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Annual Report year ended March 31, 2000

NEW VALUE FROM REAL ESTATE

MITSUI FUDOSAN CO.,LTD.

PROFILE

Since its establishment in 1941, **Mitsui Fudosan Co., Ltd.** has expanded business activities in a wide range of fields centered on the development of housing, office buildings, commercial facilities, hotels, sports and leisure facilities and resorts. **Mitsui Fudosan** plays a leading role in the Japanese real estate market.

Since the collapse of Japan's bubble economy, the real estate market has experienced a paradigm shift created by asset deflation and the introduction of greater liquidity. Amid this shift, the Company has worked to improve the profitability of its assets and reduce its interest-bearing debt. The Company's efforts to improve its profitability structure entered their final phase in fiscal 1999, and **Mitsui Fudosan** now stands at the starting line for a new century of growth.

The new Midterm Group Management Plan begun in May 2000 established five group strategies: committing to the customer's viewpoint, improving asset profitability, expanding and strengthening nonasset businesses, achieving growth as a group, and cultivating new business areas. **Mitsui Fudosan** is constantly asking itself what it needs to do to thrive in the new era of real estate. We are working to realize a new level of corporate group activity through earnest practice and a commitment to change.

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CONSOLIDATED FINANCIAL HIGHLIGHTS

Mitsui Fudosan Co., Ltd. and Subsidiaries

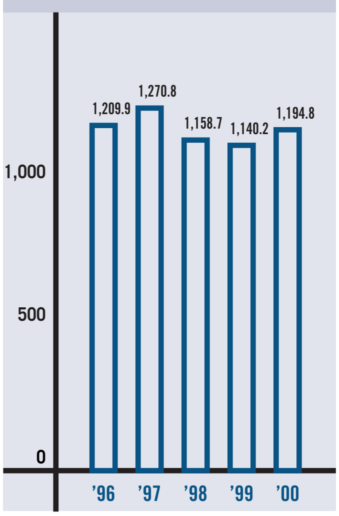
	Millions of yen		Thousands of U.S. dollars	
Years ended March 31	1999	**2000**	1999	**2000**
Revenue from operations	¥1,140,242	**¥1,194,837**	$10,741,803	**$11,256,121**
Net loss	(35,794)	**(58,418)**	(337,205)	**(550,333)**
As a percentage of revenue from operations	(3.1)%	**(4.9)%**		
As a percentage of shareholders' equity	(7.3)%	**(14.8)%**		
Cash dividends	4,063	**4,063**	38,274	**38,274**
Total assets	3,202,426	**2,991,203**	30,168,877	**28,179,022**
Shareholders' equity	492,591	**395,132**	4,640,520	**3,722,396**
Common stock	134,433	**134,433**	1,266,446	**1,266,446**

	Yen		U.S. dollars	
Amount per share of common stock:				
Net loss	¥(44.1)	**¥(71.9)**	$(0.415)	**$(0.677)**
Cash dividends applicable to the year	5.0	**5.0**	0.047	**0.047**

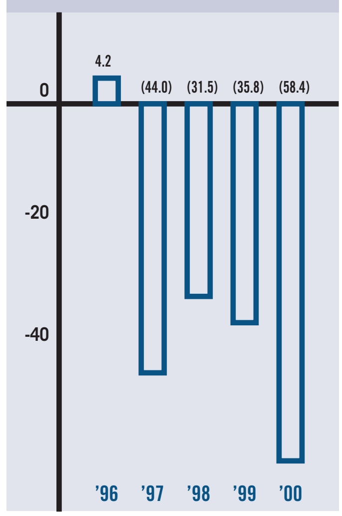
Number of shareholders	55,538	**61,265**
Number of employees	13,589	**13,484**

Note: U.S. dollar amounts are translated from yen at the rate of ¥106.15=U.S.$1, the approximate exchange rate at March 31, 2000.

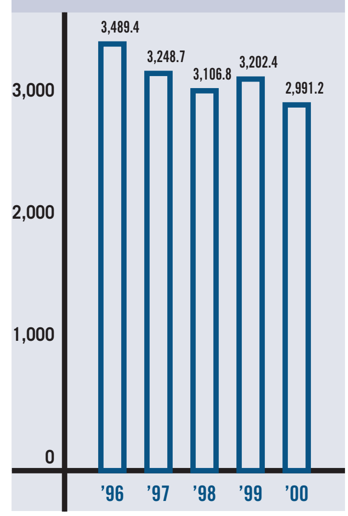
Revenue from Operations
(¥ billion)



Net Income (Loss)
(¥ billion)



Total Assets
(¥ billion)



HIROMICHI IWASA
MEMBER OF THE BOARD
PRESIDENT AND CHIEF EXECUTIVE OFFICER

OPERATING ENVIRONMENT

In fiscal 1999, ended March 31, 2000, consumer spending in Japan remained flat amid weak employment conditions and stagnant wages. However, fiscal and monetary measures to stimulate demand resulted in growth in housing investment and brisk public works spending. Owing to these factors, the downturn in economic activity bottomed out and signs of a moderate recovery began to emerge.

In the real estate industry, the building leasing business remained weak as companies strove to reduce office costs as part of streamlining efforts, and vacancy rates increased slightly. Conditions improved at the beginning of 2000, however, owing to the economic recovery and increased demand for office space from IT companies. Residential sales were strong, as consumer demand benefited from limited increases in standard interest rate from the Government Housing Loan Corporation and expanded tax deductions for housing loan interest payments. Consequently, there were notable bright spots in an overall severe environment.

RESULTS

Mitsui Fudosan Co., Ltd. and its Group companies took important steps to expand business opportunities despite the harsh operating environment. Efforts to raise return on assets and expand nonasset business—businesses not dependant on property ownership—which are core elements of the parent company's Midterm (three-year) Management Plan that began in fiscal 1998, took shape during the term. Particularly, we designated fiscal 1999 as our first year of securitization, reducing our capital burden by securitizing buildings for lease and mid- to high-rise condominiums.

Given the improvement in profitability on our mainline real estate operations through implementation of the parent company's Midterm Management Plan, we decided to implement a reform plan over fiscal 1999 and fiscal 2000 to reinforce our financial position and improve transparency. One element of this reform plan included the revaluation of real property for sale in accordance with the strict valuation criteria stipulated in the Commercial Code of Japan, considering the trend toward full-scale introduction of mark-to-market accounting.

As a result of these measures, consolidated revenues increased 4.8% to ¥1,194,837 million, with strong performance in leasing and sales operations. Operating income (revenue from operations less cost of revenue from operations and SG&A expenses) grew 43.9% to ¥81,923 million. Other revenues increased to ¥16,565 million, which included ¥6,404 million in a gain on sale of marketable property and equipment, and interest expenses declined to ¥38,985 million, reflecting continued low interest rates and ongoing efforts to reduce interest-bearing debt. As part of efforts to reform the consolidated balance sheet, the Group recorded a valuation loss on real property for sale of ¥130,763 million, which was included in other costs and expenses of ¥171,763 million. With a deferred income tax reversal of ¥56,853 million, the Company recorded a net loss for the year of ¥58,418 million.

Through decisive action taken to reform operations, management believes it has completed appropriate measures for the 20th century. The revitalized Mitsui Fudosan Group is now poised to begin the 21st century as a new stage of its corporate history.

SHIFT IN INDUSTRY PARADIGMS: THE REAL ESTATE INDUSTRY IN THE 21ST CENTURY

The collapse of the bubble economy brought an end to the continuous appreciation of land prices which had characterized the real estate market in post-war Japan, giving rise to a dramatic paradigm shift. In valuing real estate, investors have shifted focus from holding value to practical value. As a result, we believe there will be a substantial trend toward the separation of real estate ownership and its use. This trend will in turn support the creation of a new type of real estate industry in the 21st century—an industry that uses specialized expertise in developing idle properties into useful assets and in raising the value of real estate through marketing, management and administrative functions.

GROUP VISION AND MISSION

GROUP VISION

GUIDING PHILOSOPHY

Our logo mark "&" symbolizes our philosophies of "coexistence and harmony," and "linkage between diverse values," Mitsui Fudosan Group will continue to grow, while contributing to the society and inspiring dreams.

CREATING VALUES

The Mitsui Fudosan Group will continue to create values that can be appreciated by a society, our customers and the market, by fully utilizing the capabilities of the entire Group in line with universal values.

GROUP MANAGEMENT

The Mitsui Fudosan Group will pursue the optimize distribution of the Group's management resources, raise overall Group profitability, and aim to maximize the value of the Group companies.

GROUP MISSION

CREATING VALUES FOR SOCIETY

The Mitsui Fudosan Group will bring affluence and comfort to city life by providing the highest quality products and services.

CREATING VALUES FOR OUR CUSTOMERS

The Mitsui Fudosan Group will maintain our "customer first" policy and create value to continueously raise customer satisfaction now and the future.

CREATING VALUES FOR OUR SHAREHOLDERS

The Mitsui Fudosan Group will strive to create value for shareholders with constant efforts to realize optimum profits by identifying trends and utilizing all management resources.

CREATING VALUE IN OUR CORPORATE CULTURE

The Mitsui Fudosan Group will create a corporate culture that fosters the development of diversified human resources and encourages creativity based on the solid foundation of our traditional corporate culture that values free thinking and a pioneer spirit.

CREATING VALUES IN REAL ESTATE

The Mitsui Fudosan Group will create new values in real estate by closely monitoring structural market changes and progress in information technology (IT), and by shifting to a paradigm relevant to the real estate industry.

These changes will create a number of new business opportunities, which the Mitsui Fudosan Group, with substantial experience and professional expertise in the real estate business, is well-positioned to capitalize on.

REVISED GROUP VISION AND MISSION: NEW MIDTERM MANAGEMENT PLAN

In the previous fiscal year we revised our Management Vision for the Mitsui Fudosan Group, including our Mission for the Group and the role it is expected to play, based on recognition of the trends and conditions discussed above. We have recently formulated a Midterm (three-year) Group Management Plan based on our revised Vision and Mission, beginning in fiscal 2000. The plan will guide our actions to boost growth and raise profitability for the revitalized Mitsui Fudosan Group in the 21st century.

