 31, 2005, and a corporate tax of 30%, an inhabitant tax of approximately 6% and a deductible enterprise tax of approximately 10%, which in the aggregate resulted in a statutory income tax rate of approximately 42% for the years ended March 31, 2003 and 2004.

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

According to the revised local tax law, which introduces the assessment by estimation on the basis of the size of business as to enterprise taxes effective for the year commencing on April 1, 2004 or later, the Company and its consolidated domestic subsidiaries used the revised statutory tax rate, 40.7% for calculating the tax effect of the temporary differences expected to be reversed after April 1, 2004 for the year ended March 31, 2003. As a result, deferred tax assets decreased by ¥777 million, deferred tax liabilities on land revaluation decreased by ¥4,393 million and income taxes–deferred increased by ¥699 million compared with what would have been recorded under the previous local tax law at March 31, 2003.

With the promulgation of the "Revision of the Local Tax Law" (Legislation No. 9, 2003) on March 31, 2003, the tax bases for assessing enterprise taxes comprise "amount of income," "amount of added value" and "amount of capital" commencing April 1, 2004. Enterprise taxes based on "amount of added value" and "amount of capital," totaling ¥1,568 million ($14,601 thousand), are included in "Selling, general and administrative expenses" commencing the year ended March 31, 2005 pursuant to "Practical Solutions on Presentation for Size-Based Components of Corporate Enterprise Tax on the Income Statement" (Accounting Standards Board, Practical Solution Report No. 12 issued on February 13, 2004).

(P) DERIVATIVES AND HEDGE ACCOUNTING

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

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

1. If a forward foreign exchange contract is executed to hedge an existing foreign currency receivable or payable,
   (a) the difference, if any, between the Japanese yen amount of the hedged foreign currency receivable or payable translated using the spot rate at the inception date of the contract and the book value of the receivable or payable is recognized in the income statements in the period which includes the inception date, and
   (b) the discount or premium on the contract (that is, the difference between the Japanese yen amount of the contract translated using the contracted forward rate and that translated using the spot rate at the inception date of the contract) is recognized over the term of the contract.
2. If a forward foreign exchange contract is executed to hedge a future transaction denominated in a foreign currency, the future transaction will be recorded using the contracted forward rate, and no gains or losses on the forward foreign exchange contract are recognized. Also, if interest rate swap contracts are used as hedge and meet certain hedging criteria, the net amount to be paid or received under the interest rate swap contract is added to or deducted from the interest on the assets or liabilities for which the swap contract was executed.

(Q) EQUITY INVESTMENTS REGARDING REAL ESTATE SECURITIZATION-RELATED BUSINESS

In connection with enforcement of "Revision of the Securities Exchange Law ("the Securities Exchange Law")" (Legislation No. 97, June 9, 2004) on December 1, 2004 and amendment of "Practical Guidelines Concerning Accounting for Financial Instruments ("the Guideline")" on February 15, 2005, the Company and its consolidated subsidiaries changed its balance sheet presentation of equity investments in tokumei-kumiai, or silent partnerships ("TK"), preferred securities issued by tokutei-mokuteki-kaisha, or specific purpose companies ("TMK") and others regarding real estate securitization-related business (together, "equity investments") commencing March 31, 2005. As a result of the change, those equity investments held for sale are presented as "Equity investments in properties for sale" under "CURRENT ASSETS" and those held for other than sale are presented as "Investment securities" under "INVESTMENTS and OTHER ASSETS."

Preferred securities issued by TMK regarding real estate securitization-related business had been included in "Investment securities" under "INVESTMENTS and OTHER ASSETS" as securities without market value defined under "Accounting Standard for Financial Instruments." With enforcement of the Securities Exchange Law and amendment of the Guideline, those preferred securities issued by such TMK held for sale and those preferred securities issued by TMK whose investments in real estate are held for sale (together, "preferred securities for sale") are included in "Equity investments in properties for sale" under "CURRENT ASSETS," commencing March 31, 2005.

Preferred securities for sale included in "Equity investments in properties for sale" as of March 31, 2005 amount to ¥42,417 million ($394,981 thousand), whereas preferred securities for sale included in "Investment securities" as of March 31, 2004 amount to ¥40,387 million.

Equity investments in TK regarding real estate securitization-related business held other than for sale and equity investments in TK whose investments in real estate are held other than for sale (together, "TK investments other than for sale") had been included in "Non-current loans and accounts receivable" under "INVESTMENTS and OTHER ASSETS." TK investments other than for sale are included in "Investment securities" under "INVESTMENTS and OTHER ASSETS," commencing March 31, 2005. Similarly, TK investments held for sale are included in "Equity investments in properties for sale" under "CURRENT ASSETS" whereas it had been included in "Other current assets" under "CURRENT ASSETS."

TK investments held other than for sale included in "Investment securities" as of March 31, 2005 and "Non-current loans and accounts receivable" as of March 31, 2004 amount to ¥13,106 million ($122,041 thousand) and ¥24,730 million, respectively. TK investments held for sale included in "Equity investments in properties for sale" as of March 31, 2005 and "Other current assets" amount to ¥49,433 million ($460,313 thousand) and ¥40,161 million, respectively.

