MATTERS DISCLOSED ON THE INTERNET
RELATED TO THE
NOTICE OF CONVOCATION OF
THE 123rd 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, 2021, to March 31, 2022)

(Millions of yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at the beginning of current period	142,279	164,367	1,058,457	(105,216)	1,259,887
Cumulative effects of changes in accounting policies			(1,509)		(1,509)
Restated balance	142,279	164,367	1,056,948	(105,216)	1,258,378
Changes in the fiscal year under review					
Issuance of new shares	135	135			270
Dividend from surplus			(46,774)		(46,774)
Profit attributable to owners of parent			155,171		155,171
Purchase of treasury shares				(30,014)	(30,014)
Disposal of treasury shares			(0)	31	31
Change by share exchanges		(964)		2,715	1,751
Change in equity of the parent company on transactions with non-controlling interests		(3,788)			(3,788)
Net changes in items other than those in shareholders' equity					
Total of changes in the fiscal year under review	135	(4,617)	108,396	(27,267)	76,646
Balance at the end of current period	142,414	159,749	1,165,344	(132,483)	1,335,024

	Accumulated other comprehensive income						Share acquisition rights	Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Revaluation reserve for land	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income			
Balance at the beginning of current period	118,088	(1,916)	526,417	(53,740)	3,163	592,011	231	209,316	2,061,447
Cumulative effects of changes in accounting policies									(1,509)
Restated balance	118,088	(1,916)	526,417	(53,740)	3,163	592,011	231	209,316	2,059,937
Changes in the fiscal year under review									
Issuance of new shares									270
Dividend from surplus									(46,774)
Profit attributable to owners of parent									155,171
Purchase of treasury shares									(30,014)
Disposal of treasury shares									31
Change by share exchanges									1,751
Change in equity of the parent company on transactions with non-controlling interests									(3,788)
Net changes in items other than those in shareholders' equity	12,753	2,020		55,902	5,512	76,189	(30)	23,689	99,847
Total of changes in the fiscal year under review	12,753	2,020	—	55,902	5,512	76,189	(30)	23,689	176,494
Balance at the end of current period	130,841	103	526,417	2,162	8,675	668,200	201	233,005	2,236,432

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Notes to the Consolidated Financial Statements

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

1. Matters related to the Scope of Consolidation

(1) Number of Consolidated Subsidiaries: 252

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 TOKYO390 SPC and forty-two (42) other companies due to a new establishment, etc.

Excluded from the list of consolidated subsidiaries are Mitsubishi Jisho Retail Property Management Co., Ltd. and twenty-two (22) other companies due to a dissolution, etc.

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

A major non-consolidated subsidiary is Fuchinobe Development SPC.

Non-consolidated subsidiaries are excluded from the scope of consolidation because their respective sums of total assets, operating revenue, 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: 122

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

Included in the affiliates accounted for by the equity method are Fuyiling Construction Co., Ltd. and ten (10) other companies due to a new establishment, etc.

Meanwhile, Excellent World Investments Limited and eighteen (18) 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 Fuchinobe Development SPC 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., which is a consolidated subsidiary, and two hundred eleven (211) overseas subsidiaries, MEC eco LIFE Co., Ltd. and five (5) other consolidated subsidiaries is December 31, the closing date of Keiyo Tochi Kaihatsu Co., Ltd. is January 31 and the closing date of Zama Development SPC is February 28. 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:

Securities other than shares, etc., that do not have a market price:

Stated at the market value (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.)

Shares, etc., that do not have a market price:

Stated at cost determined mainly by the moving-average method

Equity investments:

Securities other than shares, etc., that do not have a market price:

Stated at the market value (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.) Investments in non-consolidated subsidiary and affiliates not accounted for by the equity method are stated at cost determined by the moving-average method. For investments in limited partnership for investment and similar partnerships (deemed as securities under Article 2, Paragraph 2 of the Financial Instruments and Exchange Act), the most recent financial statements available according to the financial reporting date stipulated in the partnership agreement are used as the basis for calculating the net amount equivalent to the Company's equity interest.

Shares, etc., that do not have a market price:

Stated at cost determined mainly 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 consolidated balance sheet was computed by writing down the book value with regard to the inventories for which profitability was clearly declining.)

Real estate for sale in process: Same as the above

Real estate for development: Same as the above

Costs on construction contracts in progress: Same as the above

Non-current 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, plant and equipment:

Depreciation of property, plant 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, plant 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 Policies for Important Reserves

Allowance for doubtful accounts:

An allowance for doubtful accounts 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.

Provision for retirement benefits for directors (and other officers):

In consolidated subsidiaries, a provision for retirement benefits for directors (and other officers) is provided at 100% of the amount that would be required at the end of the 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 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 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 consolidated 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 fiscal year under review. The resulting translation exchange differences have been presented as "Foreign currency translation adjustment" 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.

(Hedge transactions to which "Treatment of Hedge Accounting for Financial Instruments Referring to LIBOR" is applied)

Among the above hedge transactions, all hedge transactions included in the scope of application of "Treatment of Hedge Accounting for Financial Instruments that Reference LIBOR" (ASBJ Revised Practical Solution No.40, March 17, 2022) are subject to the exceptional treatment prescribed in the Revised Practical Solution. The details of hedging transactions to which the Revised Practical Solution is applied are as follows.

Hedge accounting method:	Deferred hedge accounting, exceptional accounting for interest rate swaps
Hedging instruments:	Interest rate swaps and currency swaps
Hedged items:	Borrowings and corporate bonds
Types of hedging transactions:	Fixing cash flows

(7) Accounting for Consumption Taxes Transactions subject to the consumption tax and local consumption tax is recorded at amounts exclusive of consumption taxes. Non-deductible consumption tax and local consumption tax are charged to income for the fiscal year under review.

(8) Accounting for significant revenues and expenses

The Company and its consolidated subsidiaries measure revenue from contracts with customers based on the consideration stipulated in the contract with the customer. The main performance obligations in the main business relating to contracts with customers and the usual time at which such performance obligations are satisfied (the usual time at which revenue is recognized) are as follows.

The promised consideration for contracts with customers in our major businesses is usually paid within one year from the time the performance obligation is satisfied, and since the amount of the promised consideration does not include a significant financial component, there are no contracts with customers for which we have adjusted the consideration for this effect.

1) Commercial Property Business Segment

Primarily engaged in the business of leasing office buildings and commercial facilities developed and owned, and in the business of selling office buildings and commercial facilities developed and owned.

■ Real estate leasing business

Office buildings and commercial facilities developed and owned are leased, and revenue is recognized for lease transactions in accordance with the "Accounting Standard for Lease Transactions" (ASBJ Statement No.13, March 30, 2007, hereinafter referred to as "Lease accounting standards") and other standards.

■ Real estate sales business

Office buildings and commercial facilities developed and owned are sold, and revenue is recognized when the real estate is delivered to the customer.

■ Others

Other businesses include building operation and management, and hotel business.

In the building operation and management business, we operate office buildings and commercial facilities and provide real estate management services. As the manager of the entire building, we assume responsibility for overall management throughout the management operations and provide building management services by performing various management tasks such as security, facility management, cleaning, and planting services under contract terms. Since these services are consumed by the customer as the service is provided in satisfaction of its performance obligation, revenue is recognized over the contractual period with the customer and is measured by the amount billed to the customer based on the passage of time. In addition, the Company contracts with lessees for internal construction work, etc. For construction contracts such as internal construction with customers in the building operation and management business, the Company recognizes revenue based on the cost incurred and the degree of completion of the construction work over the contract period with the customer, since the customer controls the asset as the performance obligation is satisfied. In cases where the period of time over which the performance obligation is expected to be fully satisfied from the date of inception of the transaction in the contract is very short, revenue is not recognized over a certain period of time based on alternative treatment of materiality, etc., and revenue is recognized when the performance obligation is satisfied.