Through the following strategic initiatives, we intend to expand our ability to create value and to maximize our corporate value.

GROUP STRATEGIES FOR GROWTH

Based on the Midterm Group Management Plan, we are pursuing the following five strategies.

1. Management from Customer Viewpoint

Led by changes in the population and household compositions, shifting industry structures and the development of the information society, customer needs have grown increasingly diverse, and conditions favor a buyers market. Through interactive methods such as the Internet, we intend to gain a more accurate understanding of market needs and provide appropriate products and services, creating new value for our customers.

2. Asset Strategies

We aim to construct an optimal asset portfolio that maximizes return for an appropriate level of risk. In the Leasing segment, we aim to raise return and reduce risk through diversified investment in multiple properties. In the Sales of Housing, Office Buildings and Land, we aim to minimize market risk by accelerating project schedules.

3. Nonasset Strategies

We plan to expand operations in the management of real properties for absentee owners by taking maximum advantage of expertise and management resources gained from managing our own assets. We aim to increase sales to customers for the segregated functions of development, marketing, management and administration.

4. Optimal Value Chain

Group companies have substantial experience in each stage of building, commercial property and housing operations, including development, marketing and property management. We aim to maximize these management resources and create new value through synergy. Where necessary, we will merge and restructure these Group companies, and will make flexible use of outside resources, to develop a value chain comprising the best possible links.

5. Creating New Business Models

Mitsui Fudosan is developing new business models in its real estate business and related fields, including securitization, residential leasing, "care design" for nursing care facilities and services to support the aging population.

While pursuing our Group Vision and Mission, we intend to continually search for the optimal business model through self-driven change to boost consolidated growth while supporting fair and transparent real estate markets. I ask for the support of our shareholders as we create new corporate value in our real estate and related businesses.

Hiromichi Iwasa

HIROMICHI IWASA
MEMBER OF THE BOARD
PRESIDENT AND CHIEF EXECUTIVE OFFICER

August 2000

Consolidated Revenue by Segment

In prior periods, consolidated segment information for Mitsui Fudosan Co., Ltd. had been classified into four business segments: Leasing and Management, Sales, Construction, and Associated Businesses. Results for fiscal 1999, ended March 31, 2000, have been further broken down into eight segments: Leasing (formerly Leasing and Management); Sales of Housing, Office Building and Land (formerly Sales); Construction; Brokerage, Consignment Sales and Consulting; Property Management; Sales of Housing Materials and Merchandise; Facility Operations; and Other. This reclassification was made to reflect the management policy of strengthening nonasset businesses and to represent the business structure more accurately given the growing materiality of the former Associated Businesses segment.

Leasing

The Company carries out leasing operations for office buildings, commercial and residential properties. In office buildings, where demand for buildings with advanced functions is increasing, we raised the competitiveness of our properties through renewal projects, completing a large-scale renewal of the Shinjuku Mitsui Building in Shinjuku-ku, Tokyo.

Led by increased revenues from Mitsui Fudosan and the MITSUI REAL ESTATE SALES Group, consolidated revenues in the Leasing segment rose 3.1% to ¥325,643 million. However, operating income declined 4.2% to ¥61,148 million due to the negative impact of asset sales by a U.S. subsidiary and the appreciation of the yen on overseas revenues.

Year ended March 31	2000
Office and commercial	
Revenue (¥ million)	¥ 265,752
Floor space (m^2):	
Owned	1,953,670
Managed	1,311,403
Total	3,265,073
Residential	
Revenue (¥ million)	¥ 42,321
Units:	
Owned	869
Managed	26,551
Total	27,420
Other	
Revenue (¥ million)	¥ 17,570
TOTAL	¥325,643

Sales of Housing, Office Building and Land

Operations in this segment comprise the sale of mid- to high-rise condominiums, detached housing, and land and facilities for other commercial uses. To provide homes that give customers a high level of satisfaction, we made a series of efforts to boost product planning, including working to more accurately grasp customer needs through the Mitsui Open Communication (MOC), a monitoring organization through which we gather input from homebuyers. Housing unit sales increased in fiscal 1999 amid a backdrop of low interest rates from the Government Housing Loan Corporation and the introduction of a system extending the tax deductions allowed on mortgage interest payments.

Revenue in the segment increased 9.8% to ¥359,326 million, with sales of buildings to a real estate funds contributing to revenue growth at the parent company. Operating income totaled ¥8,882 million, with the MITSUI REAL ESTATE SALES Group returning to profitability after recording an operating loss in the previous fiscal year.

Year ended March 31	2000		
Housing Sales	Units	Revenue (¥ million)	Unit price (¥ million)
Detached housing:			
Tokyo area	670	¥ 40,951	¥61.1
Other	151	6,620	43.8
Total	821	¥ 47,571	¥57.9
Mid-to high-rise condominiums:			
Tokyo area	3,553	¥185,735	¥52.3
Other	1,697	55,403	32.6
Total	5,250	¥241,138	¥45.9
Total housing sales:			
Tokyo area	4,223	¥226,686	¥53.7
Other	1,848	62,023	33.6
Total	6,071	¥288,709	¥47.6

Year ended March 31	(¥ million) 2000
Other sales revenue:	
Land	¥33,019
Buildings	37,598
Total	¥70,617

Construction

The Construction segment includes the operations of Group companies, Mitsui Home Co., Ltd. and Mitsui Harbour and Urban Construction Co., Ltd. Revenues are generated from the construction of houses and office buildings, and construction contracts for housing development projects (including planning and design).

During fiscal 1999, we worked to boost our comprehensive marketing power. Although revenue edged down 0.7% to ¥273,142 million, operating income rose 32.5% to ¥6,031 million due to the success of initiatives to raise efficiency in production and construction.

Orders, Order Backlogs and Project Completions (¥ million)

Year ended March 31	2000		
	Building construction	Civil engineering	Total
Orders:			
Work-on-hand at beginning of period	¥106,059	¥ 75,736	¥181,795
Orders during period	169,862	63,659	233,521
Total	¥275,921	¥139,395	¥415,316
Project completion	¥170,119	¥ 73,562	¥243,681
Work-on-hand at end of period	¥105,802	¥ 65,833	¥171,635

Projects (¥ million)

Year ended March 31	2000		
	Building construction	Civil engineering	Total
Orders:			
Project completions	¥170,119	¥ 73,562	¥243,681
Work-on-hand, end of period:			
Total	105,802	65,833	171,635
Work in progress	13,624	12,103	25,727
As a percentage of work-on-hand, end of period	12.9%	18.4%	15.0%
Projects during period	¥171,760	¥ 72,735	¥244,495

Brokerage, Consignment Sales and Consulting

This segment comprises the operations of Mitsui Fudosan, MITSUI REAL ESTATE SALES Group and Mitsui Fudosan Investment Advisors, Inc. Results in fiscal 1999 benefited from a recovery in the contract rate of new residential units and greater activity in the used market. Corporate brokerage and consulting services also recorded favorable sales. As a result, revenue in the Brokerage, Consignment Sales and Consulting segment increased 15.7% to ¥40,241 million, and operating income expanded substantially, by 72.9% to ¥13,353 million.

Year ended March 31	2000	
	Units	Revenue (¥ million)
Brokerage	21,225	¥26,958
Consignment sales	4,805	7,027
Consulting	—	6,256
Total	—	¥40,241

Property Management

Operations in the Property Management segment include management, cleaning and maintenance services for the Company's leasing, sales and facility operations businesses (project management), as well as projects supplementary to management of office facilities and houses (renovation project management).

The Property Management segment recorded growth in sales to outside customers for office and residential management services. Revenue rose 15.1% to ¥60,221 million and operating income increased 62.7% to ¥5,872 million.

Year ended March 31	(¥ million) 2000
Revenue:	
Property management	¥37,428
Renovation project management	22,793
Total	¥60,221

Sales of Housing Materials and Merchandise

The Sales of Housing Materials and Merchandise segment comprises the manufacturing and marketing of housing materials for construction projects undertaken by the Mitsui Home Group, as well as wholesale and retail operations for do-it-yourself (DIY) items, foodstuffs and gardening supplies.

Amid lackluster consumer spending, efforts to expand deliveries and sales volume supported revenue growth of 6.2% to ¥69,937 million. However, operating income decreased 48.4% to ¥301 million due to an increase in the cost of sales of general merchandise.

Year ended March 31	(¥ million) 2000
Revenue:	
Housing materials	¥20,927
Merchandise	49,010
Total	¥69,937

Facility Operations

The Facility Operations segment comprises the management of hotels, golf courses and the LaLaport Ski Dome SSAWS. It is also involved in food and beverage services. Revenue declined 6.7% to ¥46,234 million owing to the impact of weak consumer spending. Although cost-cutting measures have put the segment on a path to an earnings recovery, an operating loss of ¥26 million was recorded for the fiscal year under review.

Year ended March 31	(¥ million) 2000
Revenue:	
Hotels	¥27,235
Other	18,999
Total	¥46,234

Other

The Other segment includes the finance and lease operations and other operations. In line with increased sales, revenue rose 2.7% to ¥20,093 million and operating income increased 33.6% to ¥2,832 million.