In connection with the change in balance sheet presentation referred to above, the Company and its consolidated subsidiaries reported "Increase in equity investments in properties for sale" under "Cash flows from operating activities" in the consolidated statements of cash flows commencing in the year ended March 31, 2005. Increase or decrease in equity investments in properties for sale for the years ended March 31, 2004 and 2003 is included in "Other, net" under "Cash flows from operating activities."

(R) EARNINGS PER SHARE

Basic income per share is computed by dividing the net income available for distribution to shareholders of common stock by the weighted average number of shares of common stock outstanding during each year. Diluted net income per share is computed by dividing the net income available for distribution to shareholders by the weighted average number of shares of common stock outstanding during each year assuming full conversion of convertible bonds and full execution of warrants.

(S) RECLASSIFICATIONS

Certain prior years' amounts have been reclassified to conform to the 2005 presentation. These changes had no impact on previously reported results of operations.

3. MARKET VALUE INFORMATION OF MARKETABLE SECURITIES, INVESTMENT SECURITIES AND OTHERS

(1) The following tables summarize historical cost, book value and market value of securities with market values as of March 31, 2005 and 2004:

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

	Millions of yen					
	2005			2004		
	Book Value	Market Value	Difference	Book Value	Market Value	Difference
Securities whose market value exceeds book value						
National and local government bonds, etc.	¥493	¥503	¥10	¥436	¥446	¥10
Securities whose market value does not exceed book value						
National and local government bonds, etc.	50	50	—	122	122	—
Total	¥543	¥553	¥10	¥558	¥568	¥10

	Thousands of U.S. dollars		
	2005		
	Book Value	Market Value	Difference
Securities whose market value exceeds book value			
National and local government bonds, etc.	$4,591	$4,684	$93
Securities whose market value does not exceed book value			
National and local government bonds, etc.	466	466	—
Total	$5,057	$5,150	$93

(b) Other securities with market values

	Millions of yen					
	2005			2004		
	Historical Cost	Book Value (Market Value)	Difference	Historical Cost	Book Value (Market Value)	Difference
Securities whose book value (market value) exceeds historical cost						
Stocks	¥46,825	¥ 95,755	¥48,930	¥42,682	¥82,746	¥40,064
Bonds						
National and local government bonds, etc.	50	52	2	60	62	2
Other	9,747	16,204	6,457	8,192	12,150	3,958
Subtotal	56,622	112,011	55,389	50,934	94,958	44,024
Securities whose book value (market value) does not exceed historical cost						
Stocks	153	127	(26)	4,473	4,111	(362)
Other	21	18	(3)	—	—	—
Subtotal	174	145	(29)	4,473	4,111	(362)
Total	¥56,796	¥112,156	¥55,360	¥55,407	¥99,069	¥43,662

	Thousands of U.S. dollars		
	2005		
	Historical Cost	Book Value (Market Value)	Difference
Securities whose book value (market value) exceeds historical cost			
Stocks	$436,028	$ 891,657	$455,629
Bonds			
National and local government bonds, etc.	466	484	18
Other	90,762	150,889	60,127
Subtotal	527,256	1,043,030	515,774
Securities whose book value (market value) does not exceed historical cost			
Stocks	1,425	1,183	(242)
Other	195	167	(28)
Subtotal	1,620	1,350	(270)
Total	$528,876	$1,044,380	$515,504

(2) The following tables summarize other securities sold in the years ended March 31, 2005, 2004 and 2003:

Millions of yen								
2005			2004			2003		
Sales amount	Gains	Losses	Sales amount	Gains	Losses	Sales amount	Gains	Losses
¥29,239	¥4,340	¥8	¥11,030	¥4,669	¥160	¥3,282	¥678	¥70

Thousands of U.S. dollars		
2005		
Sales amount	Gains	Losses
$272,269	$40,413	$74

(3) The following tables summarize the book value of securities without market value as of March 31, 2005 and 2004:

	Millions of yen		Thousands of U.S. dollars
	2005	2004	**2005**
Equity investments in properties for sale*	**¥91,851**	¥ —	**$855,303**
Other securities			
Unlisted stocks (excluding OTC securities)	**15,458**	32,348	**143,943**
Other(TK investments, preferred securities and other)	**28,741**	57,257	**267,632**

*See Note 2 (Q)

(4) The redemption schedule on held-to-maturity securities and other securities as of March 31, 2005 and 2004 is shown as follows:

	Millions of yen			
	2005			
	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.	**¥324**	**¥256**	**¥15**	**¥ —**
Total	**¥324**	**¥256**	**¥15**	**¥ —**
	2004			
	Due within 1 Year	Due after 1 Year and within 5 Years	Due after 5 Years and within 10 Years	Due after 10 Years
National and local government bonds, etc.	¥116	¥514	¥ —	¥ —
Total	¥116	¥514	¥ —	¥ —

	Thousands of U.S. dollars			
	2005			
	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.	**$3,017**	**$2,384**	**$140**	**$ —**
Total	**$3,017**	**$2,384**	**$140**	**$ —**

4. DERIVATIVE FINANCIAL INSTRUMENTS AND HEDGING TRANSACTIONS

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

Forward foreign currency and foreign currency swap contracts are subject to risk of foreign exchange rate changes and interest rate swap contracts are subject to risk of interest rate changes.

