MATTERS DISCLOSED ON THE INTERNET
RELATED TO THE
NOTICE OF CONVOCATION OF
THE 121st ORDINARY GENERAL MEETING OF SHAREHOLDERS

The content of this document is posted on the website of Mitsubishi Estate Co., Ltd. (“the Company”) (https://www.mec.co.jp/e/investor/stock/shareholder/index.html), pursuant to laws and regulations and Article 16 of the Articles of Incorporation of the Company.

MITSUBISHI ESTATE CO., LTD.

[Translation for Reference and Convenience Purposes Only]

Consolidated Statement of Changes in Net Assets
(From April 1, 2019, to March 31, 2020)

(Millions of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance at the beginning of current period	142,023	162,498	858,581	(5,278)	1,157,824
Changes in the fiscal year under review					
Issuance of new shares	124	124			249
Dividend from surplus			(44,112)		(44,112)
Profit attributable to owners of parent			148,451		148,451
Purchase of treasury stock				(100,020)	(100,020)
Disposal of treasury stock			(2)	16	13
Change of scope of consolidation			(78)		(78)
Change in equity of the parent company on transactions with non-controlling interests		1,418			1,418
Net changes in items other than those in shareholders' equity					
Total of changes in the fiscal year under review	124	1,543	104,258	(100,004)	5,922
Balance at the end of current period	142,147	164,041	962,840	(105,282)	1,163,746

	Other accumulated comprehensive income						Stock acquisition rights	Non-controlling interests	Total net assets
	Net unrealized gain on available-for-sale securities	Deferred gains or losses on hedging instruments	Land revaluation reserve	Foreign currency translation adjustments	Remeasurements of defined benefit plans	Total other accumulated comprehensive income			
Balance at the beginning of current period	115,452	(64)	526,623	(30,144)	952	612,819	302	186,159	1,957,105
Changes in the fiscal year under review									
Issuance of new shares									249
Dividend from surplus									(44,112)
Profit attributable to owners of parent									148,451
Purchase of treasury stock									(100,020)
Disposal of treasury stock									13
Change of scope of consolidation									(78)
Change in equity of the parent company on transactions with non-controlling interests									1,418
Net changes in items other than those in shareholders' equity	(35,925)	(1,883)		822	(5,116)	(42,102)	(13)	20,294	(21,821)
Total of changes in the fiscal year under review	(35,925)	(1,883)	–	822	(5,116)	(42,102)	(13)	20,294	(15,898)
Balance at the end of current period	79,527	(1,948)	526,623	(29,321)	(4,163)	570,716	288	206,454	1,941,206

[Translation for Reference and Convenience Purposes Only]

Notes to the Consolidated Financial Statements

Notes to Important Matters for the Preparation of the Consolidated Financial Statements

1. Matters related to the Scope of Consolidation

(1) Number of Consolidated Subsidiaries: 241

The names of major subsidiaries are as stated in "I. Current Situation of the Mitsubishi Estate Group, 8. Situation of Material Subsidiaries, (1) Situation of Material Subsidiaries" of the "Business Report."

Newly included in the list of consolidated subsidiaries of the Company are PT. Mitsubishi Estate Indonesia and twenty-eight (28) other companies due to a new establishment, etc.

Excluded from the list of consolidated subsidiaries are MEC Thailand Investment Pte. Ltd. and eight (8) other companies due to a dissolution, etc.

(2) Names, etc. of Major Non-consolidated Subsidiaries

A major non-consolidated subsidiary is Higashi-Shizuoka 15Gaiku Development Tokutei Mokuteki Kaisya.

Non-consolidated subsidiaries are excluded from the scope of consolidation because their respective sums of total assets, revenue from operations, profit (loss) (corresponding to the equity ratio owned by the Company) and retained earnings (corresponding to the equity ratio owned by the Company) have no significant impact on the consolidated financial statements.

2. Matters related to Application of the Equity Method

(1) Number of Non-consolidated Subsidiaries Accounted for by the Equity Method: 0

(2) Number of Affiliates Accounted for by the Equity Method: 120

A major affiliate in this category is Tokumei Kumiai Otemachi Kaihatsu.

Included in the affiliates accounted for by the equity method are CPN Village Company Limited and fourteen (14) other companies due to a new establishment, etc.

Meanwhile, Primetruss Co., Ltd. is excluded from the affiliates accounted for by the equity method due to a disposal of its shares, while RG-MWV OFFICE I LLC and three (3) other companies are excluded from the affiliates accounted for by the equity method due to a dissolution, etc.

(3) Names, etc. of Major Companies Not Accounted for by the Equity Method

A major non-consolidated subsidiary not accounted for by the equity method is Higashi-Shizuoka 15Gaiku Development Tokutei Mokuteki Kaisya and a major affiliate not accounted for by the equity method is Tokiwabashi Investment Tokutei Mokuteki Kaisya. The equity method is not applied to the Company's investments in these corporations because their respective sums of profit (loss) (corresponding to the equity ratio owned by the Company) and retained earnings (corresponding to the equity ratio owned by the Company) have no significant impact on the consolidated financial statements.

(4) Others

Concerning the companies accounted for by the equity method, the financial statements for the respective fiscal years are used for those that have a closing date that differs from the consolidated closing date.

3. Matters related to Business Year, etc. of Consolidated Subsidiaries

The closing date of MEC Group International, Inc. (Rockefeller Group, Inc. changed its trade name to MEC Group International Inc. on January 1, 2020.), which is a consolidated subsidiary, and one hundred ninety-four (194) overseas subsidiaries, MEC eco LIFE Co., Ltd. and four (4) other consolidated subsidiaries is December 31 and the closing date of Keiyo Tochi Kaihatsu Co., Ltd. and two (2) other consolidated subsidiaries is January 31. In preparing the consolidated financial statements, the financial statements as of and for the year ended respective closing dates are used for these companies with necessary adjustments provided for consolidation purposes with regard to material transactions between their closing dates and the consolidated closing date (March 31).

