MATTERS DISCLOSED ON THE INTERNET
RELATED TO THE
NOTICE OF CONVOCATION OF
THE 122nd 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, 2020, to March 31, 2021)

(Millions of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance at the beginning of current period	142,147	164,041	962,840	(105,282)	1,163,746
Changes in the fiscal year under review					
Issuance of new shares	131	130			262
Dividend from surplus			(40,155)		(40,155)
Profit attributable to owners of parent			135,655		135,655
Purchase of treasury stock				(17)	(17)
Disposal of treasury stock			(25)	83	58
Reversal of land revaluation reserve			142		142
Change in equity of the parent company on transactions with non-controlling interests		195			195
Net changes in items other than those in shareholders' equity					
Total of changes in the fiscal year under review	131	326	95,617	66	96,141
Balance at the end of current period	142,279	164,367	1,058,457	(105,216)	1,259,887

	Other accumulated comprehensive income						Stock acquisition rights	Non-controlling interests	Total net assets
	Net unrealized gain on available-for-sale securities	Deferred gains or losses on hedging instruments	Land revaluation reserve	Foreign currency translation adjustments	Remeasurements of defined benefit plans	Total other accumulated comprehensive income			
Balance at the beginning of current period	79,527	(1,948)	526,623	(29,321)	(4,163)	570,716	288	206,454	1,941,206
Changes in the fiscal year under review									
Issuance of new shares									262
Dividend from surplus									(40,155)
Profit attributable to owners of parent									135,655
Purchase of treasury stock									(17)
Disposal of treasury stock									58
Reversal of land revaluation reserve									142
Change in equity of the parent company on transactions with non-controlling interests									195
Net changes in items other than those in shareholders' equity	38,560	31	(206)	(24,418)	7,327	21,294	(56)	2,861	24,099
Total of changes in the fiscal year under review	38,560	31	(206)	(24,418)	7,327	21,294	(56)	2,861	120,241
Balance at the end of current period	118,088	(1,916)	526,417	(53,740)	3,163	592,011	231	209,316	2,061,447

[Translation for Reference and Convenience Purposes Only]

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: 232

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 Mitsubishi Estate (Thailand) Co., Ltd. and twenty-three (23) other companies due to a new establishment, etc.
Excluded from the list of consolidated subsidiaries are Aqua City Investment SPC and thirty-two (32) other companies due to a dissolution, etc.

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

A major non-consolidated subsidiary is Higashi-Shizuoka 15Gaiku Development Tokutei Mokuteki Kaisya.
Non-consolidated subsidiaries are excluded from the scope of consolidation because their respective sums of total assets, revenue from operations, profit (loss) (corresponding to the equity ratio owned by the Company) and retained earnings (corresponding to the equity ratio owned by the Company) have no significant impact on the consolidated financial statements.

2. Matters related to Application of the Equity Method

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

(2) Number of Affiliates Accounted for by the Equity Method: 130

A major affiliate in this category is Tokumei Kumiai Otemachi Kaihatsu.
Included in the affiliates accounted for by the equity method are Kashtha Holdings, Inc. and seventeen (17) other companies due to a new establishment, etc.
Meanwhile, 28 STATE STREET LLC and seven (7) other companies are excluded from the affiliates accounted for by the equity method due to a dissolution, etc.

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

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

(4) Others

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

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

The closing date of MEC Group International, Inc., which is a consolidated subsidiary, and one hundred ninety (190) overseas subsidiaries, MEC eco LIFE Co., Ltd. and four (4) other consolidated subsidiaries is December 31 and the closing date of Keiyo Tochi Kaihatsu Co., Ltd. and one (1) other consolidated subsidiary is January 31. In preparing the consolidated financial statements, the financial statements as of and for the year ended respective closing dates are used for these companies with necessary adjustments provided for consolidation purposes with regard to material transactions between their closing dates and the consolidated closing date (March 31).

