

May 23, 2006
Mitsui Fudosan Co., Ltd.

Notice Regarding Agreement to Demerge the Building Leasing Business of Mitsui Real Estate Sales; Revision of Full-Year Non-Consolidated Forecast

On May 23, 2006, Mitsui Fudosan Co., Ltd. (the Company), and the Mitsui Real Estate Sales Co., Ltd., a wholly-owned subsidiary of the Company, held their Board meetings. At those meetings, the two companies resolved to form a demerger agreement, transferring the building leasing business of Mitsui Real Estate Sales to the Company. Details of the resolution are below. The demerger agreement was concluded on the same day.

In addition, the Company has made a revision to its non-consolidated financial forecasts for the year ending March 2007. Those forecasts were initially announced on April 28, 2006. Details are given later in this news release.

1. Reason for Transferring Building Leasing Business

The aforementioned reorganization is consistent with strategies emphasizing “customer-focused management” and “highly efficient group management,” as outlined in Challenge Plan 2008, Mitsui Fudosan’s long-term business plan. Under the reorganization, the Group’s residential sales business will be integrated into the operations of Mitsui Fudosan Residential Co., Ltd., and the building leasing business of Mitsui Real Estate Sales will be demerged and centralized within the Company. The aim of the reorganization is to build a customer-focused Group structure that is competitive in the market. It will enable Mitsui Real Estate Sales to specialize in two areas slated for further growth in the future: real estate brokerage and car park leasing operation.

2. Overview of Demerger

(1) Schedule

Board meetings to approve demerger agreement: May 23, 2006

Conclusion of demerger agreement: May 23, 2006

Effective date of demerger: October 1, 2006 (schedule)

(2) Method of Demerger

The building leasing business of Mitsui Real Estate will be partitioned and transferred to the Company in an absorption-type demerger. From the perspective of the Company as the succeeding entity, the demerger fulfills conditions related to simple absorption-type demergers, set out in Article 796-3 of the Corporations Law, and does not require

approval of the Ordinary General Shareholders' Meeting, as set out on Article 795-1 of the same law.

From the perspective of Mitsui Real Estate Sales as the demerging entity, the demerger fulfills conditions related to summary procedure of demergers, set out in Article 784-1 of the Corporations Law, and does not require approval of the Ordinary General Shareholders' Meeting, as set out on Article 783-1 of the same law.

(3) Allotment of Shares

No new shares will be issued by the Company in relation to the demerger.

(4) Changes in Shareholders' Equity

The Company's shareholders' equity will not change as a result of the demerger.

(5) Accounting Treatment

Pursuant to "Accounting Standards on Business Demergers" and "Accounting Standards on Corporate Integration," the demerger is regarded as a transaction under shared control of both parties involved. Therefore, the appropriate book values used by the demerging company for assets and liabilities transferred under the demerger are also used by the succeeding company. No goodwill will be generated by the demerger.

(6) The Company's Rights and Obligations

The Company will inherit rights and obligations held by Mitsui Real Estate Sales with respect to the building leasing business transferred. Employment contracts will not be inherited.

When addressing inherited rights and obligations to be transferred, the obligations of original debtors to original creditors shall be exempted.

(7) Obligation Fulfillment

It is deemed that both the Company and Mitsui Real Estate Sales will have no problems in fulfilling their respective debt obligations within the relevant debt periods.

3. Overview of Entities Relevant to Demerger (as of March 31, 2006)

(1) Name	Mitsui Fudosan Co., Ltd. (succeeding company)	Mitsui Real Estate Sales Co., Ltd. (demerging company)
(2) Main business	Real estate leasing, sales, etc.	Real estate brokerage, consignment sales, etc.
(3) Established	July 1941	July 1969
(4) Head office	1-1, Nihonbashi-Muromachi 2-chome, Chuo-ku, Tokyo	1-1, Nishi-Shinjuku 2-chome, Shinjuku-ku, Tokyo
(5) Representative	Hiromichi Iwasa, President and CEO	Yoshifumi Iwasaki, President and CEO
(6) Paid-in capital	¥174,296 million	¥41,978 million
(7) Shares issued	881,424,727	124,523,600
(8) Shareholders' equity	¥821,814 million	¥40,637 million
(9) Total assets	¥2,711,431 million	¥134,487 million
(10) Fiscal year-end	March 31	March 31
(11) Employees	1,575	1,182
(12) Main clientele	Leasing: Corporations, etc.; Sales: Individuals, investors, etc.	Brokerage and consignment sales: Corporations, individuals, etc.
(13) Main shareholders (% equity stake)	The Master Trust Bank of Japan, Ltd. (trust account) (8.41%) Japan Trustee Services Bank, Ltd. (trust account) (7.27%) The Chuo Mitsui Trust and Banking Company, Limited (2.49%) State Street Bank & Trust Company (2.41%) State Street Bank & Trust Company 505103 (2.23%)	Mitsui Fudosan (100.00%)
(14) Main banks	Sumitomo Mitsui Banking Corporation; The Chuo Mitsui Trust and Banking Company, Limited; etc.	Sumitomo Mitsui Banking Corporation, etc.
(15) Relationship between entities	Parent company (100% holding)	Wholly owned subsidiary

4. Recent Financial Performances

(¥ millions)

Year ended March 31	Mitsui Fudosan			Mitsui Real Estate Sales		
	2004	2005	2006	2004	2005	2006
Revenue from operations	615,984	604,456	629,318	59,349	61,925	68,357
Operating income	65,920	73,093	84,766	8,464	8,351	11,654
Ordinary income	62,922	60,714	74,638	9,144	7,850	11,650
Net income (loss)	6,605	16,529	29,461	4,979	(9,054)	7,282
Net income per share (¥)	7.91	19.96	35.10	39.99	—	58.48
Cash dividends per share (¥)	7.00	7.00	10.00	—	—	—
Shareholders' equity per share (¥)	816.91	837.61	934.08	347.74	266.88	326.34

5. Assets and Liabilities to Be Transferred (as of March 31, 2006)

(¥ millions)

Assets		Liabilities	
	Book value		Book value
Current assets	4,212	Current liabilities	10,133
Fixed assets	27,134	Long-term liabilities	3,112
Total	31,346	Total	13,246

6. Status of the Company After Demerger

The name, business activities, head office address, representative, paid-in capital and fiscal year-end of the Company will not change.

7. Revision of Non-Consolidated Forecast for Year Ending March 2007

(¥ millions)

	Revenue from operations	Ordinary income	Net income
Initial forecast (A) (announced April 28, 2006)	462,000	59,000	24,000
Revised forecast (B)	462,000	59,000	41,000
B – A	—	—	17,000
Change (%)	—	—	70.8
Result (year ended March 2006)	629,318	74,638	29,461

8. Reason for Revision of Forecast

The reason for the revision to the non-consolidated financial forecasts is as follows.

By the aforementioned demerger, the Company expects to make an extraordinary gain of approximately ¥17 billion as a collection of a part of profits that Mitsui Real Estate Sales Co., Ltd. has earned, pursuant to “Accounting Standards on Business Demergers” and “Accounting Standards on Corporate Integration.” The effect on consolidated results will be nil.