In the hotel business, the Company and its consolidated subsidiaries operate hotels in buildings they own. Revenue related to the hotel business is recognized over the period of use of the facility by the customer, as the customer consumes the service as it is provided in satisfaction of the performance obligation.

2) Residential Business Segment

Mainly engaged in construction, sales, and leasing of developed condominiums and residential houses, as well as management of condominiums and houses on consignment and custom-built housing business, etc.

■ Condominium sales business

Condominiums for sale that have been conducted from the purchase of land to construction are sold to customers, and revenue is recognized at the time the real estate is delivered to the customer.

■ Contracted residential property management services

Property management services for condominiums, residential houses, etc., are rendered. As the manager of the entire building, the company assumes responsibility for general management throughout the management operations and provides building management services by performing various management tasks such as security guard services, facility management, cleaning, and planting under contractual terms. Since these services are consumed by the customer as the service is provided in satisfaction of its performance obligation, revenue is recognized over the contractual period with the customer and is measured by the amount billed to the customer based on the passage of time.

- Design and contract construction of custom-built houses
  Custom-built houses are sold on order, and the Company constructs and delivers houses on the customer's land based on building construction contracts with the customer.
  In this service, the customer controls the asset as the performance obligation is satisfied, and revenue is recognized over the term of the contract with the customer based on the percentage of completion of the construction at the cost incurred.
  In cases where the period of time over which the performance obligation is expected to be fully satisfied from the date of commencement of the transaction in the contract is very short, revenue is not recognized over a certain period of time based on alternative treatment of materiality, etc., and revenue is recognized when the real estate is delivered to the customer.
- Others
  Other activities include renovation and sales of condominiums, real estate brokerage, and leasing of rental condominiums. For sales of renovated condominiums, revenue is recognized at the time the property is delivered to the customer. Real estate brokerage services provide services to conclude real estate sales contracts and real estate lease contracts and deliver real estate on behalf of customers based on real estate brokerage contracts with customers. For this service, revenue is recognized upon completion of the delivery of the brokerage property. For lease transactions related to rental condominiums, the Company recognizes revenue in accordance with Lease accounting standards and other standards.

3) International Business Segment
In overseas, it is engaged in the business of developing and leasing office buildings, residences, commercial facilities, and other properties. In the real estate leasing business, the Company recognizes revenues in accordance with Lease accounting standards. When office buildings developed and owned by the Company are sold to customers, revenue is recognized at the time the properties are delivered to the customers. When the financial statements of foreign consolidated subsidiaries are prepared in accordance with International Financial Reporting Standards (IFRS) or U.S. GAAP, such financial statements are used in accordance with "Unification of Accounting Policies Applied to Foreign Subsidiaries, etc. for Consolidated Financial Statements" (ASBJ Revised Practical Solution No.18, June 28, 2019, hereinafter referred to as "PITF No.18").

4) Investment Management Business Segment
It provides comprehensive services related to real estate investment, mainly offering asset management services to investment corporations and real estate funds. Revenue from asset management services includes asset management fees over the contract period as well as success fees for property acquisitions and property sales. Asset management fees include the amount of assets under management multiplied by a contractually defined rate and variable fees based on asset performance multiplied by a contractually defined rate. Because asset management fees are consumed by customers as obligations in contracts with customers are performed and services are rendered, revenue is recognized over the term of the contract with the customer only to the extent that it is probable that, upon subsequent resolution of the uncertainty based on the mode method, there will not be a significant reduction in the revenue recorded by the time the uncertainty is resolved. For success fees at the time of property acquisition or sale, revenue is recognized when the performance obligation is satisfied. When the financial statements of foreign consolidated subsidiaries are prepared in accordance with International Financial Reporting Standards (IFRS) or U.S. GAAP, such financial statements are used in accordance with PITF No.18.

5) Architectural Design & Engineering Business and Real Estate Services Business
It is engaged in the design and engineering business and the real estate service business.

- Architectural Design & Engineering Business
  Building design and engineering services are provided until building construction is complete. For such services, the Company recognizes revenue based on the percentage of completion at cost incurred over the term of the contract with the customer, since the customer controls the asset as it satisfies its performance obligations. In cases where the period of time over which the performance obligation is expected to be fully satisfied from the date of inception of the

transaction in the contract is very short, revenue is not recognized over a certain period of time based on alternative treatment of materiality, etc., and revenue is recognized when the performance obligation is satisfied.

- Real Estate Services Business

  Parking management services and real estate brokerage services are provided. In the parking management service, we assume overall management responsibility for customer-owned parking facilities as the manager of the entire facility and provide parking management and operation services by performing various management tasks such as security, facility management, and cleaning under contractual terms. Parking management and operation services are consumed by the customer as the services are provided in satisfaction of its performance obligations, and revenue is recognized over the term of the contract with the customer and is measured by the amount billed to the customer over time.

  Real estate brokerage services are provided based on real estate brokerage contracts with customers to conclude real estate sales contracts and real estate lease contracts on behalf of customers and to deliver real estate. The Company recognizes revenue from this service upon completion of the delivery of the brokerage property.

Recognition of revenues from operating leases

Revenue is recognized based on the monthly lease payments to be received under the lease contracts over the elapsed term of the leases.

Recognition of revenues from 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.

Notes on Changes in Accounting Policies

1. Application of Accounting Standard for Revenue Recognition

The Company has applied the “Accounting Standard for Revenue Recognition” (ASBJ Statement No. 29, March 31, 2020; hereinafter “Revenue Recognition Standard”) and other standards from the beginning of the fiscal year under review. The Company recognizes revenue when control of a promised good or service is transferred to a customer in an amount that reflects the consideration to which the Company expects to be entitled in exchange for those goods and services. Previously, the percentage-of-completion method was applied to construction contracts for which the outcome of the construction activity could be estimated reliably, while the completed-contract method was applied to other construction contracts, however, we have changed to estimate the degree of progress toward satisfying performance obligations and recognize revenue over a certain period of time based on the degree of progress. However, for construction contracts with a very short period of time between the transaction commencement date and the time when the performance obligation is expected to be fully satisfied, revenue is recognized when the performance obligation is fully satisfied. For real estate brokerage and sales agency contracts, the Company previously recognized as revenue the consideration received at the time the sale was concluded between the seller and the buyer and at the time the property was delivered to the buyer, respectively. However, the Company has changed this accounting practice so that all consideration is recognized as revenue upon completion of delivery of the property, which satisfies the performance obligation.

The Company applies the Revenue Recognition Standard, etc., in accordance with the transitional treatment provided for in the proviso to Paragraph 84 of the Revenue Recognition Standard. The cumulative impact of retrospectively applying the new accounting policies to the previous fiscal years is adjusted to retained earnings at the beginning of the fiscal year under review, with the new accounting policies applied from the beginning balance. In addition, applying the method stipulated in proviso (1) to Paragraph 86 of the Revenue Recognition Standard, contract modifications that occurred prior to the beginning of the fiscal year under review were accounted for based on the terms of the contract after reflecting all contract modifications, with the cumulative impact adjusted to retained earnings at the beginning of the fiscal year under review.