[Translation for Reference and Convenience Purposes Only]

4. Matters related to Accounting Policies
   (1) Valuation Basis and Method for Important Assets
      Securities:
         Held-to-maturity debt securities:
            Carried at amortized cost (determined by the straight-line method for the Company and its consolidated domestic subsidiaries and by the interest method for consolidated foreign subsidiaries.)
         Other securities:
            Investment securities:
               Available-for-sale securities with market values:
                  Stated at the market value as of the balance sheet date, based on quoted market prices, etc. (Unrealized gains and losses are reported, net of applicable taxes, in a separate component of net assets. The cost of securities sold is determined mainly by the moving-average method.)
               Available-for-sale securities without market values:
                  Stated at cost determined by the moving-average method
            Equity investments:
               Available-for-sale securities with market values:
                  Stated at the market value as of the balance sheet date, based on quoted market prices, etc. (Unrealized gains and losses are reported, net of applicable taxes, in a separate component of net assets. The cost of equity investments sold is determined mainly by the moving-average method.)
               Available-for-sale securities without market values:
                  Stated at cost determined by the moving-average method
      Derivatives:
            Stated at market values
      Inventories:
            Real estate for sale: mainly stated at cost determined by the identified cost method. (The amount posted in the Balance Sheets was computed by writing down the book value with regard to the inventories for which profitability was clearly declining.)
            Work-in-process real estate for sale: Same as the above
            Real estate for development: Same as the above
            Expenditures for uncompleted works: Same as the above
      Fixed Assets:
            The Company and its consolidated domestic subsidiaries adopt asset-impairment accounting. Consolidated subsidiaries overseas apply International Financial Reporting Standards and U.S. accounting standards.
   (2) Depreciation Method of Important Depreciable Assets
      Property and equipment:
         Depreciation of property and equipment of the Company and its consolidated domestic subsidiaries is calculated principally by the declining-balance method at fixed rates.
         However, the straight-line method is adopted for buildings (excluding building improvements) acquired on or after April 1, 1998 and building improvements and structures acquired on or after April 1, 2016.
         Depreciation of property and equipment of consolidated foreign subsidiaries is calculated by the straight-line method.
      Intangible assets:
         The amortization of intangible assets is computed by the straight-line method. Capitalized software for internal use is amortized by the straight-line method over the estimated internal useful life (mainly 5 years).

(3) Accounting Policies for Important Reserves

Allowance for doubtful receivables:

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

Accrued directors' retirement benefits:

In consolidated subsidiaries, accrued directors' retirement benefits are 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 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 adjustments" under "Net assets."

(6) Important Hedge Accounting

1) Hedge Accounting

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

2) Hedging Instruments and Hedged Items

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

3) Hedging Policy

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

4) Method of Assessing Hedge Effectiveness

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

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

(7) Accounting for Consumption TaxesTransactions 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.

(8) Accounting Policies for Revenue from Operations

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

To account for revenue from contract work operations, the percentage of completion method (the percentage of completion of work is estimated based on cost method) is adopted for work that has been completed and whose guaranteed performance has been recognized by the end of the fiscal year under review. For other work, the complete-contract method is adopted.

Recognition criteria for revenue related to finance lease transactions

The Company recognizes net sales and cost of sales related to finance lease transactions at the time of receipt of the lease payments.

(9) Amortization Method and Amortization Period of Goodwill

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

Notes on Changes in Presentation

(Changes due to the Application of the “Accounting Standard for Disclosure of Accounting Estimates”)
The “Accounting Standard for Disclosure of Accounting Estimates” (ASBJ Statement No. 31, March 31, 2020) has been applied from the fiscal year under review, and “Notes on Accounting Estimates” are provided in these Notes to the Consolidated Financial Statements.

[Translation for Reference and Convenience Purposes Only]

Notes on Accounting Estimates

1. Valuation of Property and Equipment

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

	Amount (Millions of yen)
Property and equipment	4,179,893
Impairment loss	4,679

(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 and equipment. For property 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 makes estimates 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 current fiscal year are as follows.

■ Offices

Average rents have recently been on a steady positive trend, which is expected to continue in the next fiscal year. On the other hand, we assume that it will take longer than usual for vacancy improvement as many companies are currently cautious about floor expansion or relocation for expansion due to the impact of the novel coronavirus disease (COVID-19).

■ 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. In the fiscal year under review, tenant sales have decreased from the previous fiscal year due to 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, the same timing as for the recovery in global air passenger 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 Work-in-process real estate for sale	88,116 267,563
Loss on devaluation of inventories recorded	561

(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	496,182

(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 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.