4. Matters related to Accounting Policies

(1) Valuation Basis and Method for Important Assets

Securities:

Held-to-maturity debt securities:

Carried at amortized cost (determined by the straight-line method for the Company and its consolidated domestic subsidiaries and by the interest method for consolidated foreign subsidiaries.)

Other securities:

Investment securities:

Available-for-sale securities with market values:

Stated at the market value as of the balance sheet date, based on quoted market prices, etc. (Unrealized gains and losses are reported, net of applicable taxes, in a separate component of net assets. The cost of securities sold is determined mainly by the moving-average method.)

Available-for-sale securities without market values:

Stated at cost determined by the moving-average method

Equity investments:

Available-for-sale securities with market values:

Stated at the market value as of the balance sheet date, based on quoted market prices, etc. (Unrealized gains and losses are reported, net of applicable taxes, in a separate component of net assets. The cost of equity investments sold is determined mainly by the moving-average method.)

Available-for-sale securities without market values:

Stated at cost determined by the moving-average method

Derivatives:

Stated at market values

Inventories:

Real estate for sale: mainly stated at cost determined by the identified cost method. (The amount posted in the Balance Sheets was computed by writing down the book value with regard to the inventories for which profitability was clearly declining.)

Work-in-process real estate for sale: Same as the above

Real estate for development: Same as the above

Expenditures for uncompleted works: Same as the above

Fixed Assets:

The Company and its consolidated domestic subsidiaries adopt asset-impairment accounting. Consolidated subsidiaries overseas apply International Financial Reporting Standards and U.S. accounting standards.

(2) Depreciation Method of Important Depreciable Assets

Property and equipment:

Depreciation of property and equipment of the Company and its consolidated domestic subsidiaries is calculated principally by the declining-balance method at fixed rates.

However, the straight-line method is adopted for buildings (excluding building improvements) acquired on or after April 1, 1998 and building improvements and structures acquired on or after April 1, 2016.

Depreciation of property and equipment of consolidated foreign subsidiaries is calculated by the straight-line method.

Intangible assets:

The amortization of intangible assets is computed by the straight-line method. Capitalized software for internal use is amortized by the straight-line method over the estimated internal useful life (mainly 5 years).

(3) Accounting Standards for Important Reserves

Allowance for doubtful receivables:

An allowance for doubtful receivables is provided, for possible losses from uncollectible loans and receivables, at the amount calculated based on the actual rate of losses from the bad debt for ordinary receivables, and on the estimated recoverability for specific receivables such as doubtful receivables.

Accrued directors' retirement benefits:

In consolidated subsidiaries, accrued directors' retirement benefits is provided at 100% of the amount that would be required at the end of the consolidated fiscal year under review in accordance with internal regulations.

Provision for environmental measures:

An estimated amount of loss that could be caused along with environmental measures including treatment of PCB (Polychlorinated biphenyl) waste is provided.

(4) Accounting Method for Retirement Allowances

1) Method to attribute estimated retirement allowances to period of services

To calculate the Company's liability for retirement allowances, the method of benefit formula basis is mainly adopted to attribute the estimated amounts of retirement allowance obligations to the period up to the end of the consolidated fiscal year under review.

2) Accounting method for actuarial gains or losses and prior service cost

Prior service cost is mainly amortized on a straight-line basis over a certain period (1 year–10 years) within an average remaining period of service of employees at the time of each occurrence.

Actuarial gains or losses are mainly amortized on a straight-line basis over a certain period (1 year–15 years) within an average remaining period of service of employees at the time of their occurrence, with each amount recognized as an expense starting from the following consolidated fiscal year.

(5) Translation of Important Assets and Liabilities Denominated in Foreign Currencies into Yen

The assets and liabilities denominated in foreign currencies of foreign subsidiaries are translated into yen at the spot rate of foreign exchange in effect at the balance sheet date of the respective subsidiaries. The revenue and expense accounts of foreign subsidiaries are translated into yen using the average rate of foreign exchange during the consolidated fiscal year under review. The resulting translation exchange differences have been presented as "Foreign currency translation adjustments" under "Net assets."

(6) Important Hedge Accounting

1) Hedge Accounting

The Company adopts the deferral hedge accounting, in principle. For interest rate swaps, the preferential treatment is applied to the swaps which satisfy the requirements of such preferential treatment. For currency swaps, the appropriation treatment is applied to the swaps which satisfy the requirements of such appropriation treatment.

2) Hedging Instruments and Hedged Items

Hedging instruments:	Hedged items:
Interest rate swaps	Borrowings
Currency swaps	Borrowings and corporate bonds
Borrowings	Equity of the foreign subsidiaries

3) Hedging Policy

The risk hedging transactions are intended to hedge the exposure to fluctuation risks in interest rates and foreign currency exchange rates, in accordance with the internal regulations such as "Market Risk Management Rules" and "Management Guideline by Risk."

4) Method of Assessing Hedge Effectiveness

The Company compares the cumulative amounts of fluctuations in the rates or in the cash flows of the hedged items with the cumulative amounts of fluctuations in the rates or in the cash flows of the hedging instruments, and assesses the effectiveness of hedging transactions based on the ratio between the two amounts.

However, the assessment of hedge effectiveness is omitted for interest rate swaps to which special treatment is applied.

(7) Accounting for Consumption Taxes, etc.

Transactions subject to the consumption tax and the local consumption tax are recorded at amounts exclusive of the consumption tax. Non-deductible consumption tax and local consumption tax are charged to income for the consolidated fiscal year under review.

(8) Accounting Standards for Revenue from Operations

Recognition criteria for net sales of completed construction contracts and cost of sales of completed construction contracts

To account for revenue from contract work operations, the percentage of completion method (the percentage of completion of work is estimated based on cost method) is adopted for work that has been completed and whose guaranteed performance has been recognized by the end of the consolidated fiscal year under review. For other work, the complete-contract method is adopted.
Recognition criteria for revenue related to finance lease transactions
The Company recognizes net sales and cost of sales related to finance lease transactions at the time of receipt of the lease payments.

