Transforming Vision into Value

Annual Report 2007

Year ended March 31, 2007

MITSUI FUDOSAN

Innovation during Challenge Plan 2008 has generated value for stakeholders.

Contents

Lazona Kawasaki Plaza

This large-scale shopping mall is located on the former site of a factory, adjacent to a major passenger railway terminal. We are complementing it by developing Lazona Residence, a 667-unit residential building that will create a vibrant, mixed-use community that features convenience and a high quality of life.

Exciting new properties are supporting consistent growth in revenue and earnings.

Urban Dock LaLaport Toyosu

With 190 stores in a superb waterfront location in the heart of Tokyo, LaLaport Toyosu is an ideal spot for shopping, dining and a host of cultural and leisure activities.

LaLaport Yokohama

Created around the concept of a "Life with Culture," LaLaport Yokohama is one of the largest shopping malls in Kanagawa Prefecture, with approximately 370 shops and restaurants, as well as a cinema complex and cultural center.

LaLaport Kashiwanoha

One of four major shopping malls that Mitsui Fudosan completed in the greater Tokyo area during 2006 and 2007, LaLaport Kashiwanoha is a facility replete with greenery that works to create a community offering new lifestyle options based on the themes of health and coexistence with nature.

Our project pipeline will add high-quality, diversified assets that will enhance cash flow.

Shibaura Island Project

This large-scale urban renaissance project aims to create a sustainable, multigeneration residential district in Tokyo, and meets a wide range of needs for various types of residents.

Park City Musashikosugi

This property is located in the core area of the new city center being developed around Musashikosugi Station by the Kawasaki City government and the private sector.

Marunouchi 1-Chome Area Development Plan (Provisional name)

Mitsui Fudosan acquired this prime site in the Otemachi central business district of Tokyo through an asset exchange with a J-REIT in April 2006. The tenant will be Sumitomo Mitsui Banking Corporation, which will make the building its new headquarters.
(Opening in spring 2010 / 80,000m^2)

Transforming Vision into Value

Challenge Plan 2008 has been a highly effective blueprint for generating sustained growth in value for customers, shareholders and other stakeholders. Record profitability in the past fiscal year positions Mitsui Fudosan to also succeed in transforming its next vision, Challenge Plan 2016, into value.

Hiromichi Iwasa
President and Chief Executive Officer

Operating Results

For the fiscal year ended March 31, 2007, revenue from operations increased 6.0 percent year-on-year, or ¥69.9 billion, to ¥1,229.2 billion. Operating income grew 17.7 percent, or ¥24.3 billion, to a record ¥161.8 billion. Net income increased 33.0 percent, or ¥18.7 billion, to ¥75.2 billion, a record for the second consecutive year. The full-year contribution of recently completed office buildings and the opening of four large-scale shopping malls in the Tokyo metropolitan area supported our solid performance, as did sales of housing to individuals and income-producing properties to investors. Our fee-based services added depth to our performance. Given our solid results, we increased cash dividends to ¥14.00 per share from ¥10.00 for the previous fiscal year.

Challenge Plan 2008 Goals and Achievements

We designed Challenge Plan 2008 to generate balanced growth among our three core businesses – holding, trading and management. A key tenet of the plan was building on Mitsui Fudosan's strength in the holding business through growth in the trading and management businesses. We wanted to significantly re-engineer our earnings structure to expand profits, without simply expanding holding business assets. At the same time, we wanted to improve return on assets and the debt/equity ratio to improve our financial structure.

We have used Challenge Plan 2008 to become a comprehensive real estate solutions and service provider. One of the most important outcomes of this approach

Financial Highlights

Mitsui Fudosan Co., Ltd. and its Subsidiaries
For the years ended March 31, 2007 and 2006

	Millions of yen except per share amounts		% Change	Thousands of U.S. dollars except per share amounts
	2007	2006	2007/2006	**2007**
For the Year:				
Revenue from operations	**¥1,229,194**	¥1,159,280	6.0%	**$10,412,486**
Operating income	**161,843**	137,543	17.7	**1,370,970**
Net income	**75,214**	56,541	33.0	**637,137**
As a percentage of revenue from operations	**6.1%**	4.9%	1.6 pt.	
As a percentage of average net assets	**8.2%**	7.3%	0.9 pt.	
Cash dividends	**8,796**	6,986	25.9	**74,511**
At Year-End:				
Total assets	**¥3,294,190**	¥2,986,502	10.3%	**$27,905,040**
Total net assets	**963,214**	876,811	9.9	**8,159,373**
Debt / Equity ratio (times)	**1.3**	1.4		
Number of shareholders	**39,635**	43,521	(8.9)	
Number of employees	**13,299**	13,053	1.9	
Per Share Data:				
Net income	**¥85.5**	¥67.5	26.7%	**$0.724**
Cash dividends applicable to the year	**14.0**	10.0	40.0	**0.119**

Notes: 1. Free cash flow = Cash flows from operating activities + Cash flows from investing activities
2. Debt / Equity ratio = Interest-bearing debt / Net assets
3. U.S. dollar amounts are translated from yen at the rate of ¥118.05 = U.S.$1.00, the approximate exchange rate at March 31, 2007.

was that we expanded our customer base beyond end users and originators by embracing real estate investors as customers rather than competitors. We were therefore able to generate growth by expanding the business of providing excellent investment opportunities and professional services, while concurrently creating opportunities within the Mitsui Fudosan Group.

We deployed our strengths in sourcing and distribution, development and management with an emphasis on the three areas of customer-focused management, business model reform, and highly efficient Group management. As a result, we achieved our targets for profits, re-engineering our earnings structure and strengthening our financial base in the year to March 2007, two years ahead of plan. A key success was lowering our debt/equity ratio to 1.3 times as of March 2007 from 1.4 times a year earlier, which puts us in a much stronger position to act on growth opportunities now emerging.

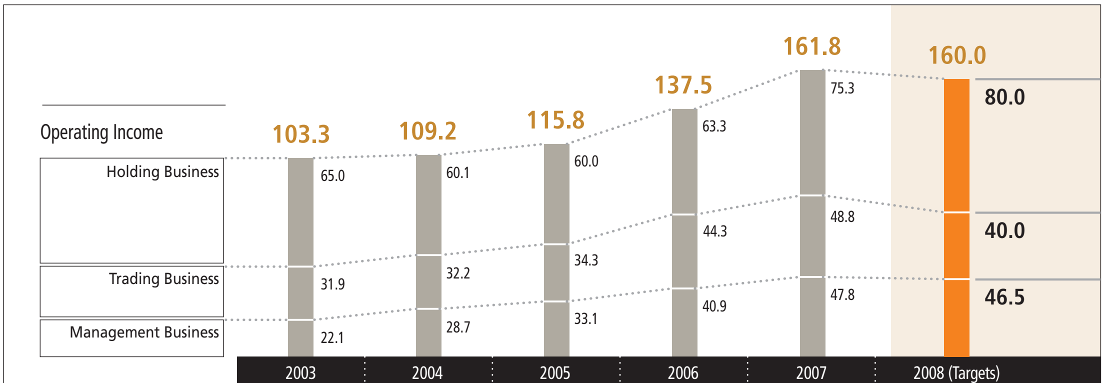
The Holding Business: New Dynamics

The holding business primarily entails leasing office buildings and retail properties. We wanted to enhance our stable earnings base in this business by raising asset quality to increase competitiveness and profitability.

We succeeded. New buildings less than five years old and those scheduled for rebuilding now account for about 33 percent of leased office building space, nearly double the amount four years ago. We have generated strong return on investment (ROI) from renovating

Challenge Plan 2008: Results and Targets

(Years to March 31, Billions of yen)



	2003	2004	2005	2006	2007	2008 (Targets)
ROA* (%)	3.8	4.1	4.3	4.9	5.5	6.0
Debt / Equity ratio (times)	2.2	2.0	1.9	1.4	1.3	1.2
Interest-bearing debt	1,397.2	1,321.5	1,279.0	1,199.3	1,258.4	990
Assets under management	1,200.0	1,440.0	1,800.0	2,150.0	2,350.0	3,000

* ROA = (Operating income + Non-operating income) / Average total assets over the period

buildings and urban renaissance projects, including such flagship assets as the Nihonbashi Mitsui Tower, the Ginza Mitsui Building, the Nihonbashi 1-chome Building, and Tokyo Midtown. During Challenge Plan 2008, asset sales and exchanges totaled a dynamic ¥210 billion, indicating the scale of our portfolio transformation.

An asset exchange in April 2006 with Nippon Building Fund, Inc., a Japanese real estate investment trust (J-REIT), is representative. Valued at approximately ¥100 billion, the exchange gave Mitsui Fudosan the JFE Building in Otemachi, a key Tokyo central business district. We are demolishing the JFE Building and will replace it with a new headquarters for Sumitomo Mitsui Banking Corporation that we expect to complete in 2010.

Retail facilities are also key to the holding business, and we have focused on aggressive investment to open numerous shopping malls that we manage. Business development using fixed-term leaseholds that do not require investment in the land has been central to our strategy because it enhances return on investment. Our focus on retail facilities culminated in the sequential opening during the second half of the fiscal year ended March 2007 of four 200,000m^2 class properties: Lazona Kawasaki Plaza, LaLaport Toyosu, LaLaport Kashiwanoha, and LaLaport Yokohama. More important, we have exceeded projections for attracting tenants and revenue at these properties. The retail facility business has increased floor space under management by 1.5 times compared to four years ago, and it has joined office buildings as a pillar of the holding business.

The Trading Business: Embracing Investors

Our goals in the trading business were to strengthen earnings from sales of housing and to transform sales of commercial properties to investors into a growth driver.

The trend toward small families in Japan is representative of the issues now impacting sales of new housing. The needs of people purchasing residential properties have become more diverse, and the family segment has contracted. However, Mitsui Fudosan has maintained an assiduous focus on putting customers first, and in October 2006 established Mitsui Fudosan Residential Co., Ltd., a Group company that integrates the residential property value chain from acquisition of raw land to housing construction and sales. This move represented a significant organizational change, but our thorough commitment to putting customers first and raising management efficiency resulted in performance gains and year-on-year growth in sales of properties to individuals.

In the current market, competition in acquiring land has become intense, giving rise to concerns that costs will rise and earnings will decrease. However, Mitsui Fudosan has excellent relationships with numerous business partners, and has enhanced its expertise in redevelopment projects that involve cooperation with the public sector. These and other strengths have allowed Mitsui Fudosan to use its own channels to acquire a 3.5-year supply of land sufficient for approximately 25,000 units of housing.

We achieved our targets for profits, re-engineering our earnings structure and strengthening our financial base in the year to March 2007, two years ahead of plan.

Sales of commercial properties to investors have been central to our growth strategy. We have developed a broad range of properties for sale to investors in making this business a pillar of the trading business. Moreover, after we sell properties to investors we typically receive the property management contract, which synergistically increases assets under management.

When Challenge Plan 2008 began, we emphasized adding value to existing buildings to increase occupancy and reduce management costs. However, we adapted to emerging market trends and needs by gradually increasing the ratio of building conversions and development projects. In addition, we extended operations beyond properties to include loan receivables and acquisitions. We are now looking at a broader range of opportunities that include hotels and sports facilities.

We have placed particular emphasis on rental housing for sale to investors. Factors such as the falling birth rate, the aging of society and the rising popularity of urban housing have caused housing preferences to diversify and increased needs for rental housing. At the same time, the supply of quality residential rental properties that offer attractive tangibles and intangibles remains limited. We see an opportunity that is linked to the expanding real estate investment market, and therefore listed our second J-REIT, Nippon Accommodations Fund Inc. in August 2006. It specializes in leasing residential properties, and we will work closely with it in developing properties for it to buy.

The Management Business: Adding Depth to Earnings

In the management business, we provide professional services including asset management, property management, brokerage and consulting, and have expanded assets under management on behalf of investors and originators. Our strategy has revolved around generating stable growth in fee income.

We have re-focused Mitsui Fudosan Real Estate Sales Co., Ltd. on the secondary market. Society is maturing, which has made real estate distribution a growth market, and we have also built specialized skills in the Repark car park leasing business. Moreover, our master lease and fee development business is focusing on revitalization of properties throughout Japan.

J-REITs that Mitsui Fudosan has listed — Nippon Building Fund and Nippon Accommodations Fund — now have assets of more than ¥800 billion. Mitsui Fudosan also manages multiple private funds in units of ¥100 billion for institutional investors. These funds use a stable management approach and invest primarily in office buildings as well as a wide range of other properties including multi-use properties, sports facilities, and housing for seniors.

During Challenge Plan 2016, we intend to respond seamlessly to changing markets and customer needs arising from these trends. We see this as an outstanding opportunity for growth over the next decade as long as we evolve in tandem with accelerating external changes.

Targets for First Three Years of Challenge Plan 2016

(Billions of yen)

Years to March 31	2007 (Actual)	2008 (Est.)	2010 (Targets)
Operating income	¥161.8	¥175.0	¥220.0
Holding Business	75.3	77.5	95.0
Trading Business	48.8	57.4	70.0
Management Business	47.8	54.4	64.0
ROE (%)	8.3	8.7	9.5
Debt / Equity ratio (times)	1.3	1.4	1.4
(Reference) ROA* (%)	5.5	5.5	6.2

* ROA = (Operating income + Non-operating income) / Average total assets over the period

Generally, J-REITs and private funds affiliated with Mitsui Fudosan purchase properties that the Mitsui Fudosan Group develops, and then contract with Mitsui Fudosan to manage the properties. This positions Mitsui Fudosan throughout the value chain from development to property management.

Assets under management have been increasing by about ¥300.0 billion annually, and stood at ¥2.35 trillion as of March 31, 2007. They have nearly doubled during Challenge Plan 2008, and fee income generated by the Mitsui Fudosan Group has increased to ¥19.0 billion. This growth underscores the importance of Group companies in the management business value chain. It also emphasizes the effectiveness of our moves to enhance efficiency. In addition to the reorganization of housing-related companies discussed above, restructuring initiatives have included the transfer and consolidation of property management functions, and the reorganization of building maintenance companies. As a result, Group companies now add significant depth to earnings. They generated operating income of ¥59.5 billion for the year ending March 2007, which accounted for about 37 percent of consolidated operating income and is approximately 1.7 times the operating income Group companies generated prior to the start of Challenge Plan 2008.

Challenge Plan 2016

We exceeded expectations in achieving the goals of Challenge Plan 2008, and we intend to do so again with Challenge Plan 2016. Looking forward, Japanese society will undergo socioeconomic change in becoming more mature and more global. We intend to respond seamlessly to changing markets and customer needs arising from these trends. We see this as an outstanding opportunity for growth over the next decade as long as we evolve in tandem with accelerating external changes.

We must understand socioeconomic change to create new value and promote the creation of appealing urban spaces. Moreover, we aspire to be a real estate solutions partner serving the global market. By doing so, we will contribute to Japan’s continued economic growth, social progress, and affluence for customers.

The feature section of Annual Report 2007 provides a more detailed explanation of Challenge Plan 2016. Basically, we have divided the next 10 years into two stages. Stage I runs through the year ending March 2012. We will implement growth strategies during this stage and determine directions, while strengthening core businesses and incubating future growth businesses. Stage II will begin in April 2012. We will initiate full-scale global business development while generating further growth in core businesses. A key objective will be transforming emerging business areas into growth drivers.

Growth Strategy for the First Five Years

We have two fundamental strategic emphases for the first five years of Challenge Plan 2016. The first is well-balanced growth among our three core holding, trading and management businesses. We intend to not only focus on developing growth vertically within each business, but also on integrating these three businesses horizontally to maximize value. The second key point of our strategy is expanding our business platform. This will entail incubating and developing future business platforms in areas such as overseas real estate development and the resort business.

While enhancing our three core businesses, we intend to generate additional expansion from the synergy between the sustainable growth in profits and agile capital deployment that includes strong shareholder returns.

Increasing Corporate Value

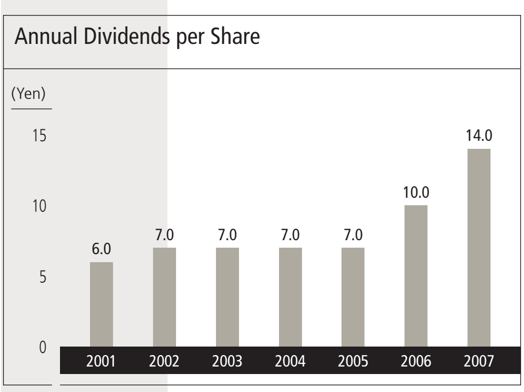
The Mitsui Fudosan Group will maintain its intense focus on creating value for its stakeholders. We intend to meet the expectations of shareholders by managing with an emphasis on return on equity and a sound financial structure. We have targeted an annual payout ratio of 20 percent of consolidated net income.

Corporate governance is a crucial component of the value we deliver. We plan to increase the number of outside directors from one to two, while increasing the correlation between remuneration and business performance. Moving to enhance compliance and internal controls, we will establish and rigorously apply a new internal financial reporting system. We will also develop the programs and systems we need to address the enactment of the Financial Instruments and Exchange Law, which regulates the real estate securitization business, including beneficiary rights and private funds. Our staunch commitment to corporate social responsibility (CSR) will not change. Based on the concepts of harmonious coexistence and linking diverse value perceptions, we will strengthen CSR initiatives via our mainstay urban renaissance business and other means.

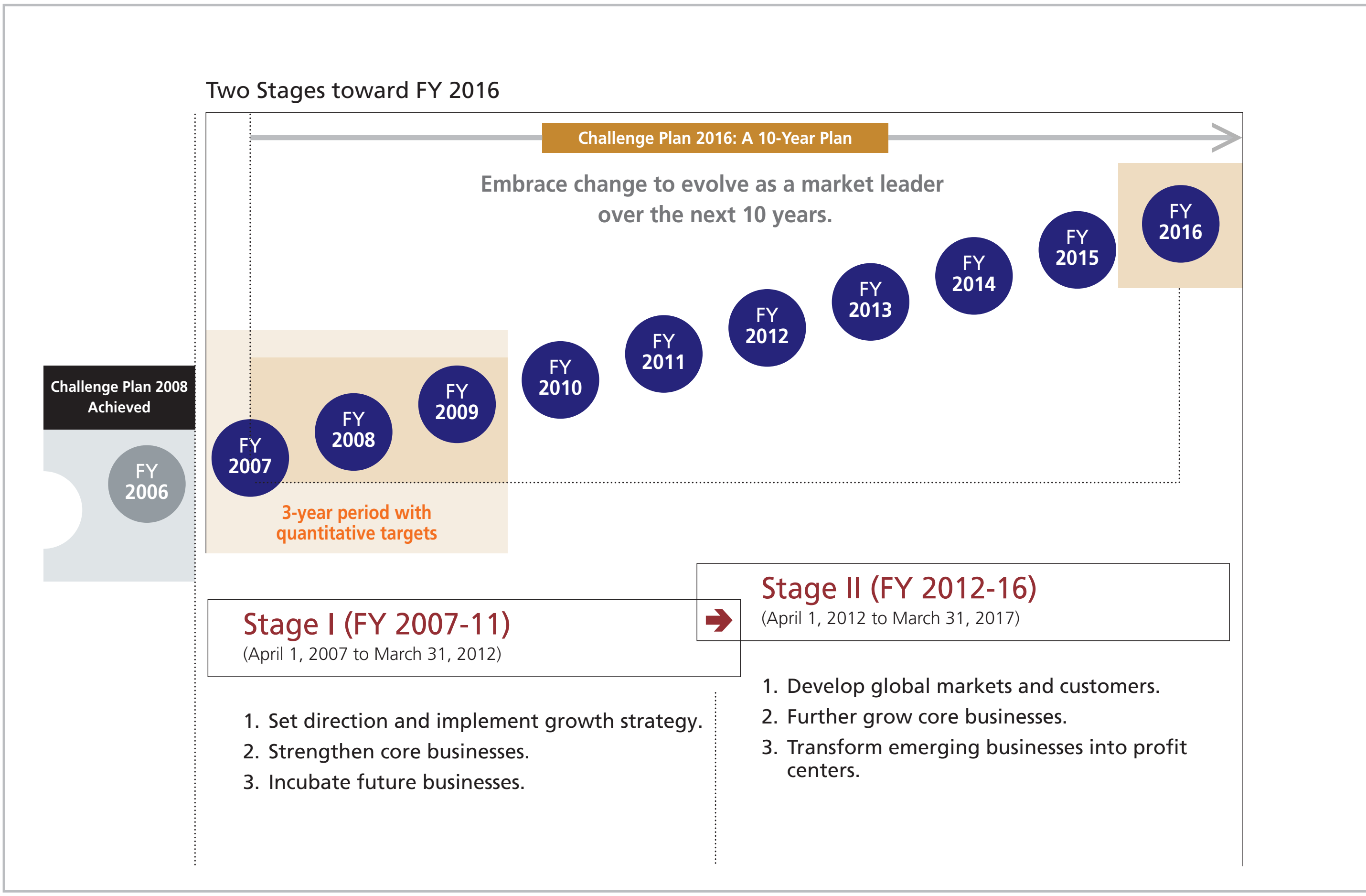
I am proud of the commitment the people of the Mitsui Fudosan Group have demonstrated in making Challenge Plan 2008 a resounding success, and I am confident that we will continue to exceed the expectations of our stakeholders in executing Challenge Plan 2016. We will be counting on your continued support as we turn our vision into value.

July 2007

Hiromichi Iwasa
President and Chief Executive Officer



An Overview of Challenge Plan 2016



A Growth Model with Two Stages

Challenge Plan 2016 is a two-stage blueprint for growth. During Stage I through March 2012, we will determine directions, strengthen core businesses and incubate future growth businesses. During Stage II through March 2017, we will build the businesses we have developed in Japan and overseas during Stage I into profit centers while generating further growth in core businesses. A key objective will be transforming emerging business areas into growth drivers.

Our plan for creating value has two fundamental strategic emphases. First, we intend to generate balanced growth among our three core businesses of holding, trading and management. Flexibility and integration will be key as we accommodate the particular characteristics of projects and the needs of partners in our core businesses to maximize value. We will continue to use our expertise and information resources to emphasize excellent prospects for both growth and earnings. Our management business does not require leverage or assets, so it builds stability and capital efficiency into our growth strategy because its

Strategic Emphases of Challenge Plan 2016

Well-Balanced Growth among Three Core Businesses

Promote combinations of holding, trading and management that match project features.

Use this hybrid business model to build a diversified pipeline.