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

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

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

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

Hedged items:
- Expected foreign currency transactions
- Foreign currency debt
- Borrowings and debentures

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

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

5. INVENTORIES

Inventories at March 31, 2005 and 2004 comprise the following:

	Millions of yen		Thousands of U.S. dollars
	2005	2004	2005
Real property for sale	¥351,889	¥323,308	$3,276,739
Expenditure on contracts in progress	9,891	8,211	92,104
Other	9,548	8,587	88,909
	¥371,328	¥340,106	$3,457,752

6. ADVANCES PAID FOR PURCHASES

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

7. LEASE DEPOSITS

The Company and its consolidated subsidiaries lease certain office buildings and 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 (See Note 11).

8. INCOME TAXES

Significant components of the Company's deferred tax assets and liabilities as of March 31, 2005 and 2004 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2005	2004	2005
Deferred tax assets:			
Allowance for loss on sale of real property held for sale	¥ 36,184	¥ 43,019	$ 336,940
Unrealized inter-company transactions	4,879	7,019	45,433
Allowance for loss on valuation of securities	25,082	15,920	233,560
Net operating loss carryforwards	2,108	4,372	19,629
Excess allowance for retirement benefits	11,041	9,240	102,812
Excess allowance for doubtful accounts	6,554	6,458	61,030
Accrued employees' bonuses	4,555	4,371	42,415
Unrealized loss on valuation of securities	16	7	149
Excess depreciation expense	2,424	2,245	22,572
Excess prepaid expense	1,627	1,514	15,150
Loss on impairment of fixed assets*	23,323	—	217,180
Other	13,833	16,298	128,812
Total	¥131,626	¥110,463	$1,225,682
Deferred tax liabilities:			
Deferred gain on sale of land and buildings for tax purposes	¥ (35,790)	¥ (33,481)	$ (333,271)
Unrealized loss on valuation of shares held in consolidated subsidiaries	(15,078)	(13,655)	(140,404)
Unrealized inter-company transactions	(1,980)	(5,676)	(18,437)
Unrealized gain on valuation of securities	(22,608)	(18,049)	(210,522)
Consolidation difference in real property	(5,845)	(996)	(54,428)
Other	(15,241)	(16,392)	(141,923)
Total	¥ (96,542)	¥ (88,249)	$ (898,985)
Net deferred tax assets	¥ 35,084	¥ 22,214	$ 326,697

Amounts of total deferred tax assets as of March 31, 2005 and 2004 are presented net of valuation allowances of ¥18,377 million ($171,124 thousand) and ¥23,574 million, respectively.

(*) Deferred tax assets related to loss on impairment of fixed assets include reversal of deferred tax assets on land revaluation of ¥15,861 million ($147,695 thousand).

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

	2004
Statutory tax rate	42.02%
(Adjustments)	
Equity in net income of affiliated companies	(6.28)
Permanent differences:	
Entertainment expenses and other	4.89
Dividend income and other	(0.65)
Other	(2.52)
Effective tax rate	37.46%

Information as of March 31, 2005 and 2003 has not been disclosed as the differences are immaterial.

9. EMPLOYEES' RETIREMENT BENEFITS

(1) Outline of retirement plan

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

21 consolidated subsidiaries have adopted tax qualified pension plans. 58 consolidated subsidiaries have adopted lump-sum pension plans. One consolidated subsidiary has adopted employees' pension funds.

(2) Details of projected benefit obligation

	Millions of yen		Thousands of U.S. dollars
	2005	2004	**2005**
1. Projected benefit obligation	**¥(82,245)**	¥(78,257)	**$(765,853)**
2. Fair value of plan assets	**37,329**	33,710	**347,602**
3. Unaccrued projected benefit obligation (1+2)	**¥(44,916)**	¥(44,547)	**$(418,251)**
4. Unrecognized actuarial differences	**18,191**	21,407	**169,392**
5. Unrecognized prior service costs	**(214)**	(250)	**(1,993)**
6. Prepaid pension expenses	**(39)**	(30)	**(363)**
7. Allowance for employees' retirement benefits (3+4+5+6)	**¥(26,978)**	¥(23,420)	**$(251,215)**

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
	2005	2004	2003	**2005**
1. Service costs—benefits earned during the year	**¥4,418**	¥3,990	¥3,630	**$41,140**
2. Interest costs on projected benefit obligation	**1,888**	1,750	1,837	**17,581**
3. Expected return on plan assets	**(789)**	(618)	(816)	**(7,347)**
4. Amortization of actuarial differences	**2,541**	2,755	1,575	**23,661**
5. Amortization of net transition obligation	**—**	—	197	**—**
6. Amortization of prior service costs	**(31)**	(31)	(31)	**(289)**
7. Retirement benefit expenses (1+2+3+4+5+6)	**¥8,027**	¥7,846	¥6,392	**$74,746**

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

	2005		2004		2003	
1. Allocation method for the projected retirement benefits	**Straight-line method**		Straight-line method		Straight-line method	
2. Discount rates	**2.5%**		2.5%		2.5%	
3. Expected rates of return on plan assets	**0.75-2.5%**		2.5%		3.0%	
4. Years over which the prior service costs are allocated	**1-10 years**	**Straight-line method over a certain number of years within the average remaining service years**	1-10 years	Straight-line method over a certain number of years within the average remaining service years	1-10 years	Straight-line method over a certain number of years within the average remaining service years
5. Years over which the actuarial differences obligations are allocated	**5-10 years**	**Straight-line method over a certain number of years within the average remaining service years**	5-10 years	Straight-line method over a certain number of years within the average remaining service years	5-10 years	Straight-line method over a certain number of years within the average remaining service years
6. Years over which the net transition obligation is allocated	**—**		—		1 year	