As a result, the effect of the application of the Revenue Recognition Standard on profit and loss, retained earnings at beginning, and per share information for the fiscal year under review was immaterial.

Furthermore, “Trade notes and accounts receivable,” which was presented under “Current assets” in the Consolidated Balance Sheet of the previous fiscal year, has been included under “Trade notes and accounts receivable, and contract assets” from the fiscal year under review.

2. Application of Accounting Standard for Fair Value Measurement

The Company has applied the "Accounting Standard for Fair Value Measurement" (ASBJ Statement No. 30, July 4, 2019; hereinafter "Fair Value Measurement Standard") and other standards from the beginning of the fiscal year under review, and will prospectively apply the new accounting policies stipulated by the Fair Value Measurement Standard, etc., in accordance with the transitional treatment provided in Paragraph 19 of the Fair Value Measurement Standard and Paragraph 44-2 of the "Accounting Standard for Financial Instruments" (ASBJ Statement No. 10, July 4, 2019).

Accordingly, for corporate bonds, which were previously considered to be financial instruments whose fair value was extremely difficult to determine, the acquisition cost was used as the consolidated balance sheet amount, however, even if observable inputs are not available, the fair value calculated using unobservable inputs based on the best available information is used as the consolidated balance sheet amount.

In addition, the Company will include notes on fair value information by level within the fair value hierarchy in the notes on financial instruments.

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Notes on Accounting Estimates

1. Valuation of Property, Plant and Equipment

(1) Amount Recorded in the Consolidated Financial Statements for the Fiscal Year under Review

	Amount (Millions of yen)
Property, plant and equipment	4,345,989
Impairment losses	3,866

(2) Other Information

1) Calculation Method for the Amount Recorded in the Consolidated Financial Statements for the Fiscal Year under Review

The Group mainly owns real estate properties such as office buildings, commercial facilities, outlet malls, hotels, logistics facilities as property, plant and equipment. For property, plant and equipment owned by the Group, if the total undiscounted future cash flows from an asset or asset group, for which events or changes in circumstances indicate that the book value of the asset or asset group may not be recoverable, are less than the book value, the book value is reduced to the recoverable amount, and such reduced amount is recorded as an impairment loss, in accordance with the Accounting Standard for Impairment of Fixed Assets.

When grouping assets in order to judge whether to recognize impairment losses or to perform the measurement of impairment losses, a unit for asset grouping shall be the smallest unit that generates cash flows that are largely independent of the cash flows of other assets or groups of assets.

The higher of net sale value and value in use is used as recoverable amount. While the net sale value is expressed as an appraised value by a real estate appraiser or estimated trading price, the discounted future cash flows are used to measure the value in use.

2) Major Assumptions

In principle, the Group estimates rents, capital expenditures, and discount rates for each individual property. The estimation is made based on major assumptions by each asset class, taking into account the condition of individual properties.

The major assumptions used when estimates were made in the fiscal year under review are as follows.

■ Offices

Average rents have recently been on a steady positive trend, which is expected to continue in the next fiscal year. The vacancy rate is higher than before the spread of the novel coronavirus infection (COVID-19) because it is taking time to backfill vacancies, but we expect that the time required to backfill vacancies will gradually improve to the normal level from the next fiscal year.

■ Commercial facilities and outlet malls

As commercial rents include variable rents that are linked to tenant sales, there is a correlation between rents and tenant sales at the relevant commercial facilities. As in the previous fiscal year, the effects of COVID-19 remained in the fiscal year under review, and tenant sales decreased compared to before the impact of COVID-19. However, they are currently on an improving trend, so we assume that this effect on sales will be limited in the next fiscal year and beyond.

■ Hotels

Currently, occupancy rates have stayed at low levels due to the impact of COVID-19 and it is expected to take a certain period of time for occupancy rates to recover to the level we had before being affected by COVID-19. For our estimates, we assumed that hotel demand would recover to the pre-COVID-19 levels in around 2024, taking into account the overall outlook for global air demand and tourism demand.

■ Logistics facilities

Logistics facilities have not been affected by COVID-19, and the market has been favorable. Therefore, we assume that performance of logistics facilities will continue to be steady in the next fiscal year and beyond as is expected for the market trend.

■ Redevelopment projects

The Group is engaged in multiple redevelopment projects. Compared with other development projects, redevelopment projects have potential risks entailing that their profitability will be lower than initial estimates as a result of delays or changes in plans. Such risks include the risk of not obtaining agreement from other landowners in the area planned for redevelopment, and the risk of not obtaining development permission from local governments.

The Group comprehensively assesses these various risks for redevelopment projects. However, the redevelopment projects currently underway are not in any situation that would decrease their profitability from the initial estimates. We therefore assume that these redevelopment projects will progress while maintaining their profitability.

3) Impact on the Consolidated Financial Statements for the Next Fiscal Year
The estimation of impairment losses is made based on the descriptions of 2) Major Assumptions. Therefore, if major assumptions used for estimating impairment losses worsen, additional impairment losses may be recognized in the next fiscal year.

2. Valuation of Inventories
(1) Amount Recorded in the Consolidated Financial Statements for the Fiscal Year under Review

	Amount (Millions of yen)
Real estate for sale Real estate for sale in process	41,239 299,532
Loss on devaluation of inventories recorded	380

(2) Other information
1) Calculation Method for the Amount Recorded in the Consolidated Financial Statements for the Fiscal Year under Review
If the net sale value of inventories falls below the book value, due to a decline in profitability, the Group reduces the book value to the net sale value and records the reduced amount as loss on devaluation, in accordance with the Accounting Standard for Measurement of Inventories. The net sale value is the estimated sales value less the estimated additional construction costs and estimated sales expenses.
2) Major Assumptions
The major assumption used in the estimation of net sale value for the fiscal year under review are as follows.
Considering factors such as the latest quarterly distribution of sales by agreement date, contract prices and number of model units visitors, the net sale values of projects whose performance is generally in line with or better the initial business plan are estimated based on the initial business plan. Meanwhile, the net sale values of projects whose performance has deteriorated from the initial business plan are estimated based on a revised business plan, taking into consideration conditions unique to each project such as the status of progress, market prices in the neighborhood and incurrence of additional costs. As for the impact of COVID-19, we assume that the impact will be limited because current demand is steady and inventory is decreasing.
In addition, pre-construction land for development related to the condominium business has potential risks entailing that its profitability may be lower than initially expected as a result of delays in the projects or changes in the plan during the period up to the sales. Such risks include the risk of the declining of future selling price, the risk of excessive supply, and the risk of construction delay due to consultation with neighbors.
The Group comprehensively assesses these various risks for pre-construction land for development. However, the pre-construction projects currently underway are not in any situation that would decrease their profitability from the initial estimates. We therefore assume that such development projects will progress while maintaining their profitability.
3) Impact on the Consolidated Financial Statements for the Next Fiscal Year
In the valuation of inventories, the book value is written down based on the descriptions of 2) Major Assumptions by the lower of cost or market (LCM) method. Therefore, changes in these major assumptions used for the valuation of inventories may result in the recording of a gain on sales or an additional loss on devaluation in the next fiscal year.