Participate in urban and regional redevelopment in central and metropolitan Tokyo and outlying areas.

Expansion into New Businesses

Incubate and develop businesses for the future including overseas real estate development and the resort business.

Corporate Value

ROE-Based Management

Generate profitable growth and solid shareholder returns from a stable financial base.

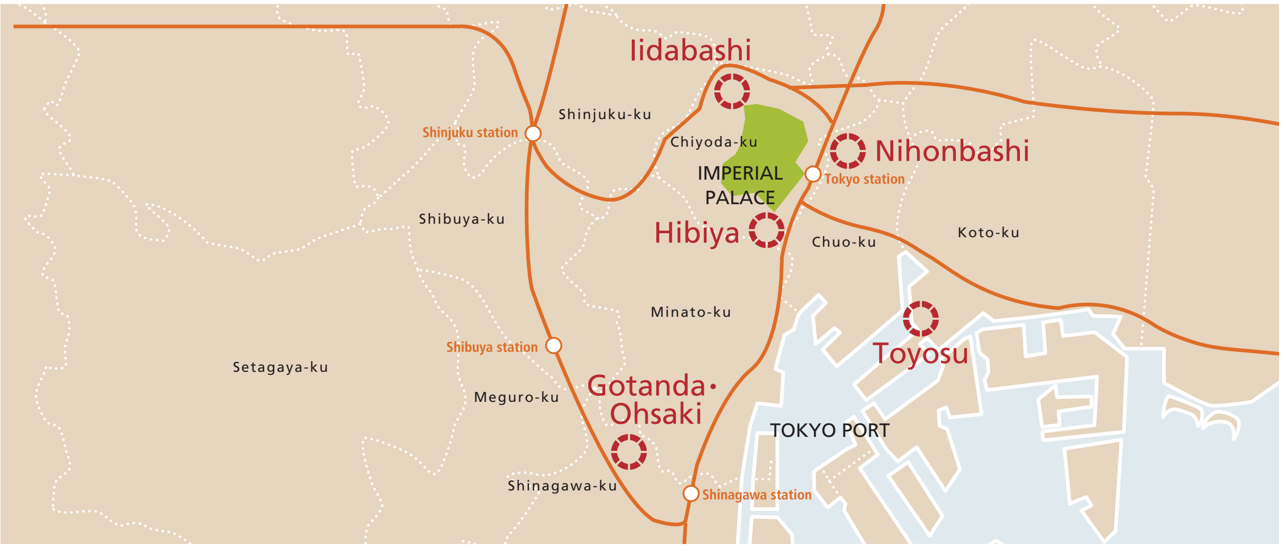
Effective Corporate Governance

Enhance internal controls and maintain the highest levels of compliance.

stable fee-based cash flow complements our traditionally capital-intensive holding and trading businesses. We also believe that flexibility and our focus on quality earnings will present numerous outstanding business opportunities. In addition to various combinations of our core businesses, we are constantly innovating our business model in the real estate investment market. In urban renaissance projects such as Tokyo Midtown, we bring together numerous operating and human resources to create new value. Moreover, in addition to central Tokyo and the greater Tokyo area, we are promoting urban and regional renaissance projects in regional urban centers including the greater Osaka area, Sapporo and Nagoya.

The second strategic emphasis will be incubating and developing business for the future. We intend to take a disciplined approach to growth areas such as overseas real estate and the resort business. As our efforts generate results, we will transform new businesses into profit centers.

Urban Renaissance Business: Large-Scale Growth Opportunities



Urban Renaissance Business: Large-scale Growth Opportunities

The urban renaissance business focuses on major urban redevelopment projects, typically in cooperation with other companies, local landowners and the public sector. These projects revitalize urban neighborhoods, often helping them make the transition from industrial to modern mixed-use areas. We typically deploy our entire skills portfolio in executing these projects, handling development, coordinating investors and then providing management services after project completion. Urban renaissance projects also enhance our pipeline of high-quality new assets while helping to control the cost of acquiring land. In Nihonbashi, we have completed major urban renaissance projects including the Nihonbashi 1-chome Building and Nihonbashi Mitsui Tower. We are now undertaking redevelopment projects across from the Mitsui Main Building at Mitsui Building Annex No. 3 and an area adjacent to it, and in Nihonbashi 2-chome where the Takashimaya department store is located. In contributing to the renaissance of Nihonbashi, Mitsui Fudosan's emphasis has moved beyond particular buildings to the development of entire areas.

We are also active in other areas around central Tokyo. In Hibiya, Mitsui Fudosan is promoting the redevelopment of two flagship assets, the Sanshin Building and the Hibiya Mitsui Building. In Iidabashi, we will acquire the 5,500m^2 site of the current Tokyo Metropolitan Police Hospital when it moves to a new location in 2008. We will then begin negotiations with local residents in preparation for the redevelopment of the entire 18,500m^2 area in which it is located. In Gotanda and Ohsaki, we have been involved in redeveloping 29 hectares of land for more than 20 years. We are leading a redevelopment project there that began with the Oval Court Ohsaki Project and is transforming a former industrial area. We also began work this year on the Higashi Gotanda 2-chome Area 2 Project. In addition, we are expanding urban renaissance projects in cooperation with local businesses in various localities.

Overseas Real Estate Development: Expanding Core Businesses Globally

Profitable participation in globalization of real estate markets

Markets	Opportunities	Customer Needs
U.S. & Europe: Stable and liquid East Asia: Strong growth potential	Form joint ventures with Japanese companies Launch real estate funds in the U.S. and the U.K. Participate in the development business in East Asia and Singapore	Domestic investors seeking quality investment opportunities Foreign investors seeking global opportunities Local customers

Rising Needs Create Business Potential

The scale of the global real estate investment market is expanding, and at the same time the ratio of cross-border investment is increasing rapidly. Over the past several years, the REIT market has developed in country after country, giving rise to issues such as the emergence of real estate investment as a dynamically interrelated component of finance and investment markets.

The real estate investment market will become increasingly global in the future, with national markets converging into a single global market. Mitsui Fudosan customers such as J-REITs, domestic financial institutions and corporate tenants face global competition and have international investment needs. More than ever, they require solutions for safe, reliable office space and housing.

Challenge Plan 2016 embraces this vision of the future, and Mitsui Fudosan intends to strengthen its overseas business operations. This is a logical move given the globalization of real estate investment markets and the increasing international competition among cities.

Specific Business Development Initiatives

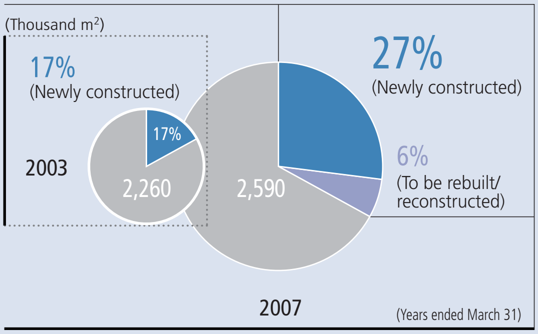
In the real estate investment market, national markets have their own specific practices and systems. Consequently, Mitsui Fudosan is strengthening its alliances with strong in-market companies and is acquiring completed assets that are already operating. The holding business is not our sole focus. Under Challenge Plan 2016, we intend to make use of our strong customer base using a business model that integrates our three core businesses of holding, trading and management. We have already determined our target areas, with objectives including the establishment of funds in the United States and Europe and participation in the development business in eastern Asia, including China. We are moving forward steadily with these initiatives, with the goal of establishing a business base and building the required infrastructure, such as systems and human resources, by fiscal 2011 so that overseas operations evolve into a core profit center by fiscal 2016.

The Oceanfront @ Sentosa
(Completion scheduled for 2009 / 264 units)

Achievements under Challenge Plan 2008

We successfully raised the quality of assets in our portfolio to improve competitiveness and profitability.

Share of New Office Buildings in Portfolio (by floor area)*



* Total floor area of buildings owned and masterleased / "Newly constructed" includes buildings constructed within the past 5 years.

Nihonbashi Mitsui Tower
Renovation of this building, which is owned by Mitsui Fudosan, has made it a landmark of the Nihonbashi area.
(Office building / Completed in September 2005 / 130,000m^2)

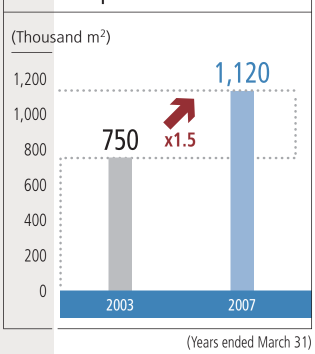
Holding: Strong Pipeline, Superior Portfolio

The holding business consists of leasing office building and retail facilities. During Challenge Plan 2008, we made excellent progress in raising the quality of assets in our portfolio to improve competitiveness and profitability. Four years ago, we set a benchmark of doubling the percentage of office buildings in our portfolio that are less than five years old. A key emphasis was redevelopment projects with strong ROI, and urban renaissance projects including such flagship assets as the Nihonbashi Mitsui Tower, the Ginza Mitsui Building, the Nihonbashi 1-chome Building and Tokyo Midtown. Moreover, we made dynamic changes in our portfolio by both selling and exchanging assets. Renovations, sales and transfers involved properties worth ¥210 billion. As part of this program, in April 2006 we executed an exchange of assets totaling approximately ¥100 billion with Nippon Building Fund Inc. (NBF), and acquired the JFE Building in Otemachi as part of this transaction. We are now demolishing the JFE Building to prepare for the redevelopment of this property in 2010 to create the headquarters of the Sumitomo Mitsui Banking Corporation.

Moreover, we aggressively invested to expand the number of shopping malls that we own and manage and increased floor space under management by about

LaLaport Kashiwanoha
(Retail facilities / Opened in November 2006)

Gross Rentable Area of Retail Properties*



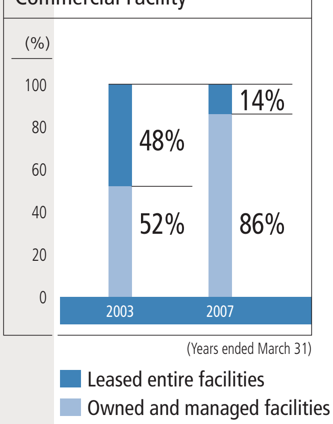
* Total of buildings owned and masterleased

Urban Dock LaLaport Toyosu
(Retail facilities / Opened in October 2006)

Lazona Kawasaki Plaza
(Retail facilities / Opened in September 2006)

LaLaport Yokohama
(Retail facilities / Opened in March 2007)

Share of Earnings by Type of Commercial Facility



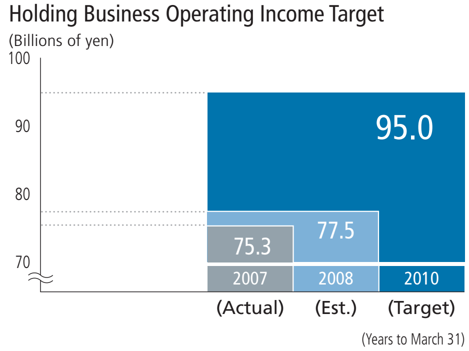
50 percent compared with four years ago. In this business, we frequently use fixed-term leaseholds because they enhance ROI by limiting initial capital outlays for land. A particular strength in this business is the wide range of options we offer in upgrading core urban retail facilities.

Major regional shopping malls have emerged as a highly successful concept. Beginning in September 2006, we opened four 200,000m²-class shopping malls in the greater Tokyo area – Lazona Kawasaki Plaza, LaLaport Toyosu, LaLaport Kashiwanoha and LaLaport Yokohama. Visitors and sales have exceeded expectations at each location.

Strategies under Challenge Plan 2016

We will promote a stronger asset strategy to rapidly bring properties on stream, especially highly competitive and profitable office buildings and retail facilities.

Holding Business Operating Income Target



GranTokyo North Tower

This class A building at the Yaesu exit of Tokyo Station will be an integral part of the station area's transformation into a truly international city center.
(Office building / Completion scheduled for October 2007 / 17,000m²)

Enhancing Our Portfolio

Strategies under Challenge Plan 2016

Under Challenge Plan 2016, we will continue our emphasis on increasing the value of our portfolio by replacing aging properties with new assets. Our strategy in the holding business during Challenge Plan 2016 centers on rapidly bringing properties on stream, especially highly competitive and profitable office buildings and retail facilities. For office buildings, over the next five years we will add 520,000m² to our portfolio. Several projects will support progress toward our objectives in the near term. These include GranTokyo North Tower, a major office building well suited to modern information needs and environmental concerns that is integrated with venerable Tokyo

Yodoyabashi Redevelopment
(Office building / Completion scheduled for March 2008 / 44,000m²)

LaLaport Shin Misato
(Retail facilities / Opening in autumn 2008)

Iruma Outlet Park
(Outlet mall / Opening in spring 2008)

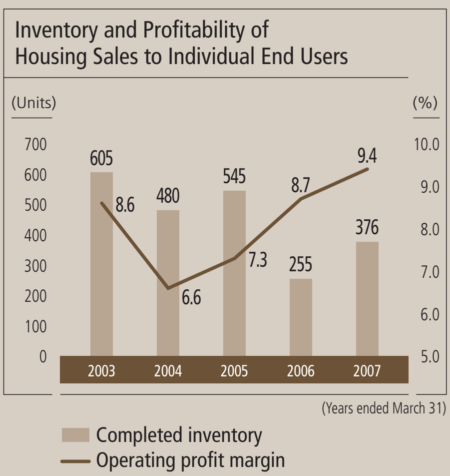
Station. Phase I is scheduled for completion in October 2007, and Phase 2 is scheduled for completion in March 2011. Together, they will offer total rentable area of approximately 63,000m² on a total site area of 19,670m² that is one of the most convenient locations in Tokyo. In making these significant additions to our pipeline and moving them into our portfolio, we will concentrate investment in Tokyo and other large cities where we project stable growth. For example, in fall 2010 we plan to open the Yokohama Mitsui Building, which will feature approximately 89,000m² of space in Japan's second largest city.

We also intend to add 520,000m² to our retail facilities portfolio. Here again, we will complement major regional shopping centers, such as the 164,000m² LaLaport Shin Misato shopping center in the Saitama area adjacent to Tokyo, with sleek urban properties. These include Ginza M Project (tentative name) that will add to Mitsui Fudosan's strong presence in one of the world's premier shopping districts.

In tandem with our efforts to diversify our portfolio with projects in regional cities in Japan, we plan to initiate programs in major cities overseas as Challenge Plan 2016 progresses. As a result, we expect operating income in the holding business to increase to ¥95.0 billion by fiscal 2009.

Achievements under Challenge Plan 2008

We improved profitability by restructuring our operations to focus more intently on customers and segments.



Shibaura Island Cape Tower

This high-rise condominium is located at the southern tip of Shibaura Island, which was developed based on the concept of "an island of greenery and water."

(Housing for sale / Completed in December 2006 / 1,095 units)

Trading: Innovation and Flexibility Expand Opportunities

The trading business consists of sales of housing to individual end users and the development and sale of rental housing, office buildings and commercial properties to investors. During Challenge Plan 2008, we had two primary goals: strengthen profitability of sales of housing and make investors into an additional core customer group of the trading business. In working toward these goals, we improved competitiveness and profitability by restructuring our operations to focus more intently on customers and on a wider array of customer segments.

The number of small households has increased in Japan, while the overall family market segment has contracted. Customer needs are diversifying at great speed. We therefore restructured housing sales to individuals to enhance our assiduous customer focus, including the integration of several Group companies involved in residential housing to create Mitsui Fudosan Residential Co., Ltd. Our operating margin in the trading business improved as a result. This new Group company is strongly competitive because it integrates the entire residential value chain from land acquisition through sales. In the secondary market, we refocused Mitsui Fudosan Real Estate Sales on the real estate brokerage market in which it is Japan's leading company, while also developing specialized skills in the car park leasing business.

In the current market, competition to acquire land to develop has intensified, which is increasing costs and pressuring profitability. The Mitsui Fudosan Group has many business partners and excellent relationships, and is also aggressively participating in redevelopment projects. We have therefore been able to use our own channels to acquire land for 25,000 units of housing, or about a three-year supply.

Urban Dock Park City Toyosu

Developed on a former dockyard site, these two towers will stand next to Urban Dock LaLaport Toyosu, a large-scale shopping mall.
(Housing for sale / Completed in March 2007 / 1,481 units)

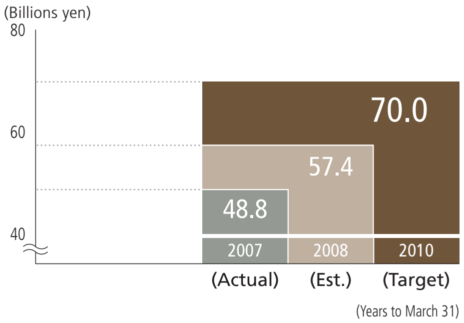
A key to our success under Challenge Plan 2008 was our decision to work with investors as customers rather than compete against them. As a result, we have increased earnings from sales to investors by 2.5 times over the past four years. Mitsui Fudosan used a wide array of methods to create diverse, high-quality opportunities for investors and provide opportunities for steady earnings growth, including the creation of J-REITs. Initially, adding value to increase occupancy and reduce operating costs was a key thrust. However, the proportion of conversions and development projects increased as Challenge Plan 2008 progressed. Moreover, we broadened our participation in the property market by expanding activities in areas such as hotels and sports facilities, and we also captured opportunities beyond buildings by participating in the markets for securitized real estate and by making acquisitions. We put particular effort into rental housing. Japan's low birthrate, the aging of society, shifting preferences toward urban living and other trends have increased rental needs while lowering the desire of end users to purchase. The existing supply of rental housing that has excellent tangibles and intangibles is insufficient, and we see an excellent opportunity for continued growth. Our second J-REIT, Nippon Accommodations Fund, Inc. (NAF), specializes in rental housing. It listed its shares in August 2006, and we are developing properties for sale to this fund.

Synergy has been an important component of our strategy as investors that purchase properties typically contract with the Mitsui Fudosan Group for property and asset management services within the core maintenance business. After selling properties to funds, we typically receive the management contract as well. Thus our participation in the real estate value chain continues into management services.

Strategies under Challenge Plan 2016

We will take an integrated approach to create entire neighborhoods in a series of large-scale projects.

Trading Business Operating Income Target



Hiroo Garden Forest
(Housing for sale / Completion scheduled for autumn 2009 / 670 units)

Strategies under Challenge Plan 2016

During Challenge Plan 2016, increased scale will be one of our strategies for sales of housing. We have acquired land for 25,000 units of residential housing, and plan to complete a succession of large-scale developments. These efforts will include an integrated approach to create entire towns in a series of large-scale projects that will incorporate commercial and other facilities to raise competitiveness. We also intend to swiftly increase units of housing sold to 7,000 annually, and will further tailor products, including housing for small families and the elderly, and services to accommodate trends such as the falling birth rate and the rising age of society. Moreover, rather than simply increasing the number of properties we supply to individuals, we will also continue to make tangible improvements in quality.

Mitsui Fudosan deploys its abundant experience and ingenuity in its original design standards for managing the quality of construction, structural elements and facilities. Our supervision during construction ensures the highest quality housing for our customers, thus maintaining our competitiveness. In addition, we will promote development of new resort and overseas businesses.

We will strengthen our ability to sell properties to investors through alliances with management companies outside the Mitsui Fudosan Group in working to offer a wider array of options. On the other hand, we will employ techniques such as acquisitions and private fund investment in order to expand our pipeline while deploying capital efficiently. As a result, we expect to increase operating income in the trading business to ¥70.0 billion.

Park City Hamadayama
(Housing for sale / Completion scheduled for December 2008 and February 2009 / 267 units)

Park City Musashikosugi
(Housing for sale / Completion scheduled for November 2008 and April 2009 / 1,437 units)

LALA Garden Kasukabe
(Retail facilities / Opening in autumn 2007)

Kita Aoyama Project
(Office building / Completion scheduled for August 2008 / 47,000m^2)

Achievements under Challenge Plan 2008

We expanded assets under management and fee income while listing two J-REITs and expanding the number of private funds we manage.

Tokyo Midtown
Tokyo Midtown offers office, retail and residential facilities. The Ritz-Carlton Hotel and the Suntory Museum of Art add further appeal to this innovative urban development.
(Opened in March 2007 / 569,000m²)

Management: Capital Efficiency, Good Synergy

The management business encompasses property management and asset management for REITs and private funds. During Challenge Plan 2008, the management business expanded assets under management and increased fee income by emphasizing its role as a trustee and contract service provider on behalf of investors and originators. A key thrust was increasing fee income from providing professional services such as asset management, property management and brokerage services. Our goals were growth in Group companies that provide management services and efficient Group management.

Mitsui Fudosan listed two J-REITs during Challenge Plan 2008, which supported strong expansion in assets under management as NBF and NAF each have assets exceeding ¥800.0 billion. We also expanded the number of private funds we manages with the objective of stable returns.

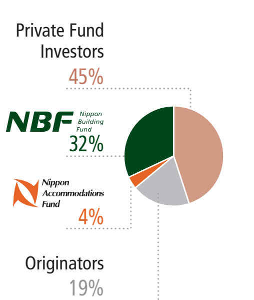
Management operations centered on office buildings, but also expanded to include a variety of properties such as mixed-use buildings, sports facilities and housing for the elderly. Synergy remained a source of growth. J-REITs and private funds acquired buildings that the Mitsui Fudosan Group developed and contracted with the Mitsui Fudosan Group for management services, thus extending the value chain from development to management. Revenues from subleasing and development management also increased steadily.

In March 2007, we began renovating the former Daiei Niigata store into a new shopping mall. We expect to continue contributing to the revitalization of regional urban areas through this type of approach in the future.

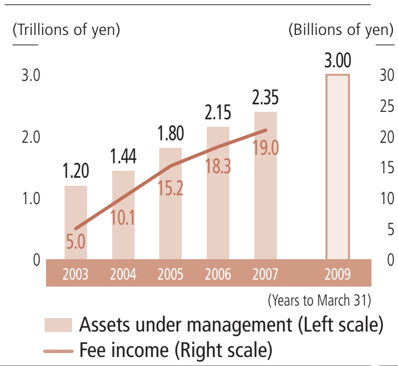
As a result of the above, assets under management increased by ¥300.0 billion each year to ¥2,350.0 billion, about double the level at the start of Challenge Plan 2008. Fee income for the Mitsui Fudosan Group increased to ¥19.0 billion.

