Consolidated Financial Statements
of
Mitsubishi Estate Co., Ltd. and
Consolidated Subsidiaries

Year ended March 31, 2022

Independent Auditor's Report

The Board of Directors
Mitsubishi Estate Co., Ltd.

Opinion

We have audited the accompanying consolidated financial statements of Mitsubishi Estate Co., Ltd. and its consolidated subsidiaries (the Group), which comprise the consolidated balance sheet as at March 31, 2022, and the consolidated statements of income, comprehensive income, changes in net assets, and cash flows for the year then ended, and notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at March 31, 2022, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with accounting principles generally accepted in Japan.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in Japan. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Japan, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of the audit of the consolidated financial statements as a whole, and in forming the auditor's opinion thereon, and we do not provide a separate opinion on these matters.

Revenue recognition for sales of real estate properties to real estate funds	
Description of Key Audit Matter	**Auditor's Response**
The Company and its consolidated subsidiaries have recorded Revenue from operations of JPY 1,349,489 million in the Consolidated Statement of Income for the year ended March 31, 2022, which includes revenue from sales of real estate properties in	We performed the following procedures to assess the determination of whether substantially all of the risks and rewards of the real estate property have been transferred to real estate funds in all the sales transactions exceeding the testing threshold

Commercial property business of JPY 126,878 million as descried in the Note 22 “Revenue recognition”. Management recognizes revenue from sales of real estate properties when substantially all of the risks and rewards of the real estate property have been transferred. Generally, sales transactions of real estate property have unique terms and conditions and involve relatively large transaction prices. Especially when the sales are made to real estate funds, in order to take into consideration individual needs of the parties involved, transaction schemes for sales of the real estate property may be more complex or there may be continuing involvement such as undertaking an asset management role, having a repurchase option or retaining some equity interest in the sold property. By granting individual terms to the purchase and sales agreement or adjusting the relevant terms and conditions if there is a continuous involvement in the sold property, the risk of the real estate property such as reduction in the land value and others remains with the seller, the Company and its consolidated subsidiaries. Therefore, the determination of whether substantially all of the risks and rewards of the real estate property have been transferred may be complex. In case the determination is erroneously made, a large amount of revenue would be recognized for the sales transactions where substantially all of the risks and rewards of the real estate property have not been transferred. Accordingly, we identified as a key audit matter the determination of whether substantially all of the risks and rewards of the real estate property have been transferred in sales transactions to real estate funds.	we had established based on our risk assessment: ・ We inspected the management approval documents and inquired with the divisions in-charge, when we determined necessary, to understand the scheme of transaction and assess whether there had been any continuing involvement in the property sold property. ・ We inspected the purchase and sales agreement and, when we determined necessary, inquired with the divisions in-charge to understand the transaction terms and conditions and evaluate the business rationale. ・ We compared the transaction amount with real estate valuation documents prepared by the Company and its consolidated subsidiaries and market data of this marketing area to examine the rationality of the transaction amount. ・ We inspected the cash receipt evidence and copies of the registration certificates to assess the fact of delivery.

Valuation of redevelopment-related property and equipment	
Description of Key Audit Matter	**Auditor's Response**
The Company and its consolidated subsidiaries have recorded Property and equipment of JPY 4,345,989 million in the Consolidated Balance Sheet as of March 31, 2022, which includes Land and Construction in progress held for redevelopment projects aimed at making effective use of areas such as urban development that contributes to international competitiveness and the strengthening of disaster prevention in response to the deregulation of the national and local governments. The Company and its consolidated subsidiaries are carrying out multiple redevelopment projects in major Japan business districts, mainly in the Marunouchi area. As described at p. "Significant accounting estimates", 1 "Valuation of property and equipment" in the Note 1 "Significant accounting Policies", management identified the assets or asset groups with impairment indicators and assessed whether the sum of the undiscounted future cash flows attributable to them exceeded their carrying amounts. (1) Impairment indicators Unlike simple reconstruction, redevelopment projects require the coordination of interests with neighboring landowners, the permission to ease regulations, and the creation of business plans based on long-term forecasts of demand. Therefore, many redevelopment projects take a long time from planning to completion. In such a long-term project, there is a potential risk of having lower profitability than originally expected as a result of delay in redevelopment or subsequent modification of a redevelopment plan. Specifically, there are risks such as having disagreeing landlords in areas planned for redevelopment, being	We performed the following procedures to assess the determination of whether impairment indicators were present and the determination of whether the Company and its consolidated subsidiaries were required to recognize an impairment loss on the redevelopment-related property and equipment for the project which met certain conditions we had established based on our risk assessment: (1) Impairment indicators ・ In order to assess whether there have been any material changes in the redevelopment projects that would significantly lower the recoverable amount, we inspected documents including the board of directors meeting minutes and the management approval documents, and inquired with divisions in-charge to update our understanding of the status of redevelopment projects including the status of negotiation with landlords in areas planned for redevelopment, the status of obtaining necessary governmental permission for redevelopment, changes in market conditions for construction costs, the progress of the construction and the progress of finding tenants. We also performed a physical observation of certain project sites when we determined necessary. (2) Recognition of impairment losses ・ In order to evaluate the effectiveness of management's estimation process of future cash flows, we compared the actual costs incurred for redevelopment with the investment budget. ・ For the redevelopment-related property and equipment where impairment indicators existed, we obtained the estimated undiscounted future cash flows and

unable to obtain a necessary governmental permission for redevelopment, an increase in construction costs due to the rise of material cost, delay in construction due to natural disaster and difficulty of material procurement, and a slower progress of finding tenants. Therefore, management is required to evaluate those various risks and make complex determination on whether impairment indicators are present. (2) Recognition of impairment losses The future cash flows attributable to the redevelopment projects with impairment indicators are estimated based on the business plan approved by the management or the executive committee. The significant assumptions include the expected future rent to be earned after completion of a redevelopment, the capital expenditures necessary to maintain the investment value and the recoverable amount at the end of estimation period of future cash flows. The information to support the assessment of recoverability of the entire redevelopment costs for each project involves uncertainty due to long-term future projections. Accordingly, since it is necessary to take into account many potential risks when determining whether impairment indicators are present, this determination is complex. In addition, the determination of whether an impairment loss should be recognized involves a high degree of uncertainty for the redevelopment-related property and equipment. Therefore, we identified such determination as a key audit matter.	evaluated the underlying significant assumptions such as expected future rent to be earned after completion of redevelopment, construction costs, capital expenditures necessary to maintain the existing service potential and discount rates used for computing the recoverable amounts at a future point by comparing with published relevant indicators and market reports obtained from external sources.