[Translation for Reference and Convenience Purposes Only]

Note to the Consolidated Balance Sheet

1. Accumulated Depreciation for Property and Equipment: ¥1,748,844 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	¥194,614 million
Machinery and equipment and vehicles	¥1,353 million
Land	¥231,751 million
Other (other property and equipment)	¥2 million
Total	¥427,722 million

(2) Debt Secured by the Above:

Short-term borrowings	¥100 million
Long-term debt to be repaid within one (1) year	¥24,779 million
Long-term debt	¥65,211 million
Total	¥90,091 million

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3. Contingent Obligations

(1) Guarantee Obligations

Warrantee	Amount of obligation	Substance of obligation
Home buyers	¥31,667 million	Borrowings from financial institutions
Total	¥31,667 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	¥13,744 million (US$132,800 thousand)	Borrowings from financial institutions
NoMad 29th Street	¥4,619 million (US$44,637 thousand)	Borrowings from financial institutions
Meeyahta Development, Ltd.	¥1,868 million (US$16,875 thousand)	Borrowings from financial institutions
TRCC/Rock Outlet Center, LLC	¥1,803 million (US$17,423 thousand)	Borrowings from financial institutions
Lehigh Valley Industrial Park Investor Holdings, LLC	¥1,565 million (US$15,128 thousand)	Borrowings from financial institutions
CL Office Trustee Pte. Ltd.	¥6,467 million (S$82,900 thousand)	Borrowings from financial institutions
Glory SR Trustee Pte. Ltd.	¥1,131 million (S$14,500 thousand)	Borrowings from financial institutions
Lendlease OSH Residential A Pry Ltd	¥18,986 million (AU$225,069 thousand)	Borrowings from financial institutions
Twin Peaks Joint Stock Company	¥10,351 million (US$95,000 thousand, VND115,925 million)	Borrowings from financial institutions
RML548Co., Ltd.	¥2,848 million (THB805 million)	Borrowings from financial institutions
Total	¥63,387 million	

The Company guarantees acceptance of businesses in favor of creditors of Meeyahta Development, Ltd., Lendlease OSH Residential A Pry 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 Lehigh Valley Industrial Park Investor Holdings, LLC in the amount equivalent to the percentage of equity interest owned by the MEC Group International Inc.

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

Mitsubishi Estate Asia Pte. Limited and 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 "Land revaluation reserve," net of the related tax that is included in "Liabilities" as "Deferred tax liabilities for revaluation."

Revaluation method:	The value of land is determined based on the assessed value of the fixed property tax adjusted reasonably, as stipulated in Article 2, item (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 Income

In response to the request to refrain from business and declaration of a state of emergency issued by the national and local governments, the Group has taken measures such as closing commercial facilities and hotels to prevent the spread of COVID-19.

As a result, some expenses (e.g., depreciation or rents) incurred by commercial facilities and hotels during the closed period are recorded as loss on infectious disease.

[Translation for Reference and Convenience Purposes Only]

Notes to the Consolidated Statement of Changes in Net Assets

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

(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)	1,391,174	154	—	1,391,328
Total	1,391,174	154	—	1,391,328
Treasury stock:				
Shares of common stock(Note 2)	52,677	98	42	52,733
Total	52,677	98	42	52,733

Notes:

1. The increase in the number of issued shares was due to the issuance of new shares through third-party allotment (154 thousand shares).
2. The increase of 98 thousand shares in the number of the shares of treasury stock of the Company was due to the purchase of restricted stock (88 thousand shares) and the purchase of shares less than one (1) unit (9 thousand shares). The decrease of 42 thousand shares was due to the exercise of stock options (41 thousand shares) and the sale of shares less than one (1) unit (1 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 26, 2020	Common stock	24,092	18	March 31, 2020	June 29, 2020
Meeting of Board of Directors held on November 11, 2020	Common stock	16,062	12	September 30, 2020	December 4, 2020

(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, 2021	Common stock	25,433	Retained earnings	19	March 31, 2021	June 30, 2021

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3. Matters related to Stock Acquisition Rights