(9) Amortization Method and Amortization Period of Goodwill
Goodwill is equally amortized over five (5) years on a straight-line basis. However, if the effect-emerging period can be reasonably estimated, the amount is equally amortized over the estimated period or if the amount is small, it is amortized for one (1) time.

Note to the Consolidated Balance Sheet

1. Accumulated Depreciation for Property and Equipment: ¥1,696,217 million
The accumulated depreciation above includes the accumulated impairment loss.

2. Assets Subject to Collateral and Secured Debt

(1) Assets Subject to Collateral:

Buildings and structures	¥197,659 million
Machinery and equipment and vehicles	¥1,601 million
Land	¥235,297 million
Other (other property and equipment)	¥2 million
Total	¥434,561 million

(2) Debt Secured by the Above:

Short-term borrowings	¥100 million
Long-term debt to be repaid within one (1) year	¥19,889 million
Long-term debt	¥76,798 million
Total	¥96,787 million

3. Contingent Obligations

(1) Guarantee Obligations

Warrantee	Amount of Obligation	Substance of Obligation
Home buyers	¥49,313 million	Borrowings from financial institutions
Others	¥8 million	Borrowings from financial institutions
Total	¥49,321 million	

The guarantee obligations for home buyers mainly mean the Company's joint and several guarantees to secure the repayment of housing loans of home buyers in favor of financial institutions, which continue until the registration of the creation of the corresponding mortgages has been completed.

(2) Guarantee of Acceptance of Businesses

Warrantee	Amount of Obligation	Substance of Obligation
NoMad 29th Street	¥3,268 million (US$29,829 thousand)	Borrowings from financial institutions
TRCC/Rock Outlet Center, LLC	¥2,131 million (US$19,455 thousand)	Borrowings from financial institutions
Meeyahta Development, Ltd.	¥1,224 million (US$11,250 thousand)	Borrowings from financial institutions
CL Office Trustee Pte. Ltd.	¥5,431 million (S$67,000 thousand)	Borrowings from financial institutions
Glory SR Trustee Pte. Ltd.	¥989 million (S$12,200 thousand)	Borrowings from financial institutions
Lendlease (Melbourne Quarter R1) Pty Limited	¥1,718 million (¥384 million, S$16,456 thousand)	Borrowings from financial institutions
PT. Windas Development	¥10,069 million (US$84,747 thousand, IDR100,052 million)	Borrowings from financial institutions
RML548Co., Ltd.	¥1,470 million (THB440 million)	Borrowings from financial institutions
Total	¥26,302 million	

The Company guarantees acceptance of businesses in favor of creditors of Meeyahta Development, Ltd. and RML548Co., Ltd. in the amount equivalent to the percentage of equity interest owned by the Company.

MEC Group International Inc. guarantees acceptance of businesses in favor of creditors of NoMad 29th Street and TRCC/Rock Outlet Center, LLC in the amount equivalent to the percentage of equity interest owned by the MEC Group International Inc.

Mitsubishi Estate Asia Pte. Limited guarantees acceptance of businesses in favor of creditors of CL Office Trustee Pte. Ltd. and Glory SR Trustee Pte. Ltd. in the amount equivalent to the percentage of equity interest owned by Mitsubishi Estate Asia Pte. Limited.

Mitsubishi Estate Asia Pte. Limited and Mitsubishi Estate Residence Co., Ltd. guarantees acceptance of businesses in favor of creditors of Lendlease (Melbourne Quarter R1) Pty Limited in the amount equivalent to the percentage of equity interest owned by Mitsubishi Estate Asia Pte. Limited and Mitsubishi Estate Residence Co., Ltd.

Mitsubishi Estate Asia Pte. Limited and MEA Commercial Holdings Pte. Ltd. guarantee acceptance of businesses in favor of creditors of PT. Windas Development. Furthermore, for the amount in excess of the amount equivalent to the percentage of equity interest owned by Mitsubishi Estate Asia Pte. Limited and MEA Commercial Holdings Pte. Ltd., the Company has received either the provision of collateral or guarantees from its business partners.

4. Revaluation of Land

The Company and some of its consolidated subsidiaries revalued the land used for its business in accordance with the "Law Concerning Revaluation of Land" (Law No. 34, March 31, 1998) and the "Law for Partial Revision to the Law Concerning Revaluation of Land" (Law No. 19, March 31, 2001). The revaluation difference has been included in "Net assets" as "Land revaluation reserve," net of the related tax that is included in "Liabilities" as "Deferred tax liabilities for revaluation."

Revaluation method: The value of land is determined based on the assessed value of the fixed property tax adjusted reasonably, as stipulated in Article 2, Item 3, of the Ordinance for

	Enforcement of the Law Concerning Revaluation of Land (Government Ordinance No. 119, March 31, 1998).
Date of revaluation:	March 31, 2002

Notes to the Consolidated Statement of Changes in Net Assets

1. Type and Total Number of Issued Shares and Type and Number of Shares of Treasury Stock

(Thousands of shares)

	Number of Shares as of the beginning of Consolidated Fiscal Year under review	Increase during the Consolidated Fiscal Year under review	Decrease during the Consolidated Fiscal Year under review	Number of Shares as of the end of Consolidated Fiscal Year under review
Issued Shares:				
Shares of common stock(Note 1)	1,391,038	136	—	1,391,174
Total	1,391,038	136	—	1,391,174
Treasury stock:				
Shares of common stock(Note 2)	2,888	49,797	8	52,677
Total	2,888	49,797	8	52,677

Notes:

1. The increase in the number of issued shares was due to the issuance of new shares through third-party allotment (136 thousand shares).
2. The increase of 49,797 thousand shares in the number of the shares of treasury stock of the Company was due to the purchase of shares of treasury stock based on the resolution by the Board of Directors (49,700 thousand shares), the purchase of restricted stock (86 thousand shares) and the purchase of shares less than one (1) unit (10 thousand shares). The decrease of 8 thousand shares was due to the exercise of stock options (8 thousand shares), etc.