Valuation of land held for future development of residential condominiums	
Description of Key Audit Matter	**Auditor's Response**
The Company and its consolidated subsidiaries have recorded the Land and housing projects in progress of JPY 299,532 million which is included in Inventory on the	We performed the following procedures to assess the determination of whether the Company and its consolidated subsidiaries were required to record valuation losses on

Consolidated Balance Sheet as of March 31, 2022. It is mainly a real estate under development acquired by Mitsubishi Estate Residence Co., Ltd., the Company's consolidated subsidiary, for the development and sale of residential property as condominiums. As described at p. "Significant accounting estimates", 2 "Valuation of inventories" in the Note 1 "Significant accounting Policies", management valued the Land and housing projects in progress at net realizable value when it was lower than cost due to decline in profitability as well as other types of inventories. The Land and housing projects in progress can be divided into phases before and after construction begins. Various negotiations and coordination, such as obtaining necessary governmental permission, concluding construction contracts with the constructor, and negotiations with existing residents in neighboring areas, before construction begins. As a result, the land held for future development of residential condominiums is associated with potential risk of having lower profitability than originally expected because of delay in development or subsequent modification of the development plan due to the long development period until delivery. Valuation of the land held for future development is made based on a business plan, however, the business itself involves various risks such as a decline in sales price in the future, excessive supply of residential condominiums due to increases in supply caused by competitors in neighboring areas, being unable to obtain necessary governmental permission, delay in construction due to continuing negotiation with existing residents in neighboring areas and increases in construction costs due to the rise of material cost. In order to determine whether a valuation loss	the land held for future development of residential condominiums for the project which met certain conditions we had established based on our risk assessment: ・ In order to assess whether there had been any material changes in the land held for development that would reduce its future profitability, we inspected documents including the management approval documents and the executive committee meeting minutes, and inquired with divisions in-charge to update our understanding of the market conditions for residential condominiums, development projects in neighboring areas, the status of obtaining necessary governmental permission for development, the status of negotiation with existing residents in neighboring areas and change in market conditions for construction costs. We also performed a physical observation of certain project sites when we determined necessary. In addition, we determined whether there were any projects with delayed commencement date of construction, and we performed following procedures for certain projects. ・ We compared the sales price with market report obtained from external sources including sales transaction data in neighboring areas. ・ We also compared the construction costs used in the calculation with the published relevant indicators

should be recognized on the land held for future development of residential condominiums, it is necessary to evaluate those risks and determine whether the development projects are expected to be ultimately completed as originally planned. However, the nature and reliability of the information available to support the determination varies widely. Accordingly, we identified as a key audit matter the determination of whether a valuation loss should be recognized on the land held for future development due to a high degree of uncertainty involved with such determination.	

Other Information

The other information comprises the information included in a disclosure document that contains audited consolidated financial statements but does not include the consolidated financial statements and our auditor's report thereon.

We have concluded that the other information did not exist. Accordingly, we have not performed any work related to the other information.

Responsibilities of Management, the Audit Committee for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in Japan, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern and disclosing, as required by accounting principles generally accepted in Japan, matters related to going concern.

The Audit Committee is responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with auditing standards generally accepted in Japan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.
- Consider internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances for our risk assessments, while the purpose of the audit of the consolidated financial statements is not expressing an opinion on the effectiveness of the Group’s internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management’s use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group’s ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor’s report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor’s report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation in accordance with accounting principles generally accepted in Japan.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with the ethical requirements regarding independence that are relevant to our audit of the consolidated financial statements in Japan, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor’s report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Interest Required to Be Disclosed by the Certified Public Accountants Act of Japan

Our firm and its designated engagement partners do not have any interest in the Group which is required to be disclosed pursuant to the provisions of the Certified Public Accountants Act of Japan.

Convenience Translation

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2022 are presented solely for convenience. Our audit also included the translation of Japanese yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 2 to the consolidated financial statements.

Ernst & Young ShinNihon LLC
Tokyo, Japan

July 11, 2022

/s/ Tatsuya China
Tatsuya Chiba
Designated Engagement Partner
Certified Public Accountant

/s/ Chihiro Yasunaga
Chihiro Yasunaga
Designated Engagement Partner
Certified Public Accountant

/s/ Teruyo Okubo
Teruyo Okubo
Designated Engagement Partner
Certified Public Accountant

Mitsubishi Estate Co., Ltd. and Consolidated Subsidiaries

Consolidated Balance Sheet

	March 31, 2022	2021	2022
	Millions of yen		*Thousands of U.S. dollars (Note 2)*
Assets			
Current assets:			
Cash on hand and in banks *(Notes 16 and 18)*	¥ **233,117**	¥ 170,040	$ **1,904,707**
Notes and accounts receivable – trade *(Note 16)*	—	52,031	—
Trade notes accounts receivable, and contract assets*(Notes 3 and 16)*	**60,645**	—	**495,506**
Marketable securities *(Notes 16 and 17)*	**4,280**	4,626	**34,970**
Allowance for doubtful receivables	**(422)**	(553)	**(3,455)**
Inventories *(Note 5)*	**347,388**	364,834	**2,838,369**
Equity investments *(Notes 16 and 17)*	**624,521**	496,182	**5,102,717**
Other current assets	**87,260**	76,875	**712,970**
Total current assets	**1,356,789**	1,164,037	**11,085,787**
Investments and other assets:			
Investments in and advances to unconsolidated subsidiaries and affiliates *(Note 16)*	**41,832**	41,836	**341,800**
Investment securities *(Notes 16 and 17)*	**258,435**	240,810	**2,111,570**
Asset for retirement benefits *(Note 8)*	**45,998**	34,370	**375,838**
Deferred income taxes *(Note 9)*	**25,887**	16,536	**211,512**
Other investments *(Notes 6 and 16)*	**310,891**	293,938	**2,540,170**
Total investments and other assets	**683,045**	627,493	**5,580,892**
Property and equipment *(Note 7)* :			
Land	**2,310,551**	2,237,934	**18,878,595**
Land in trust	**585,470**	578,446	**4,783,649**
Buildings and structures	**2,919,944**	2,815,474	**23,857,702**
Machinery and equipment and other	**161,253**	160,608	**1,317,539**
Construction in progress	**169,700**	136,273	**1,386,551**
	6,146,919	5,928,737	**50,224,037**
Less accumulated depreciation	**(1,800,930)**	(1,748,844)	**(14,714,687)**
Property and equipment, net	**4,345,989**	4,179,893	**35,509,350**
Intangible	**108,092**	101,095	**883,182**
Total assets	¥ **6,493,917**	¥ 6,072,519	$ **53,059,213**