Group companies are an important part of the value chain in the management business. Our goal was to generate growth among Group companies by expanding assets under management and providing services such as property management while making overall Group management more efficient. As a result, Group companies contributed ¥59.5 billion to recurring income, about 1.7 times plan and representing about 37 percent of recurring income.

Assets under Management, FY2006 Total : ¥2,350 billion



Expansion in Assets under Management & Fee Income



Strategies under Challenge Plan 2016

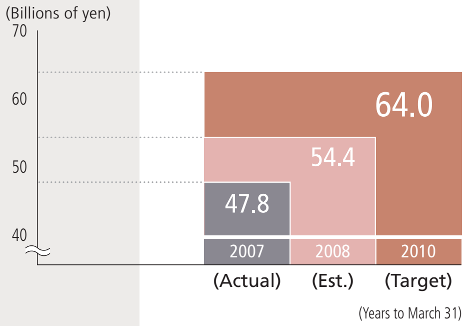
We will continue to expand assets under management through masterleasing and development management, as well as J-REITs and private funds.

Akasaka TBS Project

Moving to make more effective use of its real estate assets, Tokyo Broadcasting System, Inc. brought in Mitsui Fudosan to serve as project manager in executing this comprehensive redevelopment in a premier Tokyo neighborhood. It will encompass office, residential and theater components. Mitsui Fudosan will also provide masterleasing and property management services once construction is complete.

(Completion scheduled for January 2008 / 219,000m²)

Management Business Operating Income Target



Strategies under Challenge Plan 2016

Under Challenge Plan 2016, we will promote expansion in assets under management through relationships with J-REITs and private funds, and also through sub-leasing arrangements. Our goal is to increase assets under management to ¥3.3 trillion over the next three years and to ¥4.0 trillion over the five years ending March 2012. We will also expand our involvement in masterleasing and development management, as well as renovations, conversions, and other management business aimed at rejuvenating assets, both in city centers and regional areas.

Mitsui Fudosan is a leading brand in the Japanese real estate market, and we will continue to expand sales to investors in working to become the number one brand in Japan's real estate investment market. This will include enhancing the growth of the two J-REITs we have launched, Nippon Building Fund Inc. and Nippon Accommodations Fund Inc. While supporting growth in the private funds we already manage, we also intend to create funds that invest in areas such as hotels and resorts. Moreover, we will energetically build our masterleasing and development management operations. For example, Mitsui Fudosan is now the largest operator of commercial facilities in Tokyo's Ginza area, with four facilities operating and another six projects in the planning stage. In addition, we will strengthen asset redevelopment operations in city centers and regional areas, and build on the synergy that exists with the holding and trading businesses in such projects.

Another pillar of the management business is the brokerage services that Group company Mitsui Real Estate Sales Co., Ltd. provides in the secondary market for residential properties. In Japan, transaction volume in this market relative to that in the market for new properties is low compared to the corresponding balance in the U.S. and Europe. We see excellent potential for future growth in Japan. The Mitsui Fudosan Group's Rehouse brand is number one in Japan's brokerage market, and we intend to build on this strength in generating future growth.

As a result of these initiatives, we expect to increase operating income in the management business to ¥64.0 billion.

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 Group Mission delineate our objective of supporting 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 Group Mission.

The Mitsui Fudosan Group's mission is the creation of affluent, comfortable urban environments. This mission includes harmonious coexistence with the environment, and we have a concrete, realistic philosophy and set of policies for our environmental conservation activities. Our concern for the environment is embedded at every level of operations. We establish environmental goals and incorporate clear assessments of environmental impact from the earliest stages of planning, while continually promoting conservation. Our initiatives to reduce environmental impact include preventing pollution, rigorously complying with environmental laws, and formulating independent standards when necessary. The Mitsui Fudosan Group educates employees concerning environmental policies, and consistently provides information to keep society and local communities aware of our environmental measures and their results.

Environmental Support System

The Society and Environment Special Committee, which is chaired by the director responsible for administration at Mitsui Fudosan, makes sure that Group environmental initiatives cut across organizational boundaries and unify Group resources. This committee summarizes and considers environmental targets and plans proposed by divisions and departments, and then sets targets, 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. We include environmental planning from the earliest stages of planning a building. We also implement numerous measures, such as eliminating volatile chemical compounds, so that interior space will not pose hazards to the health of users. The Mitsui Fudosan Group is currently working toward ISO 14001 certification of its environmental management system. As of October 2006, a total of six Group companies, four divisions and seven facilities had obtained ISO 14001 certification.

Designing office buildings for long life to increase energy efficiency and reduce CO_2 emissions throughout each building's life cycle is another core initiative. We also promote recycling and cooperate with outside experts to devise systems to handle various types of waste generated during the course of operations.

In addition, 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 enable automatic, efficient calculation of environmental costs and benefits. In fiscal 2006, this division began using CASBEE (Comprehensive Assessment System for Building

The Mitsui Fudosan Group and Its Commitment to the Environment 2006

Tokyo *Metrolink*, sponsored in part by Mitsui Fudosan, is a convenient electric shuttle that serves the Nihonbashi area.

Environmental Efficiency), the assessment system recommended by the Ministry of Land, Infrastructure and Transport, and obtained the "S" or highest rank for two large-scale buildings.

Promoting Urban Greening

The Mitsui Fudosan Group is taking progressive measures regarding greenification and rooftop gardens. A biotope at a condominium complex in Kawasaki, for example, emphasizes living in harmony with nature. A garden atop an apartment building in Nihonbashi in Tokyo helps to ease the heat island effect while providing a resting place for residents. In addition, a park, a tree-lined central promenade and a garden representing Japan's traditional 24 seasonal divides are features of redevelopment at a former shipyard in the Toyosu section of Tokyo. Our aim is to create a comfortable urban environment that is friendly to both users and the environment.

Improving Indoor Air Quality

We seek to help to ensure the safety of building users and the quality of the environment around them by improving indoor air quality and reducing harmful substances. As one initiative in this area, we have been working to eliminate the use of building materials that contain formaldehyde or 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 make it our goal to obtain the IBEC superior architecture mark for environment and energy (level one or higher) for office buildings. Nihonbashi Mitsui Tower in Tokyo, completed in fiscal 2005, has obtained this mark.

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 contributes to local communities and society at large in a variety of ways. These include environmental conservation, economic and industrial development, health and welfare improvement, support for the arts, and conservation of traditional cultural assets. 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. We also provide strong employee development and support programs so that employees can maximize their capabilities and find satisfaction in their professional work.

Total Quality Product Management

Our focus on customers includes a strong emphasis on the quality of the housing and properties we sell and manage. Mitsui Fudosan employs total quality project management (TQPM), which is a project management technique for attaining comprehensive quality throughout a project. It also helps us conform to ISO 9001, the international standard for quality management systems. This approach includes "Basic Interior Construction Guidelines" that clarify objective quality standards and precisely define acceptable quantitative measurements for visible discrepancies in the final product.

Contributing to the Revitalization of Nihonbashi

The Mitsui Group originated in the Nihonbashi district of Tokyo. 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. We also contribute to the revitalization and restoration of the area through urban redevelopment projects that respect and pass down the traditions and culture of the area. Since April 2003, the Nihonbashi Urban Planning and Development Department has been building even stronger ties with the local community while bringing new energy to the area.

Mitsui Fudosan employees volunteer at the grassroots level to contribute to the Nihonbashi area in ways such as participating in neighborhood cleaning and beautification programs.

Sound, transparent and efficient management is the objective of Mitsui Fudosan's approach to corporate governance.

The objective of Mitsui Fudosan's approach to corporate governance is sound, transparent and efficient management that earns the trust of stakeholders. We continuously monitor and improve corporate governance to exceed legal requirements as we work to enhance flexibility in anticipating market change and objectivity in managing our businesses.

Mitsui Fudosan has improved the decision-making ability of its Board of Directors by decreasing the number of members to eight, including two directors from outside the Company. An external viewpoint on the Board has enhanced debate and awareness of broader management issues. 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. We also maintain a high degree of objectivity on the Board of Corporate Auditors, which consists of five members. Three corporate auditors are from outside the Company. The internal Audit Department cooperates with corporate auditors in objectively evaluating the performance of senior management as it executes its responsibilities. We have established a Corporate Auditors Department with full-time staff to assist the corporate auditors in their duties.

In addition, pursuant to Article 362, Paragraph 4 of the Japanese Corporate Law, Mitsui Fudosan has established the post of Special Director to participate in Board of Directors resolutions regarding urgent transfer of major assets.

An emphasis on effective internal controls, such as audits in all departments, also contributes to sound and objective management. In April 2006, Mitsui Fudosan established the Internal Control Committee, with responsibilities that include formulating policies and action plans and implementing them throughout the Group. Japan's real estate business is evolving in step with our rapidly changing operating environment. Flexibility and focus are essential. 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. To strengthen Group management, executives at Group companies have 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. We have also established the Mitsui Fudosan Group Compliance Policy as part of our commitment to ensuring appropriate business activity among all officers and employees throughout the Mitsui Fudosan Group. 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.

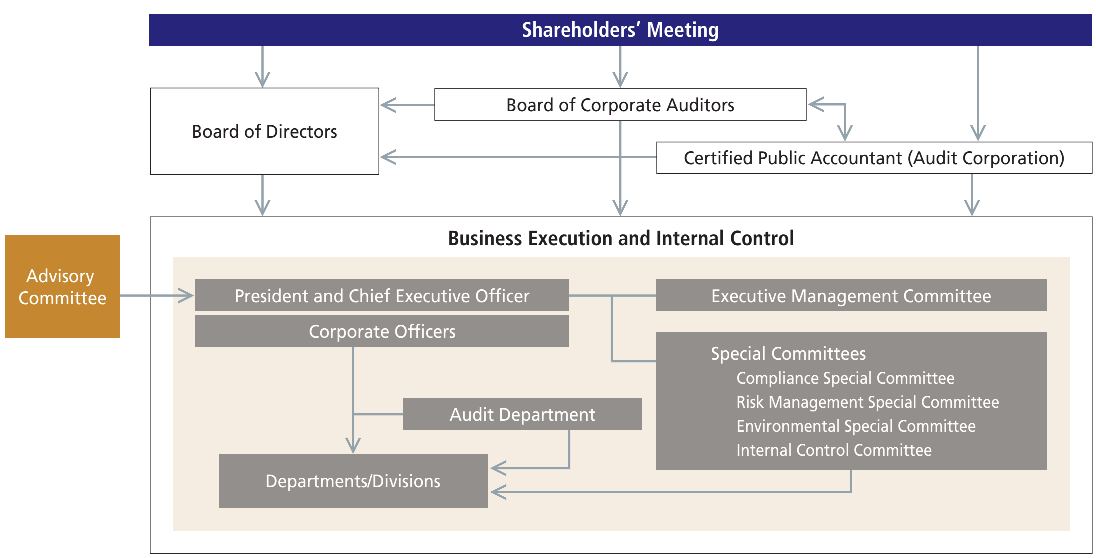
The following outlines compensation for directors and corporate auditors in the year ended March 31, 2007:

Title	Number	Compensation
Director	10	¥844 million
Corporate Auditor	5	¥95 million

The components of compensation for independent auditors are as follows in the year ended March 31, 2007:

Contractual compensation for audit certification and related responsibilities	¥70 million
Additional compensation	¥6 million

Corporate Governance Organization



Management Team

(As of June 28, 2007)

Members of the Board

President and Chief Executive Officer

Hiromichi Iwasa

Executive Vice Presidents

Koichi Omuro

Tatsuo Soda

Senior Executive Managing Directors

Mitsuhiro Matsumoto

Takayuki Namae

Yoshiki Kageyama

Executive Managing Director (Outside Director)

Toshiharu Aoki

Yoshiharu Hayakawa

Auditors

Senior Corporate Auditor

Kazuichi Nagata

Corporate Auditor

Nobumi Tobari

Corporate Auditors (Outside Auditors)

Akira Watanabe

Akishige Okada

Keiu Nishida

Corporate Officers

President and Chief Executive Officer

Hiromichi Iwasa

Executive Vice Presidents

Koichi Omuro

Tatsuo Soda

Senior Executive Managing Officers

Takayuki Namae

Yoshiki Kageyama

Executive Managing Officers

Masayuki Isobe

Hidehisa Takei

Takayoshi Saitou

Yoshiaki Iinuma

Seizo Kuramoto

Managing Officers

Teruaki Ueyama

Tetsu Oana

Hitoshi Saito

Hiroshi Asai

Toshihide Ichikawa

Shougo Nakai

Kenji Iino

Yoshikazu Kitahara

Group Managing Officers

Group Senior Managing Officer

Minoru Satou
Mitsui Real Estate Sales Co., Ltd.

Masao Maeda
LaLaport Co., Ltd.

Group Managing Officer

Shigeo Sasaki
First Facilities Co., Ltd.

Takashi Ikeda
Mitsui Fudosan Housing Service Co., Ltd.

Takeshi Suzuki
Mitsui Fudosan Residential Co., Ltd.

Masanobu Komoda
Mitsui Fudosan Residential Co., Ltd.

Youichi Arita
Mitsui Fudosan Building Management Co., Ltd.

Tadashi Andou
LaLaport Co., Ltd.

Six-Year Summary

Mitsui Fudosan Co., Ltd. and its Subsidiaries

Years ended March 31	2007	2006	2005	2004	2003	2002	2007
	Millions of yen except per share amounts and number of employees						Thousands of U.S. dollars except per share amounts
FOR THE YEAR:							
Revenue from operations	**¥1,229,194**	¥1,159,280	¥1,111,359	¥1,102,844	¥1,082,398	¥1,152,484	**$10,412,486**
Interest, dividends and miscellaneous	**23,946**	16,949	11,320	11,652	11,187	35,842	**202,846**
Costs and expenses (including tax)	**1,180,528**	1,121,676	1,096,075	1,103,241	1,070,613	1,163,972	**10,000,238**
Equity in net income of affiliated companies	**4,410**	3,155	3,596	3,535	2,905	3,301	**37,358**
Minority interests	**(1,808)**	(1,167)	(1,507)	(335)	(323)	2,152	**(15,315)**
Net income	**75,214**	56,541	28,693	14,455	25,554	29,807	**637,137**
AT YEAR-END:							
Total assets	**¥3,294,190**	¥2,986,502	¥2,928,199	¥2,916,583	¥2,929,070	¥3,028,969	**$27,905,040**
Shareholders' equity and valuation and translation adjustments	**944,196**	858,364	687,718	659,165	628,434	609,536	**7,998,272**
Common stock	**174,296**	174,296	134,433	134,433	134,433	134,433	**1,476,459**
Number of employees	**13,299**	13,053	12,707	12,808	12,615	12,503	
PER SHARE DATA:							
Net income	**¥ 85.5**	¥ 67.5	¥ 34.7	¥ 17.5	¥ 31.1	¥ 36.7	**$ 0.724**
Cash dividends applicable to the year	**14.0**	10.0	7.0	7.0	7.0	7.0	**0.119**
RATIOS:							
Equity ratio (%)	**28.7**	28.7	23.5	22.6	21.5	20.1	
Return on assets (%)	**5.50**	4.92	4.30	4.06	3.78	3.86	

Notes: 1. U.S. dollar amounts are translated from yen at the rate of ¥118.05 = U.S.$1.00, the approximate exchange rate at March 31, 2007.
2. Return on assets (ROA) = (Operating income + Non-operating income) / Average total assets

Income Analysis

(Billions of yen, %)

Years ended March 31	2007		2006		2005	
Revenue from operations	**¥1,229.2**	**100.0%**	¥1,159.3	100.0%	¥1,111.4	100.0%
Cost of revenue from operations	**942.9**	**76.7**	904.2	78.0	879.3	79.1
Selling, general and administrative expenses	**124.4**	**10.1**	117.5	10.1	116.3	10.5
Operating income	**161.8**	**13.2**	137.5	11.9	115.8	10.4
Other revenues	**23.9**	**1.9**	16.9	1.4	11.3	1.0
Interest expenses	**21.4**	**1.7**	20.3	1.8	20.4	1.8
Other expenses	**52.8**	**4.3**	44.4	3.8	58.5	5.3
Equity in net income of affiliated companies	**4.4**	**0.4**	3.2	0.3	3.6	0.3
Income before income taxes	**116.0**	**9.5**	93.0	8.0	51.8	4.6
Income taxes	**39.0**	**3.2**	35.3	3.0	21.6	1.9
Minority interests	**(1.8)**	**(0.2)**	(1.2)	(0.1)	(1.5)	(0.1)
Net income	**¥ 75.2**	**6.1**	¥ 56.5	4.9	¥ 28.7	2.6

Revenue from Operations

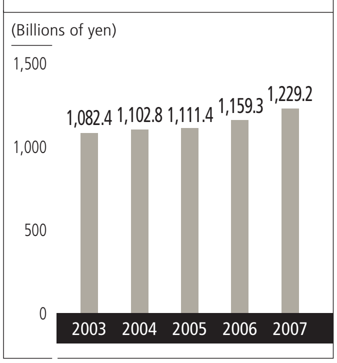
For fiscal 2006, the year ended March 31, 2007, consolidated revenue from operations increased 6.0 percent year-on-year, or ¥69.9 billion, to ¥1,229.2 billion. Revenue increased in the Leasing segment because of office buildings completed during the previous fiscal year that made their first full-year contribution, and the opening of four major new shopping centers. Increased sales of properties to both individuals and investors in the Sales of Housing, Office Buildings and Land segment also contributed to higher revenue. Growth in management fees from assets under management drove solid revenue gains in the Property Management segment, and higher Brokerage, Consignment Sales and Consulting revenue also contributed to the increase in overall revenue for the fiscal year.

Cost of Revenue from Operations and SGA Expenses

Cost of revenue from operations increased 4.3 percent year-on-year, or ¥38.7 billion, to ¥942.9 billion, which was lower than the increase in revenue from operations. As a result, gross profit from operations increased 12.2 percent, or ¥31.2 billion, to ¥286.3 billion, and the gross margin improved to 23.3 percent from 22.0 percent for the previous fiscal year.

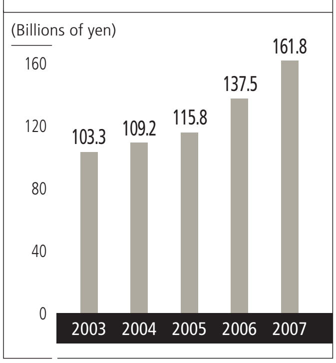
Selling, general and administrative (SGA) expenses increased 5.9 percent year-on-year, or ¥6.9 billion, to ¥124.4 billion, in line with the increase in revenue from operations. Mitsui Fudosan was successful in reducing marketing expenses as sales of housing to individuals remained strong.

Revenue from Operations



(Years ended March 31)

Operating Income



(Years ended March 31)

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 17.7 percent year-on-year, or ¥24.3 billion, to ¥161.8 billion. This was the fourth consecutive year of record-high operating income.

Other Revenue and Expenses and Interest Expense

Interest, dividends and miscellaneous revenue increased 41.3 percent, or ¥7.0 billion, to ¥23.9 billion, primarily because of an increase in gain on sale of fixed assets resulting from efforts to enhance portfolio quality. Interest income increased 17.2 percent, or ¥0.1 billion, and dividend income increased 36.8 percent, or ¥0.4 billion. Gain on sale of fixed assets increased 83.9 percent to ¥17.3 billion due to factors including gain on the exchange of properties with J-REIT Nippon Building Fund, Inc. in return for the former JFE Building.

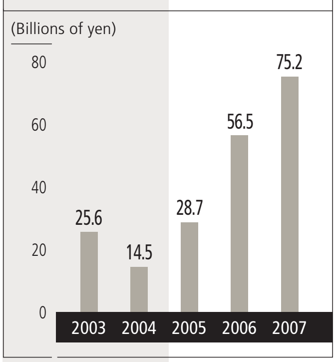
Interest expenses increased 5.7 percent, or ¥1.2 billion, to ¥21.4 billion because Mitsui Fudosan accessed external resources in funding growth opportunities. However, increased cash generation justified the increase in interest expense resulting from moves to enhance the project pipeline. The interest coverage ratio, calculated as the sum of operating income and interest, dividends and miscellaneous revenue divided by interest expense, improved to 8.7 times compared to 7.6 times for the previous fiscal year.

Other expenses increased 18.8 percent, or ¥8.3 billion, to ¥52.8 billion. This year-on-year change resulted primarily from a significant increase in loss on devaluation of real property for sale to ¥28.7 billion resulting from application of the lower-of-cost-or-market method. This non-cash charge to earnings did not reduce cash provided by operations or the Company's ability to meet current obligations and pay dividends. Loss on sale of fixed assets decreased to ¥9.6 billion from ¥26.4 billion in the previous fiscal year, primarily due to an exchange of properties with Nippon Building Fund, Inc. Costs of demolition of the Mitsui Building Annex No. 3, the Sanshin Building and other office buildings owned by Mitsui Fudosan resulted in a one-time charge to earnings for loss on disposal of fixed assets totaling ¥4.6 billion.

Income before Income Taxes and Net Income

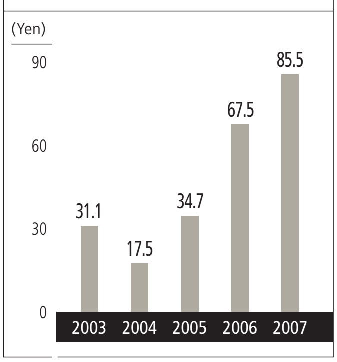
Equity in net income of affiliated companies increased 39.8 percent to ¥4.4 billion. As a result of improved operating income and successful efforts to manage expenses, income before income taxes increased 24.8 percent year-on-year, or ¥23.1 billion, to ¥116.0 billion, a record for the second consecutive year. Income taxes net of deferrals increased 10.6 percent, or ¥3.7 billion, to ¥39.0 billion. Consequently, net income increased 33.0 percent year-on-year, or ¥18.7 billion, to a record ¥75.2 billion. Net income per share increased to ¥85.5 from ¥67.5 for the previous fiscal year. In view of this solid performance, Mitsui Fudosan increased annual cash dividends per share to ¥14.0 from ¥10.0 for the previous fiscal year.