Year ended March 31	(¥ million) 2000
Revenue:	
Finance and lease	¥ 4,599
Other	15,494
Total	¥20,093

Income Analysis

(Billions of yen, %)

Years ended March 31	1998		1999		**2000**	
Revenue from operations	¥1,158.7	(100.0)	¥1,140.2	(100.0)	**¥1,194.8**	**(100.0)**
Cost of revenue from operations	947.3	(81.8)	928.2	(81.4)	**983.8**	**(82.3)**
Selling, general and administrative expenses	154.4	(13.3)	155.1	(13.6)	**129.1**	**(10.8)**
Operating income (loss)	57.0	(4.9)	56.9	(5.0)	**81.9**	**(6.9)**
Other revenues	46.5	(4.0)	9.4	(0.8)	**16.5**	**(1.4)**
Interest expenses	47.8	(4.1)	46.4	(4.1)	**39.0**	**(3.3)**
Other expenses	119.7	(10.3)	71.0	(6.2)	**171.6**	**(14.4)**
Equity in net income of affiliated companies	5.6	(0.5)	(0.7)	—	**4.8**	**(0.4)**
Income (loss) before income taxes	(58.4)	—	(51.8)	—	**(107.4)**	**—**
Income taxes	(25.5)	—	4.8	(0.4)	**(48.8)**	**—**
Minority interests	1.4	(0.1)	20.8	(1.8)	**0.2**	**(0.0)**
Net income (loss)	(31.5)	—	(35.8)	—	**(58.4)**	**—**

In fiscal year 1999, revenue from operations increased 4.8% to ¥1,194,837 million, owing mainly to strong performance in the Leasing and Sales of Housing, Office Building and Land segments. Although cost of revenue from operations as a percent of revenue increased 0.9 percentage point, cost cutting measures throughout the Group succeeded in slashing selling, general and administrative expenses by 16.8% to ¥129,104 million, or 10.8% of revenue from operations, an improvement of 2.8 percentage points from the previous term. Consequently, operating income climbed 43.9% to ¥81,923 million, and the operating income margin improved 1.9 percentage points to 6.9%.

This improvement in operating profitability included the effects of operating profit contributions from MITSUI REAL ESTATE SALES Group, compared with a substantial operating loss in the previous fiscal year related to restructuring measures and the disposal of underperforming assets.

Other revenues (interest, dividends and miscellaneous) increased ¥7,139 million to ¥16,565 million. The main reasons for this increase were (1) a gain on the sale of marketable property and equipment of ¥6,404 million in fiscal 1999, compared with ¥483 million in fiscal 1998, and (2) the inclusion of equity in net income of affiliated companies of ¥4,768 million due to a change in presentation of the financial statements. Interest and dividend income declined ¥1,669 million to ¥4,538 million.

Interest expenses declined ¥7,406 million to ¥38,985 million, reflecting continued low interest rates and a decline in interest-bearing debt. However, costs and expenses—other rose ¥100,580 million to ¥171,639 million, owing primarily to a valuation loss on real property for sale of ¥130,763 million. For a full breakdown of other costs and expenses—other, see Note 16. Consequently, the loss before income taxes increased ¥55,615 million from fiscal 1998 to ¥107,368 million.

The Company recorded negative deferred income tax of ¥56,853 million, related primarily to an allowance for loss on sale of real property held for sale of ¥55,140 million, leading to a net loss of ¥58,418 million. Fiscal 1999 was the fourth consecutive period with a net loss recorded by the Company.

Financial Position

Assets						(Billions of yen, %)
As of March 31	1998		1999		**2000**	
Cash and cash equivalents	¥ 139.9	(4.5)	¥ 166.2	(5.2)	**¥ 165.3**	**(5.5)**
Inventories	680.5	(21.9)	647.9	(20.2)	**493.2**	**(16.5)**
Other current assets	390.7	(12.6)	332.2	(10.4)	**371.8**	**(12.4)**
Investments and other assets	517.3	(16.6)	534.3	(16.7)	**499.3**	**(16.7)**
Net property and equipment	1,378.4	(44.4)	1,521.8	(47.5)	**1,461.6**	**(48.9)**
Total	¥3,106.8	(100.0)	¥3,202.4	(100.0)	**¥ 2,991.2**	**(100.0)**

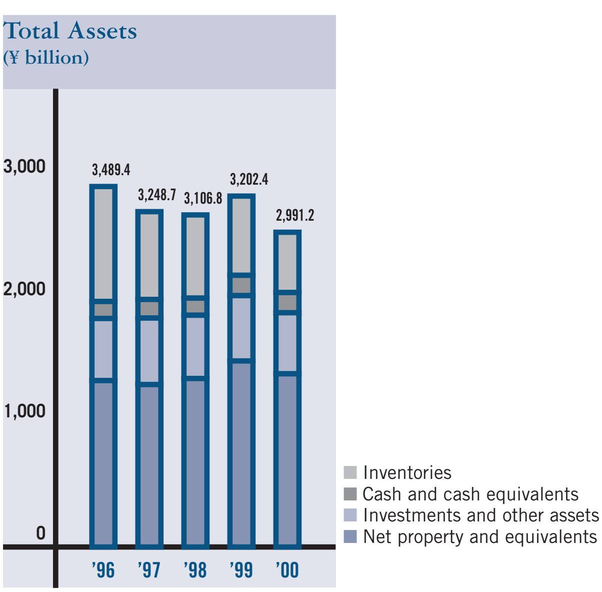
Liabilities, Minority interest in consolidated subsidiaries and Shareholders' Equity						(Billions of yen, %)
As of March 31	1998		1999		**2000**	
Bank loans and current portion	¥ 801.9	(25.8)	¥ 726.6	(22.7)	**¥ 456.4**	**(15.3)**
Other current liabilities	334.8	(10.8)	408.4	(12.8)	**401.4**	**(13.4)**
Long-term debt due after one year	927.4	(29.9)	1,054.7	(32.9)	**1,203.7**	**(40.2)**
Other long-term liabilities	456.0	(14.7)	477.7	(14.9)	**496.7**	**(16.6)**
Minority interest in consolidated subsidiaries	70.0	(2.2)	42.4	(1.3)	**37.9**	**(1.3)**
Shareholders' equity	516.7	(16.6)	492.6	(15.4)	**395.1**	**(13.2)**
Total	¥3,106.8	(100.0)	¥3,202.4	(100.0)	**¥ 2,991.2**	**(100.0)**

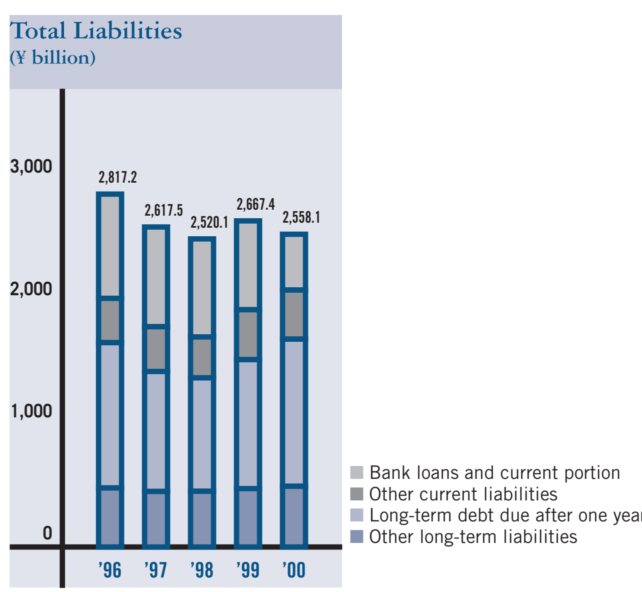
Total assets at fiscal-year end declined 6.6% year-on-year to ¥2,991,203 million, marking the first time since March 31, 1990, that total assets were below the ¥3 trillion level. Compared with the peak level of ¥3,702,144 million at March 31, 1993, total assets have decreased 19.2%.

Inventories declined 23.9% to ¥493,222 million, due mainly to a devaluation loss on real property for sale and the sale of properties in the United States by MITSUI REAL ESTATE SALES CO., Group.

Total liabilities declined 4.1% to ¥2,558,182 million, reflecting the use of cash from operations and the sale of assets to retire debt, as well as the effect of the stronger yen on overseas liabilities. Interest-bearing debt (the sum of bank loans, commercial paper, long-term debt due within one year and long-term debt due after one year) declined 6.8% to ¥1,660,127 million.

Total shareholders' equity declined 19.8% to ¥395,132 million, owing to the net loss of ¥58,418 million and a negative foreign currency translation adjustment, which was newly included in the equity section owing to a change in the presentation standards of consolidated financial statements in Japan, of ¥33,157 million. The equity ratio was 13.2% as of fiscal year-end.





Cash Flows

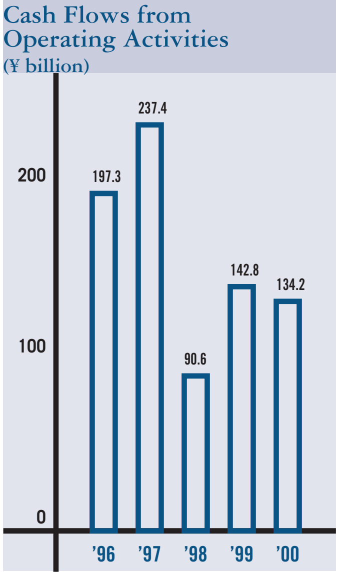
Years ended March 31	1998	1999	(Billions of yen) **2000**
Cash flows from operating activities	¥ 90.6	¥ 142.8	**¥134.2**
Cash flows from investing activities	33.8	(142.2)	**(32.5)**
Cash flows from financing activities	(149.1)	25.6	**(96.6)**
Effect of exchange rate changes on cash and cash equivalents	0.3	(0.7)	**(6.1)**
Net increase (decrease) in cash and cash equivalents	(24.4)	25.5	**(1.0)**
Cash and cash equivalents at beginning of year	152.3	139.9	**166.2**
Increase in cash and cash equivalents due to changes in consolidated subsidiaries	12.0	0.8	**0.1**
Cash and cash equivalents at end of year	¥ 139.9	¥ 166.2	**¥165.3**

Net cash provided by operating activities declined ¥8,602 million to ¥134,200 million. The main reason for the decline was a decrease in net cash provided by changes in assets and liabilities, which provided net cash of ¥37,689 million in fiscal 1999 compared with ¥84,107 million in fiscal 1998.

Net cash used in investing activities declined ¥109,781 million to ¥32,449 million. Main factors for this decline included a ¥41,550 million decline in purchase of property and equipment to ¥87,870 million, and a ¥41,045 million increase in proceeds from sale of property and equipment, to ¥51,514 million.