Breakdown of Stock Acquisition Rights	Class of Shares Subject to Stock Acquisition Rights	Number of the Shares subject to Stock 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
Stock acquisition rights granted by a resolution at the meeting of the Board of Directors held on July 26, 2007	Common stock	2,000	—	—	2,000
Stock acquisition rights granted by a resolution at the meeting of the Board of Directors held on July 31, 2008	Common stock	3,000	—	—	3,000
Stock acquisition rights granted by a resolution at the meeting of the Board of Directors held on July 31, 2009 [1]	Common stock	11,000	—	5,000	6,000
Stock acquisition rights granted by a resolution at the meeting of the Board of Directors held on July 30, 2010 [2]	Common stock	21,000	—	8,000	13,000
Stock acquisition rights granted by a resolution at the meeting of the Board of Directors held on July 29, 2011 [3]	Common stock	29,000	—	12,000	17,000
Stock acquisition rights granted by a resolution at the meeting of the Board of Directors held on July 31, 2012 [4]	Common stock	26,000	—	7,000	19,000
Stock acquisition rights granted by a resolution at the meeting of the Board of Directors held on July 31, 2013 [5]	Common stock	21,000	—	4,000	17,000
Stock acquisition rights granted by a resolution at the meeting of the Board of Directors held on July 31, 2014 [6]	Common stock	28,000	—	5,000	23,000
Stock acquisition rights granted by a resolution at the meeting of the Board of Directors held on July 31, 2015	Common stock	24,000	—	—	24,000

Notes:

1. The decrease in the number of stock acquisition rights, which were granted by a resolution at the meeting of the Board of Directors held on July 31, 2009, for the fiscal year under review resulted from the exercise of the stock acquisition rights.
2. The decrease in the number of stock acquisition rights, which were granted by a resolution at the meeting of the Board of Directors held on July 30, 2010, for the fiscal year under review resulted from the exercise of the stock acquisition rights.
3. The decrease in the number of stock acquisition rights, which were granted by a resolution at the meeting of the Board of Directors held on July 29, 2011, for the fiscal year under review resulted from the exercise of the stock acquisition rights.
4. The decrease in the number of stock acquisition rights, which were granted by a resolution at the meeting of the Board of Directors held on July 31, 2012, for the fiscal year under review resulted from the exercise of the stock acquisition rights.

5. The decrease in the number of stock acquisition rights, which were granted by a resolution at the meeting of the Board of Directors held on July 31, 2013, for the fiscal year under review resulted from the exercise of the stock acquisition rights.
6. The decrease in the number of stock acquisition rights, which were granted by a resolution at the meeting of the Board of Directors held on July 31, 2014, for the fiscal year under review resulted from the exercise of the stock 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

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

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

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

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

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

Borrowings and corporate bonds are intended to raise funds required mainly for capital expenditures, and their maturity dates and repayment dates are in a maximum of sixty (60) years after the closing date. Although some of them have floating rates and are exposed to interest rate risks, they are hedged through derivative transactions (interest rate swaps.)

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

(3) Risk management systems relating to financial instruments

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

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

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

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

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

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

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

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

[Translation for Reference and Convenience Purposes Only]

2. Matters related to Market Values, etc. of Financial Instruments
   Amounts stated on the consolidated balance sheet as of March 31, 2021, market values, and their differences are shown as follows. Items, of which market values are considered extremely difficult to determine, are not included in the table below (see Note 2).

(Millions of Yen)

	Reported Amounts on the Consolidated Balance Sheet	Market Value	Difference
(1) Cash on hand and in banks	170,040	170,040	—
(2) Notes and accounts receivable – trade	52,031		
Allowance for doubtful receivables (*1)	(553)		
	51,477	51,477	—
(3) Securities and Investment securities			
(i) Held-to-maturity debt securities	2,865	2,873	8
(ii) Other securities	231,524	231,524	—
(iii) Shares of subsidiaries and affiliated companies	60	594	533
(4) Equity investments	18,118	18,118	—
Total assets	474,088	474,630	541
(1) Notes and accounts payable – trade	60,507	60,507	—
(2) Short-term borrowings	141,785	141,785	—
(3) Long-term debt to be repaid within one (1) year	127,643	127,643	—
(4) Commercial paper	50,000	50,000	—
(5) Corporate bonds to be redeemed within one (1) year	65,000	65,000	—
(6) Corporate bonds	745,759	770,126	24,367
(7) Long-term debt	1,393,858	1,414,828	20,969
Total liabilities	2,584,554	2,629,891	45,336

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

Notes:

1. Methods of calculating market values of financial instruments

   <u>Assets</u>

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

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

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

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

Liabilities

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

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

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

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

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

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

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

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

Category	Reported Amounts on the Consolidated Balance Sheet (Millions of yen)
(i) Unlisted stocks (*1)	52,171
(ii) Equity investments (*2)	478,063
(iii) Guarantee money and deposits paid (*3)	136,478
(iv) Guarantee money and deposits received (*4)	466,891

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

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

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

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

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Notes 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	3,565,590	7,441,369
Real estate including spaces used as leased real estate	545,404	919,848

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.