Net Income



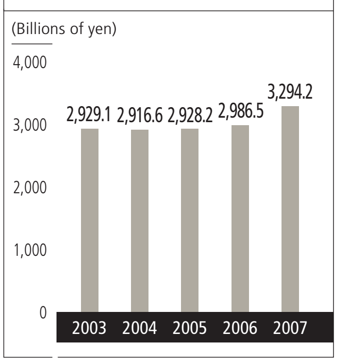
(Years ended March 31)

Net Income per Share



(Years ended March 31)

Total Assets



(As of March 31)

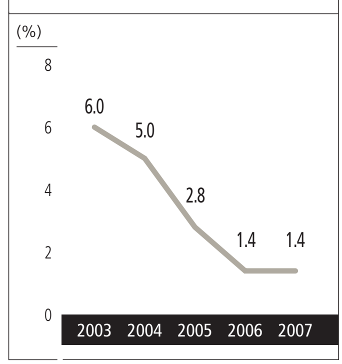
Leasing

Years ended March 31		2007 Floor space (m²)	2007 Revenue (Millions of yen)	2006 Floor space (m²)	2006 Revenue (Millions of yen)
Office buildings and retail facilities:	Owned	**2,054,563**		1,950,660	
	Managed	**1,943,747**		1,450,452	
	Office buildings		**¥234,292**		¥222,069
	Retail facilities		**68,255**		56,968
	Total	**3,998,310**	**¥302,547**	3,401,112	¥279,037
		Units		Units	
Residential:	Owned	**241**		236	
	Managed	**60,744**		55,521	
	Total	**60,985**	**¥ 59,909**	55,757	¥ 55,768
Other (car parks, etc.)			**35,611**		29,533
Total revenue			**¥398,069**		¥364,339
Operating income			**¥ 81,350**		¥ 67,929

Segment revenue increased 9.3 percent, or ¥33.7 billion, to ¥398.1 billion. Performance in the office buildings category benefited from the full-year operation of two projects completed during the previous fiscal year: Nihonbashi Mitsui Tower (Chuo-ku, Tokyo) and Ginza Mitsui Building (Chuo-ku, Tokyo). Other positive factors included increased income from existing buildings, particularly in central business districts, as improved market conditions supported higher demand for office space. Performance in the retail facilities category benefited from the addition of projects completed during the fiscal year, including Lazona Kawasaki Plaza (Kawasaki-shi, Kanagawa), Urban Dock LaLaport Toyosu (Koto-ku, Tokyo), LaLaport Kashiwanoha (Kashiwa-shi, Chiba), LaLaport Yokohama (Yokohama-shi, Kanagawa) and Lovela Bandai (Niigata-shi, Niigata). Other positive factors included increased revenue from existing retail facilities as improved market conditions supported higher retail sales. The residential leasing and the car-park leasing businesses generated increased revenue as a result of growth in units under management.

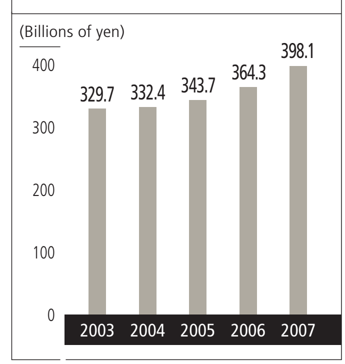
Segment operating income increased 19.8 percent, or ¥13.4 billion, to ¥81.4 billion. Factors included the contribution of several office building and retail facility projects that began operating during the previous fiscal year. Mitsui Fudosan's vacancy rate for office buildings in the Tokyo metropolitan area on a nonconsolidated basis was 1.6 percent, compared to 1.0 percent at the previous fiscal year-end. On a consolidated basis including overseas operations, the vacancy rate for office buildings and retail facilities was 1.4 percent as of March 31, 2007, compared to 1.4 percent as of March 31, 2006 and 2.8 percent as of March 31, 2005.

Vacancy Rate for Office Buildings and Retail Facilities



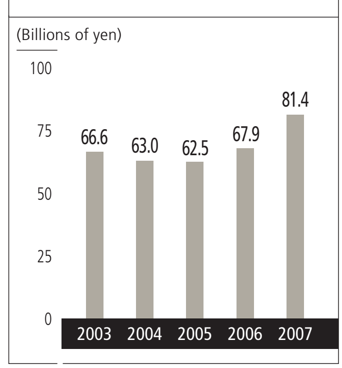
(As of March 31)

Revenue from Operations



(Years ended March 31)

Operating Income



(Years ended March 31)

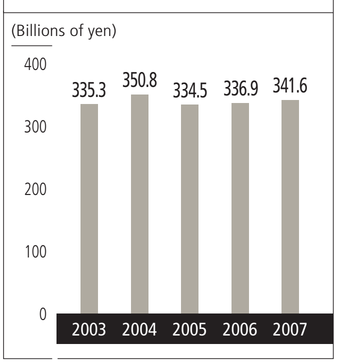
Sales of Housing, Office Buildings and Land

Years ended March 31		2007 Units	2007 Revenue (Millions of yen)	2007 Average unit price (Millions of yen)	2006 Units	2006 Revenue (Millions of yen)	2006 Average unit price (Millions of yen)
Detached housing:	Tokyo metropolitan area	**631**	**¥ 33,231**	**¥52.7**	597	¥ 30,590	¥51.2
	Other	**76**	**2,258**	**29.7**	109	4,971	45.6
	Total	**707**	**¥ 35,490**	**¥50.2**	706	¥ 35,561	¥50.4
Condominiums:	Tokyo metropolitan area	**3,260**	**¥159,056**	**¥48.8**	3,274	¥146,763	¥44.8
	Other	**1,227**	**43,304**	**35.3**	1,067	34,138	32.0
	Total	**4,487**	**¥202,361**	**¥45.1**	4,341	¥180,902	¥41.7
Total housing sales:	Tokyo metropolitan area	**3,891**	**¥192,287**	**¥49.4**	3,871	¥177,353	¥45.8
	Other	**1,303**	**45,562**	**35.0**	1,176	39,109	33.3
	Total	**5,194**	**¥237,849**	**¥45.8**	5,047	¥216,463	¥42.9
Other sales revenue			**¥103,778**			¥120,453	
Total revenue			**¥341,629**			¥336,917	
Operating income			**¥ 49,239**			¥ 44,654	

Segment revenue increased 1.4 percent, or ¥4.7 billion, to ¥341.6 billion. Revenue from sales of condominiums to individual customers increased due to rising sales prices of high-value-added properties. The number of units sold increased to 4,487 from 4,341 in the previous fiscal year. Sales of detached houses to individual customers were essentially unchanged at 707 units. Revenue from sales to investors of income-producing properties developed by the Company expanded substantially, reflecting the growing importance of investors in Japan's real estate market. As of March 31, 2007, Mitsui Fudosan Residential Co., Ltd. had 376 units in completed inventories, consisting of 267 condominium units and 109 detached houses, up from 255 units a year earlier, which consisted of 235 condominium units and 20 detached houses.

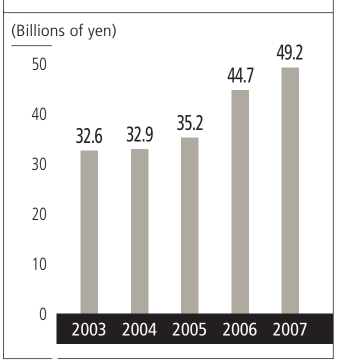
Segment operating income increased 10.3 percent year-on-year, or ¥4.6 billion, to ¥49.2 billion. Total units of detached houses and condominiums sold to individuals decreased by 147 to 5,194 units, and sales of properties to investors expanded and were solidly profitable. The weighting of property sales to investors in overall segment results also restrained marketing expenses.

Revenue from Operations



(Years ended March 31)

Operating Income



(Years ended March 31)

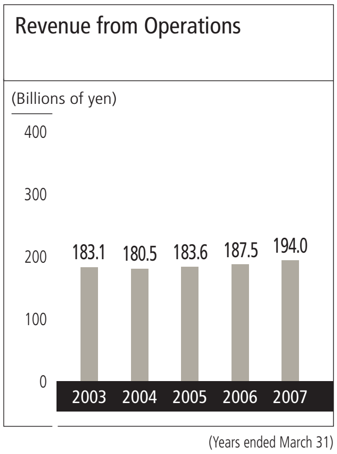
Construction

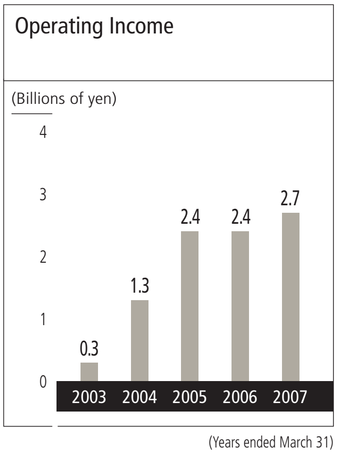
Orders, Order Backlogs and Project Completions Years ended March 31	2007	2006
		(Millions of yen)
Orders:		
Work-on-hand at beginning of period	**¥112,510**	¥108,223
Orders during period	**198,106**	199,425
Total	**¥310,616**	¥307,648
Net sales	**¥199,776**	¥195,138
Work-on-hand at end of period	**¥110,841**	¥112,510

Note: Consolidated results of Mitsui Home Co., Ltd. Work-on-hand at beginning of period for 2005 includes ¥1,040 million from Higashi Kyusyu Home Co. Ltd., which was added to consolidation at the end of the interim period.

Segment revenue increased 3.5 percent, or ¥6.5 billion, to ¥194.0 billion. Mitsui Home Co., Ltd., a consolidated subsidiary, handles operations in this segment. It is one of Japan's leading builders of two-by-four wood-frame homes, and specializes in high-quality, upscale housing and the high-end of the renovation market. The order backlog at the end of the fiscal year and orders received during the fiscal year both decreased year-on-year, although revenue from the renovation business increased.

Segment operating income increased 15.6 percent, or ¥0.4 billion, to ¥2.7 billion.





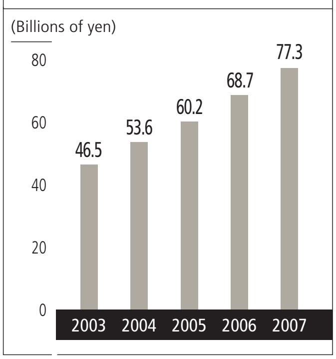
Brokerage, Consignment Sales and Consulting

Years ended March 31	2007 Units	2007 Revenue (Millions of yen)	2006 Units	2006 Revenue (Millions of yen)
Revenue:				
Brokerage	**31,455**	**¥52,161**	30,671	¥48,791
Consignment sales	**7,660**	**10,811**	6,040	8,204
Consulting		**14,377**		11,752
Total revenue		**¥77,349**		¥68,748
Operating income		**¥26,049**		¥22,592

Segment revenue increased 12.5 percent, or ¥8.6 billion, to ¥77.3 billion. In the brokerage business, Group company Mitsui Real Estate Sales Co., Ltd. provides brokerage services for individual and corporate clients. With its nationwide network of Mitsui Rehouse brokerage offices, Mitsui Real Estate Sales has the leading brokerage share in Japan's residential housing secondary market. Both the number of properties handled and transaction volume increased, which supported the year-on-year gain in segment revenue. Consignment sales by Mitsui Fudosan Residential contributed to revenue growth as well. Segment results also benefited from growth in assets under management by the entire Group, including assets of Nippon Building Fund, a J-REIT managed by Nippon Building Fund Management Ltd.; Nippon Accommodations Fund, formed during the past fiscal year and managed by Mitsui Fudosan Accommodation Fund Management Co., Ltd.; and private placement-type real estate funds managed by Mitsui Fudosan Investment Advisors, Inc. Revenue from project management, in which Mitsui Fudosan provides investors and landowners with expertise and specialized knowledge in real estate development, also contributed to year-on-year growth in segment revenue.

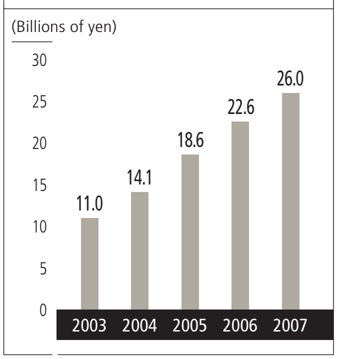
Segment operating income increased 15.3 percent, or ¥3.5 billion, to ¥26.0 billion. Increased fee income from project and investment fund management supported earnings in this segment, as did higher brokerage transaction volume and the greater number of properties handled in the individual and corporate markets.

Revenue from Operations



(Years ended March 31)

Operating Income



(Years ended March 31)

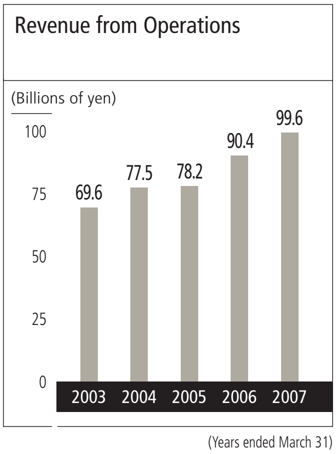
Property Management

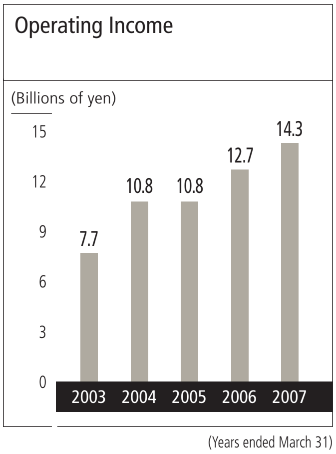
(Millions of yen)

Years ended March 31	2007	2006
Revenue: Property management......	**¥66,026**	¥59,394
Tenant improvement......	**33,606**	31,043
Total revenue..............................	**¥99,632**	¥90,437
Operating income	**¥14,308**	¥12,746

Segment revenue increased 10.2 percent, or ¥9.2 billion, to ¥99.6 billion, due to an increase in the number of newly opened properties managed by the Group. These included Tokyo Midtown, as well as four large-scale retail facilities in Tokyo. Revenue from tenant improvement also rose as tenants moved into the newly opened facilities. The Property Management segment is strategic because it allows Mitsui Fudosan to increase fee-based revenue and earnings. 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.

Segment operating income increased 12.3 percent, or ¥1.6 billion, to ¥14.3 billion. Earnings benefited from the inclusion of new office buildings, retail facilities and other properties managed by the Group, while higher revenue from tenant improvement also resulted in increased operating income.



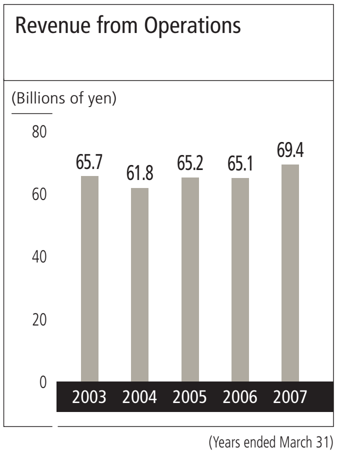


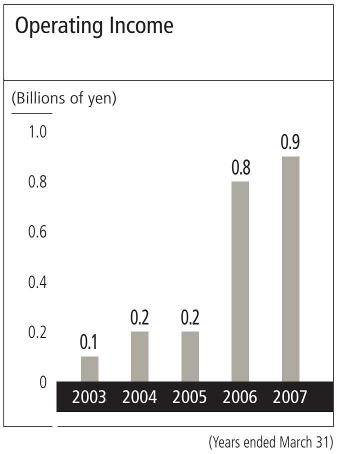
Sales of Housing Materials and Merchandise

(Millions of yen)

Years ended March 31	2007	2006
Revenue: Housing materials............	**¥23,688**	¥20,759
Merchandise.................	**45,705**	44,306
Total revenue..............................	**¥69,394**	¥65,065
Operating income	**¥ 855**	¥ 832

Segment revenue increased 6.7 percent, or ¥4.3 billion, to ¥69.4 billion. Revenue increased in Mitsui Home's housing materials processing and sales business, and revenues increased year-on-year at home centers operated by Uni Living Co., Ltd. Segment operating income increased 3.0 percent to ¥855 million.

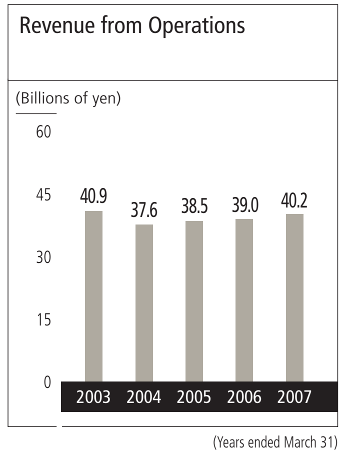


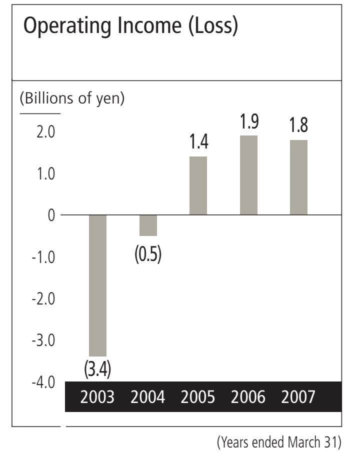


Facility Operations

(Millions of yen)

Years ended March 31	2007	2006
Revenue: Hotels	**¥27,900**	¥26,510
Other	**12,300**	12,465
Total revenue	**¥40,200**	**¥38,976**
Operating income	**¥ 1,754**	**¥ 1,922**





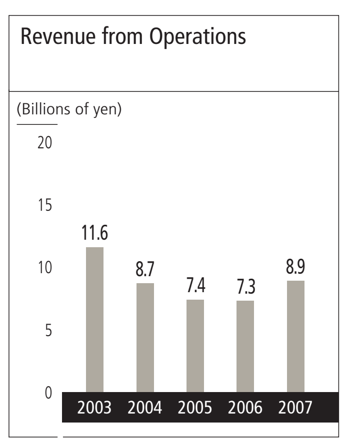
Segment revenue increased 3.1 percent year-on-year, or ¥1.2 billion, to ¥40.2 billion. Factors increasing revenue included the full-year operation of the Mitsui Garden Hotel Ginza (Chuo-ku, Tokyo), which opened in the previous fiscal year, and favorable performance at the Halekulani Hotel in Hawaii.

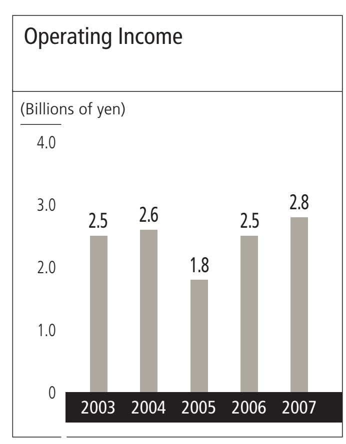
Segment operating income decreased 8.7 percent, or ¥0.2 billion, to ¥1.8 billion, due in part to renovation work on the Tsunamachi Mitsui Club. As of March 31, 2007, the Garden Hotel chain operated approximately 3,100 rooms in 12 hotels throughout Japan. The Group also manages seven golf courses in Japan.

Other

(Millions of yen)

Years ended March 31	2007	2006
Revenue: Finance and lease	**¥1,206**	¥1,302
Other	**7,740**	5,995
Total revenue	**¥8,946**	**¥7,297**
Operating income	**¥2,811**	**¥2,470**





Segment revenue increased 22.6 percent year-on-year, or ¥1.6 billion, to ¥8.9 billion. Segment operating income increased 13.8 percent, or ¥0.3 billion, to ¥2.8 billion. 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.

Liquidity, Capital Resources and Financial Position

Current Assets

Current assets increased 33.4 percent from the previous fiscal year-end, or ¥239.5 billion, to ¥956.9 billion. Cash and cash equivalents increased 30.7 percent, or ¥19.2 billion, from a year earlier to ¥81.8 billion, reflecting in part an increase in cash from operations and financing on the balance sheet prior to deployment. Inventories increased 29.2 percent from a year earlier, or ¥122.3 billion, to ¥541.2 billion as Mitsui Fudosan moved decisively to acquire property to support growth. Purchases of property for sales of housing to individuals and for sale to investors following development were particular areas of emphasis in adding to inventories. New acquisitions of real property for sale exceeded cost recovery through property sales. Equity investments in properties for sale, which primarily represent securitized interests in properties for sale, increased 49.2 percent, or ¥40.1 billion, to ¥121.7 billion as Mitsui Fudosan increased holdings in special purpose companies and other vehicles in preparation for sales to external investors. Working capital doubled to ¥271.0 billion from ¥135.4 billion a year earlier, and the current ratio improved to 1.40 times, from 1.23 times a year earlier.

Investments and Other Assets

Investments and other assets increased 4.3 percent from a year earlier, or ¥26.1 billion, to ¥628.7 billion. Investment securities increased 13.1 percent, or ¥30.0 billion, to ¥258.7 billion, reflecting in part an increase in net purchases of investment securities, including equity issues of special purpose companies and anonymous investment association investments for real estate securitization related businesses. The market value of securities holdings also increased during the fiscal year.

Property and Equipment

Net property and equipment increased 2.5 percent from a year earlier, or ¥42.1 billion, to ¥1,708.6 billion. Capital expenditures totaled ¥220.4 billion, which was offset by depreciation totaling ¥40.1 billion and disposal and sale of properties by the parent company and subsidiaries totaling ¥137.7 billion.

Current Liabilities

Current liabilities increased 17.9 percent from a year earlier, or ¥103.9 billion, to ¥685.9 billion. As a result, the current ratio improved. Mitsui Fudosan has established committed lines of credit totaling ¥150.0 billion with several financial institutions to ensure access to funds and adequate liquidity. The Company had not accessed these lines of credit as of the balance sheet date.

Long-term Liabilities

Long-term liabilities increased 7.7 percent from a year earlier, or ¥117.4 billion, to ¥1,645.1 billion. Long-term debt due after one year increased 8.0 percent from a year earlier, or ¥75.0 billion, to ¥1,015.7 billion, as Mitsui Fudosan accessed external funding to support steady growth in returns over the next several years. Interest-bearing debt increased 4.9 percent, or ¥59.1 billion, to ¥1,258.4 billion. Mitsui Fudosan also raised ¥60.0 billion through the issue of straight bonds.

Net Assets and Total Capital

Beginning with the fiscal year ended March 31, 2007, Mitsui Fudosan has adopted new standards in Japan for the presentation of net assets. The item now called net assets differs primarily with the former presentation of shareholders' equity because it includes minority interests in consolidated subsidiaries, and is synonymous with the term equity in calculations such as return on equity. For the year ended March 2007, net assets increased 10.0 percent, or ¥86.4 billion, from a year earlier to ¥963.2 billion. Retained earnings increased 9.5 percent, or ¥19.0 billion, to ¥218.7 billion as a result of net income. Moreover, reserve on land revaluation, which is recorded as a component of net assets under Japanese GAAP, increased by ¥56.2 billion, reflecting substantial additions to land held in inventory. Higher financial asset prices during the fiscal year increased net assets through net unrealized holding gains on securities totaling ¥72.2 billion, which is recorded as a component of net assets under Japanese GAAP. Negative foreign currency translation adjustment resulting from the yen's value relative to the U.S. dollar at the fiscal year-end decreased net assets.