	March 31,		
	2022	2021	2022
	Millions of yen		Thousands of U.S. dollars (Note 2)
Liabilities and net assets			
Current liabilities:			
Short-term borrowings and current portion of long-term debt *(Notes 7 and 16)*	¥ **351,980**	¥ 384,428	$ **2,875,894**
Notes and accounts payable – trade *(Note 16)*	**60,516**	60,507	**494,459**
Accrued income taxes *(Note 9)*	**29,445**	24,457	**240,590**
Advances and deposits	**107,590**	121,996	**879,075**
Accrued expenses and other current liabilities *(Note 4)*	**81,509**	71,046	**665,984**
Total current liabilities	**631,043**	662,437	**5,156,004**
Long-term liabilities:			
Long-term debt *(Notes 7 and 16)*	**2,384,897**	2,139,618	**19,486,050**
Lease deposits received *(Note 16)*	**451,749**	466,891	**3,691,065**
Liability for retirement benefits *(Note 8)*	**27,402**	27,123	**223,897**
Deferred income taxes *(Note 9)*	**538,259**	507,901	**4,397,906**
Negative goodwill	**85,526**	83,604	**698,803**
Other non-current liabilities	**138,605**	123,494	**1,132,487**
Total long-term liabilities	**3,626,441**	3,348,634	**29,630,211**
Total liabilities	**4,257,484**	4,011,071	**34,786,215**
Net assets:			
Shareholders' equity *(Note 10)* :			
Common stock, without par value:			
Authorized – 1,980,000,000 shares;			
Issued – 1,391,478,706 shares in 2022 and 1,391,328,316 shares in 2021	**142,414**	142,279	**1,163,610**
Capital surplus	**159,749**	164,367	**1,305,252**
Retained earnings	**1,165,344**	1,058,457	**9,521,566**
Less treasury stock, at cost	**(132,483)**	(105,216)	**(1,082,471)**
Total shareholders' equity	**1,335,024**	1,259,887	**10,907,958**
Accumulated other comprehensive income:			
Unrealized holding gain (loss) on securities	**130,841**	118,088	**1,069,056**
Deferred gain (loss) on hedging instruments	**103**	(1,916)	**846**
Land revaluation reserve	**526,417**	526,417	**4,301,145**
Foreign currency translation adjustments	**2,162**	(53,740)	**17,665**
Retirement benefits liability adjustments *(Note 8)*	**8,675**	3,163	**70,886**
Total accumulated other comprehensive income	**668,200**	592,011	**5,459,600**
Stock acquisition rights	**201**	231	**1,643**
Non-controlling interests	**233,005**	209,316	**1,903,795**
Contingent liabilities *(Note 13)*			
Total net assets	**2,236,432**	2,061,447	**18,272,997**
Total liabilities and net assets	¥ **6,493,917**	¥ 6,072,519	$ **53,059,213**

See accompanying notes to consolidated financial statements.

Mitsubishi Estate Co., Ltd. and Consolidated Subsidiaries

Consolidated Statement of Income

	Year ended March 31,		
	2022	2021	2022
	Millions of yen		*Thousands of U.S. dollars (Note 2)*
Revenue from operations *(Note 14)*	**¥ 1,349,489**	¥ 1,207,594	**$ 11,026,142**
Cost of revenue from operations *(Note 5)*	**(974,724)**	(889,830)	**(7,964,086)**
Selling, general and administrative expenses	**(95,787)**	(93,370)	**(782,640)**
Operating income	**278,977**	224,394	**2,279,416**
Other income (expenses):			
Interest and dividend income	**7,997**	16,966	**65,346**
Interest expenses	**(20,742)**	(21,623)	**(169,478)**
Equity in earnings of affiliates	**332**	307	**2,717**
Other, net *(Note 15)*	**(12,786)**	(18,779)	**(104,472)**
	(25,198)	(23,128)	**(205,887)**
Profit before income taxes	**253,779**	201,265	**2,073,528**
Income taxes *(Note 9)* :			
Current	**(60,331)**	(44,647)	**(492,941)**
Deferred	**(10,558)**	(9,548)	**(86,268)**
	(70,889)	(54,195)	**(579,210)**
Profit	**182,889**	147,069	**1,494,318**
Profit attributable to:			
Non-controlling interests	**(27,718)**	(11,414)	**(226,473)**
Shareholders of Mitsubishi Estate Co., Ltd.	**¥ 155,171**	¥ 135,655	**$ 1,267,844**

See accompanying notes to consolidated financial statements.

Mitsubishi Estate Co., Ltd. and Consolidated Subsidiaries

Consolidated Statement of Comprehensive Income

	Year ended March 31,					
	2022		**2021**		**2022**	
	Millions of yen				*Thousands of U.S. dollars (Note 2)*	
Profit	**¥**	**182,889**	¥	147,069	**$**	**1,494,318**
Other comprehensive income *(Note 25)* :						
Unrealized holding gain (loss) on securities		**12,754**		38,566		**104,215**
Deferred gain (loss) on hedging instruments		**1,508**		352		**12,323**
Land revaluation reserve		**—**		(44)		**—**
Foreign currency translation adjustments		**59,588**		(26,143)		**486,871**
Retirement benefits liability adjustments		**5,519**		7,309		**45,098**
Share of other comprehensive income of affiliates accounted for by the equity method		**344**		57		**2,817**
Total other comprehensive income (loss)		**79,715**		20,097		**651,327**
Comprehensive income *(Note 25)*	**¥**	**262,605**	¥	167,166	**$**	**2,145,645**
Total comprehensive income attributable to:						
Shareholders of Mitsubishi Estate Co., Ltd.	**¥**	**231,360**	¥	157,093	**$**	**1,890,356**
Non-controlling interests	**¥**	**31,244**	¥	10,073	**$**	**255,289**

See accompanying notes to consolidated financial statements.