3. Valuation of Equity Investments

(1) Amount Recorded in the Consolidated Financial Statements for the Fiscal Year under Review

	Amount (Millions of yen)
Equity investments	624,521

(2) Other information

1) Calculation Method for the Amount Recorded in the Consolidated Financial Statements for the Fiscal Year under Review

If the effective market value of equity investments without market price declines significantly, the Group reduces the book value by a reasonable amount, and records such reduced amount as an impairment loss on equity investments, in accordance with the Accounting Standard for Financial Instruments.

In calculating the effective market value, the Group performs valuations of assets held by investees for each purpose of holding.

2) Major Assumptions

For assets held by investees, major assumptions are determined according to the purpose of holding such assets. For the details of assumptions made for the relevant assets, please refer to 1. Valuation of Property, Plant and Equipment and 2. Valuation of Inventories.

3) Impact on the Consolidated Financial Statements for the Next Fiscal Year

The estimation for impairment loss on equity investments is made based on assumptions described in 2) Major Assumptions. Therefore, if there are changes in these major assumptions, it may result in additional impairment losses on equity investments in the next fiscal year.

Note to the Consolidated Balance Sheet

1. Accumulated Depreciation for Property, Plant and Equipment: ¥1,800,930 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	¥199,896 million
Machinery, equipment and vehicles	¥1,443 million
Land	¥235,552 million
Investment securities (Note)	¥15,716 million
Other (Note)	¥850 million
Total	¥453,459 million

(Note) Investment securities of 15,716 million yen and other of 840 million yen are pledged as collateral for the debts of the affiliated companies.

(2) Debt Secured by the Above:

Short-term borrowings	¥100 million
Current portion of long-term borrowings	¥16,887 million
Long-term borrowings	¥72,393 million
Total	¥89,381 million

[Translation for Reference and Convenience Purposes Only]

3. Contingent Obligations

(1) Guarantee Obligations

Warrantee	Amount of obligation	Substance of obligation
Takamatsu Airport Co., Ltd.	¥1,500 million	Borrowings from financial institutions
Home buyers	¥57,718 million	Borrowings from financial institutions
Total	¥59,218 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
PT. Windas Development	¥16,518 million (US$143,615 thousand)	Borrowings from financial institutions
Meeyahta Development, Ltd.	¥2,065 million (US$16,875 thousand)	Borrowings from financial institutions
NoMad 29th Street	¥1,951 million (US$16,967 thousand)	Borrowings from financial institutions
TRCC/Rock Outlet Center, LLC	¥1,655 million (US$14,392 thousand)	Borrowings from financial institutions
1465 THIRD AVE JV LP	¥1,036 million (US$9,014 thousand)	Borrowings from financial institutions
CL Office Trustee Pte. Ltd.	¥8,259 million (S$97,000 thousand)	Borrowings from financial institutions
Glory SR Trustee Pte. Ltd.	¥1,447 million (S$17,000 thousand)	Borrowings from financial institutions
Lendlease OSH Residential A Pty Ltd	¥20,706 million (AU$225,069 thousand)	Borrowings from financial institutions
Lendlease OSH Residential B Pty Ltd	¥9,690 million (AU$105,332 thousand)	Borrowings from financial institutions
Twin Peaks Joint Stock Company	¥11,511 million (US$95,000 thousand, VND115,925 million)	Borrowings from financial institutions
RML548Co., Ltd.	¥4,499 million (THB1,223 million)	Borrowings from financial institutions
Total	¥79,343 million	

The Company guarantees acceptance of businesses in favor of creditors of Meeyahta Development, Ltd., Lendlease OSH Residential A Pty Ltd, Lendlease OSH Residential B Pty 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, TRCC/Rock Outlet Center, LLC and 1465 THIRD AVE JV LP 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 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.

MEA Commercial Holdings Pte. Ltd. guarantees acceptance of businesses in favor of creditors of Twin Peaks Joint Stock Company in the amount equivalent to the percentage of equity interest owned by MEA Commercial Holdings Pte. Ltd.

4. Revaluation of Land

The Company and some of its consolidated subsidiaries revalued the land used for its business in accordance with the "Act on Revaluation of Land" (Act No. 34, March 31, 1998) and the "Act Partially Amending the Act on Revaluation of Land" (Act No. 19, March 31, 2001). The revaluation difference has been included in "Net assets" as "Revaluation reserve for land," net of the related tax that is included in "Liabilities" as "Deferred tax liabilities for land 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 (iii), of the Order for Enforcement of the Act on Revaluation of Land (Cabinet Order No. 119, March 31, 1998).
Date of revaluation:	March 31, 2002

Notes to the Consolidated Statement of Changes in Net Assets

1. Class and Total Number of Issued Shares and Class and Number of Treasury Shares

(Thousands of shares)

	Number of Shares as of the Beginning of Fiscal Year under Review	Increase during the Fiscal Year under Review	Decrease during the Fiscal Year under Review	Number of Shares as of the End of Fiscal Year under Review
Issued shares:				
Shares of common stock(Note 1)	1,391,328	150	—	1,391,478
Total	1,391,328	150	—	1,391,478
Treasury shares:				
Shares of common stock(Note 2)	52,733	16,134	16	68,852
Total	52,733	16,134	16	68,852

Notes:

1. The increase in the number of issued shares was due to the issuance of new shares through third-party allotment (150 thousand shares).
2. The increase of 16,134 thousand shares in the number of the treasury shares of the Company was due to the purchase of treasury shares by resolution of the Board of Directors (16,121 thousand shares), the purchase of restricted stock (4 thousand shares) and the purchase of shares less than one (1) unit (8 thousand shares). The decrease of 16 thousand shares was due to the exercise of stock options (16 thousand shares).

2. Matters related to Dividends from Surplus

(1) Dividends Paid

Date of Resolution	Class 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 29, 2021	Common stock	25,433	19	March 31, 2021	June 30, 2021
Meeting of Board of Directors held on November 10, 2021	Common stock	21,341	16	September 30, 2021	December 6, 2021

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

Planned Date of Resolution	Class 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 29, 2022	Common stock	26,452	Retained earnings	20	March 31, 2022	June 30, 2022

[Translation for Reference and Convenience Purposes Only]

3. Matters related to Share Acquisition Rights

Breakdown of Share Acquisition Rights	Class of Shares Subject to Share Acquisition Rights	Number of the Shares subject to Share Acquisition Rights (Shares)			
		As of the Beginning of Fiscal Year under Review	Increase during the Fiscal Year under Review	Decrease during the Fiscal Year under Review	As of the End of Fiscal Year under Review
Share 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
Share 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
Share acquisition rights granted by a resolution at the meeting of the Board of Directors held on July 31, 2009	Common stock	6,000	—	—	6,000
Share acquisition rights granted by a resolution at the meeting of the Board of Directors held on July 30, 2010 [1]	Common stock	13,000	—	6,000	7,000
Share acquisition rights granted by a resolution at the meeting of the Board of Directors held on July 29, 2011	Common stock	17,000	—	—	17,000
Share acquisition rights granted by a resolution at the meeting of the Board of Directors held on July 31, 2012	Common stock	19,000	—	—	19,000
Share acquisition rights granted by a resolution at the meeting of the Board of Directors held on July 31, 2013 [2]	Common stock	17,000	—	3,000	14,000
Share acquisition rights granted by a resolution at the meeting of the Board of Directors held on July 31, 2014 [3]	Common stock	23,000	—	4,000	19,000
Share acquisition rights granted by a resolution at the meeting of the Board of Directors held on July 31, 2015 [4]	Common stock	24,000	—	3,000	21,000

Notes:

1. The decrease in the number of share acquisition rights, which were granted by a resolution at the meeting of the Board of Directors held on July 30, 2010, for the fiscal year under review resulted from the exercise of the share acquisition rights.
2. The decrease in the number of share acquisition rights, which were granted by a resolution at the meeting of the Board of Directors held on July 31, 2013, for the fiscal year under review resulted from the exercise of the share acquisition rights.
3. The decrease in the number of share acquisition rights, which were granted by a resolution at the meeting of the Board of Directors held on July 31, 2014, for the fiscal year under review resulted from the exercise of the share acquisition rights.
4. The decrease in the number of share acquisition rights, which were granted by a resolution at the meeting of the Board of Directors held on July 31, 2015, for the fiscal year under review resulted from the exercise of the share acquisition rights.