Assets

(Billions of yen, %)

As of March 31	2007		2006		2005	
Cash and cash equivalents	**¥ 81.8**	**2.5%**	¥ 62.6	2.1%	¥ 113.1	3.9%
Inventories	**541.2**	**16.4**	418.8	14.0	371.3	12.7
Other current assets	**333.9**	**10.1**	235.9	7.9	261.3	8.9
Investments and other assets	**628.7**	**19.1**	602.7	20.2	545.4	18.6
Net property and equipment	**1,708.6**	**51.9**	1,666.5	55.8	1,637.1	55.9
Total	**¥3,294.2**	**100.0%**	¥2,986.5	100.0%	¥2,928.2	100.0%

Liabilities and Net Assets

(Billions of yen, %)

As of March 31	2007		2006		2005	
Interest-bearing debt—Short term	**¥ 242.8**	**7.4%**	¥ 258.7	8.7%	¥ 272.1	9.3%
Interest-bearing debt—Long term	**1,015.7**	**30.8**	940.6	31.5	1,007.0	34.4
Total interest-bearing debt	**1,258.5**	**38.2**	1,199.3	40.2	1,279.1	43.7
Other current liabilities	**443.1**	**13.5**	323.3	10.8	362.8	12.4
Other long-term liabilities	**629.4**	**19.1**	587.1	19.7	578.6	19.7
Minority interests	**19.0**	**0.5**	18.4	0.6	20.0	0.7
Shareholders' equity and valuation and translation adjustments	**944.2**	**28.7**	858.4	28.7	687.7	23.5
Total	**¥3,294.2**	**100.0%**	¥2,986.5	100.0%	¥2,928.2	100.0%

Total capital, the sum of bank loans, commercial paper, long-term debt due within one year, long-term debt due after one year, and net assets, increased ¥145.5 billion to ¥2,221.6 billion from ¥2,076.1 billion a year earlier. Mitsui Fudosan increased interest-bearing debt to support growth while deploying cash flow to increase net assets. Consequently, net assets represented 43.4 percent of total capital, compared to 42.2 percent at the previous fiscal year-end. The debt-to-equity ratio, calculated as interest-bearing debt divided by net assets, improved to 1.3 times from 1.4 times as a result. Return on assets (ROA), calculated as the sum of operating income and non-operating income divided by average total assets, was 5.5 percent, compared to 4.9 percent for the previous fiscal year. Return on equity (ROE), calculated as net income divided by average total net assets, was 8.2 percent.

Cash Flow

Net cash provided by operating activities totaled ¥58.0 billion, compared to ¥22.5 billion for the previous fiscal year, primarily due to the increase in income before income taxes. Net additions to working capital in the form of property for sale in the future was a primary use of cash. The line item "(Increase) decrease in real property for sale and advances paid for purchases" represents the net effect of cost recovery and purchase of inventories, which consist primarily of property held for sale. Net increase in inventories used cash totaling ¥114.4 billion, up from ¥100.9 billion in the previous fiscal year. Depreciation and amortization was essentially unchanged at ¥40.1 billion.

Net cash used in investing activities totaled ¥77.0 billion, compared to ¥60.8 billion for the previous fiscal year. Purchases of property and equipment totaled ¥219.8 billion, compared to ¥99.8 billion for the previous fiscal year as the Company invested in large-scale development projects. This included outlays for the construction of the Nihonbashi 1-Chome Building and the redevelopment of the JFE Building. The scale of investment, in tandem with the above acquisition of inventories to prepare Mitsui Fudosan for future growth, eliminated free cash flow. Net changes in deposits from tenants and in lease deposits provided cash totaling ¥30.2 billion, compared to ¥14.4 billion for the previous fiscal year. Net purchases of marketable and investment securities totaled ¥22.2 billion, compared to net purchases of ¥6.6 billion for the previous fiscal year.

Net cash provided by financing activities totaled ¥38.1 billion; in the previous fiscal year, financing activities used net cash of ¥12.4 billion. Decrease in bank loans and commercial paper totaled ¥16.0 billion, compared to ¥0.4 billion for the previous fiscal year, reflecting Mitsui Fudosan's strong liquidity and consequent ability to fund short-term working capital requirements from operating cash flow. Proceeds from long-term debt totaled ¥273.0 billion, up from ¥154.0 billion for the previous fiscal year, in part because Mitsui Fudosan moved to fund long-term capital requirements before long-term rates began rising in Japan. Repayment of long-term debt, consisting primarily of long-term bank loans, totaled ¥237.6 billion, compared to ¥187.3 billion for the previous fiscal year as the Company continued to maintain a disciplined focus on controlling leverage and raising capital efficiency. Proceeds from issuance of bond totaling ¥60.0 billion represented the domestic issue of unsecured yen straight bonds. Net proceeds from long-term debt therefore totaled ¥65.4 billion on a cash basis. Mitsui Fudosan continues to emphasize an efficient level of operating leverage and investment in future growth. Reflecting strong cash flow and improved operating performance, cash dividends paid totaled ¥8.8 billion, compared to ¥7.0 billion for the previous fiscal year as a result of increased cash dividends per share for fiscal 2006.

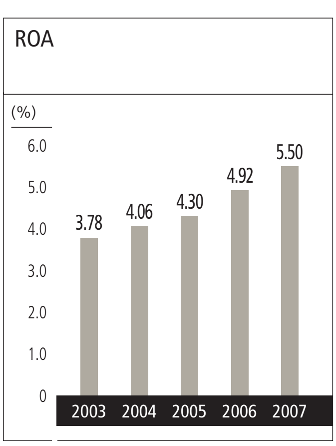
The Company invested in growth opportunities using additions to interest-bearing debt. As of March 31, 2007, this supported a net increase in cash and cash equivalents of 30.7 percent, or ¥19.2 billion, from a year earlier to ¥81.8 billion. Cash and cash equivalents increased to a level that provides strong liquidity at approximately four times interest payment obligations.

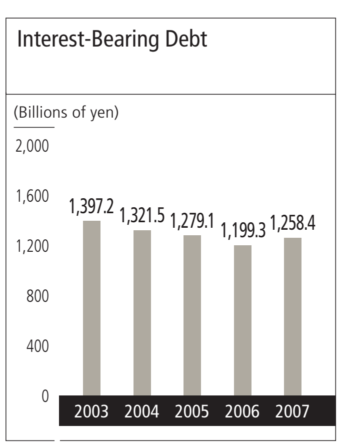
Risk Information

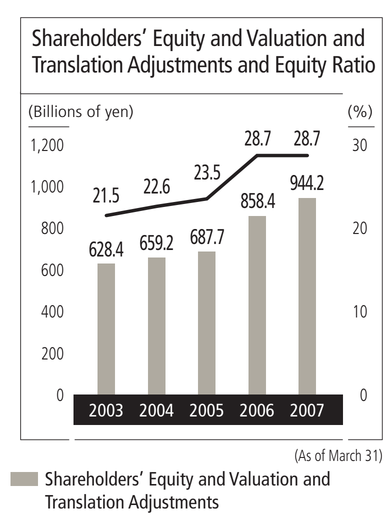
The operations of the Mitsui Fudosan Group are subject to a number of risks, some of which are outlined below along with issues that may not necessarily constitute risk factors but that may influence investor decisions.

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.







Cash Flows

(Billions of yen)

Years ended March 31	2007	2006	2005
Cash flows from operating activities	¥ 58.0	¥ 22.5	¥100.1
Cash flows from investing activities	(77.0)	(60.8)	(76.9)
Cash flows from financing activities	38.1	(12.4)	(52.1)
Effect of exchange rate changes on cash and cash equivalents	0.1	0.3	0.2
Net (decrease) increase in cash and cash equivalents	19.2	(50.5)	(28.6)
Cash and cash equivalents at beginning of year	62.6	113.1	141.7
Cash and cash equivalents at end of year	¥ 81.8	¥ 62.6	¥113.1

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.

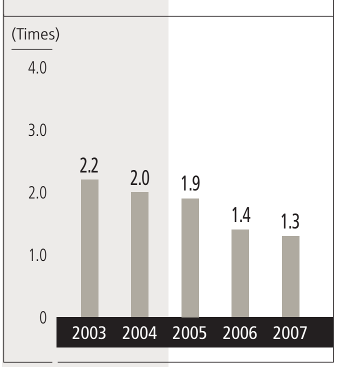
Regulations and Taxation

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

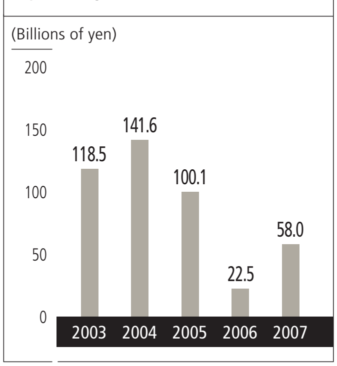
Natural disasters may damage or destroy the Mitsui Fudosan Group's assets, and may therefore exert a material impact on the Mitsui Fudosan Group's performance and the value of its assets.

Debt / Equity Ratio



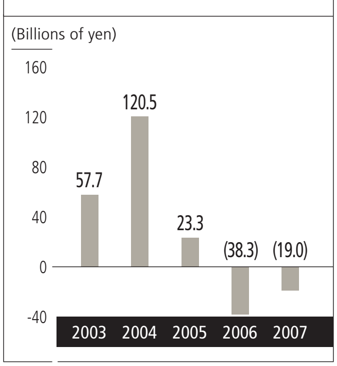
(As of March 31)

Cash Flows from Operating Activities



(Years ended March 31)

Free Cash Flow



(Years ended March 31)

Consolidated Balance Sheets

Mitsui Fudosan Co., Ltd. and its Subsidiaries
As of March 31, 2007 and 2006

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2007	2006	2007
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	¥ 81,816	¥ 62,588	$ 693,062
Marketable securities (Note 4)	50	50	424
Notes and accounts receivable — trade	37,964	26,797	321,593
Short-term loans receivable	6,773	8,065	57,374
Allowance for doubtful accounts	(547)	(531)	(4,634)
Inventories (Note 6)	541,182	418,843	4,584,346
Advances paid for purchases (Note 7)	32,656	25,164	276,629
Equity investments in properties for sale (Note 4)	121,670	81,546	1,030,665
Deferred income taxes (Note 9)	65,678	49,004	556,357
Other current assets	69,655	45,846	590,046
Total current assets	956,897	717,372	8,105,862
INVESTMENTS and OTHER ASSETS			
Investments in unconsolidated subsidiaries and affiliated companies	98,631	88,477	835,502
Investment securities (Note 4)	258,650	228,613	2,191,021
Non-current loans and accounts receivable	55,623	60,101	471,182
Allowance for doubtful accounts	(8,457)	(9,568)	(71,639)
Lease deposits (Note 8)	186,952	184,671	1,583,668
Deferred income taxes (Note 9)	15,997	24,134	135,510
Deferred tax assets on land revaluation	13,065	18,423	110,673
Other	8,280	7,811	70,140
Total investments and other assets	628,741	602,662	5,326,057
PROPERTY and EQUIPMENT, at cost:			
Land (Note 11)	1,172,674	1,106,130	9,933,706
Buildings and structures (Note 11)	888,990	929,083	7,530,623
Machinery and equipment	85,041	83,120	720,381
Construction in progress	9,409	11,013	79,703
	2,156,114	2,129,346	18,264,413
Accumulated depreciation	(447,562)	(462,878)	(3,791,292)
Net property and equipment	1,708,552	1,666,468	14,473,121
	¥3,294,190	¥2,986,502	$27,905,040

See accompanying notes.

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2007	2006	2007
LIABILITIES AND NET ASSETS			
CURRENT LIABILITIES			
Banks loans (Note 11)	**¥ 71,039**	¥ 64,356	**$ 601,770**
Commercial paper	**16,000**	36,000	**135,536**
Long-term debt due within one year (Note 11)	**155,729**	158,314	**1,319,178**
Notes and accounts payable — trade	**131,948**	106,346	**1,117,730**
Accrued expenses	**24,151**	20,593	**204,583**
Income taxes payable	**20,597**	16,463	**174,477**
Advances and deposits received	**217,940**	142,767	**1,846,167**
Deferred income taxes (Note 9)	**1,184**	—	**10,030**
Other current liabilities	**47,320**	37,178	**400,847**
Total current liabilities	**685,908**	582,017	**5,810,318**
LONG-TERM LIABILITIES			
Allowance for employees' retirement benefits (Note 10)	**27,478**	27,295	**232,766**
Allowance for directors' and corporate auditors' retirement benefits	**2,075**	1,851	**17,577**
Long-term debt due after one year (Note 11)	**1,015,659**	940,621	**8,603,634**
Deposits from tenants (Note 12)	**322,786**	288,313	**2,734,316**
Deferred income taxes (Note 9)	**52,892**	59,600	**448,047**
Deferred tax liabilities on land revaluation	**185,104**	163,002	**1,568,014**
Other liabilities and deferred credits	**39,074**	46,992	**330,995**
Total long-term liabilities	**1,645,068**	1,527,674	**13,935,349**
CONTINGENT LIABILITIES (Note 21)			
NET ASSETS (Notes 13 and 14)			
Shareholders' equity			
Common stock	**174,296**	174,296	**1,476,459**
Authorized— 3,290,000,000 shares			
Issued— 881,424,727 shares in 2007 and 2006			
Capital surplus	**248,308**	248,295	**2,103,414**
Retained earnings	**218,683**	199,706	**1,852,461**
Treasury stock	**(3,126)**	(2,147)	**(26,480)**
Total shareholders' equity	**638,161**	620,150	**5,405,854**
Valuation and translation adjustments			
Net unrealized holding gains on securities	**72,160**	63,425	**611,266**
Net unrealized gains on hedging derivatives	**54**	—	**457**
Reserve on land revaluation	**247,264**	191,097	**2,094,570**
Foreign currency translation adjustment	**(13,443)**	(16,308)	**(113,875)**
Total valuation and translation adjustments	**306,035**	238,214	**2,592,418**
Minority interests	**19,018**	18,447	**161,101**
Total net assets	**963,214**	876,811	**8,159,373**
	¥3,294,190	¥2,986,502	**$27,905,040**

See accompanying notes.

Consolidated Statements of Income

Mitsui Fudosan Co., Ltd. and its Subsidiaries
For the years ended March 31, 2007, 2006 and 2005

	Millions of yen			Thousands of U.S. dollars (Note 1)
	2007	2006	2005	**2007**
REVENUES				
Revenue from operations (Note 20)	**¥1,229,194**	¥1,159,280	¥1,111,359	**$10,412,486**
Interest, dividends and miscellaneous (Note 16)	**23,946**	16,949	11,320	**202,846**
	1,253,140	1,176,229	1,122,679	**10,615,332**
COSTS AND EXPENSES				
Cost of revenue from operations	**942,928**	904,200	879,260	**7,987,531**
Selling, general and administrative expenses	**124,423**	117,536	116,334	**1,053,986**
Interest	**21,421**	20,262	20,443	**181,457**
Other (Note 17)	**52,758**	44,424	58,396	**446,912**
	1,141,530	1,086,422	1,074,433	**9,669,886**
EQUITY IN NET INCOME OF AFFILIATED COMPANIES	**4,410**	3,155	3,596	**37,358**
INCOME BEFORE INCOME TAXES AND MINORITY INTERESTS	**116,020**	92,962	51,842	**982,804**
INCOME TAXES (Note 9)				
Current	**26,044**	26,178	26,489	**220,619**
Deferred	**12,954**	9,076	(4,847)	**109,733**
Total	**38,998**	35,254	21,642	**330,352**
NET INCOME BEFORE MINORITY INTERESTS	**77,022**	57,708	30,200	**652,452**
MINORITY INTERESTS	**(1,808)**	(1,167)	(1,507)	**(15,315)**
NET INCOME	**¥ 75,214**	¥ 56,541	¥ 28,693	**$ 637,137**

	Yen			U.S. dollars (Note 1)
PER SHARE INFORMATION	**2007**	2006	2005	**2007**
Net assets per share*	**¥ 1,073.8**	¥ 975.6	¥ 836.5	**$ 9.096**
Net income per share				
— Basic	**85.5**	67.5	34.7	**0.724**
— Diluted	**—**	—	32.5	**—**
Cash dividends	**14.0**	10.0	7.0	**0.119**

* Net assets per share information does not include minority interests.

See accompanying notes.

Consolidated Statements of Changes in Net Assets

Mitsui Fudosan Co., Ltd. and its Subsidiaries
For the years ended March 31, 2007, 2006 and 2005

	Shares of common stock (thousands)	Millions of yen								
		Shareholders' equity				Valuation and translation adjustments				
		Common stock	Capital surplus	Retained earnings	Treasury stock	Net unrealized holding gains (losses) on securities	Net unrealized gains (losses) on hedging derivatives	Reserve on land revaluation	Foreign currency translation adjustment	Minority interests
BALANCE AT MARCH 31, 2004	823,390	¥134,433	¥205,823	¥167,890	¥ (980)	¥26,317	¥—	¥158,227	¥(32,545)	¥15,974
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	—	—	—	(26,376)	—	—	—	25,399	—	—
Net income	—	—	—	28,693	—	—	—	—	—	—
Cash dividends paid	—	—	—	(5,756)	—	—	—	—	—	—
Bonuses to directors	—	—	—	(106)	—	—	—	—	—	—
Foreign currency translation adjustment	—	—	—	—	—	—	—	—	9,289	—
Treasury stock	—	—	—	—	(380)	—	—	—	—	—
Gain on sales of treasury stock	—	—	7	—	—	—	—	—	—	—
Net unrealized holding gains on securities	—	—	—	—	—	7,031	—	—	—	—
Minority interests	—	—	—	—	—	—	—	—	—	4,003
BALANCE AT MARCH 31, 2005	823,390	134,433	205,830	155,097	(1,360)	33,348	—	183,626	(23,256)	19,977
Common stock issued upon conversion of convertible bonds with stock acquisition rights	55,909	39,863	39,807	—	—	—	—	—	—	—
Common stock issued in exchange for minority shares of subsidiary, Kokusai Kanko Kaikan Co., Ltd.	2,126	—	2,642	—	—		—	—	—	—
Revaluation of property and equipment (Note 2 (H))	—	—	—	2,648	—	—	—	—	—	—
Reversal of reserve on land revaluation, net of tax	—	—	—	(7,471)	—	—	—	7,471	—	—
Net income	—	—	—	56,541	—	—	—	—	—	—
Cash dividends paid	—	—	—	(6,986)	—	—	—	—	—	—
Bonuses to directors	—	—	—	(123)	—	—	—	—	—	—
Foreign currency translation adjustment	—	—	—	—	—	—	—	—	6,948	—
Treasury stock	—	—	—	—	(787)	—	—	—	—	—
Gain on sales of treasury stock	—	—	16	—	—	—	—	—	—	—
Net unrealized holding gains on securities	—	—	—	—	—	30,077	—	—	—	—
Minority interests	—	—	—	—	—	—	—	—	—	(1,530)
BALANCE AT MARCH 31, 2006	881,425	174,296	248,295	199,706	(2,147)	63,425	—	191,097	(16,308)	18,447
Cash dividends paid (*1)	—	—	—	**(8,796)**	—	—	—	—	—	—
Bonuses to directors (*2)	—	—	—	**(176)**	—	—	—	—	—	—
Net income	—	—	—	**75,214**	—	—	—	—	—	—
Reversal of reserve on land revaluation, net of tax	—	—	—	**(49,719)**	—	—	—	**56,167**	—	—
Revaluation of property and equipment (Note 2 (H))	—	—	—	**2,454**	—	—	—	—	—	—
Purchase of treasury stock	—	—	—	—	**(996)**	—	—	—	—	—
Gain on sales of treasury stock	—	—	**13**	—	**17**	—	—	—	—	—
Net unrealized holding gains on securities	—	—	—	—	—	**8,735**	—	—	—	—
Net unrealized gains (losses) on hedging derivatives	—	—	—	—	—	—	**54**	—	—	—
Foreign currency translation adjustment	—	—	—	—	—	—	—	—	**2,865**	—
Minority interests	—	—	—	—	—	—	—	—	—	**571**
BALANCE AT MARCH 31, 2007	**881,425**	**¥174,296**	**¥248,308**	**¥218,683**	**¥(3,126)**	**¥72,160**	**¥54**	**¥247,264**	**¥(13,443)**	**¥19,018**

	Thousands of U.S. dollars (Note 1)								
	Common stock	Capital surplus	Retained earnings	Treasury stock	Net unrealized holding gains (losses) on securities	Net unrealized gains (losses) on hedging derivatives	Reserve on land revaluation	Foreign currency translation adjustment	Minority interests
BALANCE AT MARCH 31, 2006	$1,476,459	$2,103,304	$1,691,707	$(18,187)	$537,272	$ 0	$1,618,780	$(138,145)	$156,264
Cash dividends paid (*1)	—	—	**(74,511)**	—	—	—	—	—	—
Bonuses to directors (*2)	—	—	**(1,491)**	—	—	—	—	—	—
Net income	—	—	**637,137**	—	—	—	—	—	—
Reversal of reserve on land revaluation, net of tax	—	—	**(421,169)**	—	—	—	**475,790**	—	—
Revaluation of property and equipment (Note 2 (H))	—	—	**20,788**	—	—	—	—	—	—
Purchase of treasury stock	—	—	—	**(8,437)**	—	—	—	—	—
Gain on sales of treasury stock	—	**110**	—	**144**	—	—	—	—	—
Net unrealized holding gains on securities	—	—	—		**73,994**	—	—	—	—
Net unrealized gains (losses) on hedging derivatives	—	—	—	—	—	**457**	—	—	—
Foreign currency translation adjustment	—	—	—	—	—	—	—	**24,270**	—
Minority interests	—	—	—	—	—	—	—	—	**4,837**
BALANCE AT MARCH 31, 2007	**$1,476,459**	**$2,103,414**	**$1,852,461**	**$(26,480)**	**$611,266**	**$457**	**$2,094,570**	**$(113,875)**	**$161,101**

(*1) Includes appropriation of retained earnings of ¥4,398 million ($37,255 thousand) approved at the Ordinary General Shareholders' Meeting held on June 29, 2006.
(*2) Appropriation of retained earnings approved at the Ordinary General Shareholders' Meeting held on June 29, 2006.