10. BANK LOANS AND LONG-TERM DEBT

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

Long-term debt at March 31, 2005 and 2004 comprise the following:

	Millions of yen		Thousands of U.S. dollars
	2005	2004	**2005**
Long-term loans, principally from banks and insurance companies:			
Loans secured by collateral or bank guarantees	**¥ 65,611**	¥ 62,930	**$ 610,960**
Unsecured loans	**875,523**	951,536	**8,152,742**
	941,134	1,014,466	**8,763,702**
Bonds and debentures			
Domestic:			
2.45% yen notes due 2008	**25,000**	25,000	**232,796**
3.00% yen notes due 2013	**10,000**	10,000	**93,119**
1.05% yen notes due 2004	**—**	10,000	**—**
1.56% yen notes due 2006	**10,000**	10,000	**93,119**
2.08% yen notes due 2009	**10,000**	10,000	**93,119**
1.77% yen notes due 2006	**10,000**	10,000	**93,119**
2.20% yen notes due 2009	**10,000**	10,000	**93,119**
2.33% yen notes due 2009	**10,000**	10,000	**93,119**
2.17% yen notes due 2008	**5,000**	5,000	**46,557**
1.84% yen notes due 2006	**10,000**	10,000	**93,119**
2.29% yen notes due 2009	**10,000**	10,000	**93,119**
2.25% yen notes due 2012	**5,000**	5,000	**46,557**
2.04% yen notes due 2010	**10,000**	10,000	**93,119**
1.04% yen notes due 2013	**10,000**	10,000	**93,119**
1.81% yen notes due 2014	**10,000**	—	**93,119**
1.64% yen notes due 2014	**10,000**	—	**93,119**
Overseas:			
0% convertible bonds with stock acquisition rights due 2010	**80,000**	80,000	**744,948**
	235,000	1,239,466	**2,188,286**
Less amount due within one year	**169,163**	193,174	**1,575,221**
	¥1,006,971	¥1,046,292	**$9,376,767**

The following assets are pledged as collateral for secured loans:

	Millions of yen		Thousands of U.S. dollars
	2005	2004	**2005**
Collateralized assets			
Land	**¥ 46,550**	¥ 37,763	**$ 433,467**
Buildings and structures and others	**85,923**	89,103	**800,102**
Total	**¥132,473**	¥126,866	**$1,233,569**

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.

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

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

If the outstanding convertible bonds had been converted at March 31, 2005, 56,140 thousand shares of common stock would have been issued.

The annual maturities of long-term debt at March 31, 2005 are as follows:

Year ending March 31	Millions of yen	Thousands of U.S. dollars
2006	¥ 169,163	$ 1,575,221
2007	163,648	1,523,866
2008	94,264	877,773
2009	149,206	1,389,384
2010	146,770	1,366,701
Thereafter	453,083	4,219,043
Total	¥1,176,134	$10,951,988

11. DEPOSITS FROM TENANTS

Deposits from tenants at March 31, 2005 and 2004 comprise the following:

	Millions of yen		Thousands of U.S. dollars
	2005	2004	**2005**
Non-interest-bearing	**¥261,732**	¥263,985	**$2,437,210**
Interest-bearing	**26,520**	27,337	**246,951**
Total	**¥288,252**	¥291,322	**$2,684,161**
Average interest rate	**1.57%**	1.65%	

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 and some of the interest-bearing deposits are not refundable during the life of the lease. The rest of the interest-bearing deposits are generally refundable to the tenant in equal annual or monthly payments with interest over certain periods of time commencing after the grace periods, depending on the terms of the contracts.

12. SHAREHOLDERS' EQUITY

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

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

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

13. IMPAIRMENT LOSSES ON FIXED ASSETS

The Company and its certain consolidated domestic subsidiaries recognized impairment losses for the following groups of assets in the year ended March 31, 2005.

Primary use	Type of assets	Location
Golf courses (4 groups)	Buildings Land Other fixed assets, etc.	Narita-shi, Chiba Prefecture, etc.
Leasing assets (18 groups)	Buildings Land, etc.	Utsunomiya-shi, Tochigi Prefecture, etc.

For the purpose of identifying fixed assets that are impaired, the Company and its certain consolidated domestic subsidiaries grouped their fixed assets at the lowest level for which identifiable cash flows are largely independent of the cash flows of other assets or groups of assets. The corporate headquarter facilities are treated as common assets.

In the light of decrease of land prices and significant deterioration of profitability due to decline in current rental rates, adverse changes in market conditions and other factors, the Company and its certain consolidated domestic subsidiaries reduced book values of 22 groups of assets to recoverable amounts, and recognized the reduced values as impairment losses totaling ¥33,807 million ($314,806 thousand). The impairment losses comprise ¥12,384 million ($115,318 thousand) for land, ¥11,179 million ($104,097 thousand) for buildings and structures, and ¥10,244 million ($95,391 thousand) for others, respectively.

Recoverable amounts are measured by net realizable values or values in current use. Net realizable values are determined mainly based upon appraisal value calculated by real-estate appraisers. Values in current use are calculated based on the present values of future cash flows, using a discount rate of 5%.