Per-Share Information

Net assets per share	¥1,383.47
Earnings per share	¥101.34

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Significant Subsequent Events

(Purchase of Treasury Stock)

The Company resolved to repurchase its treasury stock under Article 156, which is applicable in accordance with Article 165, paragraph (3) of the Companies Act, at the meeting of Board of Directors held on April 8, 2021. The Details are as follows.

1. Reason for the Repurchase of Treasury Stock
   To improve capital efficiency and shareholder value as part of the capital policy in the Long-term Management Plan
2. Details of Matters Concerning Repurchase
   (1) Class of shares to be repurchased
       Common stock
   (2) Total number of shares to be repurchased
       22,000,000 shares (Maximum)
       (1.64% of the total number of issued shares (excluding treasury stock))
   (3) Total amount of repurchase price
       ¥30,000 million (Maximum)
   (4) Period of repurchase
       From April 9, 2021 to March 31, 2022
   (5) Method of repurchase
       Open market purchase on the Tokyo Stock Exchange

[Translation for Reference and Convenience Purposes Only]

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 25 groups)	Land and buildings, etc.	Nishinomiya-shi, Hyogo; etc.

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

As a result, the book values of twenty-five (25) 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 (¥4,679 million) under extraordinary loss.

The breakdown of such impairment loss was ¥3,105 million in land and trusted land, and ¥1,574 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:	¥6,236	million
Increase due to the acquisition of property and equipment:	¥656	million
Adjustments due to the elapse of time:	¥70	million
Decrease due to the fulfillment of asset retirement obligations:	¥(20)	million
Increase (decrease) due to other reasons:	¥73	million
Balance at the end of the fiscal year:	¥7,015	million

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

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

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

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

To address the issue of asbestos, we have been voluntarily conducting asbestos removal work when tenants move out or when other opportunities 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 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, 2020, to March 31, 2021)

(Millions of yen)

	Shareholders' equity											
		Capital surplus			Retained earnings							
						Other retained earnings						
	Capital stock	Capital reserve	Total capital surplus	Retained earnings	Reserve for special deprecia-tion	Reserve for advanced depreciation of fixed assets	Provision for reserve for open innova-tion promotion	General reserve	Earned surplus carried forward	Total retained earnings	Treasury stock	Total share-holders' equity
Balance at the beginning of current period	142,147	171,260	171,260	21,663	1,489	154,038	—	108,254	341,242	626,687	(105,282)	834,812
Changes in the fiscal year under review												
Issuance of new shares	131	130	130									262
Dividend from surplus									(40,155)	(40,155)		(40,155)
Profit									110,616	110,616		110,616
Purchase of treasury stock											(17)	(17)
Disposal of treasury stock									(25)	(25)	83	58
Reversal of reserve for special depreciation					(634)				634			
Reversal of reserve for advanced depreciation of fixed assets						(2,541)			2,541			
Provision for reserve for open innovation promotion							208		(208)			
Reversal of land revaluation reserve									142	142		142
Net changes in items other than those in shareholders' equity												
Total of changes in the fiscal year under review	131	130	130	—	(634)	(2,541)	208	—	73,545	70,578	66	70,907
Balance at the end 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

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(Millions of yen)

	Valuation, translation adjustments and others				Stock acquisition rights	Total net assets
	Net unrealized gain on available-for-sale securities	Deferred gains or losses on hedging instruments	Land revaluation reserve	Total valuation, translation adjustments and others		
Balance at the beginning of current period	79,532	(1,872)	529,965	607,626	288	1,442,727
Changes in the fiscal year under review						
Issuance of new shares						262
Dividend from surplus						(40,155)
Profit						110,616
Purchase of treasury stock						(17)
Disposal of treasury stock						58
Reversal of reserve for special depreciation						—
Reversal of reserve for advanced depreciation of fixed assets						—
Provision for reserve for open innovation promotion						—
Reversal of land revaluation reserve						142
Net changes in items other than those in shareholders' equity	38,558	440	(142)	38,856	(56)	38,799
Total of changes in the fiscal year under review	38,558	440	(142)	38,856	(56)	109,706
Balance at the end of current period	118,090	(1,431)	529,822	646,482	231	1,552,434