2. Matters related to Dividends from Surplus

(1) Dividends Paid

Date of Resolution	Type of Shares	Total Amount of Dividends (Millions of yen)	Dividend per Share (Yen)	Record Date	Effective Date
Ordinary General Meeting of Shareholders held on June 27, 2019	Common stock	23,598	17	March 31, 2019	June 28, 2019
Meeting of Board of Directors held on November 7, 2019	Common stock	20,514	15	September 30, 2019	December 4, 2019

(2) Of the Dividends for which the Record Date belongs to the Consolidated Fiscal Year under review, those for which the Effective Date of the Dividends will be in the following Fiscal Year

Planned Date of Resolution	Type of Shares	Total Amount of Dividends (Millions of yen)	Source of Funds for Dividends	Dividend per Share (Yen)	Record Date	Effective Date
Ordinary General Meeting of Shareholders to be held on June 26, 2020	Common stock	24,092	Retained earnings	18	March 31, 2020	June 29, 2020

[Translation for Reference and Convenience Purposes Only]

3. Matters related to Stock Acquisition Rights

Breakdown of Stock Acquisition Rights	Type of Shares subject to Stock Acquisition Rights	Number of the Shares subject to Stock Acquisition Rights (Shares)			
		As of the beginning of Consolidated Fiscal Year under review	Increase during the Consolidated Fiscal Year under review	Decrease during the Consolidated Fiscal Year under review	As of the end of Consolidated Fiscal Year under review
Stock acquisition rights granted by a resolution at the meeting of the Board of Directors held on July 26, 2007	Common stock	2,000	—	—	2,000
Stock acquisition rights granted by a resolution at the meeting of the Board of Directors held on July 31, 2008	Common stock	3,000	—	—	3,000
Stock acquisition rights granted by a resolution at the meeting of the Board of Directors held on July 31, 2009	Common stock	11,000	—	—	11,000
Stock acquisition rights granted by a resolution at the meeting of the Board of Directors held on July 30, 2010 [1]	Common stock	24,000	—	3,000	21,000
Stock acquisition rights granted by a resolution at the meeting of the Board of Directors held on July 29, 2011 [2]	Common stock	31,000	—	2,000	29,000
Stock acquisition rights granted by a resolution at the meeting of the Board of Directors held on July 31, 2012	Common stock	26,000	—	—	26,000
Stock acquisition rights granted by a resolution at the meeting of the Board of Directors held on July 31, 2013	Common stock	21,000	—	—	21,000
Stock acquisition rights granted by a resolution at the meeting of the Board of Directors held on July 31, 2014	Common stock	28,000	—	—	28,000
Stock acquisition rights granted by a resolution at the meeting of the Board of Directors held on July 31, 2015 [3]	Common stock	27,000	—	3,000	24,000

Notes:

1. The decrease in the number of stock acquisition rights, which were granted by a resolution at the meeting of the Board of Directors held on July 30, 2010, for the consolidated fiscal year under review resulted from the exercise of the stock acquisition rights.
2. The decrease in the number of stock acquisition rights, which were granted by a resolution at the meeting of the Board of Directors held on July 29, 2011, for the consolidated fiscal year under review resulted from the exercise of the stock acquisition rights.
3. The decrease in the number of stock acquisition rights, which were granted by a resolution at the meeting of the Board of Directors held on July 31, 2015, for the consolidated fiscal year under review resulted from the exercise of the stock acquisition rights.

[Translation for Reference and Convenience Purposes Only]

Notes to Financial Instruments

1. Matters relating to Financial Instruments

(1) Policies to approach to financial instruments

The Group raises the necessary funds (mainly bank borrowings and bond issues) in light of the capital investment plan. In terms of fund management, it makes every effort to avoid market risks by emphasizing liquidity and shortening the fund management period. As for derivative transactions, the Group makes it a policy not to engage in speculative transactions, focusing primarily on hedging exposures to fluctuation of interest rates, reducing interest expenses, and hedging the exposure to fluctuation risks in foreign currency exchange rates.

(2) Contents and risks of financial instruments

Notes and accounts receivable - trade, which are trade receivables, are exposed to the credit risks of customers. Trade receivables in foreign currencies arising from overseas operations are exposed to risks of currency fluctuations.

Securities and investment securities include mainly held-to-maturity debt securities and shares of companies with which we have business relationships, and are exposed to risks of fluctuations in market prices.

Equity investments includes mainly preferred equity investments in special-purpose companies under the Law Concerning Liquidation of Assets, investments in investment units of real estate investment trusts, and investments in anonymous partnerships into special-purpose companies. They are exposed to credit risks of respective issuers, risks of changes in interest rates, and risks of fluctuations in market prices.

Guarantee money and deposits paid for leased premises are exposed to credit risks of business partners.

Most of notes and accounts payable - trade, which are trade payables, are due within one (1) year. Some of them in foreign currencies are exposed to risks of currency fluctuations.

Borrowings and corporate bonds are intended to raise funds required mainly for capital expenditures, and their maturity dates and repayment dates are in a maximum of fifty-six (56) years after the closing date. Although some of them have floating rates and are exposed to interest rate risks, they are hedged through derivative transactions (interest rate swaps.)

Derivative transactions include interest rate swaps, currency swaps and forward exchange contracts. Interest rate swaps hedge exposures to interest rates by fixing interest rates for financing at floating interest rates. Some of the consolidated subsidiaries trade interest rate and currency swaps based on the same trading policies and for the same utilization purposes as the Company adopts.