Mitsubishi Estate Co., Ltd. and Consolidated Subsidiaries

Consolidated Statement of Changes in Net Assets

Millions of yen

	Shareholders' equity					Accumulated other comprehensive income	
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity	Unrealized holding gain (loss) on securities	Deferred gain (loss) on hedging instruments
Balance at April 1, 2020	¥ 142,147	¥ 164,041	¥ 962,840	¥ (105,282)	¥ 1,163,746	¥ 79,527	¥ (1,948)
Cumulative effects of changes in accounting policies							
Restated balance at April 1, 2020	142,147	164,041	962,840	(105,282)	1,163,746	79,527	(1,948)
Changes in the year:							
Issuance of new shares	131	130			262		
Cash dividends paid			(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		
Land revaluation reserve *(Note 1-h)*			142		142		
Change by share exchanges							
Changes in equity related to transactions with non-controlling shareholders		195			195		
Net change in items other than those in shareholders' equity						38,560	31
Total of changes in the year	131	326	95,617	66	96,141	38,560	31
Balance at April 1, 2021	142,279	164,367	1,058,457	(105,216)	1,259,887	118,088	(1,916)
Cumulative effects of changes in accounting policies			(1,509)		(1,509)		
Restated balance at April 1, 2021	142,279	164,367	1,056,948	(105,216)	1,258,378	118,088	(1,916)
Changes in the year:							
Issuance of new shares	**135**	**135**			**270**		
Cash dividends paid			**(46,774)**		**(46,774)**		
Profit attributable to owners of parent			**155,171**		**155,171**		
Purchase of treasury stock				**(30,014)**	**(30,014)**		
Disposal of treasury stock			**(0)**	**31**	**31**		
Land revaluation reserve *(Note 1-h)*							
Change by share exchanges		**(964)**		**2,715**	**1,751**		
Changes in equity related to transactions with non-controlling shareholders		**(3,788)**			**(3,788)**		
Net change in items other than those in shareholders' equity						**12,753**	**2,020**
Total of changes in the year	**135**	**(4,617)**	**108,396**	**(27,267)**	**76,646**	**12,753**	**2,020**
Balance at March 31, 2022	**¥ 142,414**	**¥ 159,749**	**¥ 1,165,344**	**¥ (132,483)**	**¥ 1,335,024**	**¥ 130,841**	**¥ 103**

Millions of yen

	Accumulated other comprehensive income						
	Land revaluation reserve	Foreign currency translation adjustments	Retirement benefits liability adjustments (Note 8)	Total accumulated other comprehensive income	Stock acquisition rights	Non-controlling interests	Total net assets
Balance at April 1, 2020	¥ 526,623	¥ (29,321)	¥ (4,163)	¥ 570,716	¥ 288	¥ 206,454	¥ 1,941,206
Cumulative effects of changes in accounting policies							
Restated balance at April 1, 2020	526,623	(29,321)	(4,163)	570,716	288	206,454	1,941,206
Changes in the year:							
Issuance of new shares							262
Cash dividends paid							(40,155)
Profit attributable to owners of parent							135,655
Purchase of treasury stock							(17)
Disposal of treasury stock							58
Land revaluation reserve *(Note 1-h)*							142
Change by share exchanges							—
Changes in equity related to transactions with non-controlling shareholders							195
Net change in items other than those in shareholders' equity	(206)	(24,418)	7,327	21,294	(56)	2,861	24,099
Total of changes in the year	(206)	(24,418)	7,327	21,294	(56)	2,861	120,241
Balance at April 1, 2021	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 at April 1, 2021	526,417	(53,740)	3,163	592,011	231	209,316	2,059,937
Changes in the year:							
Issuance of new shares							**270**
Cash dividends paid							**(46,774)**
Profit attributable to owners of parent							**155,171**
Purchase of treasury stock							**(30,014)**
Disposal of treasury stock							**31**
Land revaluation reserve *(Note 1-h)*							**—**
Change by share exchanges							**1,751**
Changes in equity related to transactions with non-controlling shareholders							**(3,788)**
Net change in items other than those in shareholders' equity		**55,902**	**5,512**	**76,189**	**(30)**	**23,689**	**99,847**
Total of changes in the year	**—**	**55,902**	**5,512**	**76,189**	**(30)**	**23,689**	**176,494**
Balance at March 31, 2022	**¥ 526,417**	**¥ 2,162**	**¥ 8,675**	**¥ 668,200**	**¥ 201**	**¥ 233,005**	**¥ 2,236,432**

Mitsubishi Estate Co., Ltd. and Consolidated Subsidiaries

Consolidated Statement of Changes in Net Assets (continued)

Thousands of U.S. dollars (Note 2)

	Shareholders' equity					Accumulated other comprehensive income	
	Common stock	**Capital surplus**	**Retained earnings**	**Treasury stock**	**Total shareholders' equity**	**Unrealized holding gain (loss) on securities**	**Deferred gain (loss) on hedging instruments**
Balance at April 1, 2020	$ 1,161,434	$ 1,340,316	$ 7,866,983	$ (860,225)	$ 9,508,510	$ 649,788	$ (15,923)
Cumulative effects of changes in accounting policies							
Restated balance at April 1, 2020	1,161,434	1,340,316	7,866,983	(860,225)	9,508,510	649,788	(15,923)
Changes in the year:							
Issuance of new shares	1,071	1,069			2,141		
Cash dividends paid			(328,097)		(328,097)		
Profit attributable to owners of parent			1,108,386		1,108,386		
Purchase of treasury stock				(139)	(139)		
Disposal of treasury stock			(206)	686	479		
Land revaluation reserve *(Note 1-h)*			1,168		1,168		
Change by share exchanges							
Changes in equity related to transactions with non-controlling shareholders		1,594			1,594		
Net change in items other than those in shareholders' equity						315,065	260
Total of changes in the year	1,071	2,664	781,250	547	785,533	315,065	260
Balance at April 1, 2021	1,162,505	1,342,981	8,648,234	(859,678)	10,294,043	964,854	(15,662)
Cumulative effects of changes in accounting policies			(12,332)		(12,332)		
Restated balance at April 1, 2021	1,162,505	1,342,981	8,635,901	(859,678)	10,281,710	964,854	(15,662)
Changes in the year:							
Issuance of new shares	**1,104**	**1,104**			**2,209**		
Cash dividends paid			**(382,177)**		**(382,177)**		
Profit attributable to owners of parent			**1,267,844**		**1,267,844**		
Purchase of treasury stock				**(245,237)**	**(245,237)**		
Disposal of treasury stock			**(3)**	**258**	**255**		
Land revaluation reserve *(Note 1-h)*							
Change by share exchanges		**(7,877)**		**22,186**	**14,308**		
Changes in equity related to transactions with non-controlling shareholders		**(30,954)**			**(30,954)**		
Net change in items other than those in shareholders' equity						**104,202**	**16,508**
Total of changes in the year	**1,104**	**(37,728)**	**885,664**	**(222,793)**	**626,247**	**104,202**	**16,508**
Balance at March 31, 2022	**$ 1,163,610**	**$ 1,305,252**	**$ 9,521,566**	**$ (1,082,471)**	**$10,907,958**	**$ 1,069,056**	**$ 846**

Thousands of U.S. dollars (Note 2)