[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:	
Investment securities:	
Available-for-sale securities with market values:	Stated at the market value as of the balance sheet date, based on quoted market prices etc. Unrealized gains and losses are reported, net of applicable taxes, in a separate component of net assets. The cost of securities sold is determined by the moving-average method
Available-for-sale securities without market values:	Stated at cost determined by the moving-average method
Equity investments:	
Available-for-sale securities with market values:	Stated at the market value as of the balance sheet date, based on quoted market prices, etc. Unrealized gains and losses are reported, net of applicable taxes, in a separate component of net assets. The cost of equity investments sold is determined by the moving-average method
Available-for-sale securities without market values:	Stated at cost determined by the moving-average method

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

3. Valuation Basis and Method for Inventories

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

4. Depreciation Method of Fixed Assets

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

5. Accounting Policies for Reserves

Allowance for doubtful receivables:	An allowance for doubtful receivables is provided, for possible losses from uncollectible loans and receivables, at the amount calculated based on the actual rate of losses from the bad debt for ordinary receivables, and on the estimated recoverability for specific receivables such as doubtful receivables.
Reserve for retirement allowances:	A reserve for retirement allowances is provided at the amount calculated based on the projected amounts of retirement benefit obligations and plan assets at the end of the fiscal year under review for ordinary employees, and at 100% of the amount that would be required at the end of the fiscal year under review in accordance with internal regulations for executive officers. To calculate the Company's liability for retirement allowances to employees, the method of benefit formula basis is adopted to attribute the estimated retirement allowances to accounting periods up to the end of the fiscal year under review. Prior service cost is amortized, starting from the time of its occurrence, on a straight-line basis over a certain period (10 years) within an average remaining service period of employees at the time of its occurrence. Actuarial gains or losses are amortized, starting from the following fiscal year, on a straight-line basis over a certain period (10 years) within an average remaining service period of employees at the time of their occurrence.
Reserve for accepting the fulfillment of obligations:	A reserve for accepting the fulfillment of obligations is provided at the estimated amount of losses that may be caused by accepting the fulfillment of obligations.
Provision for environmental measures:	An estimated amount of loss that could be caused along with environmental measures including treatment of PCB (Polychlorinated biphenyl) waste is provided.

6. Accounting for Deferred Assets

The costs are fully charged to income when disbursed.

7. Hedge Accounting

(1) Hedge accounting:

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

(2) Hedging instruments and hedged items:

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

(3) Hedging policy:

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

(4) Method of Assessing Hedge Effectiveness

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

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

8. Accounting for 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 Presentation

1. Changes due to the Application of the "Accounting Standard for Disclosure of Accounting Estimates"
   The "Accounting Standard for Disclosure of Accounting Estimates" (ASBJ Statement No. 31, March 31, 2020) has been applied from the fiscal year under review, and "Notes on Accounting Estimates" are provided in the Notes to the Non-consolidated Financial Statements.

2. Changes in Presentation of Non-consolidated Statement of Income
   In the non-consolidated statement of income for the previous fiscal year, "Revenue from Building Business" and "Revenue from other businesses" were separately presented under Revenue from operations, while "Cost of revenue from Building Business" and "Cost of revenue from other businesses" were separately presented under Cost of revenue from operations. However, in conjunction with changes in the segment classification effective from the fiscal year under review, these items are collectively presented as "Revenue from operations" and "Cost of revenue from operations," respectively, in the non-consolidated statement of income from the fiscal year under review, in order to improve readability and clarity of the non-consolidated financial statements.

Notes on Accounting Estimates

1. Valuation of Property and Equipment

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

	Amount (Millions of yen)
Property and equipment	2,957,482
Impairment loss	2,656

(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 and equipment. For property 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 makes estimates 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. On the other hand, we assume that it will take longer than usual for vacancy improvement as many companies are currently cautious about floor expansion or relocation for expansion due to the impact of the novel coronavirus disease (COVID-19).

■ 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. In the fiscal year under review, tenant sales have decreased from the previous fiscal year due to 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, the same timing as for the recovery in global air passenger 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	307,000

(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 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 and Equipment: ¥1,156,346 million
   The accumulated depreciation above includes the accumulated impairment loss.