14. MAJOR COMPONENTS OF INTEREST, DIVIDENDS AND MISCELLANEOUS

	Millions of yen			Thousands of U.S. dollars
Years ended March 31,	2005	2004	2003	2005
Interest income	¥ 1,066	¥ 1,220	¥ 1,376	$ 9,926
Dividend income	2,052	1,943	1,993	19,108
Gain on sale of fixed assets	—	411	3,687	—
Gain on sale of shares in affiliated companies	220	—	90	2,049
Gain on sale of investment securities	4,340	4,669	582	40,413
Other	3,642	3,409	3,459	33,914
Total	¥11,320	¥11,652	¥11,187	$105,410

15. MAJOR COMPONENTS OF COSTS AND EXPENSES — OTHER

	Millions of yen			Thousands of U.S. dollars
Years ended March 31,	2005	2004	2003	2005
Provision for doubtful accounts	¥ 683	¥ 1,518	¥ 1,963	$ 6,360
Loss on sale of fixed assets	3,294	—	1,494	30,673
Loss on disposal of fixed assets	1,054	855	5,491	9,815
Loss on impairment of fixed assets	33,807	—	—	314,806
Loss on devaluation of other securities	—	—	20,267	—
Loss on investments in affiliated companies	—	—	492	—
Loss on liquidation of consolidated subsidiaries	7,675	—	—	71,468
Loss on devaluation of real property for sale	—	64,231	—	—
Loss on disposal of real property for sale	—	—	1,575	—
Loss incurred in certain housing project	—	—	2,333	—
Other	11,883	11,424	12,942	110,653
Total	¥58,396	¥78,028	¥46,557	$543,775

16. 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, 2005 and 2004, of finance leases that do not transfer ownership to the lessee is as follows:

	Millions of yen					
	2005			2004		
	Buildings and structures	Machinery and equipment	Total	Buildings and structures	Machinery and equipment	Total
Acquisition cost	**¥2,209**	**¥10,808**	**¥13,017**	¥2,047	¥8,301	¥10,348
Accumulated depreciation	**1,038**	**4,547**	**5,585**	740	3,878	4,618
Net book value	**¥1,171**	**¥ 6,261**	**¥ 7,432**	¥1,307	¥4,423	¥ 5,730

	Thousands of U.S. dollars		
	2005		
	Buildings and structures	Machinery and equipment	Total
Acquisition cost	**$20,570**	**$100,643**	**$121,213**
Accumulated depreciation	**9,666**	**42,341**	**52,007**
Net book value	**$10,904**	**$ 58,302**	**$ 69,206**

(2) Future rental payment inclusive of interest at March 31, 2005 and 2004

	Millions of yen		Thousands of U.S. dollars
	2005	2004	**2005**
Amount due within one year	**¥1,962**	¥1,539	**$18,270**
Amount due after one year	**5,471**	4,191	**50,945**
Total	**¥7,433**	¥5,730	**$69,215**

(3) Rental expense and assumed amount of depreciation expense for the years ended March 31, 2005, 2004 and 2003

	Millions of yen			Thousands of U.S. dollars
	2005	2004	2003	**2005**
Rental expense	**¥1,787**	¥1,507	¥1,620	**$16,640**
Depreciation expense	**1,787**	1,507	1,620	**16,640**

(4) Calculation of assumed amount of depreciation expense

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

(B) Future rental payments under operating leases at March 31, 2005 and 2004;

	Millions of yen		Thousands of U.S. dollars
	2005	2004	**2005**
Amount due within one year	**¥ 19,063**	¥ 16,153	**$ 177,512**
Amount due after one year	**102,989**	87,357	**959,018**
Total	**¥122,052**	¥103,510	**$1,136,530**

As lessor:

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

(1) Summary of amounts of acquisition cost, accumulated depreciation and net book value at March 31, 2005 and 2004, of finance leases that do not transfer ownership to the lessee is as follows:

	Millions of yen					
	2005			2004		
	Buildings and structures	Machinery and equipment	Total	Buildings and structures	Machinery and equipment	Total
Acquisition cost	**¥2,135**	**¥1,603**	**¥3,738**	¥2,162	¥1,598	¥3,760
Accumulated depreciation	**1,381**	**1,009**	**2,390**	1,466	948	2,414
Net book value	**¥ 754**	**¥ 594**	**¥1,348**	¥ 696	¥ 650	¥1,346

	Thousands of U.S. dollars		
	2005		
	Buildings and structures	Machinery and equipment	Total
Acquisition cost	**$19,881**	**$14,927**	**$34,808**
Accumulated depreciation	**12,860**	**9,396**	**22,256**
Net book value	**$ 7,021**	**$ 5,531**	**$12,552**

(2) Future rental revenue inclusive of interest at March 31, 2005 and 2004:

	Millions of yen		Thousands of U.S. dollars
	2005	2004	2005
Amount due within one year	**¥ 579**	¥ 567	**$ 5,392**
Amount due after one year	**856**	780	**7,971**
Total	**¥1,435**	¥1,347	**$13,363**

(3) Rental revenue and depreciation expense for the years ended March 31, 2005, 2004 and 2003:

	Millions of yen			Thousands of U.S. dollars
	2005	2004	2003	2005
Rental revenue	**¥636**	¥635	¥ 897	**$5,922**
Depreciation expense	**560**	575	1,016	**5,215**

(B) Future rental revenue under operating leases at March 31, 2005 and 2004:

	Millions of yen		Thousands of U.S. dollars
	2005	2004	2005
Amount due within one year	**¥ 29,160**	¥ 31,439	**$ 271,534**
Amount due after one year	**150,099**	157,747	**1,397,700**
Total	**¥179,259**	¥189,186	**$1,669,234**

17. SEGMENT INFORMATION

(1) Leasing
Leasing of office buildings, commercial facilities, residential properties, etc.