	Accumulated other comprehensive income						
	Land revaluation reserve	**Foreign currency translation adjustments**	**Retirement benefits liability adjustments (Note 8)**	**Total accumulated other comprehensive income**	**Stock acquisition rights**	**Non-controlling interests**	**Total net assets**
Balance at April 1, 2020	$ 4,302,830	$ (239,577)	$ (34,021)	$ 4,663,097	$ 2,358	$ 1,686,857	$15,860,823
Cumulative effects of changes in accounting policies							
Restated balance at April 1, 2020	4,302,830	(239,577)	(34,021)	4,663,097	2,358	1,686,857	15,860,823
Changes in the year:							
Issuance of new shares							2,141
Cash dividends paid							(328,097)
Profit attributable to owners of parent							1,108,386
Purchase of treasury stock							(139)
Disposal of treasury stock							479
Land revaluation reserve *(Note 1-h)*							1,168
Change by share exchanges							—
Changes in equity related to transactions with non-controlling shareholders							1,594
Net change in items other than those in shareholders' equity	(1,685)	(199,516)	59,866	173,991	(464)	23,381	196,908
Total of changes in the year	(1,685)	(199,516)	59,866	173,991	(464)	23,381	982,441
Balance at April 1, 2021	4,301,145	(439,093)	25,845	4,837,088	1,893	1,710,239	16,843,265
Cumulative effects of changes in accounting policies							(12,332)
Restated balance at April 1, 2021	4,301,145	(439,093)	25,845	4,837,088	1,893	1,710,239	16,830,932
Changes in the year:							
Issuance of new shares							**2,209**
Cash dividends paid							**(382,177)**
Profit attributable to owners of parent							**1,267,844**
Purchase of treasury stock							**(245,237)**
Disposal of treasury stock							**255**
Land revaluation reserve *(Note 1-h)*							—
Change by share exchanges							**14,308**
Changes in equity related to transactions with non-controlling shareholders							**(30,954)**
Net change in items other than those in shareholders' equity		**456,759**	**45,041**	**622,511**	**(250)**	**193,556**	**815,817**
Total of changes in the year	—	**456,759**	**45,041**	**622,511**	**(250)**	**193,556**	**1,442,064**
Balance at March 31, 2022	**$ 4,301,145**	**$ 17,665**	**$ 70,886**	**$ 5,459,600**	**$ 1,643**	**$ 1,903,795**	**$ 18,272,997**

See accompanying notes to consolidated financial statements.

Mitsubishi Estate Co., Ltd. and Consolidated Subsidiaries

Consolidated Statement of Cash Flows

	Year ended March 31,		
	2022	2021	2022
	Millions of yen		*Thousands of U.S. dollars (Note 2)*
Cash flows from operating activities			
Profit before income taxes	¥ **253,779**	¥ 201,265	$ **2,073,528**
Depreciation and amortization	**91,581**	89,107	**748,278**
(Gain) loss on sales or disposal of property and equipment	**12,557**	(7,263)	**102,605**
(Gain) loss on sales of securities	**(7,987)**	(3,021)	**(65,265)**
Gain on sales of shares of affiliated companies	**(1,843)**	—	**(15,059)**
Impairment loss	**3,866**	4,679	**31,589**
Equity in earnings of affiliates	**(332)**	(307)	**(2,717)**
Increase (decrease) in allowances	**(3,526)**	(322)	**(28,811)**
Increase (decrease) in liability for retirement benefits	**(3,855)**	(1,553)	**(31,503)**
Interest and dividend income	**(7,997)**	(16,966)	**(65,346)**
Interest expense	**20,742**	21,602	**169,478**
(Increase) decrease in notes and accounts receivable	**—**	(3,157)	**—**
(Increase) decrease in trade receivables and contract assets	**(6,948)**	—	**(56,773)**
(Increase) decrease in inventories	**116,993**	56,443	**955,904**
(Increase) decrease in equity investments	**(30,267)**	(21,048)	**(247,299)**
Increase (decrease) in notes and accounts payable	**474**	(3,821)	**3,878**
Increase (decrease) in lease deposits received	**(15,024)**	7,837	**(122,759)**
Other	**(76,965)**	(53,726)	**(628,854)**
Subtotal	**345,246**	269,747	**2,820,872**
Interest and dividends received	**7,704**	16,673	**62,950**
Interest paid	**(20,653)**	(21,605)	**(168,753)**
Income taxes refund (paid)	**(52,206)**	(57,400)	**(426,562)**
Net cash provided by operating activities	**280,090**	207,414	**2,288,507**
Cash flows from investing activities			
Proceeds from sales of marketable securities	**1,461**	2,688	**11,942**
Purchases of marketable securities	**(1,514)**	(3,294)	**(12,376)**
Proceeds from sales of property and equipment	**14,570**	30,403	**119,049**
Purchases of property and equipment	**(328,591)**	(315,784)	**(2,684,792)**
Proceeds from sales of investment securities	**9,562**	14,186	**78,128**
Purchases of investment securities	**(7,488)**	(16,712)	**(61,187)**
Proceeds from sales of investments in subsidiaries resulting in change in scope of consolidation	**1,883**	—	**15,388**
Purchase of investments in subsidiaries resulting in change in scope of consolidation	**(455)**	—	**(3,721)**
Other	**(3,205)**	(8,789)	**(26,187)**
Net cash used in investing activities	**(313,778)**	(297,303)	**(2,563,757)**
Cash flows from financing activities			
Net increase (decrease) in short-term borrowings	**26,104**	27,400	**213,291**
Net increase (decrease) in commercial paper	**(50,000)**	—	**(408,530)**
Increase in long-term borrowings	**261,114**	252,874	**2,133,458**
Repayment of long-term borrowings	**(118,951)**	(163,891)	**(971,907)**
Proceeds from issuance of corporate bonds	**129,564**	184,281	**1,058,616**
Repayment of corporate bonds	**(65,000)**	(201,550)	**(531,089)**
Purchase of investments in subsidiaries that do not result in change in scope of consolidation	**(10,442)**	(113)	**(85,319)**
Net (increase) decrease in treasury stock	**(29,861)**	(23)	**(243,983)**
Cash dividends paid	**(46,792)**	(40,117)	**(382,318)**
Other	**(4,762)**	(8,434)	**(38,908)**
Net cash provided by financing activities	**90,973**	50,425	**743,309**
Effect of exchange rate changes on cash and cash equivalents	**4,651**	(1,237)	**38,008**
Net increase (decrease) in cash and cash equivalents	**61,937**	(40,701)	**506,068**
Cash and cash equivalents at beginning of year	**172,307**	213,008	**1,407,852**
Cash and cash equivalents at end of year *(Note 18)*	¥ **234,244**	¥ 172,307	$ **1,913,920**

See accompanying notes to consolidated financial statements.

Mitsubishi Estate Co., Ltd. and Consolidated Subsidiaries

Notes to Consolidated Financial Statements

Year ended March 31, 2022

1. Significant Accounting Policies

a. Basis of preparation

The accompanying consolidated financial statements of Mitsubishi Estate Co., Ltd. (the "Company") and its consolidated subsidiaries (collectively, the "Group") are prepared on the basis of accounting principles generally accepted in Japan, which are different in certain respects as to the application and disclosure requirements of International Financial Reporting Standards, and are compiled from the consolidated financial statements prepared by the Company as required by the Financial Instruments and Exchange Act of Japan.