(3) Risk management systems relating to financial instruments

(i) Management of credit risks (risks of contractual defaults by business partners)

The Group periodically monitors trade receivables, and guarantee money and deposits paid of major business partners through the department in charge of each segment, manages the due date and the balance by business partner, and discovers promptly and reduces the risks of failures to collect money due to their deteriorating financial positions

(ii) Management of market risks (risks of fluctuations in foreign exchange rates and interest rates)

The Group capitalizes on interest rate swap and currency swap transactions to limit the risks of fluctuations in interest rates on debts and corporate bonds. In terms of securities and investment securities, the Group assesses the market values and financial positions of issuers (business partners) on a regular basis. As for those excluding held-to-maturity debt securities, the Group continuously reviews positions in consideration of the market conditions and relationships with business partners.

(iii) Management of liquidity risks of financing (risks of failure to pay on the due date)

The Group in a timely way develops and updates the financing plans through departments in charge based on reports from each department, and manages liquidity risks by maintaining cash balances.

(4) Supplemental explanation for matters relating to market values, etc. of financial instruments

Market values of financial instruments include values based on market prices and values reasonably calculated if they have no market prices. Since calculations of the relevant values incorporate variable factors, the relevant values may vary depending on the assumptions adopted.

2. Matters related to Market Values, etc. of Financial Instruments
Amounts stated on the consolidated balance sheet as of March 31, 2020, market values, and their differences are shown as follows. Items, of which market values are considered extremely difficult to determine, are not included in the table below (see Note 2).

(Millions of Yen)

	Reported amounts on the consolidated balance sheet	Market Value	Difference
(1) Cash on hand and in banks	207,896	207,896	—
(2) Notes and accounts receivable – trade	50,340		
Allowance for doubtful receivables (*1)	(294)		
	50,046	50,046	—
(3) Securities and Investment securities			
(i) Held-to-maturity debt securities	5,916	6,058	141
(ii) Other securities	177,971	177,971	—
(iii) Shares of subsidiaries and affiliated companies	60	346	285
(4) Equity investments	15,264	15,264	—
Total assets	457,156	457,583	426
(1) Notes and accounts payable – trade	66,368	66,368	—
(2) Short-term borrowings	115,306	115,306	—
(3) Long-term debt to be repaid within one (1) year	156,778	156,778	—
(4) Commercial paper	50,000	50,000	—
(5) Corporate bonds to be redeemed within one (1) year	51,550	51,550	—
(6) Corporate bonds	775,584	806,628	31,044
(7) Long-term debt	1,278,678	1,312,176	33,497
Total liabilities	2,494,266	2,558,809	64,542

(*1) Allowances for doubtful notes and accounts receivables are excluded.

Notes:

1. Methods of calculating market values of financial instruments

<u>Assets</u>

(1) Cash on hand and in banks
They are based on the relevant book values, as they are quickly settled and their market values are close to their book values.

(2) Notes and accounts receivable - trade
They are based on the relevant book values, as they are quickly settled and their market values are close to their book values.

(3) Securities and Investment securities
The market values of stocks, etc. are based on the prices on stock exchanges and those of debt securities are based on the prices presented mainly by correspondent financial institutions.

(4) Equity investments
The market values of equity investments are based on the prices on stock exchanges.

Liabilities

(1) Notes and accounts payable - trade
They are based on the relevant book values, as they are quickly settled and their market values are close to their book values.

(2) Short-term borrowings
They are based on the relevant book values, as they are quickly settled and their market values are close to their book values.

(3) Long-term debt to be repaid within one (1) year
They are based on the relevant book values, as they are quickly settled and their market values are close to their book values.

(4) Commercial paper
They are based on the relevant book values, as they are quickly settled and their market values are close to their book values.

(5) Corporate bonds to be redeemed within one (1) year
They are based on the relevant book values, as they are quickly settled and their market values are close to their book values.

(6) Corporate bonds
The market values of corporate bonds are based on the market prices, etc.

(7) Long-term debt
Of long-term debt, those with variable interest rates are calculated based on the relevant book values as they promptly reflect market interest rates and their market values are considered to be close to their book values. Those with fixed interest rates are calculated based on the present values derived by discounting the total amount of principal and interest at rates obtained by comparison with similar debts that would be newly employed.

2. Financial instruments whose market values are deemed to be extremely difficult to assess

Category	Reported amounts on the consolidated balance sheet (Millions of yen)
(i) Unlisted stocks (*1)	60,677
(ii) Equity investments (*2)	435,256
(iii) Guarantee money and deposits paid (*3)	126,092
(iv) Guarantee money and deposits received (*4)	459,177

(*1) Unlisted stocks are not subject to the disclosure of market values, as they have no market prices and their market values are deemed to be extremely difficult to assess.

(*2) Of equity investments, those without market prices are not subject to the disclosure of market values, as their market values are deemed to be extremely difficult to determine.

(*3) Guarantee money and deposits paid for leased premises are not subject to the disclosure of market values, as they have no market prices and the real deposit period from the move-in date to the move-out date is difficult to calculate. Consequently, their reasonable cash flows are deemed to be extremely difficult to estimate.

(*4) Guarantee money and deposits received for leased premises by tenants are not subject to the disclosure of market values, as their reasonable cash flows are deemed to be extremely difficult to estimate, given that they have no market prices and it is hard to calculate the real deposit period from the move-in date to the move-out date of the tenants. In addition, other fund deposits are not subject to the disclosure of market values, as their real deposit period is deemed to be difficult to calculate. Consequently, their reasonable cash flows are deemed to be considered extremely difficult to estimate.

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Notes to Leased Real Estate

The Company and some of its consolidated subsidiaries own office buildings for rent, commercial facilities for rent and others in Tokyo and other areas including overseas areas (the United States, United Kingdom, etc.) for the purpose of obtaining revenue from leases.

Some office buildings for rent in Japan are regarded as real estate including parts used as leased real estate since they are used by the Company and some of its consolidated subsidiaries.