2. Contingent Obligations
   (1) Guarantee Obligations

Warrantee	Amount of Obligation	Substance of Obligation
Mitsubishi Estate London Limited	¥113,582 million (GBP669,600 thousand, SEK918,000 thousand)	Borrowings from financial institutions
MEC Global Partners Holdings LLC	¥30,733 million (US$182,800 thousand, GBP21,200 thousand, €56,000 thousand)	Borrowings from financial institutions
MITSUBISHI ESTATE NEW YORK Inc.	¥29,448 million (US$266,000 thousand)	Borrowings from financial institutions
Lendlease OSH Residential A Pty Ltd	¥18,986 million (AU$225,069 thousand)	Borrowings from financial institutions
RML548Co., Ltd.	¥2,848 million (THB805 million)	Borrowings from financial institutions
Meeyatha Development, Ltd.	¥1,868 million (US$16,875 thousand)	Borrowings from financial institutions
Ryoei Life Service Co., Ltd.	¥177 million	Deposits for repayment obligation to residents
Total	¥197,646 million	

   (2) Keep-well agreement

Warrantee	Amount of Obligation	Substance of Obligation
MEC Finance USA, Inc.	¥9,410 million (US$85,000 thousand)	Borrowings from financial institutions
Total	¥9,410 million	

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

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

Short-term receivables due from affiliated companies	¥13,125 million	Long-term receivables due from affiliated companies	¥41,231 million
Short-term payables due to affiliated companies	¥209,056 million	Long-term payables due to affiliated companies	¥7,516 million

4. 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 "Land revaluation reserve," net of the related tax that is included in "Liabilities" as "Deferred tax liabilities for revaluation."

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

5. Equity Investments
   Of the equity investments projects, the total amount of investments in anonymous partnership and preferred equity investments, etc. into anonymous partnerships and special-purpose companies that fall under the category of affiliated companies is ¥284,447 million.

Notes to the Non-consolidated Statement of Income

1. Transactions with Affiliated Companies

Revenue from operations:	¥53,372 million
Cost of revenue from operations:	¥70,340 million
Transactions other than operating transactions:	¥67,781 million

2. In response to the request to refrain from business and declaration of a state of emergency issued by the national and local governments, the Group has taken measures such as closing commercial facilities and hotels to prevent the spread of COVID-19.
   As a result, some expenses (e.g., depreciation or rents) incurred by commercial facilities and hotels during the closed period are recorded as extraordinary loss for COVID-19.

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

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

Common stock:	52,733,879 shares

Note on Tax-effect Accounting

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

	(Millions of yen)
Deferred tax assets:	
Reserve for retirement allowances	4,450
Accrued bonus	1,187
Loss on devaluation of investment securities	5,639
Loss on devaluation of inventories	410
Loss on devaluation of golf memberships	267
Loss on devaluation of fixed assets	42,561
Land revaluation reserve	22,727
Reserve for accepting the fulfillment of obligations	1,181
Impairment loss on equity investments	3,855
Transfer of business due to reorganization	8,899
Other	36,008
Subtotal deferred tax assets	127,190
Valuation reserve	(69,943)
Total deferred tax assets	57,246
Deferred tax liabilities:	
Reserve for advanced depreciation of fixed assets	66,861
Gain on establishing a trust for retirement benefits	7,393
Land revaluation reserve	265,595
Net unrealized gain on available-for-sale securities	50,801
Fixed assets valuation difference	53,242
Other	21,712
Total deferred tax liability	465,606
Net deferred tax liability	408,360

[Translation for Reference and Convenience Purposes Only]

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]	113,582	—	—
Subsidiary	Mitsubishi Estate Residence Co., Ltd.	Directly holding (100%)	Provision of loans Interlocking directors	Provision of loans [2]	557,000	Short-term loans of affiliated companies	499,000
				Collection of loans	469,000		
				Interest income [2]	1,589	—	—

Transaction conditions and decision policy thereof, etc.:

Notes:

1. The amount represents guarantee obligation to secure bank borrowings (GBP669,600 thousand, SEK918,000 thousand) of Mitsubishi Estate London Limited.
2. Interest rates on loans are determined in consideration of market interest rates.

Per-share Information

Net assets per share	¥1,159.58
Earnings per share	¥82.64

Significant Subsequent Events

(Purchase of Treasury Stock)

The Company resolved to repurchase its treasury stock under Article 156, which is applicable in accordance with Article 165, paragraph (3) of the Companies Act, at a meeting of the Board of Directors held on April 8, 2021. The overview is as stated in "Notes to the Consolidated Financial Statements; Significant Subsequent Events."