See accompanying notes.

Mitsui Fudosan Co., Ltd. and its Subsidiaries
For the years ended March 31, 2007, 2006 and 2005

	Millions of yen			Thousands of U.S. dollars (Note 1)
	2007	2006	2005	**2007**
Cash flows from operating activities:				
Income before income taxes	**¥ 116,020**	¥ 92,962	¥ 51,842	**$ 982,804**
Adjustments to reconcile income before income taxes to net cash provided by operating activities				
Depreciation and amortization	**40,122**	40,159	38,513	**339,873**
Loss on impairment of fixed assets	**—**	—	33,807	**—**
Equity in net income of affiliated companies	**(4,410)**	(3,156)	(3,596)	**(37,357)**
(Gain) loss on sales of property and equipment, net	**(7,677)**	16,937	3,294	**(65,032)**
Loss on disposal of property and equipment	**4,575**	—	1,054	**38,755**
Allowance for doubtful accounts, net	**—**	(2,233)	683	**—**
Loss on devaluation of real property for sale	**28,736**	4,274	—	**243,422**
Interest and dividend income	**(2,191)**	(1,697)	(3,118)	**(18,560)**
Interest expense	**21,421**	20,262	20,443	**181,457**
Gain on sales of marketable securities, net	**—**	—	(4,560)	**—**
Loss on liquidation of consolidated subsidiaries	**—**	4,761	7,675	**—**
(Increase) decrease in accounts receivable	**(11,178)**	2,152	(60)	**(94,689)**
Increase in real property for sale and advances paid for purchases	**(114,376)**	(100,890)	(26,094)	**(968,878)**
(Increase) decrease in equity investments in properties for sale	**(40,125)**	10,305	(6,699)	**(339,898)**
Increase in accounts payable	**6,815**	16	3,182	**57,730**
Bonuses paid to directors	**(178)**	(127)	(110)	**(1,508)**
Interests and dividends received	**3,180**	2,588	4,030	**26,938**
Interests paid	**(20,555)**	(20,266)	(20,681)	**(174,121)**
Income taxes paid	**(22,148)**	(26,763)	(27,811)	**(187,615)**
Other, net	**59,939**	(16,774)	28,341	**507,742**
Net cash provided by operating activities	**57,970**	22,510	100,135	**491,063**
Cash flows from investing activities:				
Purchases of property and equipment	**(219,798)**	(99,757)	(70,401)	**(1,861,906)**
Proceeds from sale of property and equipment	**139,000**	38,730	8,710	**1,177,467**
Increase in deposits from tenants	**70,282**	39,608	46,533	**595,358**
Decrease in deposits from tenants	**(38,545)**	(39,447)	(51,977)	**(326,514)**
Increase in lease deposits	**(23,963)**	(11,417)	(18,607)	**(202,990)**
Decrease in lease deposits	**22,435**	25,659	18,105	**190,047**
Purchases of marketable and investment securities	**(27,493)**	(30,737)	(10,362)	**(232,893)**
Proceeds from sale of marketable and investment securities	**5,262**	24,184	6,401	**44,574**
Increase in non-current loans and accounts receivable	**(4,050)**	(3,655)	(8,886)	**(34,308)**
Decrease in non-current loans and accounts receivable	**7,700**	7,583	6,390	**65,227**
Other, net	**(7,837)**	(11,585)	(2,776)	**(66,387)**
Net cash used in investing activities	**(77,007)**	(60,834)	(76,870)	**(652,325)**
Cash flows from financing activities:				
Proceeds from long-term debt	**272,999**	154,000	106,267	**2,312,571**
Repayments of long-term debt	**(237,630)**	(187,270)	(171,252)	**(2,012,961)**
(Decrease) increase in bank loans and commercial paper	**(15,999)**	(371)	9,324	**(135,527)**
Proceeds from issuance of bond	**60,000**	30,000	20,000	**508,259**
Payments for redemption of bond	**(30,000)**	(330)	(10,000)	**(254,130)**
Cash dividends paid	**(8,794)**	(6,983)	(5,501)	**(74,494)**
Payments of dividends to minority shareholders	**(1,509)**	(705)	(539)	**(12,783)**
Net increase in treasury stocks	**(982)**	(786)	(381)	**(8,318)**
Net cash provided by (used in) financing activities	**38,085**	(12,445)	(52,082)	**322,617**
Effect of exchange rate changes on cash and cash equivalents	**180**	278	179	**1,525**
Net increase (decrease) in cash and cash equivalents	**19,228**	(50,491)	(28,638)	**162,880**
Cash and cash equivalents at beginning of year	**62,588**	113,079	141,717	**530,182**
Cash and cash equivalents at end of year	**¥ 81,816**	¥ 62,588	¥ 113,079	**$ 693,062**

	Millions of yen
	2006
Supplemental information of non-cash transaction:	
Non-cash investing and financing activities for the year ended March 31, 2006:	
Issuance of common stock upon conversion of convertible bonds with stock acquisition rights — Issued 55,908,718 shares	
Common stock	¥39,863
Capital surplus	39,807
Issuance of common stock in exchange for minority shares of subsidiary, Kokusai Kanko Kaikan Co., Ltd. — Issued 2,125,625 shares	
Capital surplus	2,642

See accompanying notes.

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) 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, 2007, which was ¥118.05 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 valuation and translation adjustments under net assets section. Refer to (T) for presentation of net assets.

(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 valuation and translation adjustments under net assets section. 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 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.

Effective April 1, 2006, the Company and its domestic subsidiaries adopted early the new accounting standard, "Accounting Standard for Measurement of Inventories" (Statement No. 9 issued by the Accounting Standard Board of Japan on July 5, 2006). Under the new standard, inventory is initially recorded at acquisition cost, and when net realizable value is less than the cost (i.e., profitability of inventory has declined), the cost basis is reduced to net realizable value. Under the previous standard, inventory initially recorded at cost was reduced to market value when market value declined significantly and unless the market value was expected to recover to the cost.

As a result of adopting the new accounting standard and recognizing loss on devaluation of real property, income before income taxes and minority interests was decreased by ¥28,736 million ($243,422 thousand) compared to what would have been reported under the previous accounting standards.

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 subsidiary in the United Kingdom are stated at fair value. Unrealized gains and losses are directly charged or credited to retained earnings. A former consolidated subsidiary in Turkey, whose land and buildings had been stated at fair value, was 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:

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 LOSSES ON FIXED ASSETS

The Company and its domestic subsidiaries have followed 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). The accounting standards require that fixed assets be tested for recoverability whenever events or changes in circumstances indicate that the assets may be impaired. When the undiscounted cash flows estimated to be generated by those assets are less than the carrying amount of those assets, the net carrying value of assets not recoverable is reduced to recoverable amounts. 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.

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 valuation and translation adjustments under net assets section.

(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 25 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 years ended March 31, 2007, 2006 and 2005.

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

(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

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 (collectively, “equity investments”) are presented in the balance sheets as follows.

Equity investments held for sale are presented as “Equity investments in properties for sale” under “CURRENT ASSETS” and those held other than for sale are presented as “Investment securities” under “INVESTMENTS and OTHER ASSETS.”

(R) REVENUE FROM JAPANESE REAL ESTATE INVESTMENT TRUST (J-REIT)

Revenue from J-REIT, which had been classified as “Interest, dividends and miscellaneous” revenues for the years ended March 31, 2005 and before, has been reclassified as “Revenue from operations” commencing the year ended March 31, 2006. The change was made due to the expected future growth of the revenue, which is derived from the Company’s ordinary course of business.

As a result, “Revenue from operations” increased by ¥619 million and “Interest, dividends and miscellaneous” decreased by the same amount for the year ended March 31, 2006 compared with what would have been recorded under previous classification.

(S) DIRECTORS’ BONUSES

Effective from the year ended March 31, 2007, the Company and its domestic subsidiaries adopted new accounting standard, “Accounting Standards for Directors’ Bonuses” (Statement No. 4 issued by the Accounting Standards Board of Japan on November 29, 2005). Under the new standard, directors’ bonuses are charged to income as selling, general and administrative expenses, while they had been treated as appropriation of retained earnings upon approval of shareholders under the previous standards.

As a result of adopting the accounting standard, income before income taxes and minority interests was decreased by ¥270 million ($2,287 thousand) compared to what would have been reported under the previous accounting standards.

(T) PRESENTATION OF NET ASSETS IN THE BALANCE SHEETS

Effective for the year ended March 31, 2007, the Company and its domestic subsidiaries adopted the new accounting standards, “Accounting Standard for Presentation of Net Assets in the Balance Sheet” (Statement No. 5 issued by the Accounting Standards Board of Japan on December 9, 2005) and the implementation guidance for the accounting standard for presentation of net assets in the balance sheet (the Financial Accounting Standard Implementation Guidance No. 8 issued by the Accounting Standards Board of Japan on December 9, 2005), (collectively, “the new accounting standards”).

Under the new accounting standards, consolidated balance sheets comprise assets, liabilities and net assets, whereas previously presented balance sheets comprised assets, liabilities, minority interests and shareholders’ equity. Net assets section comprises shareholders’ equity, valuation and translation adjustments, subscription rights to shares and minority interests, as applicable. It should be noted that “net unrealized gains on hedging derivatives” under “valuation and translation adjustments” and “minority interests” which are currently included in net assets section were not included in the previously presented shareholders’ equity section.

If the new accounting standards had not been adopted and previous presentation method for the shareholders’ equity had been applied, the shareholders’ equity as of March 31, 2007 and 2006, which comprised common stock, capital surplus, reserve on land revaluation, retained earnings, net unrealized holding gains on securities, foreign currency translation adjustment and treasury stock, would have been ¥944,142 million ($7,926,639 thousand) and ¥858,364 million, respectively.

(U) CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS

Effective from the year ended March 31, 2007, the Company and its domestic subsidiaries adopted the new accounting standard, “Accounting Standard for Statement of Changes in Net Assets” (Statement No. 6 issued by the Accounting Standards Board of Japan on December 27, 2005), and the implementation guidance for the accounting standard for statement of changes in net assets (the Financial Accounting Standard Implementation Guidance No. 9 issued by the Accounting Standards Board of Japan on December 27, 2005), (collectively, “the new accounting standards”).

Based on the reclassification of the previously presented shareholders' equity and certain other balance sheet items for 2006 as discussed in Note 2 (T), the consolidated statements of changes in net assets for 2006 and 2005 have been prepared in accordance with the new accounting standards. As a result, minority interest of ¥18,447 million and ¥19,977 million, which were not included in the 2006 and 2005 consolidated statements of shareholders’ equity, are now presented in the consolidated statements of changes in net assets.

(V) 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. Diluted net income per share for the years ended March 31, 2007 and 2006 are not presented since no dilutive potential common shares were outstanding as of March 31, 2007 and 2006.

(W) RECLASSIFICATIONS

Certain prior years’ amounts, including net assets in the consolidated balance sheets and the consolidated statements of changes in net assets, have been reclassified to conform to the 2007 presentation. These changes had no impact on previously reported results of operations.

3. BUSINESS REORGANIZATIONS

Effective April 1, 2006, the Company and its domestic subsidiaries adopted new accounting standards, "Accounting Standards for Business Combinations" (issued by Business Accounting Council on October 31, 2003), "Accounting Standard for Business Divestitures" (Statement No. 7 issued by the Accounting Standards Board of Japan on December 27, 2005) and "Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures" (Guidance No. 10 issued by the Accounting Standards Board of Japan, and last revised on December 22, 2006) (collectively, "accounting standards for business combinations and divestitures").

1. Reorganization of residential sales business

On October 1, 2006, the Company and Mitsui Real Estate Sales Co., Ltd. ("MRES") transferred their residential sales business and residential sales consignment services business, with any associated rights and obligations, to Mitsui Fudosan Residential Co., Ltd. ("MFR"), for the purpose of integrating residential sales business into MFR, in exchange for 996,000 shares and 2,000 shares of common stock issued by MFR, respectively. Those 2,000 shares of common stock issued by MFR to MRES have been distributed to the Company as dividends.

The reorganization has been accounted for as transactions among entities under common control in accordance with the accounting standards for business combinations and divestitures.

Book values of assets and liabilities transferred are as follows:

	Millions of yen	Thousands of U.S. dollars
Assets and liabilities transferred from the Company:		
Current assets	¥365,789	$3,098,594
Non-current assets	7,648	64,786
Total	¥373,437	$3,163,380
Current liabilities	¥210,561	$1,783,659
Long-term liabilities	105,038	889,776
Total	¥315,599	$2,673,435
Assets and liabilities transferred from MRES:		
Current assets	¥27,597	$233,774
Non-current assets	1,347	11,410
Total	¥28,944	$245,184
Current liabilities	¥28,844	$244,337
Long-term liabilities	—	—
Total	¥28,844	$244,337

2. Reorganization of building leasing business of MRES

On October 1, 2006, MRES transferred its building leasing business with any associated rights and obligations to the Company. The reorganization will enable specialization by MRES in promising areas of real estate brokerage and car park leasing operations, and concentration of building leasing business in the Company.

The reorganization has been accounted for as transactions among entities under common control in accordance with the accounting standards for business combinations and divestitures.

Book values of assets and liabilities transferred are as follows:

	Millions of yen	Thousands of U.S. dollars
Current assets	¥ 4,368	$ 37,001
Non-current assets	27,312	231,360
Total	¥31,680	$268,361
Current liabilities	¥ 8,469	$ 71,741
Long-term liabilities	5,111	43,295
Total	¥13,580	$115,036

4. 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, 2007 and 2006:

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

	Millions of yen					
	2007			2006		
	Book Value	Market Value	Difference	Book Value	Market Value	Difference
Securities whose market value exceeds book value						
National and local government bonds, etc.	**¥212**	**¥215**	**¥ 3**	¥206	¥210	¥ 4
Securities whose market value does not exceed book value						
National and local government bonds, etc.	**311**	**308**	**(3)**	314	307	(7)
Total	**¥523**	**¥523**	**¥—**	¥520	¥517	¥(3)

	Thousands of U.S. dollars		
	2007		
	Book Value	Market Value	Difference
Securities whose market value exceeds book value			
National and local government bonds, etc.	$1,796	$1,821	$ 25
Securities whose market value does not exceed book value			
National and local government bonds, etc.	2,634	2,609	(25)
Total	$4,430	$4,430	$ —

(b) Other securities with market values:

	Millions of yen					
	2007			2006		
	Historical Cost	Book Value (Market Value)	Difference	Historical Cost	Book Value (Market Value)	Difference
Securities whose book value (market value) exceeds historical cost						
Stocks	¥60,167	¥155,535	¥ 95,368	¥57,316	¥151,768	¥ 94,452
Bonds						
National and local government bonds, etc.	41	41	—	40	41	1
Other	15,576	41,594	26,018	11,296	21,305	10,009
Subtotal	75,784	197,170	121,386	68,652	173,114	104,462
Securities whose book value (market value) does not exceed historical cost						
Stocks	8,124	6,565	(1,559)	2,033	1,965	(68)
Other	21	21	—	1	1	—
Subtotal	8,145	6,586	(1,559)	2,034	1,966	(68)
Total	¥83,929	¥203,756	¥119,827	¥70,686	¥175,080	¥104,394

	Thousands of U.S. dollars		
	2007		
	Historical Cost	Book Value (Market Value)	Difference
Securities whose book value (market value) exceeds historical cost			
Stocks	$509,674	$1,317,535	$ 807,861
Bonds			
National and local government bonds, etc.	347	347	—
Other	131,944	352,342	220,398
Subtotal	641,965	1,670,224	1,028,259
Securities whose book value (market value) does not exceed historical cost			
Stocks	68,818	55,612	(13,206)
Other	178	178	—
Subtotal	68,996	55,790	(13,206)
Total	$710,961	$1,726,014	$1,015,053

(2) The following tables summarize other securities sold in the years ended March 31, 2007, 2006 and 2005:

Millions of yen								
2007			2006			2005		
Sales amount	Gains	Losses	Sales amount	Gains	Losses	Sales amount	Gains	Losses
¥5,191	**¥577**	**¥—**	¥180	¥145	¥—	¥29,239	¥4,340	¥8

Thousands of U.S. dollars		
2007		
Sales amount	Gains	Losses
$43,973	**$4,888**	**$—**

(3) The following tables summarize the book value of securities without market value as of March 31, 2007 and 2006:

	Millions of yen		Thousands of U.S. dollars
	2007	2006	**2007**
Equity investments in properties for sale*	**¥121,670**	¥81,546	**$1,030,665**
Held-to-maturity securities	**3,010**	—	**25,498**
Other securities			
Unlisted stocks (excluding OTC securities)	**10,804**	15,834	**91,521**
Other (TK investments, preferred securities and others)	**38,957**	37,066	**330,004**

*See Note 2 (Q)

(4) The redemption schedule on held-to-maturity securities as of March 31, 2007 and 2006 is shown as follows:

	Millions of yen			
	2007			
	Due within 1 Year	Due after 1 Year and within 5 Years	Due after 5 Years and within 10 Years	Due after 10 Years
National and local government bonds, etc.	**¥90**	**¥ 457**	**¥15**	**¥—**
Corporate bonds	**—**	**3,010**	**—**	**—**
Total	**¥90**	**¥3,467**	**¥15**	**¥—**

	2006			
	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.	¥50	¥496	¥15	¥ —
Total	¥50	¥496	¥15	¥ —

	Thousands of U.S. dollars			
	2007			
	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.	**$762**	**$ 3,871**	**$127**	**$—**
Corporate bonds	**—**	**25,498**	**—**	**—**
Total	**$762**	**$ 29,369**	**$127**	**$—**

5. 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 rates.

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

6. INVENTORIES

Inventories at March 31, 2007 and 2006 comprise the following:

	Millions of yen		Thousands of U.S. dollars
	2007	2006	**2007**
Real property for sale	**¥519,478**	¥399,757	**$4,400,491**
Expenditure on contracts in progress	**11,040**	9,633	**93,520**
Other	**10,664**	9,453	**90,335**
	¥541,182	¥418,843	**$4,584,346**

7. ADVANCES PAID FOR PURCHASES

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

8. 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 12).

9. INCOME TAXES

Significant components of the Company's deferred tax assets and liabilities as of March 31, 2007 and 2006 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2007	2006	2007
Deferred tax assets:			
Allowance for loss on sale of real property held for sale	¥ 42,614	¥ 34,163	$ 360,983
Unrealized inter-company transactions	4,997	4,935	42,330
Allowance for loss on valuation of securities	17,234	17,320	145,989
Net operating loss carryforwards	18,274	18,046	154,799
Excess allowance for retirement benefits	11,769	11,412	99,695
Excess allowance for doubtful accounts	1,807	3,250	15,307
Accrued employees' bonuses	5,540	5,135	46,929
Unrealized loss on valuation of securities	633	209	5,362
Excess depreciation expense	3,033	2,554	25,693
Excess prepaid expense	1,875	1,727	15,883
Loss on impairment of fixed assets	13,519	13,952	114,519
Other	16,521	13,138	139,948
Total	¥ 137,816	¥ 125,841	$1,167,437
Deferred tax liabilities:			
Deferred gain on sale of land and buildings for tax purposes	¥ (22,836)	¥ (32,429)	$ (193,443)
Unrealized loss on valuation of shares held in consolidated subsidiaries	(14,025)	(14,869)	(118,806)
Unrealized inter-company transactions	(427)	(378)	(3,617)
Unrealized gain on valuation of securities	(49,341)	(42,631)	(417,967)
Consolidation difference in real property	(5,470)	(6,265)	(46,336)
Other	(18,118)	(15,731)	(153,478)
Total	(110,217)	(112,303)	(933,647)
Net deferred tax assets	¥ 27,599	¥ 13,538	$ 233,790

Amounts of total deferred tax assets as of March 31, 2007 and 2006 are presented net of valuation allowances of ¥15,275 million ($129,394 thousand) and ¥20,786 million, respectively.

Significant differences between the statutory tax rate and the Company's effective tax rate for the years ended March 31, 2007 and 2006 are as follows:

	2007	2006
Statutory tax rate	40.66%	40.66%
(Adjustments)		
Equity in net income of affiliated companies	(1.55)	(1.38)
Permanent differences:		
Entertainment expenses and other	1.02	1.16
Dividend income and other	(0.25)	(0.42)
Liquidation of subsidiaries	(3.60)	—
Other	(2.67)	(2.10)
Effective tax rate	33.61%	37.92%

Information for the year ended March 31, 2005 has not been disclosed as the differences are immaterial.

10. EMPLOYEES' RETIREMENT BENEFITS

(1) Outline of retirement plan:
The Company has adopted a tax qualified pension plan and lump-sum pension plans as a defined benefit pension plan. The Company has also adopted a retirement benefit trust.

19 consolidated subsidiaries have adopted tax qualified pension plans. 60 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
	2007	2006	**2007**
1. Projected benefit obligation	**¥(89,990)**	¥(85,708)	**$(762,304)**
2. Fair value of plan assets	**54,561**	46,415	**462,185**
3. Unaccrued projected benefit obligation (1+2)	**¥(35,429)**	¥(39,293)	**$(300,119)**
4. Unrecognized actuarial differences	**8,301**	12,277	**70,318**
5. Unrecognized prior service costs	**32**	(187)	**271**
6. Prepaid pension expenses	**(382)**	(92)	**(3,236)**
7. Allowance for employees' retirement benefits (3+4+5+6)	**¥(27,478)**	¥(27,295)	**$(232,766)**

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
	2007	2006	2005	**2007**
1. Service costs—benefits earned during the year	**¥4,268**	¥4,332	¥4,418	**$36,154**
2. Interest costs on projected benefit obligation	**2,051**	1,966	1,888	**17,374**
3. Expected return on plan assets	**(1,088)**	(856)	(789)	**(9,216)**
4. Amortization of actuarial differences	**2,226**	2,569	2,541	**18,856**
5. Amortization of prior service costs	**(10)**	414	(31)	**(85)**
6. Supplemental benefits	**103**	204	—	**873**
7. Retirement benefit expenses (1+2+3+4+5+6)	**¥7,550**	¥8,629	¥8,027	**$63,956**

Notes: 1. Retirement benefit expenses of consolidated subsidiaries adopting the simple method are included in service costs.
2. Supplemental benefits for the year ended March 31, 2007 and 2006 include ¥93 million ($788 thousand) and ¥184 million, respectively, of premium retirement benefits paid specifically for employment transfer within consolidated subsidiaries, which is included in "Other" as a component of "COSTS AND EXPENSES."