The notes to the consolidated financial statements include information which may not be required under accounting principles generally accepted in Japan but is presented herein as additional information.

As permitted by the Financial Instruments and Exchange Act of Japan, amounts of less than one million yen have been rounded off. As a result, the totals shown in the accompanying consolidated financial statements (both in yen and U.S. dollars) do not necessarily agree with the sums of the individual amounts.

Certain amounts in the prior year's financial statements have been reclassified to conform to the current year's presentation.

b. Principles of consolidation

The accompanying consolidated financial statements include the accounts of the Group that it controls directly or indirectly. Companies over which the Company exercises significant influence in terms of their operating and financial policies have been included in the consolidated financial statements on an equity basis.

The Company applies the "Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for Consolidated Financial Statements" (Accounting Standards Board of Japan (ASBJ) Practical Issues Task Force (PITF) No. 18). In accordance with this PITF, the accompanying consolidated financial statements have been prepared by using the accounts of foreign consolidated subsidiaries prepared in accordance with either IFRS or accounting principles generally accepted in the United States as adjusted for certain items.

All significant intercompany balances and transactions have been eliminated in consolidation.

c. Use of estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make certain estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. The actual results could differ from those estimates.

d. Foreign currency translation

Current and non-current monetary accounts denominated in foreign currencies are translated into yen at the current rates.

The revenue and expense accounts of the foreign consolidated subsidiaries are translated using the average rate during the year. Except for shareholders' equity, the balance sheet accounts are also translated into yen at the rates of exchange in effect at the balance sheet date. The components of shareholders' equity are translated at their historical exchange rates.

e. Cash equivalents

The Group considers all highly liquid investments that are readily convertible into cash and have an original maturity of three months or less to be cash equivalents. Reconciliation between cash in the consolidated balance sheet and cash equivalents at March 31, 2022 and 2021 is presented in Note 18.

f. Marketable securities and investment securities

Securities other than those of subsidiaries and affiliates are classified into four categories: trading, held-to-maturity, other securities or equity investments. Trading securities are carried at fair value and held-to-maturity securities are carried at amortized cost. Marketable securities classified as other securities are carried at fair value with any changes in unrealized holding gain or loss, net of the applicable income taxes, included directly in shareholders' equity. Non-marketable securities classified as other securities are carried at cost. Cost of securities sold is determined by the moving average method. Securities other than shares, etc., that do not have a market price classified as equity investments are carried at fair value with any changes in unrealized holding gain or loss, net of the applicable income taxes, included directly in shareholders' equity. And the cost of the 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 classified as equity investments are carried at cost determined mainly by the moving-average method.

g. Inventories

Inventories are mainly stated at cost, determined by the identified cost method. Net book value of inventories in the consolidated balance sheet is written down when their net realizable values decline.

1. Significant Accounting Policies (continued)

h. Property and equipment, depreciation and impairment

Property and equipment, except for land as discussed below, is stated at cost less accumulated depreciation. Depreciation of property, plant and equipment is calculated principally by the declining-balance method based on the estimated useful lives and the residual value determined by the Company, except for certain buildings of the Company and domestic consolidated subsidiaries acquired on or after April 1, 1998 and facilities attached to buildings and other non-building structures acquired on or after April 1, 2016, which are depreciated by the straight-line method. Property and equipment of foreign subsidiaries on which depreciation is calculated by the straight-line method at rates determined based on the estimated useful lives of the respective assets. The Group has capitalized the costs incurred for significant renewals and additions; however, costs for maintenance and repairs are charged to income.

As of March 31, 2002, the Company revalued its land at fair value, pursuant to Article 2 of the "Enforcement Ordinance for the Law Concerning Revaluation Reserve for Land" and its amendments. The related unrealized gain, net of applicable income taxes, has been recorded as "Land revaluation reserve" in net assets.

The Group reviews their property and equipment (including land) for impairment whenever events or changes in its business circumstances indicate that the carrying amount of the assets may not be fully recoverable. They perform cash flow analyses to determine if impairment exists. If impairment is determined to exist, any related loss on impairment is calculated based on the cash flow analyses.

The useful lives of property and equipment are summarized as follows:

Buildings and structures	2 to 75 years

i. Intangible

Intangible primarily consist of goodwill and land use rights. Goodwill is stated on the basis of cost and is being amortized over a period of 5 years or an estimated economical period on a straight-line basis. A loss is recognized if the fair value falls below the carrying amount. Land use rights are stated on a cost basis.

j. Retirement benefits

Accrued retirement benefits and prepaid pension cost for employees have been recorded mainly at the amount calculated based on the retirement benefit obligation and the fair value of the pension plan assets as of balance sheet date.

The retirement benefit obligation for employees is attributed to each period by the benefit formula method.

Actuarial gain or loss is amortized in the year following the year in which the gain or loss is recognized primarily by the straight-line method over periods (mainly 1 year through 15 years), which are shorter than the average remaining years of service of employees.

Certain foreign consolidated subsidiaries have adopted the corridor approach for the amortization of actuarial gain and loss.

Prior service cost is being amortized as incurred by the straight-line method over periods (mainly 1 year through 10 years), which are shorter than the average remaining years of service of the employees.

k. Income taxes

Deferred tax assets and liabilities are determined based on the financial statements and the tax bases of assets and liabilities, using the enacted tax rates in effect for the year in which the temporary differences are expected to reverse. Deferred tax assets are also recognized for the estimated future tax effects attributable to operating loss carry forwards. Valuation allowances are established to reduce deferred tax assets if it is more likely than not that some portion or all of the deferred tax assets will not be realized.

l. Derivative financial instruments

The Company and certain of its consolidated subsidiaries utilize derivative financial instruments for the purpose of hedging their exposure to adverse fluctuations and changes in interest rates (interest rate swaps) and foreign exchange rates (currency swaps), but do not enter into such transactions for speculative or trading purposes.

Derivative financial instruments are carried at fair value with any changes in unrealized gain or loss charged or credited to operations, except for those which meet the criteria for deferred hedge accounting under which unrealized gain or loss is deferred as an asset or liability.

m. Important Hedge Accounting

1) Hedge Accounting
In principle, deferred hedge accounting is applied. For interest rate swaps, the short-cut method is applied to the swaps which satisfy the requirements of such short-cut method. For currency swaps, the allocation method is applied to the swaps which satisfy the requirements of such allocation method.

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."

1. Significant Accounting Policies (continued)

m. Important Hedge Accounting (continued)

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 short-cut method 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

n. Revenue recognition

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 the Group has 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, the Group operates office buildings and commercial facilities and provide real estate management services. As the manager of the entire building, the Group assumes responsibility for overall management throughout the management operations and provides 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, 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.

1. Significant Accounting Policies (continued)

n. Revenue recognition (continued)

■ 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, the Group assumes 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
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.

6) 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.