The reported amounts on the consolidated balance sheet and the fair values of these leased real estate and real estate including parts used as leased real estate at the end of the consolidated fiscal year under review are as follows:

	Reported amounts on the consolidated balance sheet (Millions of yen)	Fair Value (Millions of yen)
Leased real estate	3,502,759	7,356,741
Real estate including spaces used as leased real estate	545,580	914,103

Notes:

1. The reported amounts on the consolidated balance sheet have deducted accumulated depreciation costs and accumulated impairment losses from the acquisition cost.
2. Fair values at the end of the consolidated fiscal year under review are based on the following:
   (1) Fair values of real estate in Japan are calculated by the Company based mainly on the Real Estate Appraisal Standards.
   (2) Fair values of real estate overseas are values appraised principally by local real estate appraisers.
   (3) The impact of the novel coronavirus disease (COVID-19) on the estimate was calculated on certain assumptions based on earnings forecasts, but the impact on the estimate is immaterial.

Note to Per-Share Information

Net assets per share	¥1,295.83
Earnings per share	¥108.64

[Translation for Reference and Convenience Purposes Only]

Other Notes

1. Impairment Loss

 The impairment loss is recorded for the following asset groups for the consolidated fiscal year under review.

Major Application	Category	Location
Leased assets, etc. (total 17 groups)	Land and Buildings, etc.	Nishinomiya-shi, Hyogo; etc.

Asset grouping for the Group was made based on a minimum unit that generates cash flows, which is substantially independent from cash flows of other assets or asset groups. Company condominiums are regarded as shared assets.

As a result, the book values of seventeen (17) asset groups, consisting of those for which the market prices fell considerably compared with the book values due to the decline of land prices and those for which profitability decreased considerably due to fallen rent levels or deteriorated market conditions, etc., were reduced to the respective collectible amounts and such reduced amounts were recorded as an impairment loss (¥10,844 million) under extraordinary loss.

The breakdown of such impairment loss was ¥3,128 million in land and ¥7,715 million in buildings, structures and others. The collectible amounts of asset groups are measured with net sale value or use value, and the net sale value is principally expressed as an appraised value by a real estate appraiser. Future cash flows discounted at a rate of five (5) % are principally used to compute the use value.

2. Asset Retirement Obligations

(1) Asset retirement obligations posted on the Consolidated Balance Sheet

1) Outline of the asset retirement obligations

These obligations include obligations to restore the original state related to periodically renewed land lease contracts and building lease contracts.

2) Computation method for the asset retirement obligations

Asset retirement obligations are computed regarding the remaining contract years as an expected use period and using a discount rate between 0.0% and 2.3%.

3) Increase (decrease) of asset retirement obligations for the consolidated fiscal year under review

Balance at the beginning of the fiscal year under review:	¥5,859	million
Increase due to the acquisition of property and equipment:	¥1,854	million
Adjustments due to the elapse of time:	¥74	million
Decrease due to the fulfillment of asset retirement obligations:	¥(13)	million
Increase (decrease) due to other reasons:	¥(1,538)	million
Balance at the end of the fiscal year:	¥6,236	million

(2) Asset retirement obligations that are not posted on the Consolidated Balance Sheet

The following asset retirement obligations are excluded from the posted amounts:

1) Obligation to remove asbestos that is used for some property and equipment at the time of removal of the property and equipment in a particular way required by the Ordinance on Preventing Asbestos Hazards

For some of the property and equipment of the Company, the demolition of a building involves an obligation to remove asbestos. However, no demolition has taken place yet other than demolition related to redevelopment or other projects that required arrangements with many business associates. It is difficult to estimate the timing to fulfill such obligation due to causes such as deterioration, based on the estimated physically usable period of the asset. We cannot estimate when to demolish the property and equipment without relevant specific management plans.

To address the issue of asbestos, we have been voluntarily conducting asbestos removal work when tenants move out or when other opportunities allows us to do so. However, we cannot make a reasonable estimate of how such voluntary asbestos removal work will progress in the future based on the data such as how long past tenants stayed. Also we cannot estimate the remaining amount of asbestos when such property and equipment are demolished. Moreover, it is difficult to only estimate the asbestos removal cost separately from regular demolition costs. For these reasons, an asbestos removal-related probability assessment relative to the domain and amounts of asset retirement obligation is difficult. Therefore, an obligation to remove asbestos is excluded from the reported asset retirement obligations although we made a best estimate taking into account the evidence available as of the closing date.

2) Obligation to restore the original state based on some real estate rental agreements
Periodically renewed land lease contracts for some commercial facilities require restoration to the original state when the contract term ends and the facility must be returned. In reality, however, it is possible to continue to use such facilities by renewing such contracts and some contracts set forth a special provision to reduce the possibility of performing such obligation to restore the original state, which makes the timing to fulfill the obligation somewhat vague. In terms of our business strategies and the business environment, we do intend to continue with our operations and therefore fulfillment of this obligation is not intended. For these reasons, a probability assessment relative to the domain and amounts of asset retirement obligation is difficult to ascertain. Therefore, an obligation to restore the original state is excluded from the reported asset retirement obligations although we made a best estimate taking into account the evidence available as of the closing date.

[Translation for Reference and Convenience Purposes Only]

Non-consolidated Statement of Changes in Net Assets

(From April 1, 2019, to March 31, 2020)

(Millions of yen)

	Shareholders' equity										
		Capital surplus		Retained earnings							
					Other retained earnings						
	Capital stock	Capital reserve	Total capital surplus	Retained earnings	Reserve for special deprecia-tion	Reserve for advanced depreciation of fixed assets	General reserve	Earned surplus carried forward	Total retained earnings	Treasury stock	Total share-holders' equity
Balance at the beginning of current period	142,023	171,135	171,135	21,663	2,845	134,007	108,254	294,780	561,550	(5,278)	869,431
Changes in the fiscal year under review											
Issuance of new shares	124	124	124								249
Dividend from surplus								(44,112)	(44,112)		(44,112)
Profit								109,251	109,251		109,251
Purchase of treasury stock										(100,020)	(100,020)
Disposal of treasury stock								(2)	(2)	16	13
Reversal of reserve for special depreciation					(1,355)			1,355			
Provision for reserve for advanced depreciation of fixed assets						23,714		(23,714)			
Reversal of reserve for advanced depreciation of fixed assets						(3,683)		3,683			
Net changes in items other than those in shareholders' equity											
Total of changes in the fiscal year under review	124	124	124	—	(1,355)	20,031	—	46,461	65,137	(100,004)	(34,618)
Balance at the end of current period	142,147	171,260	171,260	21,663	1,489	154,038	108,254	314,242	626,687	(105,282)	834,812