(2) Sales of Housing, Office Buildings and Land
Sales of detached housing, condominiums, buildings, and land, etc.

(3) Construction
Construction of detached housing, flats, etc. (including planning and design)

(4) Brokerage, Consignment Sales and Consulting
Real estate agency, sales agency, and sales consignment services, as well as project management services for development of office buildings, commercial facilities, etc., and asset management services for investors.

(5) Property Management
Property management services (including tenant improvement).

(6) Sales of Housing Materials and Merchandise
Manufacture and sales of housing materials, as well as wholesale and retail sale of general goods. In October 2002, the supermarket arm of Uni Living, a "do-it-yourself" retailer, a wholly owned subsidiary, was sold to Maruetsu Inc.

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

(8) Other
Financing operations for housing loans and leasing business, etc.

	Millions of yen									
Year ended March 31, 2005	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	Elimination or Corporate	Consolidated
Revenue from operations:										
Outside customers	¥ 343,719	¥334,472	¥183,552	¥60,224	¥78,249	¥65,229	¥38,509	¥ 7,405	¥ —	¥1,111,359
Inter-segment	5,970	—	6,227	10,579	19,307	34,620	472	10,298	(87,473)	—
	349,689	334,472	189,779	70,803	97,556	99,849	38,981	17,703	(87,473)	1,111,359
Costs and expenses*	287,169	299,318	187,420	52,195	86,788	99,661	37,596	15,853	(70,406)	995,594
Operating income (loss)	¥ 62,520	¥ 35,154	¥ 2,359	¥18,608	¥10,768	¥ 188	¥ 1,385	¥ 1,850	¥ (17,067)	¥ 115,765
Assets	¥1,934,690	¥498,466	¥ 56,317	¥86,407	¥44,567	¥51,686	¥77,423	¥27,686	¥150,957	¥2,928,199
Depreciation	26,373	639	2,503	824	967	1,158	2,612	2,715	722	38,513
Loss on impairment of fixed assets	8,272	2,475	84	—	—	—	22,976	—	—	33,807
Capital expenditures	67,183	430	2,760	748	958	1,414	2,385	2,557	464	78,899

	Millions of yen									
Year ended March 31, 2004	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	Elimination or Corporate	Consolidated
Revenue from operations:										
Outside customers	¥ 332,380	¥350,762	¥180,503	¥53,585	¥77,482	¥61,769	¥ 37,630	¥ 8,733	¥ —	¥1,102,844
Inter-segment	5,329	—	7,251	11,656	20,722	32,463	386	10,855	(88,662)	—
	337,709	350,762	187,754	65,241	98,204	94,232	38,016	19,588	(88,662)	1,102,844
Costs and expenses*	274,692	317,825	186,422	51,163	87,360	94,081	38,543	16,997	(73,485)	993,598
Operating income (loss)	¥ 63,017	¥ 32,937	¥ 1,332	¥14,078	¥10,844	¥ 151	¥ (527)	¥ 2,591	¥ (15,177)	¥ 109,246
Assets	¥1,914,041	¥485,771	¥ 57,076	¥43,973	¥39,911	¥49,742	¥116,140	¥31,633	¥205,296	¥2,916,583
Depreciation	27,353	565	2,198	823	1,076	1,138	3,503	3,083	676	40,415
Capital expenditures	23,204	1,396	2,412	1,578	964	2,043	1,754	1,968	520	35,839

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

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

Year ended March 31, 2005	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	Elimination or Corporate	Consolidated
	Thousands of U.S. dollars									
Revenue from operations:										
Outside customers	**$ 3,200,661**	**$3,114,555**	**$1,709,210**	**$560,797**	**$728,643**	**$607,403**	**$358,590**	**$ 68,954**	**$ —**	**$10,348,813**
Inter-segment	**55,592**	**—**	**57,985**	**98,510**	**179,784**	**322,376**	**4,395**	**95,894**	**(814,536)**	**—**
	3,256,253	**3,114,555**	**1,767,195**	**659,307**	**908,427**	**929,779**	**362,985**	**164,848**	**(814,536)**	**10,348,813**
Costs and expenses*	**2,674,076**	**2,787,206**	**1,745,228**	**486,032**	**808,157**	**928,029**	**350,088**	**147,621**	**(655,611)**	**9,270,826**
Operating income (loss)	**$ 582,177**	**$ 327,349**	**$ 21,967**	**$173,275**	**$100,270**	**$ 1,750**	**$ 12,897**	**$ 17,227**	**$ (158,925)**	**$ 1,077,987**
Assets	**$18,015,551**	**$4,641,643**	**$ 524,416**	**$804,609**	**$415,000**	**$481,293**	**$720,952**	**$257,808**	**$1,405,690**	**$27,266,962**
Depreciation	**245,582**	**5,950**	**23,308**	**7,673**	**9,005**	**10,783**	**24,323**	**25,281**	**6,722**	**358,627**
Loss on impairment of fixed assets	**77,028**	**23,047**	**782**	**—**	**—**	**—**	**213,949**	**—**	**—**	**314,806**
Capital expenditures	**625,598**	**4,004**	**25,701**	**6,965**	**8,921**	**13,167**	**22,209**	**23,810**	**4,321**	**734,696**