[Translation for Reference and Convenience Purposes Only]

Notes on 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

Trade notes and accounts receivable, 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.

Leasehold and guarantee deposits for leased premises are exposed to credit risks of business partners.

Most of trade notes and accounts payable, 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 bonds payable are intended to raise funds required mainly for capital expenditures, and their maturity dates and repayment dates are in a maximum of fifty nine (59) 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 leasehold and guarantee deposits 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 borrowings and bonds payable. The Group also uses foreign currency borrowings to hedge the risk of foreign exchange rate fluctuations on its net investments in foreign subsidiaries. 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

Since measurement of market values of financial instruments 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, 2022, market values, and their differences are shown as follows.

(Millions of Yen)

	Reported Amounts on the Consolidated Balance Sheet	Market Value	Difference
(1) Securities and Investment securities (*2)			
(i) Held-to-maturity debt securities	180	184	4
(ii) Other securities	254,533	254,533	—
(2) Equity investments (*2)(*4)	24,150	24,150	—
Total assets	278,864	278,868	4
(1) Current portion of long-term borrowings	79,928	80,346	418
(2) Current portion of bonds payable	90,000	90,426	426
(3) Bonds payable	786,335	797,302	10,967
(4) Long-term borrowings	1,598,562	1,617,802	19,239
(5) Leasehold and guarantee deposits received	451,749	432,359	(19,389)
Total liabilities	3,006,575	3,018,237	11,662
Derivative transactions (*3)	(92)	(92)	—

(*1) Cash and items whose market value approximates their carrying amount due to their short maturities are omitted.
(*2) Equity securities without market prices are not included in "(1) Securities and Investment securities" and "(2) Equity investments." The carrying amounts of such financial instruments in the consolidated balance sheets are as follows.

Classification	Reported Amounts on the Consolidated Balance Sheet (Millions of Yen)
1) Unlisted stocks	48,972
2) Investments in capital	94

(*3) Net receivables and payables arising from derivative transactions are shown as net amounts, and items that are net liabilities in total are shown in "( )."
(*4) Investments in partnerships, etc., which are recorded on the consolidated balance sheet at the net amount of the Company's equity interest, are not included in "(2) Equity investments."
The amount of such financial instruments recorded on the consolidated balance sheet is 1,389 million yen.

3. Matters concerning the breakdown of the market value of financial instruments by level, etc.

The market value of financial instruments is classified into the following three levels based on the observability and materiality of the inputs used to calculate the market value.

Level 1 market value: Market value calculated based on quoted market prices for assets or liabilities for which such market value is calculated that are formed in an active market among the inputs for the calculation of observable market value.

Level 2 market value: Market value calculated using inputs other than Level 1 inputs for the calculation of observable market value.

Level 3 market value: Market value calculated using inputs for calculating unobservable market value

When multiple inputs that have a significant impact on the calculation of market value are used, the market value is classified to the level with the lowest priority in the calculation of market value among the levels to which each of those inputs belongs.

(1) Financial instruments carried on the consolidated balance sheet at market value

Classification	Market value (Millions of Yen)			
	Level 1	Level 2	Level 3	Total
Securities and Investment securities				
Other securities				
Stocks	244,386	—	—	244,386
Corporate bonds	—	—	5,866	5,866
Other securities	4,280	—	—	4,280
Equity investment	19,629	—	4,521	24,150
Total assets	268,296	—	10,387	278,684
Derivative transactions (*)				
Interest-related	—	(92)	—	(92)
Total liabilities	—	(92)	—	(92)

(*) Net receivables and payables arising from derivative transactions are shown as net amounts, and items that are net liabilities in total are shown in "( )."

(2) Financial instruments other than those recorded on the consolidated balance sheets at market value

Classification	Market value (Millions of Yen)			
	Level 1	Level 2	Level 3	Total
Securities and Investment securities				
Held-to-maturity debt securities				
Government bonds	184	—	—	184
Total assets	184	—	—	184
Current portion of long-term borrowings	—	80,346	—	80,346
Current portion of bonds payable	—	90,426	—	90,426
Bonds payable	—	797,302	—	797,302
Long-term Borrowings	—	1,617,802	—	1,617,802
Leasehold and guarantee deposits received	—	432,359	—	432,359
Total liabilities	—	3,018,237	—	3,018,237

(Notes) 1. Explanation of valuation techniques used in the calculation of market value and inputs related to the calculation of market value

Securities and Investment securities

Listed stocks and government bonds with quoted market prices held by the Company and its consolidated subsidiaries are valued using quoted market prices and are classified as Level 1 market value. Non-marketable corporate bonds are valued using the discounted present value method based on the total principal and interest based on the remaining period and interest rate taking into account credit risk, and are classified as Level 3 market value because the effect of unobservable inputs on the market value is significant.

Equity investment

Equity investments with market value held by the Company and its consolidated subsidiaries are valued using quoted market prices and are classified as Level 1 market value.
Non-marketable equity investments are valued using the adjusted net worth method, whereby real estate owned by the investee is marked to market, and are classified as Level 3 market value due to the significant impact of unobservable inputs on the market value.

Derivative transactions

The market values of interest rate swaps are calculated based on prices quoted by counterparty financial institutions, etc., and are classified as Level 2 market values.

Current portion of bonds payable and Bonds payable

The market value of bonds issued by the Company and its consolidated subsidiaries is based on the market price for bonds with market quotations and is classified as Level 2 market value. The market value of bonds issued by the Company and its consolidated subsidiaries with no quoted market price is calculated using the discounted present value method based on the total amount of principal and interest (for bonds that qualify for special treatment as interest rate swaps, the total amount of principal and interest based on the interest rate swap rate) and an interest rate that takes into account the remaining period of the bonds and credit risk, and is classified as Level 2 market value. (Certain bonds are subject to currency swaps, etc., and their market values are calculated as if they were yen-denominated bonds.)

Current portion of long-term borrowings and Long-term borrowings

The market value of long-term borrowings is calculated using the discounted present value method based on the sum of the principal and interest (or the principal and interest at the rate of the interest rate swap for loans that qualify for the special treatment of interest rate swaps), with interest rates taking into account the remaining term of the debt and credit risk, and is classified as Level 2 market value. (Certain borrowings are subject to currency swaps, etc., and their market value are calculated as if it were a yen-denominated debt.)

Leasehold and guarantee deposits received

The market value of leasehold and guarantee deposits received is determined using the discounted present value method based on the amount of the obligation to return the guarantee money and deposits, the period until the due date, and an interest rate that takes into account credit risk, and is classified as Level 2 market value.

[Translation for Reference and Convenience Purposes Only]

Notes on 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 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	3,725,804	7,924,196
Real estate including spaces used as leased real estate	541,325	916,224

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 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.