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

	2007		2006		2005	
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	**1.0-2.5%**		1.0-2.5%		0.75-2.5%	
4. Years over which the prior service costs are allocated	**1-10 years**	**Straight-line method over a certain number of years within the average remaining service years**	1-10 years	Straight-line method over a certain number of years within the average remaining service years	1-10 years	Straight-line method over a certain number of years within the average remaining service years
5. Years over which the actuarial differences obligations are allocated	**5-10 years**	**Straight-line method over a certain number of years within the average remaining service years**	5-10 years	Straight-line method over a certain number of years within the average remaining service years	5-10 years	Straight-line method over a certain number of years within the average remaining service years

11. 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, 2007 and 2006 comprise the following:

	Millions of yen		Thousands of U.S. dollars
	2007	2006	**2007**
Long-term loans, principally from banks and insurance companies:			
Loans secured by collateral or bank guarantees	**¥ 59,837**	¥ 66,308	**$ 506,878**
Unsecured loans	**896,551**	847,627	**7,594,672**
	956,388	913,935	**8,101,550**
Bonds and debentures			
Domestic:			
2.45% yen notes due 2008	**25,000**	25,000	**211,774**
3.00% yen notes due 2013	**10,000**	10,000	**84,710**
1.56% yen notes due 2006	**—**	10,000	**—**
2.08% yen notes due 2009	**10,000**	10,000	**84,710**
1.77% yen notes due 2006	**—**	10,000	**—**
2.20% yen notes due 2009	**10,000**	10,000	**84,710**
2.33% yen notes due 2009	**10,000**	10,000	**84,710**
2.17% yen notes due 2008	**5,000**	5,000	**42,354**
1.84% yen notes due 2006	**—**	10,000	**—**
2.29% yen notes due 2009	**10,000**	10,000	**84,710**
2.25% yen notes due 2012	**5,000**	5,000	**42,354**
2.04% yen notes due 2010	**10,000**	10,000	**84,710**
1.04% yen notes due 2013	**10,000**	10,000	**84,710**
1.81% yen notes due 2014	**10,000**	10,000	**84,710**
1.64% yen notes due 2014	**10,000**	10,000	**84,710**
1.65% yen notes due 2015	**10,000**	10,000	**84,710**
1.81% yen notes due 2016	**20,000**	20,000	**169,420**
1.99% yen notes due 2016	**10,000**	—	**84,710**
1.91% yen notes due 2016	**20,000**	—	**169,420**
1.54% yen notes due 2014	**20,000**	—	**169,420**
1.84% yen notes due 2017	**10,000**	—	**84,710**
	215,000	185,000	**1,821,262**
Less amount due within one year	**155,729**	158,314	**1,319,178**
	¥1,015,659	¥940,621	**$8,603,634**

The following assets are pledged as collateral for secured loans:

	Millions of yen		Thousands of U.S. dollars
	2007	2006	**2007**
Collateralized assets			
Land	**¥ 43,891**	¥ 52,021	**$ 371,800**
Buildings and structures and others	**86,918**	91,313	**736,281**
Total	**¥130,809**	¥143,334	**$1,108,081**

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

The annual maturities of long-term debt at March 31, 2007 are as follows:

Year ending March 31	Millions of yen	Thousands of U.S. dollars
2008	¥ 155,729	$1,319,178
2009	146,448	1,240,559
2010	149,963	1,270,335
2011	106,503	902,186
2012	122,796	1,040,203
Thereafter	489,949	4,150,351
Total	¥1,171,388	$9,922,812

12. DEPOSITS FROM TENANTS

Deposits from tenants at March 31, 2007 and 2006 comprise the following:

	Millions of yen		Thousands of U.S. dollars
	2007	2006	**2007**
Non-interest-bearing	**¥304,933**	¥265,761	**$2,583,083**
Interest-bearing	**17,853**	22,552	**151,233**
Total	**¥322,786**	¥288,313	**$2,734,316**
Average interest rate	**1.70%**	1.72%	

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.

13. NET ASSETS

As described in Note 2 (T), net assets comprises four subsections, which are the shareholders' equity, valuation and translation adjustments, subscription rights to shares and minority interests, as applicable.

The Japanese Corporate Law ("the Law") became effective on May 1, 2006, replacing the Japanese Commercial Code ("the Code"). The Law is generally applicable to events and transactions occurring after April 30, 2006 and for fiscal years ending after that date.

Under Japanese laws and regulations, the entire amount paid for new shares is required to be designated as common stock. However, a company may, by a resolution of the Board of Directors, designate an amount not exceeding one-half of the price of the new shares as additional paid-in capital, which is included in capital surplus.

Under the Law, in cases where a dividend distribution of surplus is made, the smaller of an amount equal to 10% of the dividend or the excess, if any, of 25% of common stock over the total of additional paid-in-capital and legal earnings reserve must be set aside as additional paid-in-capital or legal earnings reserve. Legal earnings reserve is included in retained earnings in the accompanying consolidated balance sheets.

Under the Code, companies were required to set aside an amount equal to at least 10% of the aggregate amount of cash dividends and other cash appropriations as legal earnings reserve until the total of legal earnings reserve and additional paid-in capital equaled 25% of common stock.

Under the Code, legal earnings reserve and additional paid-in capital could be used to eliminate or reduce a deficit by a resolution of the shareholders' meeting or could be capitalized by a resolution of the Board of Directors. Under the Law, both of these appropriations generally require a resolution of the shareholders' meeting. Additional paid-in capital and legal earnings reserve may not be distributed as dividends. Under the Code, however, on condition that the total amount of legal earnings reserve and additional paid-in capital remained equal to or exceeded 25% of common stock, they were available for distribution by resolution of the shareholders' meeting. Under the Law, all additional paid-in-capital and all legal earnings reserve may be transferred to other capital surplus and retained earnings, respectively, which are potentially available for dividends.

The maximum amount that the Company can distribute as dividends is calculated based on the non-consolidated financial statements of the Company in accordance with Japanese laws and regulations.

14. SUPPLEMENTAL INFORMATION ON THE CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS

(1) Changes in number of shares issued and outstanding during the year ended March 31, 2007 are as follows:

	(Thousands)	
	Issued	Treasury stock
	Common stock	Common stock
Numbers of shares as of March 31, 2006	881,425	1,796
Numbers of shares increased (*1)	—	352
Numbers of shares decreased (*2)	—	(11)
Numbers of shares as of March 31, 2007	881,425	2,137

(*1) Treasury stock increased due to purchase of odd shares.
(*2) Treasury stock decreased due to sale of odd shares and sale of the Company's stock held by affiliated company.

(2) Information of dividends is summarized as follows:
(a) Dividends paid

The following resolution was approved by the ordinary general shareholders' meeting held on June 29, 2006:

Type of stock	Common stock
Total amount	¥4,398 million ($37,255 thousand)
Per share amount	¥5 ($0.042)
Record date	March 31, 2006
Effective date	June 30, 2006

The following resolution was approved by the board of directors held on October 31, 2006:

Type of stock	Common stock
Total amount	¥4,398 million ($37,255 thousand)
Per share amount	¥5 ($0.042)
Record date	September 30, 2006
Effective date	December 5, 2006

(b) Dividend whose record date falls within the current fiscal year but to be effective in the following fiscal year

The following resolution was approved by the ordinary general shareholders' meeting held on June 28, 2007:

Type of stock	Common stock
Total amount	¥7,914 million ($67,039 thousand)
Source	Retained earnings
Per share amount	¥9 ($0.076)
Record date	March 31, 2007
Effective date	June 29, 2007

15. 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 for the year ended March 31, 2005. The impairment losses comprise ¥12,384 million for land, ¥11,179 million for buildings and structures, and ¥10,244 million 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%.

16. MAJOR COMPONENTS OF INTEREST, DIVIDENDS AND MISCELLANEOUS

Years ended March 31,	Millions of yen 2007	2006	2005	Thousands of U.S. dollars 2007
Interest income	¥ 783	¥ 668	¥ 1,066	$ 6,633
Dividend income	1,408	1,029	2,052	11,927
Gain on sale of fixed assets	17,320	9,418	—	146,717
Reversal of allowance for doubtful accounts	—	2,233	—	—
Gain on sale of shares in affiliated companies	—	—	220	—
Gain on sale of investment securities	—	—	4,340	—
Other	4,435	3,601	3,642	37,569
Total	¥23,946	¥16,949	¥11,320	$202,846

17. MAJOR COMPONENTS OF COSTS AND EXPENSES — OTHER

Years ended March 31,	Millions of yen 2007	2006	2005	Thousands of U.S. dollars 2007
Provision for doubtful accounts	¥ —	¥ —	¥ 683	$ —
Loss on sale of fixed assets	9,643	26,355	3,294	81,685
Loss on disposal of fixed assets	4,575	—	1,054	38,755
Loss on impairment of fixed assets	—	—	33,807	—
Loss on liquidation of consolidated subsidiaries	—	4,761	7,675	—
Loss on devaluation of real property for sale	28,736	4,274	—	243,422
Other	9,804	9,034	11,883	83,050
Total	¥52,758	¥44,424	¥58,396	$446,912

18. INFORMATION OF CERTAIN LEASES

As lessee:

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

(1) Summary of pro forma amounts of acquisition cost, accumulated depreciation and net book value at March 31, 2007 and 2006, of finance leases that do not transfer ownership to the lessee is as follows:

	Millions of yen					
	2007			2006		
	Buildings and structures	Machinery and equipment	Total	Buildings and structures	Machinery and equipment	Total
Acquisition cost	¥4,161	¥11,500	¥15,661	¥2,008	¥11,500	¥13,508
Accumulated depreciation	1,079	4,952	6,031	1,044	5,293	6,337
Net book value	¥3,082	¥ 6,548	¥ 9,630	¥ 964	¥ 6,207	¥ 7,171

	Thousands of U.S. dollars		
	2007		
	Buildings and structures	Machinery and equipment	Total
Acquisition cost	$35,248	$97,416	$132,664
Accumulated depreciation	9,140	41,948	51,088
Net book value	$26,108	$55,468	$81,576

(2) Future rental payment inclusive of interest at March 31, 2007 and 2006:

	Millions of yen		Thousands of U.S. dollars
	2007	2006	2007
Amount due within one year	¥2,235	¥2,015	$18,933
Amount due after one year	7,395	5,156	62,643
Total	¥9,630	¥7,171	$81,576

(3) Rental expense and pro forma amount of depreciation expense for the years ended March 31, 2007, 2006 and 2005:

	Millions of yen			Thousands of U.S. dollars
	2007	2006	2005	2007
Rental expense	¥2,172	¥2,103	¥1,787	$18,399
Depreciation expense	2,172	2,103	1,787	18,399

(4) Calculation of pro forma amount of depreciation expense:

Pro forma 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, 2007 and 2006:

	Millions of yen		Thousands of U.S. dollars
	2007	2006	2007
Amount due within one year	¥ 33,291	¥16,823	$ 282,007
Amount due after one year	111,425	79,526	943,880
Total	¥144,716	¥96,349	$1,225,887

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, 2007 and 2006, of finance leases that do not transfer ownership to the lessee is as follows:

	Millions of yen					
	2007			2006		
	Buildings and structures	Machinery and equipment	Total	Buildings and structures	Machinery and equipment	Total
Acquisition cost	¥2,165	¥1,939	¥4,104	¥2,140	¥1,742	¥3,882
Accumulated depreciation	1,241	1,183	2,424	1,383	1,042	2,425
Net book value	¥ 924	¥ 756	¥1,680	¥ 757	¥ 700	¥1,457

	Thousands of U.S. dollars		
	2007		
	Buildings and structures	Machinery and equipment	Total
Acquisition cost	$18,340	$16,425	$34,765
Accumulated depreciation	10,513	10,021	20,534
Net book value	$7,827	$6,404	$14,231

(2) Future rental revenue inclusive of interest at March 31, 2007 and 2006:

	Millions of yen		Thousands of U.S. dollars
	2007	2006	**2007**
Amount due within one year	**¥ 511**	¥ 508	**$ 4,329**
Amount due after one year	**1,120**	977	**9,487**
Total	**¥1,631**	¥1,485	**$13,816**

(3) Rental revenue and depreciation expense for the years ended March 31, 2007, 2006 and 2005:

	Millions of yen			Thousands of U.S. dollars
	2007	2006	2005	**2007**
Rental revenue	**¥604**	¥637	¥636	**$5,116**
Depreciation expense	**509**	569	560	**4,312**

(B) Future rental revenue under operating leases at March 31, 2007 and 2006:

	Millions of yen		Thousands of U.S. dollars
	2007	2006	**2007**
Amount due within one year	**¥ 33,841**	¥ 35,856	**$ 286,667**
Amount due after one year	**182,751**	160,226	**1,548,081**
Total	**¥216,592**	¥196,082	**$1,834,748**

19. BUSINESS TRANSACTIONS WITH SPECIAL PURPOSE ENTITIES

The Company invests in 34 special purpose entities (SPEs) for securitizing its customers' real estate. SPEs utilized consist mainly of tokurei-yugen-kaisha, or limited liability companies, and tokutei-mokuteki-kaisha, or specific purpose companies ("TMK") under Securitization Law. The SPEs mainly acquire real estate and develop real estate projects, and developed properties are sold to investors.

Other than investments by the Company, SPEs are funded by borrowings from financial institutions, such as non-recourse loans and asset backed securities for TMK.

The Company plans to collect appropriate amount of its investments at the exit of those projects referred to in the above. As of March 31, 2007, those projects are making progress as initially planned. The Company's risk exposure is limited to the amount of "equity investments in properties for sale" and "investment securities."

The following table summarizes transactions with the SPEs as of and for the year ended March 31, 2007.

	Millions of yen		
	Balance	Revenues and costs	
Investments (*1)	**¥128,842**	Revenue from operations (*2)	**¥9,802**
		Cost of revenue from operations (*3)	**1,331**
Management	**—**	Revenue from operations (*4)	**1,747**
Brokerage	**—**	Revenue from operations (*5)	**125**

	Thousands of U.S. dollars		
	Balance	Revenues and costs	
Investments (*1)	**$1,091,419**	Revenue from operations (*2)	**$83,033**
		Cost of revenue from operations (*3)	**11,275**
Management	**—**	Revenue from operations (*4)	**14,799**
Brokerage	**—**	Revenue from operations (*5)	**1,059**

(*1) Consists of ¥109,611 million ($928,513 thousand) of "equity investments in properties for sale" and ¥19,231 million ($162,906 thousand) of "investment securities" and includes investments in tokumei-kumiai (TK), or silent partnerships and preferred securities issued by TMK.
(*2) Dividends on the investments earned by the Company, and consists of ¥1,759 million ($14,901 thousand) for leasing segment and ¥8,043 million ($68,132 thousand) for sales of housing, office buildings and land segment.
(*3) Costs and losses incurred by the Company in connection with the investment such as costs incurred during development of real estate, and consists of ¥766 million ($6,489 thousand) for leasing segment and ¥565 million ($4,786 thousand) for sales of housing, office buildings and land segment.
(*4) Asset management fees earned by the Company and Mitsui Fudosan Investment Advisers, Inc., and are included in brokerage, consignment sale and consulting segment.
(*5) Brokerage fees earned by Mitsui Real Estate Sales Co., Ltd., and are included in brokerage, consignment sale and consulting segment.
The Company has no investments with voting rights and no directors and/or employees dispatched to any SPE.

Combined assets, liabilities and net assets of SPEs as of the latest closing date of each SPE is summarized as follows:

Millions of yen			
Assets		Liabilities and net assets	
Real property	¥375,072	Borrowings (*6)	¥206,479
		Capital (*7)	168,865
Other	33,440	Other	33,168
Total	¥408,512	Total	¥408,512

Thousands of U.S. dollars			
Assets		Liabilities and net assets	
Real property	$3,177,230	Borrowings (*6)	$1,749,081
		Capital (*7)	1,430,453
Other	283,270	Other	280,966
Total	$3,460,500	Total	$3,460,500

(*6) Consists of non-recourse loans and asset backed securities for TMK.
(*7) Consists of capital deposit in TK and preferred capital in TMK, and includes the investments by the Company. (Refer to (*1) for respective ending balances.)

20. SEGMENT INFORMATION

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

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

(3) Construction
Construction of detached housing, apartments, 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.

(7) Facility Operations
Operation of hotels and golf courses, etc.

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

	Millions of yen									
Year ended March 31, 2007	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	Elimination or Corporate	Consolidated
Revenue from operations:										
Outside customers	¥ 398,070	¥341,630	¥193,970	¥77,350	¥ 99,632	¥ 69,395	¥40,201	¥ 8,946	¥ —	¥1,229,194
Inter-segment	6,399	8	5,897	4,646	23,161	37,128	332	10,328	(87,899)	—
	404,469	341,638	199,867	81,996	122,793	106,523	40,533	19,274	(87,899)	1,229,194
Costs and expenses (*1)	323,119	292,398	197,149	55,946	108,485	105,666	38,779	16,464	(70,655)	1,067,351
Operating income	¥ 81,350	¥ 49,240	¥ 2,718	¥26,050	¥ 14,308	¥ 857	¥ 1,754	¥ 2,810	¥ (17,244)	¥ 161,843
Assets	¥1,970,251	¥732,668	¥ 59,032	¥51,794	¥ 69,050	¥ 50,694	¥84,858	¥22,567	¥253,276	¥3,294,190
Depreciation	29,137	559	2,168	772	891	907	2,628	2,249	811	40,122
Capital expenditures	203,955	2,918	2,528	1,282	1,743	1,222	2,038	2,095	2,575	220,356

	Millions of yen									
Year ended March 31, 2006	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	Elimination or Corporate	Consolidated
Revenue from operations:										
Outside customers	¥ 364,339	¥336,918	¥187,497	¥68,749	¥90,437	¥65,066	¥38,977	¥ 7,297	¥ —	¥1,159,280
Inter-segment	5,579	12	7,761	9,264	22,213	34,493	297	10,385	(90,004)	—
	369,918	336,930	195,258	78,013	112,650	99,559	39,274	17,682	(90,004)	1,159,280
Costs and expenses (*1)	301,990	292,276	192,907	55,420	99,903	98,727	37,352	15,212	(72,051)	1,021,736
Operating income	¥ 67,928	¥ 44,654	¥ 2,351	¥22,593	¥12,747	¥ 832	¥ 1,922	¥ 2,470	¥ (17,953)	¥ 137,544
Assets	¥1,918,067	¥555,233	¥ 54,674	¥61,457	¥50,381	¥52,236	¥83,506	¥26,976	¥183,972	¥2,986,502
Depreciation	29,046	499	2,271	850	844	967	2,282	2,643	757	40,159
Capital expenditures	78,115	289	3,128	1,051	973	409	3,470	3,649	1,669	92,753

	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 (*1)	287,169	299,318	187,420	52,195	86,788	99,661	37,596	15,853	(70,406)	995,594
Operating income	¥ 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

	Thousands of U.S. dollars									
Year ended March 31, 2007	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	Elimination or Corporate	Consolidated
Revenue from operations:										
Outside customers	**$ 3,372,046**	**$2,893,943**	**$1,643,117**	**$655,231**	**$ 843,981**	**$587,844**	**$340,542**	**$ 75,782**	**$ —**	**$10,412,486**
Inter-segment	**54,206**	**68**	**49,953**	**39,356**	**196,197**	**314,511**	**2,812**	**87,488**	**(744,591)**	**—**
	3,426,252	**2,894,011**	**1,693,070**	**694,587**	**1,040,178**	**902,355**	**343,354**	**163,270**	**(744,591)**	**10,412,486**
Costs and expenses (*1)	**2,737,137**	**2,476,900**	**1,670,047**	**473,918**	**918,975**	**895,095**	**328,496**	**139,466**	**(598,517)**	**9,041,517**
Operating income	**$ 689,115**	**$ 417,111**	**$ 23,023**	**$220,669**	**$ 121,203**	**$ 7,260**	**$ 14,858**	**$ 23,804**	**$ (146,074)**	**$ 1,370,969**
Assets	**$16,689,970**	**$6,206,421**	**$ 500,059**	**$438,746**	**$ 584,922**	**$429,428**	**$718,831**	**$191,165**	**$2,145,498**	**$27,905,040**
Depreciation	**246,819**	**4,735**	**18,365**	**6,540**	**7,548**	**7,683**	**22,262**	**19,051**	**6,870**	**339,873**
Capital expenditures	**1,727,700**	**24,718**	**21,415**	**10,860**	**14,765**	**10,352**	**17,264**	**17,747**	**21,813**	**1,866,634**

(*1) Includes cost of revenue from operations and selling, general and administrative expenses.
(*2) As referred to in Note 2 (G), the Company and its domestic subsidiaries adopted early new accounting standard, "Accounting Standard for Measurement of Inventories," effective April 1, 2006. As a result of adopting the accounting standard, assets in segment (1) and segment (2) as of March 31, 2007 was decreased by ¥1,645 million ($13,935 thousand) and ¥27,091 million ($229,487 thousand), respectively, compared to what would have been reported under the previous accounting standards.

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.

21. CONTINGENT LIABILITIES

Contingent liabilities at March 31, 2007 and 2006 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2007	2006	**2007**
Loans guaranteed	**¥96,014**	¥106,426	**$813,333**

22. SUBSEQUENT EVENTS

There were no applicable items under this category.

KPMG

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

We have audited the accompanying consolidated balance sheets of Mitsui Fudosan Co., Ltd. and consolidated subsidiaries as of March 31, 2007 and 2006, and the related consolidated statements of income, changes in net assets and cash flows for each of the three years in the period ended March 31, 2007, 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.