Net cash used in financing activities was ¥96,577 million in fiscal 1999, compared with net cash provided by financing activities of ¥25,626 million in fiscal 1998. The Company used strong cash flow from operations and restrained investment to pay back long-term debt, bank loans and commercial paper.

In aggregate, cash and cash equivalents at end of year edged down ¥879 million to ¥165,317 million.



TEN-YEAR SUMMARY

Mitsui Fudosan Co., Ltd. and Subsidiaries

	Millions of yen									
Years ended March 31	1991	1992	1993	1994	1995	1996	1997	1998	1999	**2000**
FOR THE FISCAL YEAR										
Revenue from operations	¥1,257,457	¥1,363,907	¥1,348,361	¥1,301,900	¥1,242,159	¥1,209,875	¥1,270,815	¥1,158,715	¥1,140,242	**¥ 1,194,837**
Interest, dividends and miscellaneous	19,500	26,114	18,295	23,018	89,794	28,202	88,433	46,535	9,426	**16,565**
Costs and expenses (including tax)	1,237,841	1,361,199	1,349,237	1,316,208	1,325,693	1,241,718	1,406,546	1,243,791	1,205,625	**1,274,736**
Equity in net income (loss) of affiliated companies	7,029	5,693	3,679	4,124	5,130	6,326	6,828	5,614	(663)	**4,768**
Minority interests	(4,772)	(3,413)	(2,026)	(2,646)	(2,300)	1,489	(3,521)	1,403	20,826	**148**
Net income (loss)	41,373	31,102	19,072	10,188	9,090	4,174	(43,991)	(31,524)	(35,794)	**(58,418)**
AMOUNT PER SHARE OF COMMON STOCK:										
Net income (loss) (yen)	¥ 51.7	¥ 38.7	¥ 23.7	¥ 12.6	¥ 11.2	¥ 5.1	¥ (54.1)	¥ (38.8)	¥ (44.1)	**¥ (71.9)**
Cash dividends applicable to the year (yen)	11.0*	9.0	9.0	9.0	9.0	9.0	7.0	5.0	5.0	**5.0**
AT YEAR-END:										
Total assets	¥3,442,950	¥3,623,514	¥3,702,144	¥3,676,408	¥3,649,677	¥3,489,359	¥3,248,670	¥3,106,789	¥3,202,426	**¥ 2,991,203**
Shareholders' equity	563,339	588,032	597,143	604,100	606,326	602,949	558,515	516,754	492,591	**395,132**
Common stock	130,065	130,676	130,838	131,793	133,687	134,267	134,417	134,428	134,433	**134,433**
Number of employees	9,277	9,968	10,449	10,531	11,684	11,931	11,335	13,823	13,589	**13,484**

* including special cash dividend of ¥2.0, commemorating the Company's 50th anniversary

CONSOLIDATED BALANCE SHEETS

Mitsui Fudosan Co., Ltd. and Subsidiaries
As of March 31, 1999 and 2000

	Millions of yen		Thousands of U.S. dollars (Note 1)	
	1999	**2000**	1999	**2000**
ASSETS				
CURRENT ASSETS				
Cash and cash equivalents	¥ 166,196	**¥ 165,317**	$ 1,565,672	**$ 1,557,387**
Marketable securities (Note 3)	95,417	**93,990**	898,888	**885,450**
Accounts receivable—trade (Note 4)	65,038	**79,714**	612,697	**750,954**
Short-term loans receivable	65,926	**55,968**	621,061	**527,249**
Allowance for doubtful accounts	(3,296)	**(1,375)**	(31,049)	**(12,951)**
Inventories (Note 5)	647,884	**493,222**	6,103,477	**4,646,466**
Advances paid for purchases (Note 6)	37,908	**26,869**	357,121	**253,121**
Deferred income taxes (Note 8)	13,009	**66,135**	122,556	**623,036**
Other current assets	58,165	**50,488**	547,950	**475,626**
Total current assets	1,146,247	**1,030,328**	10,798,373	**9,706,338**
INVESTMENTS & OTHER ASSETS				
Investments in unconsolidated subsidiaries and affiliated companies (Note 3)	77,069	**79,518**	726,040	**749,107**
Investment securities (Note 3)	40,066	**39,168**	377,444	**368,983**
Non-current loans and accounts receivable	153,796	**141,377**	1,448,850	**1,331,863**
Allowance for doubtful accounts	(37,809)	**(35,445)**	(356,184)	**(333,910)**
Lease deposits (Note 7)	257,835	**247,599**	2,428,966	**2,332,541**
Deferred income taxes (Note 8)	15,536	**21,440**	146,362	**201,979**
Other	1,745	**5,642**	16,443	**53,150**
	508,238	**499,299**	4,787,921	**4,703,713**
PROPERTY & EQUIPMENT, AT COST:				
Land (Note 9)	783,678	**842,904**	7,382,741	**7,940,688**
Buildings and structures (Note 9)	953,574	**900,809**	8,983,270	**8,486,190**
Machinery and equipment	88,210	**82,829**	830,995	**780,303**
Construction in progress	104,052	**41,908**	980,238	**394,802**
	1,929,514	**1,868,450**	18,177,244	**17,601,983**
Accumulated depreciation	(407,647)	**(406,874)**	(3,840,293)	**(3,833,012)**
Net property & equipment	1,521,867	**1,461,576**	14,336,951	**13,768,971**
FOREIGN CURRENCY TRANSLATION ADJUSTMENT	26,074	**—**	245,632	**—**
	¥3,202,426	**¥2,991,203**	$30,168,877	**$28,179,022**

See accompanying notes.

	Millions of yen		Thousands of U.S. dollars (Note 1)	
	1999	**2000**	1999	**2000**
LIABILITIES, MINORITY INTERESTS IN CONSOLIDATED SUBSIDIARIES AND SHAREHOLDERS' EQUITY				
CURRENT LIABILITIES				
Bank loans (Note 9)	¥ 478,608	**¥ 337,304**	$ 4,508,794	**$ 3,177,617**
Commercial paper	46,000	**—**	433,349	**—**
Long-term debt due within one year (Note 9)	201,981	**119,088**	1,902,793	**1,121,883**
Accounts payable—trade	152,900	**149,131**	1,440,412	**1,404,910**
Accrued expenses	32,825	**27,228**	309,236	**256,504**
Income taxes payable (Note 8)	4,862	**6,274**	45,801	**59,104**
Advances and deposits received	172,264	**172,470**	1,622,831	**1,624,774**
Other current liabilities	45,596	**46,261**	429,540	**435,808**
Total current liabilities	1,135,036	**857,756**	10,692,756	**8,080,600**
Accrued employees' retirement allowances	11,299	**24,016**	106,448	**226,246**
Long-term debt due after one year (Note 9)	1,054,682	**1,203,735**	9,935,767	**11,339,948**
Deposits from tenants (Note 10)	376,024	**367,960**	3,542,383	**3,466,411**
Deferred income taxes (Note 8)	8,229	**10,381**	77,526	**97,794**
Other liabilities and deferred credits	82,197	**94,334**	774,346	**888,684**
MINORITY INTERESTS IN CONSOLIDATED SUBSIDIARIES	42,368	**37,889**	399,131	**356,943**
SHAREHOLDERS' EQUITY (Note 11):				
Common stock, par value ¥50 per share:				
Authorized—1,770,000,000 shares				
Issued—812,560,001 shares	134,433	**134,433**	1,266,446	**1,266,446**
Additional paid in capital	204,693	**204,693**	1,928,340	**1,928,340**
Retained earnings	153,470	**89,169**	1,445,778	**840,027**
Foreign Currency Translation Adjustment	—	**(33,157)**	—	**(312,357)**
	492,596	**395,138**	4,640,564	**3,722,456**
Treasury stock	(5)	**(6)**	(44)	**(60)**
TOTAL SHAREHOLDERS' EQUITY	492,591	**395,132**	4,640,520	**3,722,396**
	¥3,202,426	**¥2,991,203**	$30,168,877	**$28,179,022**

CONSOLIDATED STATEMENTS OF OPERATIONS

Mitsui Fudosan Co., Ltd. and Subsidiaries
For the years ended March 31, 1999 and 2000

	Millions of yen		Thousands of U.S. dollars (Note 1)	
	1999	**2000**	1999	**2000**
REVENUES:				
Revenue from operations (Note 14)	¥1,140,242	**¥1,194,837**	$10,741,803	**$11,256,121**
Interest, dividends and miscellaneous (Note 15)	9,426	**16,565**	88,793	**156,046**
	1,149,668	**1,211,402**	10,830,596	**11,412,167**
COSTS AND EXPENSES:				
Cost of revenue from operations	928,157	**983,810**	8,743,825	**9,268,112**
Selling, general and administrative expenses	155,151	**129,104**	1,461,616	**1,216,238**
Interest	46,391	**38,985**	437,028	**367,268**
Other (Note 16)	71,059	**171,639**	669,425	**1,616,946**
	1,200,758	**1,323,538**	11,311,894	**12,468,564**
EQUITY IN NET INCOME OF AFFILIATED COMPANIES	(663)	**4,768**	(6,247)	**44,920**
LOSS BEFORE INCOME TAXES	(51,753)	**(107,368)**	(487,545)	**(1,011,477)**
INCOME TAXES (Note 8):				
Current	5,942	**8,051**	55,976	**75,849**
Deferred	(1,075)	**(56,853)**	(10,123)	**(535,599)**
	4,867	**(48,802)**	45,853	**(459,750)**
	(56,620)	**(58,566)**	(533,398)	**(551,727)**
MINORITY INTERESTS	20,826	**148**	196,193	**1,394**
NET LOSS	¥ (35,794)	**¥ (58,418)**	$ (337,205)	**$ (550,333)**

	Yen		U.S. dollars (Note 1)	
	1999	**2000**	1999	**2000**
AMOUNT PER SHARE OF COMMON STOCK:				
Net loss	¥(44.1)	**¥(71.9)**	$(0.415)	**$(0.677)**
Cash dividends applicable to the year	5.0	**5.0**	0.047	**0.047**

See accompanying notes.

CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY

Mitsui Fudosan Co., Ltd. and Subsidiaries
Years ended March 31, 1999 and 2000

	Shares of common stock (Thousands)	Millions of yen Common stock	Additional paid-in capital	Retained earnings	Other
BALANCE AT MARCH 31, 1998	812,556	¥ 134,428	¥ 204,688	¥ 177,642	¥ —
Reversal of unrealized profits due to changes in consolidated subsidiaries	—	—	—	70,390	—
Change in number of consolidated subsidiaries	—	—	—	(3,808)	—
Change in number of affiliates accounted for by the equity method	—	—	—	(1,863)	—
Revaluation of property and equipment	—	—	—	33	—
Cumulative effect of adopting the deferred income tax accounting	—	—	—	(49,030)	—
Net loss	—	—	—	(35,794)	—
Cash dividends paid (¥5.0 per share)	—	—	—	(4,063)	—
Bonuses to directors	—	—	—	(37)	—
Treasury stock	—	—	—	—	(5)
Common stock issued upon conversion of convertible debentures	4	5	5	—	—
BALANCE AT MARCH 31, 1999	812,560	134,433	204,693	153,470	(5)
Change in number of consolidated subsidiaries	—	—	—	(416)	—
Change in number of affiliates accounted for by the equity method	—	—	—	129	—
Revaluation of property and equipment	—	—	—	78	—
Decrease in revaluation reserve following disposal of assets at consolidated subsidiaries				(1,499)	—
Net loss	—	—	—	(58,418)	—
Cash dividends paid (¥5.0 per share)	—	—	—	(4,063)	—
Bonuses to directors	—	—	—	(112)	—
Foreign currency translation adjustment	—	—	—	—	(33,157)
Treasury stock	—	—	—	—	(1)
BALANCE AT MARCH 31, 2000	**812,560**	**¥ 134,433**	**¥ 204,693**	**¥ 89,169**	**¥(33,163)**

	Thousands of U.S. Dollars (Note1) Common stock	Additional paid-in capital	Retained earnings	Other
BALANCE AT MARCH 31, 1998	$1,266,399	$1,928,293	$1,673,499	$ —
Reversal of unrealized profits due to changes in consolidated subsidiaries	—	—	663,123	—
Change in number of consolidated subsidiaries	—	—	(35,879)	—
Change in number of affiliates accounted for by the equity method	—	—	(17,552)	—
Revaluation of property and equipment	—	—	310	—
Cumulative effect of adopting the deferred income tax accounting	—	—	(461,893)	—
Net loss	—	—	(337,205)	—
Cash dividends paid ($0.047 per share)	—	—	(38,274)	—
Bonuses to directors	—	—	(351)	—
Treasury stock	—	—	—	(44)
Common stock issued upon conversion of convertible debentures	47	47	—	—
BALANCE AT MARCH 31, 1999	1,266,446	1,928,340	1,445,778	(44)
Change in number of consolidated subsidiaries	—	—	(3,919)	—
Change in number of affiliates accounted for by the equity method	—	—	1,217	—
Revaluation of property and equipment	—	—	736	—
Decrease in revaluation reserve following disposal of assets at consolidated subsidiaries			(14,126)	—
Net loss	—	—	(550,333)	—
Cash dividends paid ($0.047 per share)	—	—	(38,274)	—
Bonuses to directors	—	—	(1,052)	—
Foreign currency translation adjustment	—	—	—	(312,357)
Treasury stock	—	—	—	(16)
BALANCE AT MARCH 31, 2000	**$1,266,446**	**$1,928,340**	**$ 840,027**	**$(312,417)**

See accompanying notes.

CONSOLIDATED STATEMENTS OF CASH FLOWS

Mitsui Fudosan Co., Ltd. and Subsidiaries
For the years ended March 31, 1999 and 2000

	Millions of yen		Thousands of U.S. dollars (Note 1)	
	1999	**2000**	1999	**2000**
CASH FLOWS FROM OPERATING ACTIVITIES:				
Loss before income taxes	¥ (51,753)	**¥(107,368)**	$(487,545)	**$(1,011,477)**
Adjustments to reconcile loss before income taxes to net cash provided by operating activities:				
Depreciation and amortization	42,249	**45,777**	398,013	**431,246**
Loss on disposal of property and equipment	20,705	**70**	195,061	**656**
Allowance for doubtful accounts	4,676	**3,192**	44,056	**30,072**
Valuation loss on real property for sale (Note 16)	—	**130,763**	—	**1,231,870**
Loss on overseas investments	18,011	**—**	169,675	**—**
Interest and dividends income	(6,206)	**(4,538)**	(58,469)	**(42,749)**
Interest expense	46,389	**38,985**	437,028	**367,268**
Other	31,593	**31,858**	297,628	**300,126**
Net changes in assets and liabilities:				
Accounts receivable	2,106	**(15,520)**	19,835	**(146,204)**
Real property for sale and advances paid for purchases	44,125	**38,631**	415,692	**363,927**
Accounts payable	19,889	**1,678**	187,365	**15,808**
Advances and deposits received	5,100	**12,250**	48,044	**115,403**
Other current assets and liabilities	12,887	**650**	121,408	**6,123**
Bonuses paid to directors	(37)	**(137)**	(351)	**(1,293)**
Cash receipts of interest and dividends income	6,582	**6,623**	62,004	**62,398**
Cash payments of interest expense	(46,471)	**(42,009)**	(437,787)	**(395,754)**
Income taxes paid	(7,045)	**(6,705)**	(66,369)	**(63,169)**
Net cash provided by operating activities	142,802	**134,200**	1,345,288	**1,264,251**
CASH FLOWS FROM INVESTING ACTIVITIES:				
Purchase of property and equipment	(129,420)	**(87,870)**	(1,219,216)	**(827,793)**
Proceeds from sale of property and equipment	10,469	**51,514**	98,628	**485,298**
Increase in deposits from tenants	46,467	**45,265**	437,748	**426,423**
Decrease in deposits from tenants	(44,196)	**(53,383)**	(416,356)	**(502,903)**
Increase in lease deposits	(14,547)	**(10,708)**	(137,042)	**(100,871)**
Decrease in lease deposits	25,274	**20,687**	238,097	**194,880**
Net change in marketable and investment securities	(33,149)	**(177)**	(312,285)	**(1,671)**
Increase in non-current loans and accounts receivable	(18,128)	**(4,797)**	(170,777)	**(45,188)**
Decrease in non-current loans and accounts receivable	24,082	**11,851**	226,870	**111,642**
Other	(9,082)	**(4,831)**	(85,563)	**(45,515)**
Net cash used in investing activities	(142,230)	**(32,449)**	(1,339,896)	**(305,698)**
CASH FLOWS FROM FINANCING ACTIVITIES:				
Proceeds from long-term debt	381,070	**319,245**	3,589,919	**3,007,489**
Repayment of long-term debt	(391,485)	**(234,396)**	(3,688,040)	**(2,208,160)**
Increase (decrease) in bank loans and commercial paper	37,546	**(176,961)**	353,710	**(1,667,083)**
Cash dividends paid	(4,071)	**(4,465)**	(38,353)	**(42,060)**
Other	2,566	**—**	24,176	**—**
Net cash provided by (used in) financing activities	25,626	**(96,577)**	241,412	**(909,814)**
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	(676)	**(6,124)**	(6,370)	**(57,690)**
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	25,522	**(950)**	240,434	**(8,951)**
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	139,892	**166,196**	1,317,870	**1,565,673**
INCREASE IN CASH AND CASH EQUIVALENTS DUE TO CHANGES IN CONSOLIDATED SUBSIDIARIES	782	**71**	7,368	**665**
CASH AND CASH EQUIVALENTS AT END OF YEAR	¥ 166,196	**¥ 165,317**	$ 1,565,672	**$ 1,557,387**

See accompanying notes.

1. BASIS OF PRESENTING CONSOLIDATED FINANCIAL STATEMENTS

Mitsui Fudosan Co., Ltd. (the "Company"), a Japanese corporation, and its consolidated domestic subsidiaries maintain their records and prepare consolidated financial statements in Japanese yen in accordance with the provisions set forth in the Japanese Commercial Code and the Securities and Exchange Law and in conformity with accounting principles generally accepted in Japan, which are different from the accounting and disclosure requirements of International Accounting Standards. The accounts of overseas consolidated subsidiaries are based on their accounting records maintained in conformity with generally accepted accounting principles and practices prevailing in the respective countries of domicile. The accompanying consolidated financial statements have been translated from the audited consolidated financial statements that are prepared for Japanese domestic purposes, from the accounts and records maintained by the Company and its consolidated subsidiaries and were filed with the Minister of Finance ("MOF") as required by the Securities and Exchange Law.

In accordance with the "Standards for Preparation of Consolidated Cash Flow Statements, etc.", effective from the year ended March 31, 2000, the Company is required to prepare consolidated statement of cash flows.

In preparing the accompanying consolidated financial statements, certain reclassifications have been made in the consolidated financial statements issued domestically in order to present them in a form which is more familiar to readers outside Japan. The consolidated statement of shareholders' equity and the 1999 statement of cash flows have been prepared for inclusion in the consolidated financial statements although such statements are not customarily prepared in Japan and not filed with MOF.

The consolidated financial statements are stated in Japanese yen. The translations of the Japanese yen amounts into U.S. dollars are included solely for the convenience of readers outside Japan, using the prevailing exchange rate at March 31, 2000, which was ¥106.15 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.

Certain prior year amounts have been reclassified to conform to the 2000 presentation. These changes had no impact on previously reported results of operations or shareholders' equity.

2. SIGNIFICANT ACCOUNTING POLICIES

(A) CONSOLIDATION

The consolidated financial statements include the accounts of the Company and its significant subsidiaries in accordance with the Securities and Exchange Law and related regulations of Japan. The excess of investment cost over net assets at the date of acquisition is amortized over five years on a straight-line basis.