[Translation for Reference and Convenience Purposes Only]

Notes on Revenue Recognition

1. Break-down of Revenue

The Company breaks down its operating revenues based on its business segments and further breaks down its commercial real estate and housing businesses by goods and services.

	For the fiscal year under review (Millions of yen)
Commercial property business	
Real estate leasing business (Note 1)	546,186
Real estate sales business	126,878
Others	87,593
Sub-total	760,658
Residential business	
Condominium sales business	212,335
Contracted residential property management services	56,664
Design and contract construction of custom-built houses	38,910
Others	73,049
Sub-total	380,959
International business (Note 1)	121,234
Investment management business	46,702
Architectural design & engineering and real estate services business	57,780
Other business	10,134
Total	1,377,469
Inter-segment transactions (Note 2)	(27,979)
Amount recorded in consolidated financial statements	1,349,489
Revenue from contracts with customers	716,005
Revenue from other sources (Note 1)	633,483

(Notes) 1. Operating revenues from real estate leasing in the commercial property business and from the international business are recognized mainly by applying "Accounting Standard for Lease Transactions" (ASBJ Statement No.13) and other related standards. When financial statements of overseas consolidated subsidiaries are prepared in accordance with International Financial Reporting Standards (IFRS) or U.S. GAAP, such financial statements are used in accordance with PITF No. 18.

2. The above revenue breakdown includes intersegment revenues and transfers.

2. Basis information for understanding revenues arising from contracts with customers

As described in Note "4 Matters related to Accounting Policies (8) Accounting for significant revenues and expenses" in the Notes on Important Matters for the Preparation of the Consolidated Financial Statements.

3. Information to understand the amount of revenue in the fiscal year under review and subsequent fiscal years

(1) Receivables, contract assets, and contract liabilities arising from contracts with customers

The balances of receivables, contract assets, and contract liabilities arising from contracts with customers at the beginning and end of the fiscal year under review are as follows. In the consolidated balance sheets, receivables and contract assets arising from contracts with customers are included in "Trade notes and accounts receivable, and contract assets," and contract liabilities are included in "Other" under "Current liabilities," respectively.

	Beginning of the fiscal year under review (Millions of yen)	End of the fiscal year under review (Millions of yen)
Receivables arising from contracts with customers	29,952	34,530
Contract assets	4,612	7,081
Contract liabilities	29,060	29,579

Contract assets consist mainly of the rights to the consideration based on the progress of the construction work at the end of the reporting period for design and engineering contracts and housing contracts, excluding receivables, which are transferred to receivables when the work is completed and the consideration is invoiced to the customer.

Contract liabilities consist primarily of deposits received from customers under contracts for the sale of condominium units.
Of the contract liability balances at the beginning of the fiscal year under review, 18,090 million yen was related to condominium sales, of which 15,929 million yen was recognized as revenue in the fiscal year under review. Almost all of the contract liabilities other than those related to sales of condominiums were recognized as revenues during the fiscal year under review.

(2) Transaction price allocated to remaining performance obligations

The transaction value allocated to the residual performance obligation was 83,935 million yen at the end of the fiscal year, of which 12,409 million yen was allocated to the Commercial property business and 71,526 million yen to the Residential business. As of the end of the fiscal year under review, the estimated timing of performance of outstanding performance obligations is generally within two years for the Commercial property business and generally within three years for the Residential business. The notes apply the practical expedient method and do not include contracts with initial expected contract periods of one year or less and contracts for which revenue from satisfaction of performance obligations is recognized in accordance with Paragraph 19 of the Implementation Guidance.

Per-Share Information

Net assets per share	¥1,514.58
Earnings per share	¥116.45

Other Notes

1. Impairment Loss

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

Major application	Category	Location
Leased assets, etc. (total 62 groups)	Land and buildings, etc.	Setagaya-ku, Tokyo; 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 sixty-two (62) asset groups, consisting of those for which the market prices fell considerably compared with the book values due to a 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 recoverable amounts and such reduced amounts were recorded as an impairment loss (¥3,866 million) under extraordinary losses.

The breakdown of such impairment loss was ¥212 million in land and trusted land, and ¥3,653 million in buildings, structures and others. The recoverable amounts of asset groups are measured with net sale value or value in use, 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 value in use.

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 fiscal year under review

Balance at the beginning of the fiscal year under review:	¥7,015	million
Increase due to the acquisition of property, plant and equipment:	¥425	million
Adjustments due to the elapse of time:	¥73	million
Decrease due to the fulfillment of asset retirement obligations:	¥(9)	million
Increase (decrease) due to other reasons:	¥10	million
Balance at the end of the fiscal year:	¥7,516	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, plant and equipment at the time of removal of the property, plant and equipment in a particular way required by the Ordinance on Preventing Asbestos Hazards

For some of the property, plant 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, plant 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 allow 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, plant 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.

Non-consolidated Statement of Changes in Net Assets

(From April 1, 2021, to March 31, 2022)

(Millions of yen)

	Shareholders' equity											
		Capital surplus			Retained earnings							
						Other retained earnings						
	Share capital	Capital reserve	Total capital surplus	Retained earnings	Reserve for special deprecia-tion	Reserve for advanced depreciation of non-current assets	Reserve for open innova-tion promotion	General reserve	Earned surplus carried forward	Total retained earnings	Treasury shares	Total share-holders' equity
Balance at the beginning of current period	142,279	171,390	171,390	21,663	855	151,496	208	108,254	414,787	697,266	(105,216)	905,720
Changes in the fiscal year under review												
Issuance of new shares	135	135	135									270
Dividend from surplus									(46,774)	(46,774)		(46,774)
Profit									93,612	93,612		93,612
Purchase of treasury shares											(30,014)	(30,014)
Disposal of treasury shares									(0)	(0)	31	31
Change by share exchanges									(373)	(373)	2,715	2,342
Reversal of reserve for special depreciation					(426)				426			
Provision for reserve for advanced depreciation of non-current assets						3,482			(3,482)			
Reversal of reserve for advanced depreciation of non-current assets						(3,248)			3,248			
Provision for reserve for open innovation promotion							237		(237)			
Net changes in items other than those in shareholders' equity												
Total of changes in the fiscal year under review	135	135	135	—	(426)	234	237	—	46,418	46,464	(27,267)	19,467
Balance at the end of current period	142,414	171,526	171,526	21,663	429	151,731	446	108,254	461,205	743,730	(132,483)	925,187

[Translation for Reference and Convenience Purposes Only]

(Millions of yen)

	Valuation, translation adjustments and others				Share acquisition rights	Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Revaluation reserve for land	Total valuation, translation adjustments and others		
Balance at the beginning of current period	118,090	(1,431)	529,822	646,482	231	1,552,434
Changes in the fiscal year under review						
Issuance of new shares						270
Dividend from surplus						(46,774)
Profit						93,612
Purchase of treasury shares						(30,014)
Disposal of treasury shares						31
Change by share exchanges						2,342
Reversal of reserve for special depreciation						—
Provision for reserve for advanced depreciation of non-current assets						—
Reversal of reserve for advanced depreciation of non-current assets						—
Provision for reserve for open innovation promotion						—
Net changes in items other than those in shareholders' equity	12,718	1,373		14,091	(30)	14,060
Total of changes in the fiscal year under review	12,718	1,373	—	14,091	(30)	33,527
Balance at the end of current period	130,809	(58)	529,822	660,573	201	1,585,962

[Translation for Reference and Convenience Purposes Only]

Notes to the Non-consolidated Financial Statements

Notes on 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:

Securities other than shares, etc., that do not have a market price:

Stated at the market value (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.)