7) 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.

o. Appropriation of retained earnings

Under the Companies Act of Japan, the appropriation of retained earnings with respect to a given fiscal year is made by resolution of the shareholders at a general meeting held subsequent to the close of such fiscal year. The accounts for that year do not, therefore, reflect such appropriations. See Note 10 for more information.

1. Significant Accounting Policies (continued)

p. Significant accounting estimates

1. Valuation of property and equipment

(1) Amount recorded in the consolidated financial statements for the current fiscal year

	2022	2021	2022
	Millions of yen		*Thousands of U.S. dollars*
Property and equipment, net	**¥ 4,345,989**	**¥ 4,179,893**	**$ 35,509,350**
Impairment loss	**3,866**	**4,679**	**31,589**

(2) Other information

1) Calculation method for the amount recorded in the consolidated financial statements for the current fiscal year

The Group mainly owns real estate properties such as office buildings, commercial facilities, outlet malls, hotels and logistics facilities as property and equipment. For assets or asset groups with indication that they may be impaired (impairment indicators), when the sum of undiscounted future cash flows attributable to them is lower than the carrying value, the Group values those assets and asset groups to the recoverable amount, and such reduction is recognized as an impairment loss in accordance with the Accounting Standard for Impairment of Fixed Assets.

Asset grouping in order to determine whether to recognize impairment or to measure impairment losses is a minimum unit that generates cash flows, which is substantially independent from cash flows of other assets or asset groups.

The recoverable amount is the higher of net realizable value or value in use. While the net realizable value is calculated based on the real estate appraised value or estimated sales price, the value in use is calculated by discounting future cash flows.

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 in estimation 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. 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 the Group expects that the time required to backfill vacancies will gradually improve to the normal level from the next fiscal year.

■ Commercial facilities and outlet malls

Rents for commercial facilities and outlet malls are related to tenant sales at commercial facilities and outlet malls, as they include variable rents linked to tenant sales. 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, as it has been on an improving trend recently, the Group expects the impact to be limited from the following next fiscal year onwards.

■ Hotels

Occupancy rates have been at low level 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 the Group had before being affected by COVID-19. The Group 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, the Group assumes 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 are associated with potential risk of having lower profitability than originally expected because of delay in development or subsequent modification of a development plan. Potential risk includes risks such as being unable to obtain agreement from other landowners in the area planned for redevelopment, and being unable to obtain necessary governmental permission.

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. The Group therefore assumes that these redevelopment projects will progress while maintaining their profitability.

3) Impact on the consolidated financial statements for the next fiscal year

Impairment losses are estimated 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.

1. Significant Accounting Policies (continued)

p. Significant accounting estimates (continued)

2. Valuation of inventories

(1) Amount recorded in the consolidated financial statements for the current fiscal year

	2022	2021	2022
	Millions of yen		*Thousands of U.S. dollars*
Real estate for sale	**¥ 41,239**	¥ 88,116	**$ 336,949**
Land and housing projects in progress	**299,532**	267,563	**2,447,356**
Write-down of inventories	**380**	561	**3,106**

(2) Other information

1) Calculation method for the amount recorded in the consolidated financial statements for the current fiscal year

The Group values inventories at net realizable value when it is lower than cost due to decline in profitability, and recognizes such reduction as write-down of inventories in accordance with the Accounting Standard for Measurement of Inventories. The net realizable value is calculated by deducting the estimated additional construction costs and estimated sales expenses from the estimated sales amount.

2) Major assumptions

The major assumptions used in the estimation of net realizable value for the fiscal year are as follows.

Considering factors such as the latest distribution of sales by agreement date, contract prices and number of model units visitors, the net realizable values of projects that are generally progressing in line with or better the initial business plan are estimated based on the initial business plan. Meanwhile, the net realizable values of projects that have deteriorated from the initial business plan are estimated based on a revised business plan, taking into consideration the conditions unique to each project such as the status of progress, market prices in the neighboring areas and incurrence of additional costs. With regard to the impact of COVID-19, the Group assumes that the impact will be limited because current market demand is steady, and inventory is decreasing.

In addition, the land held for future development of residential condominiums is associated with potential risk of having lower profitability than originally expected because of delay in development or subsequent modification of a development plan which may happen in a period before sales commence. Potential risk includes risks such as a decline in sales price in the future, excessive supply of residential condominiums due to increases in supply caused by competitors in neighboring areas, being unable to obtain necessary governmental permission, delay in construction due to continuing negotiation with existing residents in neighboring areas.

The Group comprehensively assesses these various risks for the land held for future development.

However, the development projects currently underway are not in any situation that would decrease their profitability from the initial estimates. The Group therefore assumes that such development projects will progress while maintaining their profitability.

3) Impact on the consolidated financial statements for the next fiscal year

The valuation of inventories is estimated based on the descriptions of 2) Major Assumptions by the lower of cost or market (LCM) method. Therefore, if there are changes in these major assumptions, it may result in additional write-down of inventories in the next fiscal year.

3. Valuation of equity investments

(1) Amount recorded in the consolidated financial statements for the current fiscal year

	2022	2021	2022
	Millions of yen		*Thousands of U.S. dollars*
Equity investments	**¥ 624,521**	¥ 496,182	**$ 5,102,717**

(2) Other information

1) Calculation method for the amount recorded in the consolidated financial statements for the current fiscal year

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

When calculating the effective market value, the Group values assets held by investees for each purpose of holding.

2) Major assumptions

The major assumptions are determined for assets held by investees according to the purpose of holding. 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.

1. Significant Accounting Policies (continued)

q. Notes on Changes in Accounting Policies

Accounting Standard and Implementation Guidance on 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 ended March 31, 2022. 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 consolidated balance sheet for the previous fiscal year, has been included under “Accounts receivable and contract assets” from the current fiscal year. However, in accordance with the transitional treatment set forth in “Revenue Recognition Standard”, no reclassifications have been made to the previous fiscal year under the new presentation method. Furthermore, in accordance with the transitional treatment set forth in “Revenue Recognition Standard”, information in Note 22 “Revenue Recognition” related to the previous fiscal year is not presented.

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 ended March 31, 2022, and will prospectively apply the new accounting policies stipulated by the Fair Value Measurement Standard 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 the amount recognized in the consolidated balance sheet, however, even if observable inputs are not available, the fair value is calculated using unobservable inputs based on the best available information in the consolidated balance sheet. In addition, the Company will include notes on fair value information by level within the fair value hierarchy in the notes on financial instruments. However, in accordance with the transitional treatment set forth in “Fair Value Measurement Standard”, related information for the previous fiscal year is not presented.

r. Accounting standards issued but not yet effective

• On June 17, 2021, the ASBJ issued “Implementation Guidance on Accounting Standard for Fair Value Measurement” (ASBJ Guidance No. 31)

(1) Overview

The revised "Implementation Guidance on Accounting Standard for Fair Value Measurement" (ASBJ Guidance No. 31) was issued on June 17, 2021, approximately one year after issue of the "Accounting Standard for Fair Value Measurement" because a certain period of time was considered necessary for discussions with related parties at the time of issue of the Standard on July 4, 2019 regarding consideration of "Calculation of Fair Value of Investment Trusts" and certain considerations were necessary for the notes on the fair value of "Investment in partnerships, etc. for which the net amount equivalent to equity is recorded on the balance sheet".