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

(B) EQUITY METHOD

Investments in all significant affiliated companies (all 20% to 50% owned and certain others 15% to 50% owned) are accounted for by the equity method and, accordingly, stated at cost adjusted for equity in undistributed earnings and losses from the date of acquisition.

(C) TRANSLATION OF FOREIGN CURRENCY ACCOUNTS

Current monetary assets and current monetary liabilities denominated in foreign currency of the Company and domestic consolidated subsidiaries are translated into Japanese yen at the rate of exchange at the balance sheet date.

Other assets and liabilities are translated at historical exchange rates. Revenue and costs are translated at exchange rates prevailing during the year. The resulting translation gains or losses are included in "Interest, dividends and miscellaneous" or "Other" expenses in the accompanying consolidated statements of operations.

The translation of foreign currency financial statements of overseas consolidated subsidiaries into Japanese yen has been made for consolidation purposes in accordance with the translation method prescribed in the statement issued by the Business Accounting Deliberation Council of Japan. The balance sheet accounts of the overseas consolidated subsidiaries are translated at the rate of exchange in effect at the balance sheet date, except for common stock and retained earnings, which are translated at historical exchange rates. Revenue, expense and net income for the year of foreign subsidiaries are translated at the rates of exchange in effect at the balance sheet date. Differences arising from translation are presented as "Foreign currency translation adjustment" in the accompanying consolidated balance sheets.

Beginning in the fiscal year ended March 31, 2000, the "Foreign currency translation adjustment," which was included in assets, in prior years has been reclassified as an equity account as the Company early adopted the revised Accounting Principles for Consolidated Financial Statements to be effective from the fiscal year ending March 31, 2001.

(D) ALLOWANCE FOR DOUBTFUL ACCOUNTS

The allowance for doubtful accounts is provided in an amount sufficient to cover possible losses on collection.

(E) INVENTORIES, REVENUE AND RELATED COSTS

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

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

Revenue from sale of land and residential housing is recognized in full when units are delivered and accepted by the customers. Payment terms generally involve a down-payment prior to delivery, a further payment upon delivery and a final payment shortly after delivery.

Revenue from construction work is recognized by 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.

(F) PROPERTY AND EQUIPMENT, RELATED DEPRECIATION AND REVALUATION

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

Depreciation of property and equipment is computed principally by the declining-balance method as prescribed by the Japanese Corporation Tax Law.

Depreciation of commercial buildings acquired before April 1, 1998, is computed principally by the declining-balance method at rates based on the following estimated useful lives of the assets.

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

Depreciation of property and equipment held by the Company's overseas subsidiaries is computed principally by the straight-line method.

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

Amortization of intangible fixed assets is computed using the straight-line method as prescribed by the Corporation Tax Law.

Software costs—In accordance with the provisional rule of the JICPA's Accounting Committee Report No. 12 "Practical Guidance for Accounting for Research and Development Costs, etc.", the Company classified software for its own use in intangible assets in 2000. It was previously included in investments and other assets in 1999. Pursuant to the Report, the Company amortized it using the straight-line method over the estimated useful lives (five years).

(G) EMPLOYEES' AND DIRECTORS' RETIREMENT ALLOWANCES

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 employee's years of service and monthly pay at the time of retirement. All of the domestic consolidated subsidiaries have retirement plans providing for lump-sum payments, and sixteen of them have retirement plans which also provide for an annuity; both the lump-sum payment and annuity plans are similar to those of the Company.

The Company and its domestic consolidated subsidiaries accrue liabilities for employees' retirement allowance equal to 40% of the amount that would have been required if all eligible employees voluntarily retired as of the balance sheet date, with expenses recognized at the time of contribution. However, effective in the fiscal year ended March 31, 2000, domestic consolidated subsidiaries recognize the liabilities in the amount equal to the present value of the estimated amount of lump-sum payments and annuities, less the fair value of pension fund assets. This change was made in order to strengthen financial position and to more accurately reflect severance liabilities on the balance sheet by recording the present value of the long-term severance liabilities, and by taking into account the expected returns and unrealized gains and losses on pension fund assets. The effect of this change was to increase the loss before income taxes by ¥11,621 million (U.S.$109,477 thousand) in 2000.

In prior periods, the Company had recognized expenses for the retirement benefits of directors and statutory auditors at the time of payment. Beginning in the fiscal year ended March 31, 2000, an allowance is provided for in the amount based on company internal rules. This change was made to more accurately match expenses with revenues, given the increasing materiality of expected future benefits in line with the length of service of current directors and in accordance with trends in accounting standards. The effect of this change in accounting method was to increase the loss before income taxes by ¥1,204 million (U.S.$11,342 thousand).

(H) INCOME TAXES

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

(I) AMOUNTS PER SHARE OF COMMON STOCK

In computing net loss per share, the weighted average number of shares outstanding during each fiscal year has been used. The diluted net income per share of common stock is not presented because of net loss for 1999 and 2000.

(J) VALUATION OF THE ASSETS AND LIABILITIES OF SUBSIDIARIES

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

(K) CASH AND CASH EQUIVALENTS

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

3. MARKET VALUE INFORMATION OF SECURITIES AND DERIVATIVES

(A) MARKETABLE SECURITIES AND INVESTMENT SECURITIES

Marketable securities consist of marketable equity securities and interest-bearing securities, such as government and bank bonds, and are stated at the moving average cost.

Investment securities and investment in an affiliated company include marketable equity securities held for investment, which are stated at cost.

The aggregate cost and market value of quoted securities at March 31, 2000, were as follows:

	Millions of yen			Thousands of U.S. dollars		
	Book value	Market value	Unrealized gain (loss)	Book value	Market value	Unrealized gain (loss)
Current						
Marketable equity securities	¥ 93,782	¥108,201	¥ 14,419	$ 883,481	$1,019,317	$ 135,836
Marketable debt securities	165	167	2	1,559	1,577	18
Other	1	1	(0)	10	8	(2)
Subtotal	¥ 93,948	¥108,369	¥ 14,421	$ 885,050	$1,020,902	$ 135,852
	Book value	Market value	Unrealized gain (loss)	Book value	Market value	Unrealized gain (loss)
Non-current						
Investment securities	¥ 8,320	¥ 5,769	¥ (2,551)	$ 78,378	$ 54,343	$ (24,035)
Investments in affiliates	67,983	231,731	163,748	640,440	2,183,052	1,542,612
Marketable debt securities	348	361	13	3,283	3,403	120
Subtotal	¥ 76,651	¥237,861	¥161,210	$ 722,101	$2,240,798	$1,518,697
Total	¥170,599	¥346,230	¥175,631	$1,607,151	$3,261,700	$1,654,549

Marketable securities excluded from the above figures are carried on the balance sheets as follows:

	Millions of yen	Thousands of U.S. dollars
Current		
Debt securities with less than one year to maturity	¥ 42	$ 400
Non-current		
Debt securities with less than one year to maturity	96	905
Unlisted stock in investment securities (excluding OTC shares)	30,287	285,314
Unlisted stock in investments in unconsolidated subsidiaries and affiliated companies	11,535	108,667
Other	117	1,103

(B) DERIVATIVES

The Company and its consolidated subsidiaries utilizes interest rate swap contracts to hedge the exposure to fluctuations in the market of interest rates of long-term debt, and do not involve in high-risk derivative transactions. Derivative transactions are entered into in accordance with the Company's internal rules, and are monitored regularly by the management of the Company.

The outstanding financial derivatives at March 31, 2000, were as follows:

	Millions of yen			Thousands of U.S. dollars		
Currency related derivatives	Contract amount	Market value	Unrealized gain (loss)	Contract amount	Market value	Unrealized gain (loss)
Forward contracts						
To buy U.S. dollars	¥934	¥940	¥6	$8,796	$8,855	$59

	Millions of yen	Thousands of U.S. dollars
Interest rate swap	**2000**	**2000**
Contract amount:		
Receive fix/Pay float	**¥ —**	**$ —**
Receive fix/Pay float (due after 1 year)	**¥ 140,100**	**$ 1,319,830**
Pay fix/Receive float	**10,280**	**96,844**
Pay fix/Receive float (due after 1 year)	**¥ 92,209**	**$ 868,668**
Receive float/Pay float	**—**	**—**
Receive float/Pay float (due after 1 year)	**531**	**5,000**
Total	**¥ 243,120**	**$ 2,290,342**
Market value:		
Receive fix/Pay float	**¥ 16,505**	**$ 155,489**
Pay fix/Receive float	**(4,090)**	**(38,535)**
Receive float/Pay float	**2**	**16**
	¥ 12,417	**$ 116,970**

Disclosure of such information on a consolidated basis was not required prior to March 31, 2000.

4. ACCOUNTS RECEIVABLE—TRADE

During fiscal 2000, ¥39,808 million (U.S.$375,013 thousand) of accounts receivable—trade were sold to a third party and removed from the consolidated balance sheets. The Company guaranteed the collection of these receivables.