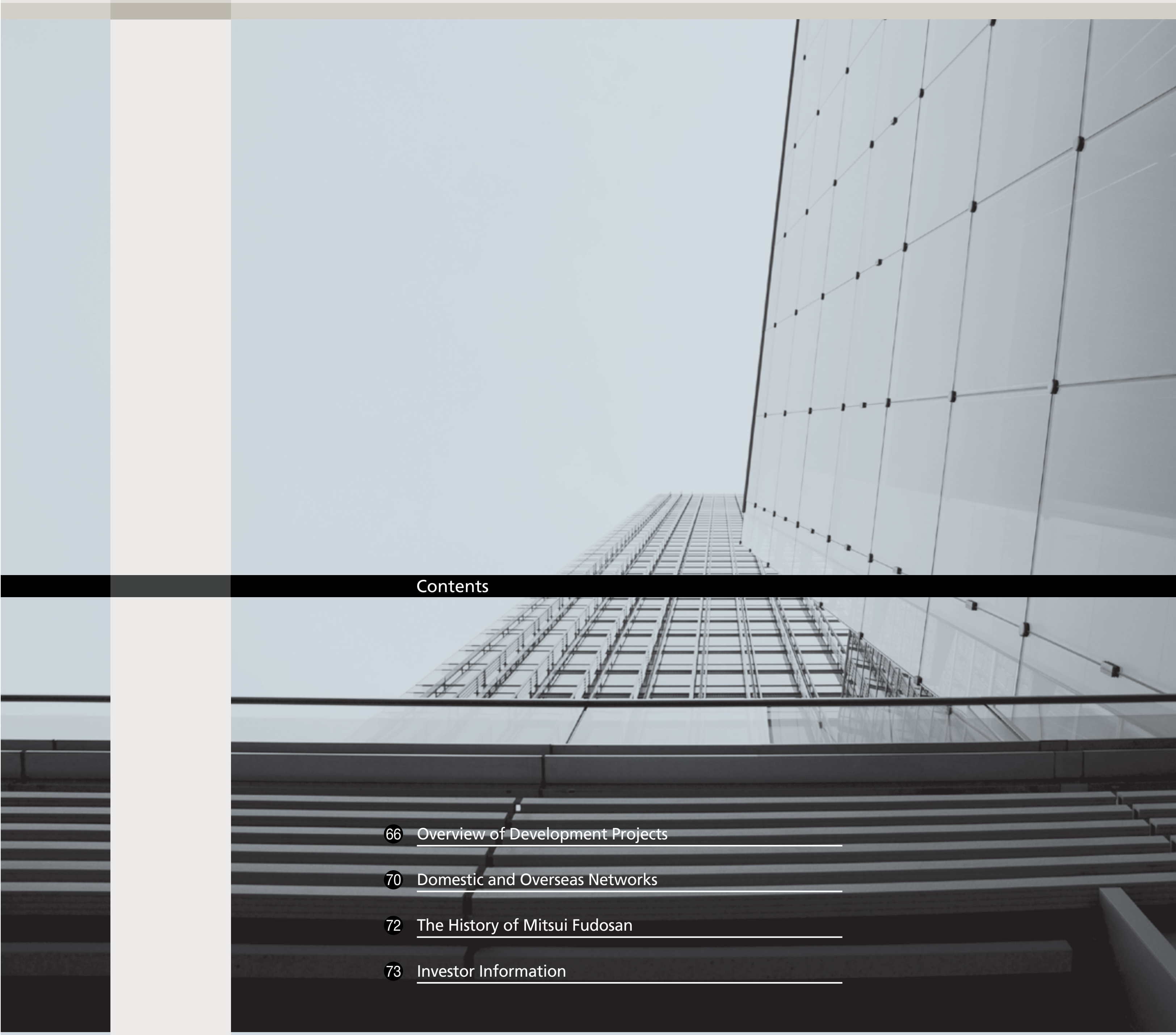
In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Mitsui Fudosan Co., Ltd. and subsidiaries as of March 31, 2007 and 2006, and the consolidated results of their operations and their cash flows for each of the three years in the period ended March 31, 2007, in conformity with accounting principles generally accepted in Japan.

Without qualifying our opinion, we draw attention to the following.
As discussed in Note 2 (G) to the consolidated financial statements, effective April 1, 2006, Mitsui Fudosan Co., Ltd. and its consolidated domestic subsidiaries adopted a new accounting standard for measurement of inventories.

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2007 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 28, 2007



Contents

Office Buildings

Mitsui Fudosan operates approximately 300 office buildings that are occupied by more than 3,300 corporate tenants. Strong in Tokyo's central business district, Mitsui Fudosan's office portfolio also covers Japan's other major urban areas.

Mitsui Main Building

The Mitsui Main Building was designated a Registered Important Cultural Property in 1998.
(Opened in 1929 / 36,000m²)

Kasumigaseki Building

This 36-story high-rise building was Japan's first skyscraper.
(Opened in 1968 / Renewal in 2001 / 153,000m²)

Shinjuku Mitsui Building

Built more than 30 years ago, this skyscraper remains a landmark in Shinjuku, the new urban hub of Tokyo.
(Opened in 1974 / Renewal in 2000 / 180,000m²)

Gate City Ohsaki

Gate City Ohsaki is a large-scale, mixed-use intelligent building.
(Opened in 1999 / 292,000m²)

Shiodome City Center

This complex encompasses office space, retail shops and restaurants.
(Opened in 2003 / 212,000m²)

Nihonbashi 1-chome Building

This new landmark features a striking plaza and atrium.
(Opened in 2004 / 98,000m²)

Nihonbashi Mitsui Tower

A 39-story high-rise combining office space with the Mandarin Oriental Hotel.
(Opened in 2005 / 130,000m^2)

Tokyo Midtown

Combines office, retail and residential facilities.
(Opened in 2007 / 569,000m^2)

Retail Facilities

Mitsui Fudosan operates approximately 50 retail facilities throughout Japan, including regional malls, factory outlet malls and urban facilities.

Tokyo-Bay LaLaport

The first large-scale suburban shopping center in Japan.
(Opened in 1981 / 278,000m^2 / 540 stores)

Jazz Dream at Nagashima

The largest outlet mall in Japan's Tokai region.
(Opened in 2002 / 21,000m^2 / 85 stores)

LALA Garden Tsukuba

This shopping center encompasses small and medium-sized retail spaces.
(Opened in 2004 / 22,000m^2)

Kojun Building

Offers dining and shopping in the famed Ginza district.
(Opened in 2004 / 22,000m^2)

GARDEN WALK MAKUHARI

An outlet shopping complex with 60 stores.
(Opened in 2000 / 14,800m^2 / 60 stores)

MARINE PIA KOBE PORTO BAZAR

A factory outlet and restaurant mall.
(Opened in 1999 / 26,000m^2 / 80 stores)

Housing

Quality and value are the hallmarks of the condominiums and detached houses that Mitsui Fudosan develops for sale and lease.

Okawabata River City 21

A large-scale residential development on the banks of the Sumida River.
(Completed in 1988-1999)

Park Mansion Chidorigafuchi

A high-quality condominium building that truly meets the needs of residents at the high end of the housing market.
(Completed in 2004 / 62 units)

Aoyama Park Tower

A high-rise condominium tower that offers gracious living in the sophisticated Aoyama area of Tokyo.
(Completed in 2003 / 314 units)

Park Court Futakotamagawa

This condominium complex won the prestigious Good Design Award.
(Completed in 2003 / 79 units)

Fine Court Mitaka

This Good Design Award winner is representative of Mitsui Fudosan's high-end detached housing developments.
(Completed in 2004 / 46 units)

Park Axis Minami-Azabu

One of the Park Axis series of rental condominiums in excellent Tokyo locations.
(Completed in 2003 / 64 units)

Other

Hotels and serviced apartments are other areas of the real estate market in which Mitsui Fudosan has a presence.

Halekulani Hotel

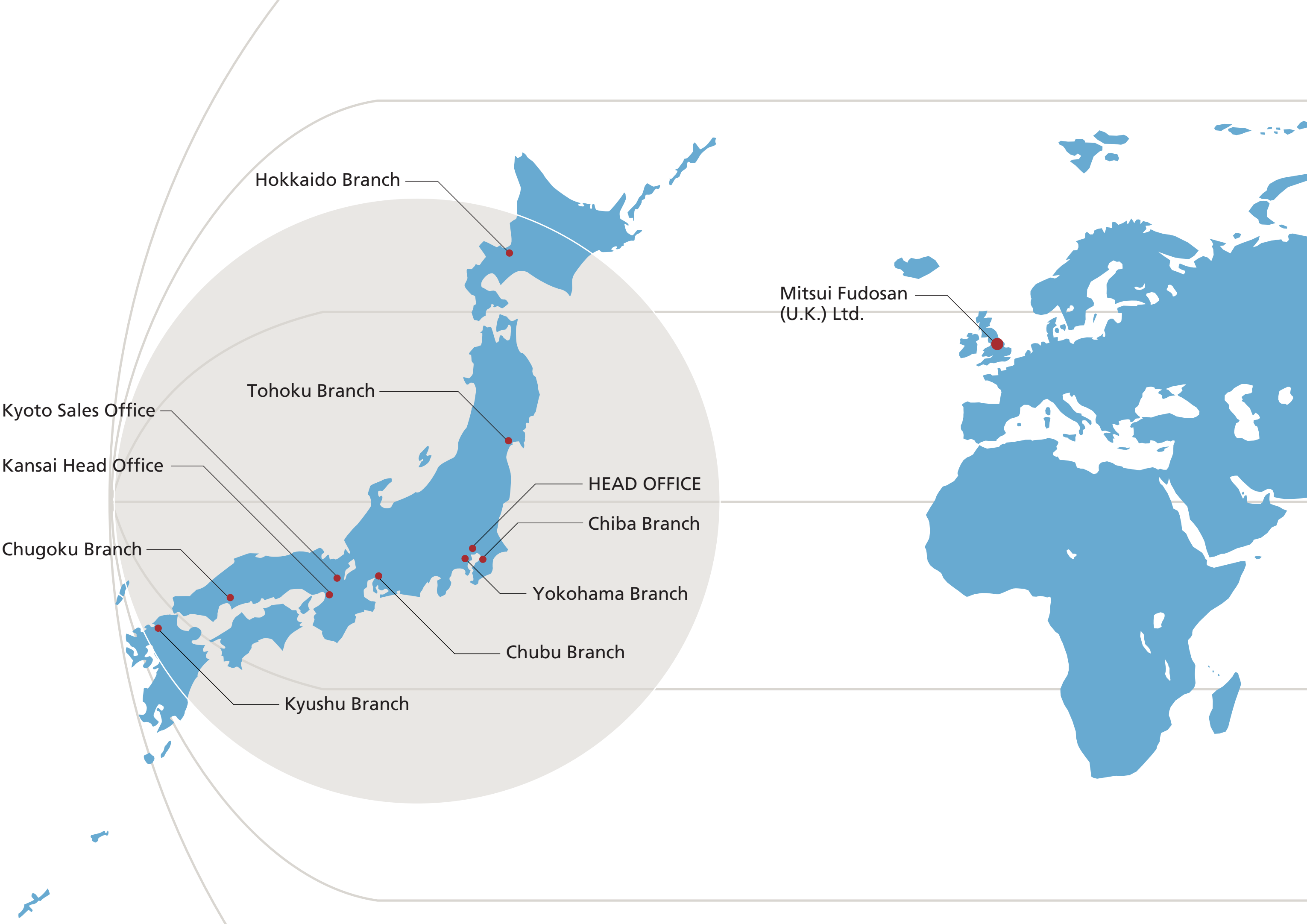
A luxury hotel on Waikiki Beach in Honolulu, Hawaii, the Halekulani Hotel is known for comfort and fine service.
(Opened in 1984 / 455 rooms)

Mitsui Garden Hotel Ginza

The Garden Hotel chain operates approximately 3,100 hotel rooms at 12 locations throughout Japan.
(Completed in 2005 / 361 rooms)

Oakwood Residence Azabu Juban

Mitsui Fudosan's first building of serviced apartments that was sold to a foreign investor.
(Opened in 2004 / 83 units)



Domestic Network

HEAD OFFICE

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

BRANCH OFFICES AND SALES OFFICE

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

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

Tohoku Branch
Mitsui Seimei Sendai Honcho Building
1-1, Honcho 1-chome, Aoba-ku
Sendai-shi,
Miyagi 980-0014

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

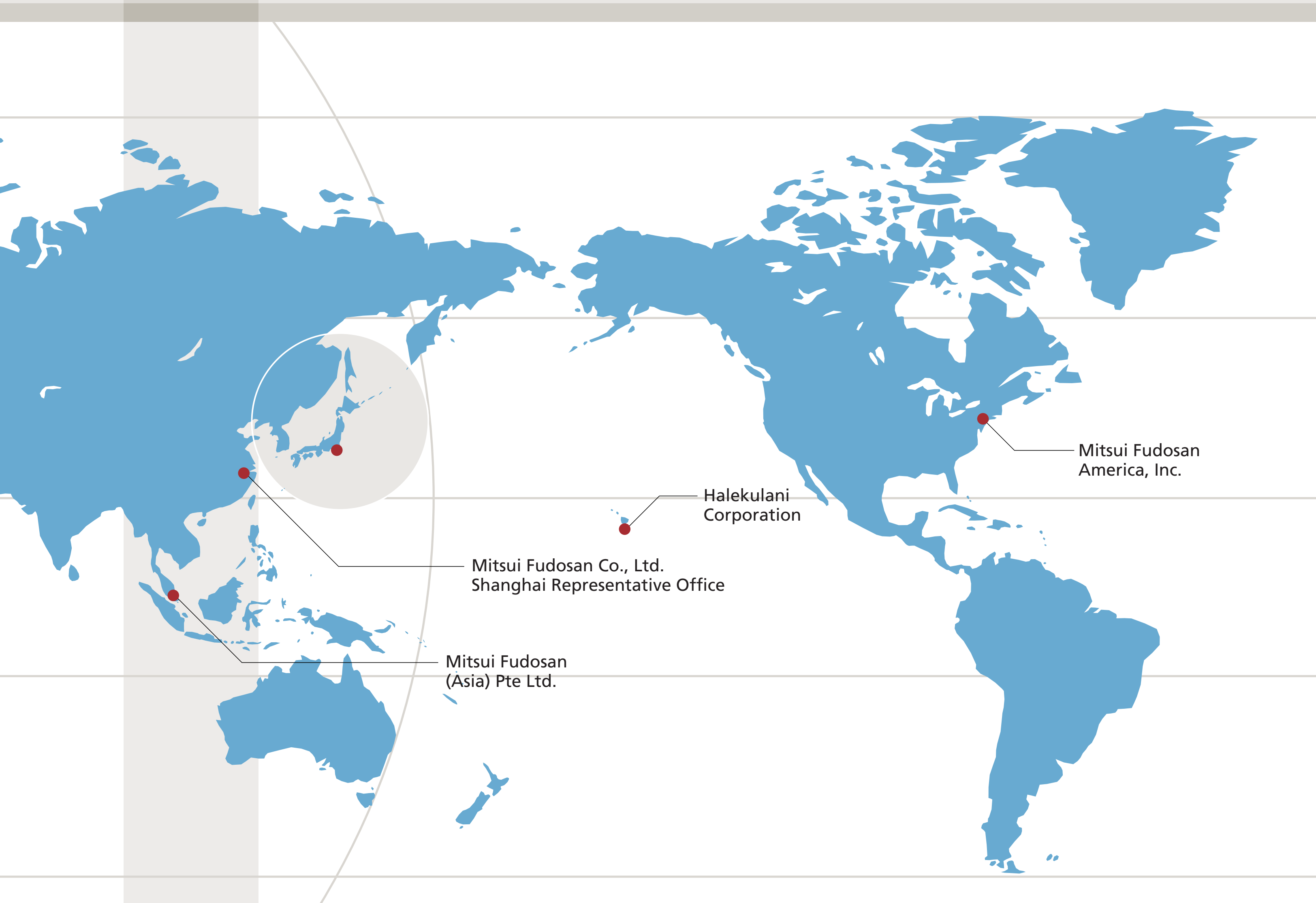
Yokohama Branch
Yokohama Creation Square
5-1, Sakae-cho, Kanagawa-ku,
Yokohama-shi,
Kanagawa 221-0052

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

Chugoku 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

Kyoto Sales Office
Kyoto Mitsui Building
8, Naginatahoko-cho,
Shijo-dori Karasuma Higashi-iru,
Shimogyo-ku, Kyoto-fu
Kyoto 600-8008



Overseas Network

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1251 Avenue of the Americas, Suite 800,
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Fax: 1-212-403-5657

Halekulani Corporation
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Fax: 1-808-536-8794

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24 King William Street, London, EC4R 9AJ,
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Tel: 44-20-7822-0661
Fax: 44-20-7822-0660

Mitsui Fudosan (Asia) Pte Ltd.
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Singapore 048581
Tel: 65-6-220-8358
Fax: 65-6-224-8783

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Shanghai Representative Office
Room 3112, Lippo Plaza 222
Huai Hai Zhong Road, Luwan District
Shanghai 200020, China
Tel: 86-21-5396-6969
Fax: 86-21-5396-6899

1673	• Opening of the Echigo-ya clothing store in Nihonbashi 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 (New York City, U.S.A., now called 1251 Avenue of the Americas)
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, Tokyo (now called Tokyo Midtown)
2003	• Completion of Shiodome City Center (Minato-ku, Tokyo)
2005	• Opening of Nihonbashi Mitsui Tower (Chuo-ku, Tokyo) • Establishment of Mitsui Fudosan Residential Co., Ltd.
2006	• Opening of Lazona Kawasaki Plaza (Kanagawa Prefecture), Urban Dock LaLaport Toyosu (Koto-ku, Tokyo), LaLaport Kashiwanoha (Chiba Prefecture) and LaLaport Yokohama (Kanagawa Prefecture)

Office Buildings


Nihonbashi in the Edo Period


Shinjuku Mitsui Building


Shiodome City Center


Nihonbashi Mitsui Tower

Retail Facilities


LaLaport Funabashi


Yokohama Bayside Marina Shops and Restaurants

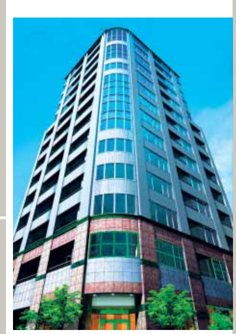

LaLaport Koshien

Housing


Yurigaoka


Park City Honmoku


Tokyo Park Tower


Park Axis Nihonbashi

(Parent company; as of March 31, 2007)

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:
¥174,296 million

Listings:
Tokyo, Osaka (Ticker: 8801)

Number of Shares:
Authorized: 3,290,000,000
Issued and outstanding: 881,424,727

Number of Shareholders:
23,398

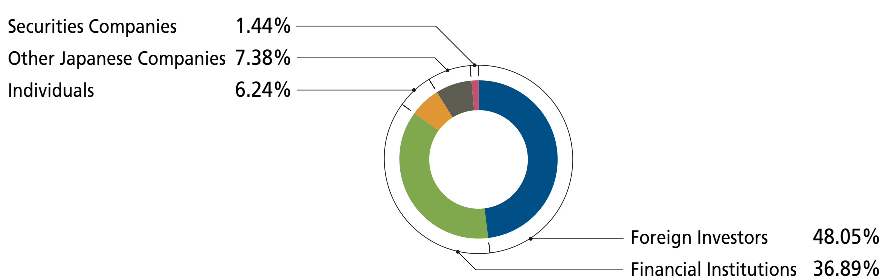
Transfer Agent:
The Chuo Mitsui Trust and Banking Company, Limited

Number of Employees:
1,018 (Nonconsolidated)

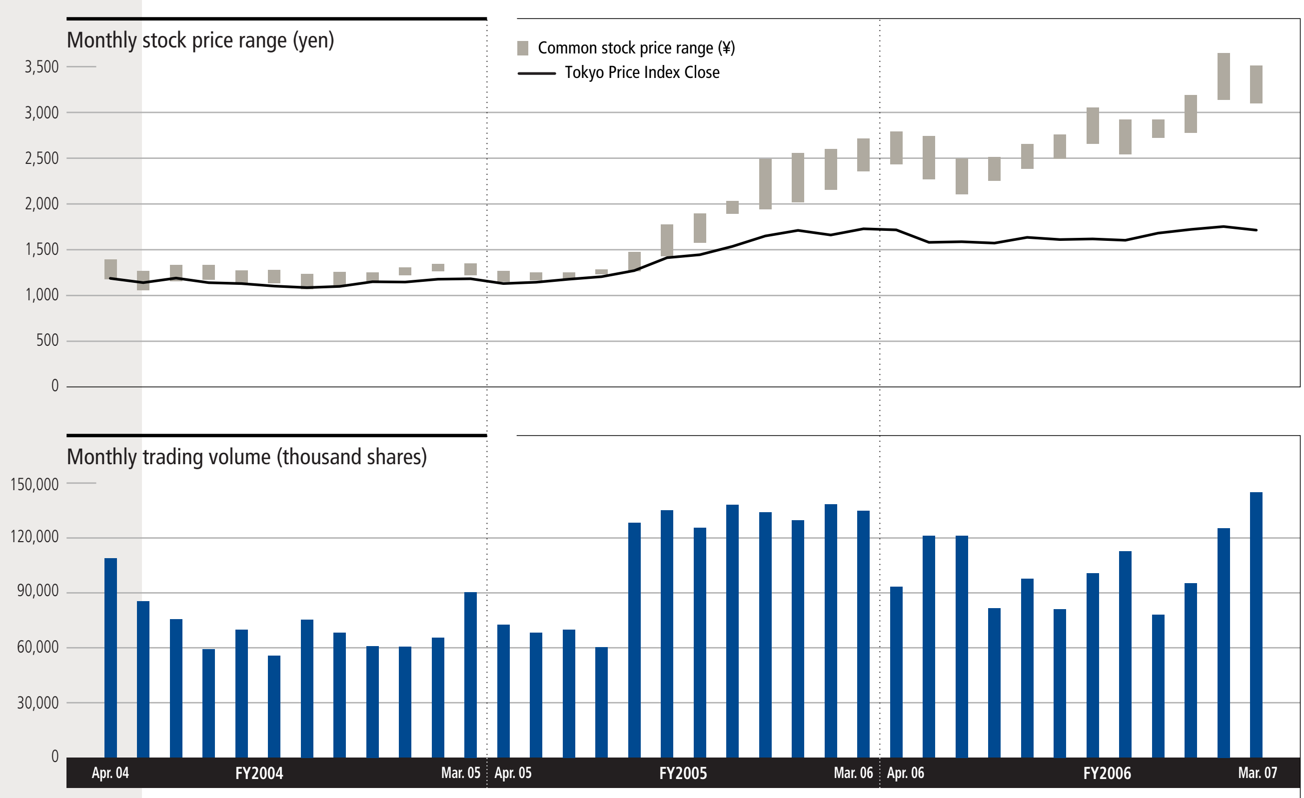
URL:
http://www.mitsuifudosan.co.jp/english

E-mail:
mfir@mitsuifudosan.co.jp

Composition of Shareholders:



Monthly Stock Data (TSE):



This annual report is printed on a combination of 70% recycled paper and 30% fresh pulp made with consideration for the environment.

MITSUI FUDOSAN

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