Shares, etc., that do not have a market price:	Stated at cost determined mainly by the moving-average method

Equity investments:

Securities other than shares, etc., that do not have a market price:

Stated at the market value (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.) For investments in limited partnership for investment and similar partnerships (deemed as securities under Article 2, Paragraph 2 of the Financial Instruments and Exchange Act), the most recent financial statements available according to the financial reporting date stipulated in the partnership agreement are used as the basis for calculating the net amount equivalent to the Company's equity interest.

Shares, etc., that do not have a market price:	Stated at cost determined mainly 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 Non-consolidated Balance Sheets was computed by writing down the book value with regard to the inventories for which profitability was clearly declining.)
Real estate for sale in process:	The same as above
Real estate for development:	The same as above

4. Depreciation Method of Non-current Assets

Property, plant 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 Policies for Reserves

Allowance for doubtful accounts:	An allowance for doubtful accounts 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. Accounting for significant revenues and expenses

The Company measures revenue from contracts with customers based on the consideration stipulated in the contract with the customer. The main performance obligations in the main business relating to contracts with customers and the usual time at which such performance obligations are satisfied (the usual time at which revenue is recognized) are as follows.

The promised consideration for contracts with customers in our major businesses is usually paid within one year from the time the performance obligation is satisfied, and since the amount of the promised consideration does not include a significant financial component, there are no contracts with customers for which we have adjusted the consideration for this effect.

The Company is primarily engaged in the business of leasing office buildings and commercial facilities developed and owned, and in the business of selling office buildings and commercial facilities developed and owned.

In the real estate leasing business, office buildings and commercial facilities developed and owned are leased, and revenue is recognized for lease transactions in accordance with the "Accounting Standard for Lease Transactions" (ASBJ Statement No.13, March 30, 2007, hereinafter referred to as "Lease accounting standards") and other standards.

In the real estate sales business, office buildings and commercial facilities developed and owned are sold, and revenue is recognized when the real estate is delivered to the customer.

Recognition of revenues from operating leases:
Revenue is recognized based on the monthly lease payments to be received under the lease contracts over the elapsed term of the leases.
Recognition of revenues from 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.

8. 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 and corporate bonds

(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.
(Hedge transactions to which "Treatment of Hedge Accounting for Financial Instruments Referring to LIBOR" is applied)
Among the above hedge transactions, all hedge transactions included in the scope of application of "Treatment of Hedge Accounting for Financial Instruments that Reference LIBOR" (ASBJ Revised Practical Solution No.40, March 17, 2022) are subject to the exceptional treatment prescribed in the Revised Practical Solution. The details of hedging transactions to which the Revised Practical Solution is applied are as follows.

Hedge accounting method:	Deferred hedge accounting, exceptional accounting for interest rate swaps
Hedging instruments:	Interest rate swaps and currency swaps
Hedged items:	Borrowings and corporate bonds
Types of hedging transactions:	Fixing cash flows

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

Notes on Changes in Accounting Policies

1. Application of Accounting Standard for Revenue Recognition

The Company has applied the "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29, March 31, 2020; hereinafter "Revenue Recognition Standard") and other standards from the beginning of the fiscal year under review. The Company recognizes revenue when control of a promised good or service is transferred to a customer in an amount that reflects the consideration to which the Company expects to be entitled in exchange for those goods and services. However, the effect of the application of the Revenue Recognition Standard on profit and loss, retained earnings at beginning, and per share information for the fiscal year under review was immaterial.

Furthermore, "Accounts payable," which was presented under "Current assets" in the Non-consolidated Balance Sheet of the previous fiscal year, has been included under "Accounts receivable and contract assets" from the fiscal year under review.

2. Application of Accounting Standard for Fair Value Measurement

The Company has applied the "Accounting Standard for Fair Value Measurement" (ASBJ Statement No. 30, July 4, 2019; hereinafter "Fair Value Measurement Standard") and other standards from the beginning of the fiscal year under review, and will prospectively apply the new accounting policies stipulated by the Fair Value Measurement Standard, etc., in accordance with the transitional treatment provided in Paragraph 19 of the Fair Value Measurement Standard and Paragraph 44-2 of the "Accounting Standard for Financial Instruments" (ASBJ Statement No. 10, July 4, 2019).

Accordingly, for corporate bonds, which were previously considered to be financial instruments whose fair value was extremely difficult to determine, the acquisition cost was used as the Non-consolidated balance sheet amount, however, even if observable inputs are not available, the fair value calculated using unobservable inputs based on the best available information is used as the Non-consolidated balance sheet amount.

[Translation for Reference and Convenience Purposes Only]

Notes on Accounting Estimates

1. Valuation of Property, Plant and Equipment

(1) Amount Recorded in the Non-consolidated Financial Statements for the Fiscal Year under Review

	Amount (Millions of yen)
Property, plant and equipment	2,972,020
Impairment losses	—

(2) Other Information

1) Calculation Method for the Amount Recorded in the Non-consolidated Financial Statements for the Fiscal Year under Review

The Company mainly owns real estate properties such as office buildings, commercial facilities, hotels, logistics facilities as property, plant and equipment. For property, plant and equipment owned by the Company, if the total undiscounted future cash flows from an asset or asset group, for which events or changes in circumstances indicate that the book value of the asset or asset group may not be recoverable, are less than the book value, the book value is reduced to the recoverable amount, and such reduced amount is recorded as an impairment loss, in accordance with the Accounting Standard for Impairment of Fixed Assets.

When grouping assets in order to judge whether to recognize impairment losses or to perform the measurement of impairment losses, a unit for asset grouping shall be the smallest unit that generates cash flows that are largely independent of the cash flows of other assets or groups of assets.

The higher of net sale value and value in use is used as recoverable amount. While the net sale value is expressed as an appraised value by a real estate appraiser or estimated trading price, the discounted future cash flows are used to measure the value in use.

2) Major Assumptions

In principle, the Company estimates rents, capital expenditures, and discount rates for each individual property. The estimation is made based on major assumptions by each asset class, taking into account the condition of individual properties.

The major assumptions used when making estimations in the fiscal year under review are as follows.

■ Offices

Average rents have recently been on a steady positive trend, which is expected to continue in the next fiscal year. The vacancy rate is higher than before the spread of the novel coronavirus infection (COVID-19) because it is taking time to backfill vacancies, but we expect that the time required to backfill vacancies will gradually improve to the normal level from the next fiscal year.

■ Commercial facilities

As commercial rents include variable rents that are linked to tenant sales, there is a correlation between rents and tenant sales at the relevant commercial facilities. As in the previous fiscal year, the effects of COVID-19 remained in the fiscal year under review, and tenant sales decreased compared to before the impact of COVID-19. However, they are currently on an improving trend, so we assume that this effect on sales will be limited in the next fiscal year and beyond.

■ Hotels

Currently, occupancy rates have stayed at low levels due to the impact of COVID-19 and it is expected to take a certain period of time for occupancy rates to recover to the level we had before being affected by COVID-19. For our estimates, we assumed that hotel demand would recover to the pre-COVID-19 levels in around 2024, taking into account the overall outlook for global air demand and tourism demand.