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

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

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

18. CONTINGENT LIABILITIES

Contingent liabilities at March 31, 2005 and 2004 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2005	2004	**2005**
Loans guaranteed	**¥123,033**	¥163,693	**$1,145,665**

19. SUBSEQUENT EVENTS

(A) APPROPRIATION OF RETAINED EARNINGS

On June 29, 2005, at the 93rd Ordinary General Shareholders' Meeting, the Company's shareholders approved the appropriations of retained earnings of the Company at March 31, 2005 as follows:

	Millions of yen	Thousands of U.S. dollars
Year-end cash dividends at ¥3.5 (U.S. $0.033) per share	**¥2,877**	**$26,790**
Bonuses to directors	**119**	**1,108**

(B) INCREASE IN NUMBER OF AUTHORIZED SHARES OF COMMON STOCK

On June 29, 2005, at the 93rd Ordinary General Shareholders' Meeting, the Company's shareholders approved the amendment of the Company's article of incorporation to increase the number of authorized shares of common stock from 1,770,000,000 shares to 3,290,000,000 shares.

Independent Auditors' Report

To the Board of Directors of
Mitsui Fudosan Co., Ltd.:

We have audited the accompanying consolidated balance sheets of Mitsui Fudosan Co., Ltd. and consolidated subsidiaries as of March 31, 2005 and 2004, and the related consolidated statements of income, shareholders' equity and cash flows for each of the three years in the period ended March 31, 2005, expressed in Japanese yen. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to independently express an opinion on these consolidated financial statements based on our audits.

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

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Mitsui Fudosan Co., Ltd. and subsidiaries as of March 31, 2005 and 2004, and the consolidated results of their operations and their cash flows for each of the three years in the period ended March 31, 2005, in conformity with accounting principles generally accepted in Japan.

Without qualifying our opinion, we draw attention to the following.
As discussed in Note 2 (l) to the consolidated financial statements, effective April 1, 2004, Mitsui Fudosan Co., Ltd. and consolidated domestic subsidiaries adopted early the new accounting standards for impairment of fixed assets.

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2005 are presented solely for convenience. Our audit also included the translation of yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 1 to the consolidated financial statements.

KPMG AZSA & Co.

Tokyo, Japan
June 29, 2005

Domestic and Overseas Network

Domestic Network

HEAD OFFICE

1-1, Nihonbashi-Muromachi 2-chome,
Chuo-ku, Tokyo 103-0022

BRANCH OFFICES

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

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

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

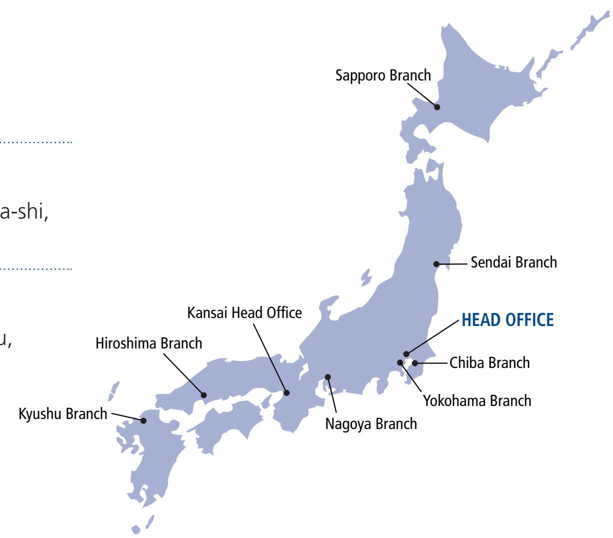
Chiba Branch
Chiba Chuo Twin Building No.1
11-1, Chuo 1-chome, Chuo-ku, Chiba-shi,
Chiba 260-0013

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

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

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

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



Overseas Network

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Mitsui Fudosan (U.K.) Ltd.
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Tel: 44-20-7822-0661
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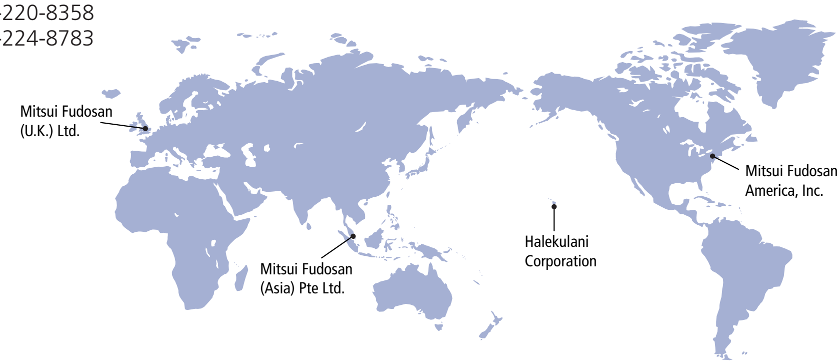
Mitsui Fudosan (Asia) Pte Ltd.
16 Raffles Quay, #37-01 Hong Leong
Building,
Singapore 048581
Tel: 65-6-220-8358
Fax: 65-6-224-8783



(as of August 1, 2005)

Corporate Information

(Parent company; as of March 31, 2005)

Mitsui Fudosan Co., Ltd.