[Translation for Reference and Convenience Purposes Only]

(Millions of yen)

	Valuation, translation adjustments and others				Stock acquisition rights	Total net assets
	Net unrealized gain on available-for-sale securities	Deferred gains or losses on hedging instruments	Land revaluation reserve	Total valuation, translation adjustments and others		
Balance at the beginning of current period	115,447	(286)	529,965	645,127	302	1,514,860
Changes in the fiscal year under review						
Issuance of new shares						249
Dividend from surplus						(44,112)
Profit						109,251
Purchase of treasury stock						(100,020)
Disposal of treasury stock						13
Reversal of reserve for special depreciation						—
Provision for reserve for advanced depreciation of fixed assets						—
Reversal of reserve for advanced depreciation of fixed assets						—
Net changes in items other than those in shareholders’ equity	(35,915)	(1,585)		(37,501)	(13)	(37,514)
Total of changes in the fiscal year under review	(35,915)	(1,585)	—	(37,501)	(13)	(72,132)
Balance at the end of current period	79,532	(1,872)	529,965	607,626	288	1,442,727

[Translation for Reference and Convenience Purposes Only]

Notes to the Non-consolidated Financial Statements

Notes to Matters Related to Significant Accounting Policies

1. Valuation Basis and Method for Securities

Held-to-maturity debt securities:	Carried at amortized cost (straight-line method)
Shares of subsidiaries and affiliates:	Stated at cost determined by the moving-average method
Other securities:	
Investment securities:	
Available-for-sale securities with market values:	Stated at the market value as of the balance sheet date, based on quoted market prices etc. Unrealized gains and losses are reported, net of applicable taxes, in a separate component of net assets. The cost of securities sold is determined by the moving-average method
Available-for-sale securities without market values:	Stated at cost determined by the moving-average method
Equity investments:	
Available-for-sale securities with market values:	Stated at the market value as of the balance sheet date, based on quoted market prices, etc. Unrealized gains and losses are reported, net of applicable taxes, in a separate component of net assets. The cost of equity investments sold is determined by the moving-average method
Available-for-sale securities without market values:	Stated at cost determined by the moving-average method

2. Valuation Basis and Method for Derivatives Stated at market values

3. Valuation Basis and Method for Inventories

Real estate for sale:	Stated at cost determined by the identified cost method (The amount posted in the Balance Sheets was computed by writing down the book value with regard to the inventories for which profitability was clearly declining.)
Work-in-process real estate for sale:	The same as above
Real estate for development:	The same as above

4. Depreciation Method of Fixed Assets

Property and equipment:	Depreciation is computed by the declining-balance method at fixed rates. However, the straight-line method is adopted for the Yokohama Landmark Tower and buildings (excluding building improvements) acquired on or after April 1, 1998 and building improvements and structures acquired on or after April 1, 2016.
Intangible assets:	The amortization of intangible assets is computed by the straight-line method. Capitalized software for internal use is amortized by the straight-line method over the estimated internal useful life (5 years).

5. Accounting Standards for Reserves

Allowance for doubtful receivables: An allowance for doubtful receivables is provided, for possible losses from uncollectible loans and receivables, at the amount calculated based on the actual rate of losses from the bad debt for ordinary receivables, and on the estimated recoverability for specific receivables such as doubtful receivables.

Reserve for retirement allowances: A reserve for retirement allowances is provided at the amount calculated based on the projected amounts of retirement benefit obligations and plan assets at the end of the fiscal year under review for ordinary employees, and at 100% of the amount that would be required at the end of the fiscal year under review in accordance with internal regulations for executive officers.

To calculate the Company's liability for retirement allowances to employees, the method of benefit formula basis is adopted to attribute the estimated retirement allowances to accounting periods up to the end of the fiscal year under review.

Prior service cost is amortized, starting from the time of its occurrence, on a straight-line basis over a certain period (10 years) within an average remaining service period of employees at the time of its occurrence. Actuarial gains or losses are amortized, starting from the following fiscal year, on a straight-line basis over a certain period (10 years) within an average remaining service period of employees at the time of their occurrence.

Reserve for accepting the fulfillment of obligations: A reserve for accepting the fulfillment of obligations is provided at the estimated amount of losses that may be caused by accepting the fulfillment of obligations.

Provision for environmental measures: An estimated amount of loss that could be caused along with environmental measures including treatment of PCB (Polychlorinated biphenyl) waste is provided.

6. Accounting for Deferred Assets

The costs are fully charged to income when disbursed.

7. Hedge Accounting

(1) Hedge accounting:

The Company adopts the deferral hedge accounting, in principle. For interest rate swaps, the preferential treatment is applied to the swaps which satisfy the requirements of such preferential treatment. For currency swaps and forward exchange contracts, the appropriation treatment is applied to the contracts which satisfy the requirements of such appropriation treatment.

(2) Hedging instruments and hedged items:

Hedging instruments:	Hedged items:
Interest rate swaps	Borrowings
Currency swaps	Borrowings, corporate bonds
Forward exchange contracts	Shares of affiliated companies

(3) Hedging policy:

The risk hedging transactions of the Company are intended to hedge its exposure to fluctuation risks in interest rates and foreign currency exchange rates, in accordance with the Company's internal regulations such as "Market Risk Management Rules" and "Management Guideline by Risk."