5. INVENTORIES

Inventories at March 31, 1999 and 2000, comprised the following:

	Millions of yen		Thousands of U.S. dollars	
	1999	**2000**	1999	**2000**
Real property held for sale	¥609,422	**¥455,314**	$5,741,138	**$4,289,342**
Expenditure on contracts in progress	29,318	**28,418**	276,192	**267,716**
Materials and supplies	9,144	**9,490**	86,147	**89,408**
	¥647,884	**¥493,222**	$6,103,477	**$4,646,466**

6. ADVANCES PAID FOR PURCHASES

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

7. LEASE DEPOSITS

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

8. INCOME TAXES

Significant components of the Company's deferred tax assets and liabilities as of March 31, 1999 and 2000, are as follows:

	Millions of yen		Thousands of U.S. dollars	
	1999	**2000**	1999	**2000**
Deferred tax assets:				
Allowance for loss on sale of real property held for sale	¥ —	**¥ 55,140**	$ —	**$ 519,453**
Unrealized Inter-company transactions	26,073	**26,021**	245,620	**245,133**
Net operating loss carryforwards	29,840	**20,255**	281,108	**190,813**
Excess employees' retirement allowances	321	**5,410**	3,021	**50,971**
Excess allowance for doubtful accounts	5,008	**4,998**	47,179	**47,084**
Excess accrued employees' bonuses	539	**1,579**	5,078	**14,880**
Excess depreciation expense	993	**1,129**	9,346	**10,632**
Excess prepaid expense	878	**904**	8,267	**8,515**
Other	3,568	**6,466**	33,641	**60,911**
Total	¥ 67,220	**¥ 121,902**	$ 633,260	**$ 1,148,392**
Deferred tax liabilities:				
Deferred gain on sale of land and buildings for tax purpose	¥(35,075)	**¥ (34,210)**	$(330,427)	**$ (322,276)**
Unrealized inter-company transactions	(7,321)	**(7,129)**	(68,973)	**(67,164)**
Consolidation difference In real property	(3,913)	**(3,168)**	(36,861)	**(29,849)**
Other	(595)	**(200)**	(5,607)	**(1,882)**
Total	¥(46,904)	**¥ (44,707)**	$(441,868)	**$ (421,171)**
Net deferred tax assets	¥ 20,316	**¥ 77,195**	$ 191,392	**$ 727,221**

9. BANK LOANS AND LONG-TERM DEBT

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

Long-term debt at March 31, 1999 and 2000, comprised the following:

	Millions of yen		Thousands of U.S. dollars	
	1999	**2000**	1999	**2000**
Long-term loans, principally from banks and insurance companies:				
Loans secured by collateral or bank guarantees due through 2011	¥ 31,544	**¥ 67,659**	$ 297,169	**$ 637,388**
Unsecured loans due through 2022	1,035,128	**983,922**	9,751,558	**9,269,173**
	1,066,672	**1,051,581**	10,048,727	**9,906,561**
Bonds and debentures				
Domestic:				
1.4% convertible debentures due 2003	46,242	**46,242**	435,629	**435,629**
1.77% yen notes due 2002	20,000	**20,000**	188,413	**188,413**
2.45% yen notes due 2008	25,000	**25,000**	235,516	**235,516**
1.70% yen notes due 2003	35,000	**35,000**	329,722	**329,722**
3.00% yen notes due 2013	10,000	**10,000**	94,206	**94,206**
1.45% yen notes due 2002	30,000	**30,000**	282,619	**282,619**
1.05% yen notes due 2004	—	**10,000**	—	**94,206**
1.56% yen notes due 2006	—	**10,000**	—	**94,206**
2.08% yen notes due 2009	—	**10,000**	—	**94,206**
1.77% yen notes due 2006	—	**10,000**	—	**94,206**
2.20% yen notes due 2009	—	**10,000**	—	**94,206**
2.33% yen notes due 2009	—	**10,000**	—	**94,206**
2.17% yen notes due 2008	—	**5,000**	—	**47,104**
1.84% yen notes due 2006	—	**10,000**	—	**94,206**
2.29% yen notes due 2009	—	**10,000**	—	**94,206**
Overseas:				
Floating rate Aus. dollar notes due 1999	3,749	**—**	35,315	**—**
6.05% Euro yen notes due 2002	20,000	**20,000**	188,413	**188,413**
	1,256,663	**1,322,823**	11,838,560	**12,461,831**
Less amount due within one year	201,981	**119,088**	1,902,793	**1,121,883**
	¥1,054,682	**¥ 1,203,735**	$ 9,935,767	**$ 11,339,948**

The following assets were pledged as collateral for secured loans:

	Millions of yen		Thousands of U.S. dollars	
	1999	**2000**	1999	**2000**
Collateralized assets				
Land	¥14,963	**¥ 35,021**	$140,965	**$ 329,919**
Buildings and structures	32,154	**88,173**	302,912	**830,646**
	¥47,117	**¥ 123,194**	$443,877	**$ 1,160,565**

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

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

If the outstanding convertible bonds had been converted at March 31, 2000, 20,830 thousand shares of common stock would have been issued.

The annual maturities of long-term debt at March 31, 2000, were as follows:

Year ending March 31	Millions of yen	Thousands of U.S. dollars
2001	¥119,088	$1,121,883
2002	155,430	1,464,246
2003	249,749	2,352,795
2004	232,639	2,191,611
2005	175,631	1,654,559
Thereafter	¥390,286	$3,676,737

10. DEPOSITS FROM TENANTS

Deposits from tenants at March 31, 1999 and 2000, comprised the following:

	Millions of yen		Thousands of U.S. dollars	
	1999	**2000**	1999	**2000**
Deposits and guarantees				
Non-interest-bearing	¥327,449	**¥320,798**	$3,084,778	**$3,022,121**
Interest-bearing	48,575	**47,162**	457,605	**444,290**
	¥376,024	**¥367,960**	$3,542,383	**$3,466,411**

The Company and its consolidated subsidiaries generally make lease agreements with tenants under which they receive both interest-bearing deposits and non-interest-bearing deposits from tenants. The non-interest-bearing deposits are not refundable during the life of the lease. The interest-bearing deposits are generally refundable to the tenant in ten equal annual payments commencing in the 11th year with an interest rate of 2% per annum from the beginning of the 11th year.

11. SHAREHOLDERS' EQUITY

Under the Commercial Code of Japan (the "Code"), at least 50% of the issue price of new shares, with a minimum of the par value thereof, is required to be designated as stated capital. The portion which is to be designated as stated capital is determined by resolution of the Board of Directors. Proceeds in excess of the amounts designated as stated capital are credited to additional paid-in capital.

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

12. CONTINGENT LIABILITIES

At March 31, 2000, the Company and its consolidated subsidiaries were contingently liable as guarantors of indebtedness in the amount of ¥364,741 million (U.S.$3,436,090 thousand).

13. INFORMATION OF CERTAIN LEASES

Information on finance leases, which do not transfer ownership to lessees and therefore are accounted for in the same manner as operating leases, and operating leases is as follows:

	Millions of yen		Thousands of U.S. dollars	
Finance lease	1999	**2000**	1999	**2000**
Future lease payments at March 31				
Due within one year	¥ 1,418	**¥ 1,543**	$ 13,359	**$ 14,534**
Due after one year	3,109	**3,294**	29,289	**31,033**
	¥ 4,527	**¥ 4,837**	$ 42,648	**$ 45,567**
Lease payment for the year ended March 31	¥ 1,527	**¥ 1,691**	$ 14,384	**$ 15,929**
Future lease receipts at March 31				
Due within one year	¥ 622	**¥ 676**	$ 5,864	**$ 6,373**
Due after one year	948	**1,026**	8,926	**9,662**
	¥ 1,570	**¥ 1,702**	$ 14,790	**$ 16,035**
Lease receipt for the year ended March 31	¥ 672	**¥ 737**	$ 6,327	**$ 6,946**
Operating lease	1999	**2000**	1999	**2000**
Future lease payments at March 31				
Due within one year	¥ 6,940	**¥ 8,345**	$ 65,383	**$ 78,610**
Due after one year	46,562	**42,215**	438,644	**397,696**
	¥ 53,502	**¥ 50,560**	$ 504,027	**$ 476,306**
Future lease receipts at March 31				
Due within one year	¥ 26,755	**¥ 22,875**	$ 252,047	**$ 215,498**
Due after one year	204,449	**162,846**	1,926,036	**1,534,110**
	¥231,204	**¥185,721**	$2,178,083	**$1,749,608**

14. SEGMENT INFORMATION

Segments:

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

	Millions of yen									
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	Elimination or Corporate	Consolidated
For 1999										
Revenue from operations:										
Outside customers	¥ 315,922	¥327,307	¥274,950	¥34,791	¥52,307	¥65,877	¥ 49,531	¥19,557	¥ —	¥1,140,242
Inter-segment	5,954	668	14,609	7,838	24,291	28,159	—	6,222	(87,741)	—
	321,876	327,975	289,559	42,629	76,598	94,036	49,531	25,779	(87,741)	1,140,242
Costs and expenses*	258,035	339,400	285,007	34,908	72,990	93,453	50,097	23,659	(74,242)	1,083,307
Operating income (loss)	¥ 63,841	¥ (11,425)	¥ 4,552	¥ 7,721	¥ 3,608	¥ 583	¥ (566)	¥ 2,120	¥ (13,499)	¥ 56,935
Assets	¥1,642,928	¥717,156	¥248,711	¥64,374	¥38,565	¥54,005	¥181,631	¥83,543	¥171,513	¥3,202,426
Depreciation	30,032	304	1,009	1	407	1,398	5,417	3,782	(101)	42,249
Capital expenditures	117,612	111	982	0	275	1,323	7,680	4,720	449	133,152

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

	Millions of yen									
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	Elimination or Corporate	Consolidated
For 2000										
Revenue from operations:										
Outside customers	**¥ 325,643**	**¥359,326**	**¥273,142**	**¥40,241**	**¥60,221**	**¥ 69,937**	**¥ 46,234**	**¥20,093**	**¥ —**	**¥1,194,837**
Inter-segment	**4,126**	**—**	**19,456**	**9,124**	**24,280**	**32,563**	**—**	**9,858**	**(99,407)**	**—**
	329,769	**359,326**	**292,598**	**49,365**	**84,501**	**102,500**	**46,234**	**29,951**	**(99,407)**	**1,194,837**
Costs and expenses*	**268,621**	**350,444**	**286,567**	**36,012**	**78,629**	**102,199**	**46,260**	**27,119**	**(82,937)**	**1,112,914**
Operating income (loss) ...	**¥ 61,148**	**¥ 8,882**	**¥ 6,031**	**¥13,353**	**¥ 5,872**	**¥ 301**	**¥ (26)**	**¥ 2,832**	**¥ (16,470)**	**¥ 81,923**
Assets	**¥1,635,187**	**¥518,597**	**¥225,965**	**¥47,379**	**¥28,059**	**¥52,898**	**¥171,099**	**¥95,230**	**¥216,789**	**¥2,991,203**
Depreciation	**31,193**	**553**	**1,427**	**143**	**435**	**1,383**	**5,387**	**4,937**	**319**	**45,777**
Capital expenditures	**72,904**	**483**	**1,412**	**360**	**511**	**838**	**2,771**	**4,357**	**310**	**83,946**