■ Logistics facilities

Logistics facilities have not been affected by COVID-19, and the market has been favorable. Therefore, we assume that performance of logistics facilities will continue to be steady in the next fiscal year and beyond as is expected for the market trend.

■ Redevelopment projects

The Company is engaged in multiple redevelopment projects. Redevelopment projects have potential risks entailing that their profitability will be lower than initially estimated as a result of delays or changes in plans. Such risks include the risk of not obtaining agreement from other landowners in the area planned for redevelopment, and the risk of not obtaining development permission from local governments.

The Company comprehensively assesses these various risks for redevelopment projects. However, the redevelopment projects currently underway are not in any situation that would decrease their profitability from the initial estimates. We therefore assume that these redevelopment projects will progress while maintaining their profitability.

3) Impact on the Non-consolidated Financial Statements for the Next Fiscal Year
The estimation of impairment losses is made based on the descriptions of 2) Major Assumptions. Therefore, if major assumptions used for estimating impairment losses worsen, additional impairment losses may be recognized in the next fiscal year.

2. Valuation of Equity Investments
(1) Amount Recorded in the Non-consolidated Financial Statements for the Fiscal Year under Review

	Amount (Millions of yen)
Equity investments	369,205

(2) Other information
1) Calculation Method for the Amount Recorded in the Non-consolidated Financial Statements for the Fiscal Year under Review
If the effective market value of equity investments without market price declines significantly, the Company reduces the book value by a reasonable amount, and records such reduced amount as an impairment loss on equity investments, in accordance with the Accounting Standard for Financial Instruments.
In calculating the effective market value, the Group performs valuations of assets held by investees for each purpose of holding.
2) Major Assumptions
For assets held by investees, major assumptions are determined according to the purpose of holding such assets. For the details of assumptions made for the relevant assets, please refer to 1. Valuation of Property, Plant and Equipment and 2. Valuation of Inventories in the Notes on Accounting Estimates in the Notes to the Consolidated Financial Statements.
3) Impact on the Non-consolidated Financial Statements for the Next Fiscal Year
The estimation for impairment losses on equity investments is made based on assumptions described in 2) Major Assumptions. Therefore, if there are changes in these major assumptions, it may result in additional impairment losses on equity investments in the next fiscal year.

[Translation for Reference and Convenience Purposes Only]

Notes to the Non-consolidated Balance Sheet

1. Accumulated Depreciation for Property, Plant and Equipment:¥1,202,990 million
   The accumulated depreciation above includes the accumulated impairment loss.

2. Assets Subject to Collateral

Investment securities	¥4,586 million
Shares of affiliated companies	¥11,130 million
Other	¥840 million
Total	¥16,557 million

The above assets are pledged as collateral for debts of affiliated companies.

3. Contingent Obligations

(1) Guarantee Obligations

Warrantee	Amount of Obligation	Substance of Obligation
Mitsubishi Estate London Limited	¥119,418 million (GBP666,750 thousand, SEK918,000 thousand)	Borrowings from financial institutions
MITSUBISHI ESTATE NEW YORK Inc.	¥37,573 million (US$307,000 thousand)	Borrowings from financial institutions
MEC Global Partners Holdings LLC	¥32,914 million (US$188,900 thousand, GBP8,200 thousand, €62,000 thousand)	Borrowings from financial institutions
Lendlease OSH Residential A Pty Ltd	¥20,706 million (AU$225,069 thousand)	Borrowings from financial institutions
Lendlease OSH Residential B Pty Ltd	¥9,690 million (AU$105,332 thousand)	Borrowings from financial institutions
RML548Co., Ltd.	¥4,499 million (THB1,223 million)	Borrowings from financial institutions
Meeyahta Development, Ltd.	¥2,065 million (US$16,875 thousand)	Borrowings from financial institutions
Takamatsu Airport Co., Ltd.	¥1,500 million	Borrowings from financial institutions
Ryoei Life Service Co., Ltd.	¥159 million	Deposits for repayment obligation to residents
Total	¥228,528 million	

(2) Keep-well agreement

Warrantee	Amount of Obligation	Substance of Obligation
MEC Finance USA, Inc.	¥10,403 million (US$85,000 thousand)	Borrowings from financial institutions
Total	¥10,403 million	

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

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

Short-term receivables due from affiliated companies	¥13,799 million	Long-term receivables due from affiliated companies	¥40,532 million
Short-term payables due to affiliated companies	¥180,375 million	Long-term payables due to affiliated companies	¥15,149 million

5. Revaluation of Land

The Company revalued the land used for its business in accordance with the "Act on Revaluation of Land" (Act No. 34, March 31, 1998) and the "Act Partially Amending the Act on Revaluation of Land" (Act No. 19, March 31, 2001). The revaluation difference has been included in "Net assets" as "Revaluation reserve for land," net of the related tax that is included in "Liabilities" as "Deferred tax liabilities for land 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 Order for Enforcement of the Act on Revaluation of Land (Cabinet Order No. 119, March 31, 1998).
Date of revaluation:	March 31, 2002

6. 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 ¥343,313 million.

Notes to the Non-consolidated Statement of Income

Transactions with Affiliated Companies

Operating revenue:	¥37,254 million
Operating costs:	¥72,917 million
Transactions other than operating transactions:	¥35,575 million

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

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

Common stock:	68,852,376 shares

Note on Tax-effect Accounting

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

Deferred tax assets:	(Millions of yen)
Reserve for retirement allowances	3,595
Accrued bonus	1,173
Loss on devaluation of investment securities	3,567
Loss on devaluation of inventories	343
Loss on devaluation of golf memberships	207
Loss on devaluation of non-current assets	41,728
Revaluation reserve for land	22,727
Impairment loss on equity investments	1,303
Transfer of business due to reorganization	8,899
Other	41,557
Subtotal deferred tax assets	125,104
Valuation reserve	(69,872)
Total deferred tax assets	55,231
Deferred tax liabilities:	
Reserve for advanced depreciation of non-current assets	66,964
Gain on establishing a trust for retirement benefits	7,393
Revaluation reserve for land	265,595
Valuation difference on available-for-sale securities	57,143
Non-current assets valuation difference	53,242
Other	21,216
Total deferred tax liabilities	471,556
Net deferred tax liabilities	416,324

Notes on Revenue Recognition

Since the basic information for understanding revenue from contracts with customers is identical in the Notes ("Notes on Revenue Recognition") to the Consolidated Financial Statements, the notes are omitted.

Notes on 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]	119,418	—	—
Subsidiary	Mitsubishi Estate Residence Co., Ltd.	Directly holding (100%)	Provision of loans Interlocking directors	Provision of loans [2]	516,000	Short-term loans of affiliated companies	461,000
				Collection of loans	554,000		
				Interest income [2]	1,875	—	—
Subsidiary	Mitsubishi Jisho Property Management Co., Ltd.	Directly holding (100%)	Building operation and management consignment Provision of loans Interlocking directors	Cash management system transactions [3]	4,489	Deposit received [3]	52,092

Transaction conditions and decision policy thereof, etc.:

Notes:

1. The amount represents guarantee obligation to secure bank borrowings (GBP666,750 thousand, SEK918,000 thousand) of Mitsubishi Estate London Limited.
2. Interest rates on loans are determined in consideration of market interest rates.
3. Deposits received are related to the cash management system provided by the Company to its group companies and represent the balance at the end of the fiscal year under review.

Per-share Information

Net assets per share	¥1,198.95
Earnings per share	¥70.26