(4) Method of Assessing Hedge Effectiveness

The Company compares the cumulative amounts of fluctuations in the rates or in the cash flows of the hedged items with the cumulative amounts of fluctuations in the rates or in the cash flows of the hedging

instruments, and assesses the effectiveness of hedging transactions based on the ratio between the two amounts.
However, the assessment of hedge effectiveness is omitted for interest rate swaps to which special treatment is applied.

8. Accounting for the Consumption Taxes, etc.
Transactions subject to the consumption tax and local consumption tax are recorded at amounts exclusive of the consumption tax. Non-deductible consumption tax and local consumption tax are charged to income for the fiscal year under review.

Notes to the Non-consolidated Balance Sheet

1. Accumulated Depreciation for Property and Equipment: ¥1,124,874 million
The accumulated depreciation above includes the accumulated impairment loss.

2. Contingent Obligations
(1) Guarantee Obligations

Warrantee	Amount of Obligation	Substance of Obligation
Mitsubishi Estate London Limited	¥74,919 million (GBP501,600 thousand, €67,300 thousand)	Borrowings from financial institutions
MEC Global Partners Holdings LLC	¥22,298 million (US$121,800 thousand, GBP21,200 thousand, €52,000 thousand)	Borrowings from financial institutions
MITSUBISHI ESTATE NEW YORK Inc.	¥21,766 million (US$200,000 thousand)	Borrowings from financial institutions
RML548Co., Ltd.	¥1,470 million (THB440 million)	Borrowings from financial institutions
MEA Commercial Holdings Pte. Ltd.	¥1,436 million (IDR214,416 million)	Guarantee of obligation fulfillment to a project company
Meeyatha Development, Ltd.	¥1,224 million (US$11,250 thousand)	Borrowings from financial institutions
Ryoei Life Service Co., Ltd.	¥117 million	Deposits for repayment obligation to residents
Total	¥123,292 million	

(2) Keep-well agreement

Warrantee	Amount of Obligation	Substance of Obligation
MEC Finance USA, Inc.	¥3,809 million (US$35,000 thousand)	Borrowings from financial institutions
Total	¥3,809 million	

The Company signed keep-well agreement to complement the credit for funding by MEC Finance USA, Inc.

3. Monetary Receivables/Payables due from/to Affiliated Companies

Short-term receivables due from affiliated companies	¥13,307 million	Long-term receivables due from affiliated companies	¥41,473 million
Short-term payables due to affiliated companies	¥186,508 million	Long-term payables due to affiliated companies	¥9,231 million

4. Revaluation of Land
   The Company revalued the land used for its business in accordance with the "Law Concerning Revaluation of Land" (Law No. 34, March 31, 1998) and the "Law for Partial Revision to the Law Concerning Revaluation of Land" (Law No. 19, March 31, 2001). The revaluation difference has been included in "Net assets" as "Land revaluation reserve," net of the related tax that is included in "Liabilities" as "Deferred tax liabilities for revaluation."

Revaluation method:	The value of land is determined based on the assessed value of the fixed property tax adjusted reasonably, as stipulated in Article 2, Item 3, of the Ordinance for Enforcement of the Law Concerning Revaluation of Land (Government Ordinance No. 119, March 31, 1998).
Date of revaluation:	March 31, 2002

5. Equity Investments
   Of the equity investments projects, the total amount of investments in anonymous partnership and preferred equity investments, etc. into anonymous partnerships and special-purpose companies that fall under the category of affiliated companies is ¥303,474 million.

Note to the Non-consolidated Statement of Income

Transactions with Affiliated Companies

Revenue from operations:	¥35,171 million
Cost of revenue from operations:	¥71,566 million
Transactions other than operating transactions:	¥31,536 million

Note to the Non-consolidated Statement of Changes in Net Assets

Type and Number of Shares of Treasury Stock at the End of the Fiscal Year under Review

Common stock:	52,677,152 shares

Note to Tax-effect Accounting

The significant components of deferred tax assets and liability are summarized as follows:

Deferred tax assets:	(Millions of yen)
Reserve for retirement allowances	4,779
Accrued bonus	1,133
Loss on devaluation of investment securities	5,114
Loss on devaluation of inventories	491
Loss on devaluation of golf memberships	268
Loss on devaluation of fixed assets	45,992
Land revaluation reserve	22,727
Reserve for accepting the fulfillment of obligations	1,713
Impairment loss on equity investments	3,990
Transfer of business due to reorganization	8,899
Other	35,346
Subtotal deferred tax assets	130,458
Valuation reserve	(72,259)
Total deferred tax assets	58,199

Deferred tax liability:	
Reserve for advanced depreciation of fixed assets	67,983
Gain on establishing a trust for retirement benefits	7,393
Land revaluation reserve	265,658
Net unrealized gain on available-for-sale securities	35,204
Fixed assets valuation difference	53,242
Other	21,838
Total deferred tax liability	451,321
Net deferred tax liability	393,122

[Translation for Reference and Convenience Purposes Only]

Note to Transactions with Related Parties

Subsidiaries and Affiliates, etc.

Category	Name of Company, etc.	Ownership Percentage of Voting Rights, etc.	The Company's Relationship with the Related Party	Description of Transactions	Transaction Amount (Millions of yen)	Account Item	Fiscal Year-end Balance (Millions of yen)
Subsidiary	Mitsubishi Estate London Limited	Indirectly holding (100%)	Guarantee obligation Interlocking directors	Guarantee obligation [1]	74,919	—	—
Subsidiary	Mitsubishi Estate Residence Co., Ltd.	Directly holding (100%)	Provision of loans Interlocking directors	Provision of loans [2]	104,000	Short-term loans of affiliated companies	411,000
				Collection of loans	98,000		
				Interest income [2]	1,575	—	—

Transaction conditions and decision policy thereof, etc.:

Notes:

1. The amount represents guarantee obligation to secure bank borrowings (GBP501,600 thousand, €67,300 thousand) of Mitsubishi Estate London Limited.
2. Interest rates on loans are determined in consideration of market interest rates.

Note to Per-share Information

Net assets per share	¥1,077.66
Earnings per share	¥79.95