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

Date of Establishment:
July 15, 1941

Common Stock:
¥134,433 million

Listing:
Tokyo, Osaka (Ticker: 8801)

Number of Shares:
Authorized: 3,290,000,000 (as of June 29, 2005)
Issued and outstanding: 823,390,384

Number of Shareholders:
47,511

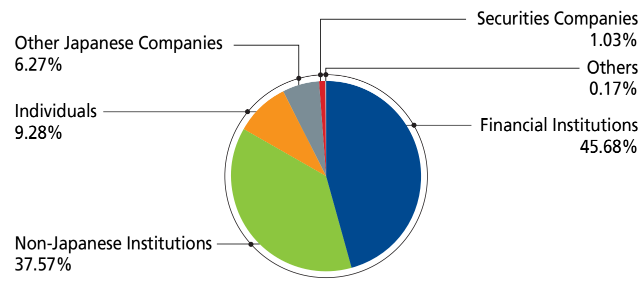
Transfer Agent:
The Chuo Mitsui Trust and Banking Company, Limited

Number of Employees:
1,601

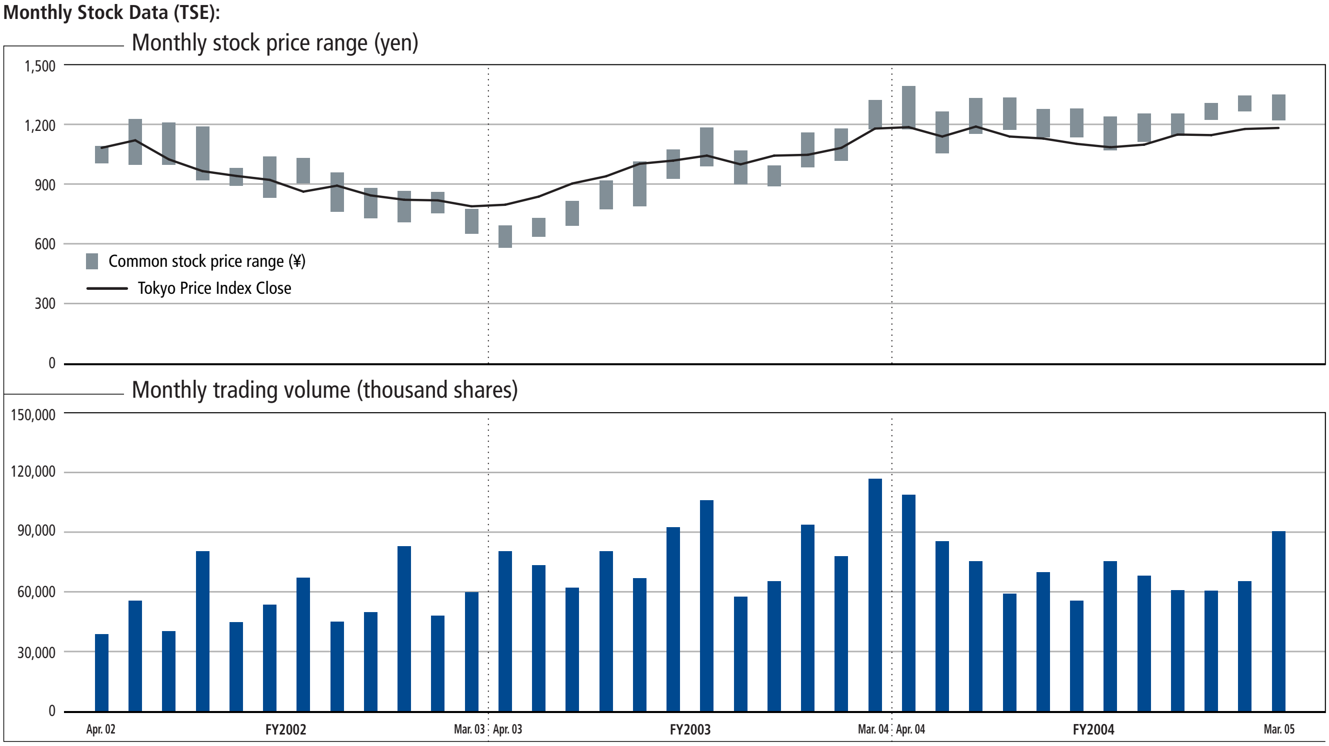
URL:
http://www.mitsuifudosan.co.jp/english

E-mail:
mfir@mitsuifudosan.co.jp

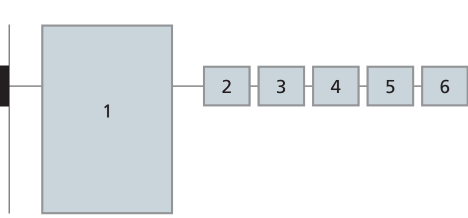
Composition of Shareholders:



Monthly Stock Data (TSE):



On the Cover



1. Mitsui Main Building
2. Kojun Building
3. Toranomon Kotohira Tower
4. Park Mansion Minami Azabu
5. Stellar Town
6. LaLaport Koshien

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MITSUI FUDOSAN

This report was produced in August 2005.
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