	Thousands of U.S. dollars									
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	Elimination or Corporate	Consolidated
For 1999										
Revenue from operations:										
Outside customers	$2,976,183	$3,083,442	$2,590,199	$327,752	$492,763	$620,610	$ 466,617	$184,237	$ —	$10,741,803
Inter-segment	56,094	6,287	137,629	73,841	228,840	265,272	—	58,615	(826,578)	—
	3,032,277	3,089,729	2,727,828	401,593	721,603	885,882	466,617	242,852	(826,578)	10,741,803
Costs and expenses*	2,430,857	3,197,364	2,684,942	328,859	687,608	880,387	471,950	222,884	(699,410)	10,205,441
Operating income (loss)	$ 601,420	$ (107,635)	$ 42,886	$ 72,734	$ 33,995	$ 5,495	$ (5,333)	$ 19,968	$ (127,168)	$ 536,362
Assets	$15,477,420	$6,756,066	$2,343,014	$606,446	$363,306	$508,759	$1,711,076	$787,025	$1,615,765	$30,168,877
Depreciation	282,916	2,869	9,505	12	3,832	13,168	51,036	35,628	(953)	398,013
Capital expenditures	1,107,979	1,042	9,251	4	2,591	12,462	72,351	44,469	4,230	1,254,379

	Thousands of U.S. dollars									
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	Elimination or Corporate	Consolidated
For 2000										
Revenue from operations:										
Outside customers	**$ 3,067,766**	**$3,385,078**	**$2,573,170**	**$379,094**	**$567,316**	**$658,848**	**$ 435,558**	**$189,291**	**$ —**	**$11,256,121**
Inter-segment	**38,863**	**—**	**183,292**	**85,955**	**228,731**	**306,768**	**—**	**92,866**	**(936,475)**	**—**
	3,106,629	**3,385,078**	**2,756,462**	**465,049**	**796,047**	**965,616**	**435,558**	**282,157**	**(936,475)**	**11,256,121**
Costs and expenses*	**2,530,578**	**3,301,407**	**2,699,644**	**339,255**	**740,731**	**962,777**	**435,795**	**255,481**	**(781,318)**	**10,484,350**
Operating income (loss)	**$ 576,051**	**$ 83,671**	**$ 56,818**	**$125,794**	**$ 55,316**	**$ 2,839**	**$ (237)**	**$ 26,676**	**$ (155,157)**	**$ 771,771**
Assets	**$15,404,497**	**$4,885,508**	**$2,128,733**	**$446,337**	**$264,332**	**$498,330**	**$1,611,860**	**$897,131**	**$2,042,294**	**$28,179,022**
Depreciation	**293,854**	**5,209**	**13,446**	**1,349**	**4,099**	**13,033**	**50,746**	**46,506**	**3,004**	**431,246**
Capital expenditures	**686,799**	**4,554**	**13,300**	**3,390**	**4,812**	**7,893**	**26,109**	**41,047**	**2,918**	**790,822**

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

Effective in the fiscal year ended March 31, 2000, the Company reclassified its segments from the previous four segments (leasing and management, sales, construction and other) to the current eight segments. The Company also reallocated a portion of business to the new segments.

This reclassification reflects the growing materiality of certain consolidated subsidiaries previously included in the other segment on consolidated results, as well as the Group-wide policy of strengthening and increasing non-asset business in the future.

Project management fees that were previously included in the construction segment were reclassified to property management. The effect of this reclassification was to decrease revenue from operations, costs and expenses and operating income in the construction segment by ¥22,500 million (U.S.$211,964 thousand), ¥22,212 million (U.S.$209,251 thousand) and ¥288 million (U.S.$2,713 thousand), respectively, and to increase corresponding accounts associated with the property management segment by equal amounts.

15. INTEREST, DIVIDENDS AND MISCELLANEOUS

"Interest, dividends and miscellaneous" included a gain on sale of marketable property and equipment of ¥483 million (U.S.$4,552 thousand) in 1999 and ¥6,404 million (U.S.$60,330 thousand) in 2000.

16. COSTS AND EXPENSES—OTHER

"Costs and expenses—Other" for the years ended March 31, 1999 and 2000, included loss on sale of property and equipment of ¥22,249 million (U.S.$209,603 thousand) and ¥11,459 million (U.S.$107,951 thousand), respectively, and a special provision for doubtful accounts of ¥4,676 million (U.S.$44,056 thousand) and ¥3,192 million (U.S.$30,072 thousand), respectively.

"Costs and expenses—Other" for the year ended March 31, 1999, also included loss on sale of marketable securities of ¥6,134 million (U.S.$57,790 thousand); loss from liquidation of consolidated subsidiaries of ¥7,230 million (U.S.$68,114 thousand), primarily consisting of loss on sale of real property held for sale of ¥6,280 million (U.S.$59,162 thousand) and loss on sale of investments in consolidated subsidiaries of ¥782 million (U.S.$7,367 thousand); and loss on overseas investments of ¥18,011 million (U.S.$169,675 thousand), primarily consisting of devaluation loss on real property for sale of ¥6,686 million (U.S.$62,986 thousand), devaluation loss on investments in Limited Partnerships of ¥6,547 million (U.S.$61,677 thousand) and valuation loss on property and equipment of ¥3,717 million (U.S.$35,016 thousand).

"Costs and expenses—Other" for the year ended March 31, 2000, also included a valuation loss on real property for sale of ¥130,763 million (U.S.$1,231,870 thousand) at the Company and Mitsui Harbour and Urban Construction Group, a provision for retirement benefits of employees of ¥11,076 million (U.S.$104,340 thousand) and a provision for severance benefits of directors of ¥948 million (U.S.$8,933 thousand).

17. SUBSEQUENT EVENTS

(A) SALES OF SHARES IN AFFILIATE

To cover expected expenses related to the restructuring of Group companies on July 12, 2000, the Company sold 4,895,200 shares of an affiliate Oriental Land Co., Ltd. Proceeds from the sale were ¥46,323 million (U.S.$436,392 thousand), and the Company expects to recognize gains of ¥30,400 million (U.S.$286,387 thousand) on the sale of marketable securities related to the transaction for the fiscal year ending March 31, 2001.

(B) APPROPRIATION OF RETAINED EARNINGS

At the June 29, 2000, annual general shareholders' meeting, the Company's shareholders approved the appropriations of retained earnings of the Company at March 31, 2000 as follows:

	Millions of yen	Thousands of U.S. dollars
Year-end cash dividends at ¥2.5 per share	¥2,031	$19,137

Report of Independent Public Accountants

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

We have audited the accompanying consolidated balance sheets of MITSUI FUDOSAN CO., LTD. (a Japanese corporation) and subsidiaries as of March 31, 1999 and 2000, and the related consolidated statements of operations, shareholders' equity and cash flows for the years then ended, expressed in Japanese yen. Our audits were made in accordance with generally accepted auditing standards in Japan and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the consolidated financial statements referred to above present fairly the consolidated financial position of MITSUI FUDOSAN CO., LTD. and subsidiaries as of March 31, 1999 and 2000, and the consolidated results of their operations and their cash flows for the years then ended in conformity with accounting principles generally accepted in Japan applied on a consistent basis during the periods, except as noted in the following paragraph.

Effective April 1, 1999, the Company changed the methods of accounting for directors' retirement allowances and segment information, as explained in Notes 2 and 14, respectively, and in addition, the Company's domestic consolidated subsidiaries changed the method of accounting for accrued liabilities for employees' retirement allowances, as explained in Note 2. We concur with the aforementioned accounting changes.

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

Asahi & Co.

Tokyo, Japan
June 29, 2000

Statement on Accounting Principles and Auditing Standards

This statement is to remind users that accounting principles and auditing standards and their application in practice may vary among nations and therefore could affect, possibly materially, the reported financial position and results of operations. The accompanying financial statements are prepared based on accounting principles generally accepted in Japan, and the auditing standards and their application in practice are those generally accepted in Japan. Accordingly, the accompanying financial statements and the auditors' report presented above are for users familiar with Japanese accounting principles, auditing standards and their application in practice.

DIRECTORS AND CORPORATE AUDITORS

CHAIRMAN OF THE BOARD
Jun-Ichirō Tanaka

PRESIDENT AND CHIEF EXECUTIVE OFFICER
Hiromichi Iwasa

EXECUTIVE VICE PRESIDENTS
Kazuo Sato
Moriya Saito

SENIOR MANAGING DIRECTORS
Hisamitsu Tsubahara
Tadamasa Nishihara
Yoshihiko Katori

MANAGING DIRECTORS
Yotaro Hayashi
Kouichi Ohmuro
Osamu Ogawa

DIRECTORS
Hirohiko Kamei
Yuji Yokoyama
Kazuichi Nagata
Mitsuhiro Matsumoto
Minoru Satou
Takayuki Namae
Kuniaki Ikeya
Tatsuo Soda

SENIOR CORPORATE AUDITOR
Atsuo Takanashi

CORPORATE AUDITORS
Shin-ya Taira
Sadafumi Abe
Ken-Ichi Kamiya
Ken Fujii

(as of August 1, 2000)

CORPORATE DATA

MITSUI FUDOSAN CO., LTD.
Head Office:
Mitsui Honkan Building
1-1, Nihonbashi-Muromachi 2-chome Chuo-ku, Tokyo
103-0022, Japan

DATE OF ESTABLISHMENT:
July 15, 1941

CAPITAL:
Common stock issued and outstanding:
¥134 billion
812,560,001 shares (as of March 31, 2000)

NONCONSOLIDATED ANNUAL REVENUES:
¥622.8 billion (April 1, 1999-March 31, 2000)

SHAREHOLDERS:
61,265 (as of March 31, 2000)

EMPLOYEES:
1,340 (as of March 31, 2000)

HOME PAGE:
http://www.mitsuifudosan.co.jp/

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MITSUI FUDOSAN

MITSUI FUDOSAN CO.,LTD.

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