(2) Scheduled date of adoption

The Company expects to adopt the accounting standard and implementation guidance from the beginning of the fiscal year ending March 31, 2023.

(3) Impact of the adoption of accounting standard and implementation guidance

Impact of the adoption of the implementation guidance on fair value measurement to consolidated financial statements is currently being evaluated.

s. Change in presentation

Consolidated Statement of Cash Flows

“Income taxes paid, net” under “Cash flows from operating activities” presented separately in the previous fiscal year, has been changed to “Income taxes refund (paid)” from the fiscal year under review due to provide a clearer presentation in line with actual conditions. The consolidated financial statements for the previous fiscal year have been reclassified to reflect this change in presentation.

As a result, the amount of ¥(57,400) million, which had been presented as “Income taxes paid, net” under “Cash flows from operating activities” in the consolidated statement of cash flows for the previous fiscal year, has been reclassified as “Income taxes refund (paid)” respectively.

2. U.S. Dollar Amounts

Translation of yen amounts into U.S. dollar amounts is included solely for convenience, as a matter of arithmetic computation only, at the rate of ¥122.39 = U.S.$1.00, the approximate rate of exchange prevailing on March 31, 2022. The inclusion of such amounts is not intended to imply that yen amounts have been or could be readily converted, realized or settled in U.S. dollars at the above or any other rate.

3. Amounts of receivables from contracts with customers and contract assets included in trade notes receivable, trade accounts receivable and contract assets

	2022		2022	
	Millions of yen		*Thousands of U.S. dollars*	
Trade notes	**¥**	**186**	**$**	**1,525**
Accounts receivable		**34,344**		**280,612**
Contract assets		**7,081**		**57,860**
Total	**¥**	**41,612**	**$**	**339,998**

4. Amount of contract liabilities included in "other"

The amount of contract liabilities included in "other" is described in "(1) Disaggregation of revenue from contracts with customers" in Note 22 "Revenue Recognition".

5. Inventories

Inventories at March 31, 2022 and 2021 are summarized as follows:

	2022		2021		2022	
	Millions of yen				*Thousands of U.S. dollars*	
Real estate for sale	**¥**	**41,239**	¥	88,116	**$**	**336,949**
Land and housing projects in progress		**299,532**		267,563		**2,447,356**
Land held for development		**724**		975		**5,922**
Other		**5,892**		8,179		**48,141**
Total	**¥**	**347,388**	¥	364,834	**$**	**2,838,369**

Write-downs of inventories as a result of a decrease in profitability for the years ended March 31, 2022 and 2021 were ¥380 million ($3,106 thousand) and ¥561 million, respectively, and recognized in cost of revenue from operations.

6. Other Investments

Other investments at March 31, 2022 and 2021 were as follows:

	2022		2021		2022	
	Millions of yen				*Thousands of U.S. dollars*	
Lease deposits	**¥**	**140,230**	¥	136,478	**$**	**1,145,768**
Long-term prepaid expenses		**138,917**		122,798		**1,135,036**
Other		**31,743**		34,661		**259,365**
Total	**¥**	**310,891**	¥	293,938	**$**	**2,540,170**

7. Short-Term Borrowings and Long-Term Debt

At March 31, 2022 and 2021, short-term borrowings and the current portion of long-term debt consisted of the following:

	2022	2021	2022
	Millions of yen		*Thousands of U.S. dollars*
Loans, principally from banks	¥ **182,052**	¥ 141,785	$ **1,487,474**
Commercial paper	**—**	50,000	**—**
Current portion of long-term debt	**169,928**	192,643	**1,388,419**
Total	¥ **351,980**	¥ 384,428	$ **2,875,894**

The weighted-average interest rates per annum on short-term borrowings outstanding at March 31, 2022 and 2021 were 0.45% and 0.51%, respectively. Short-term borrowings are principally unsecured.

At March 31, 2022 and 2021, long-term debt consisted of the following:

	2022	2021	2022
	Millions of yen		*Thousands of U.S. dollars*
1.262% unsecured bonds due 2021	**—**	¥ 15,000	**—**
1.103% unsecured bonds due 2021	**—**	20,000	**—**
1.095% unsecured bonds due 2021	**—**	10,000	**—**
1.178% unsecured bonds due 2022	**—**	20,000	**—**
1.087% unsecured bonds due 2022	¥ **20,000**	20,000	$ **163,412**
1.026% unsecured bonds due 2022	**30,000**	30,000	**245,118**
2.42% unsecured bonds due 2022	**10,000**	10,000	**81,706**
0.929% unsecured bonds due 2022	**10,000**	10,000	**81,706**
1.5% unsecured bonds due 2022	**10,000**	10,000	**81,706**
2.075% unsecured bonds due 2023	**10,000**	10,000	**81,706**
0.09% unsecured bonds due 2023	**20,000**	20,000	**163,412**
0.643% unsecured bonds due 2024	**20,000**	20,000	**163,412**
2.28% unsecured bonds due 2024	**10,000**	10,000	**81,706**
1.067% unsecured bonds due 2024	**10,000**	10,000	**81,706**
0.05% unsecured bonds due 2025	**30,000**	—	**245,118**
0.19% unsecured bonds due 2025	**10,000**	10,000	**81,706**
0.175% unsecured bonds due 2025	**10,000**	10,000	**81,706**
0.17% unsecured bonds due 2026	**10,000**	10,000	**81,706**
0.27% unsecured bonds due 2026	**10,000**	10,000	**81,706**
0.15% unsecured bonds due 2027	**30,000**	—	**245,118**
2.305% unsecured bonds due 2027	**10,000**	10,000	**81,706**
0.24% unsecured bonds due 2027	**10,000**	10,000	**81,706**
2.385% unsecured bonds due 2027	**10,000**	10,000	**81,706**
2.52% unsecured bonds due 2027	**15,000**	15,000	**122,559**
2.425% unsecured bonds due 2027	**10,000**	10,000	**81,706**

7. Short-Term Borrowings and Long-Term Debt (continued)

	2022	2021	2022
	Millions of yen		*Thousands of U.S. dollars*
0.16% unsecured bonds due 2028	¥ **20,000**	―	$ **163,412**
2.555% unsecured bonds due 2028	**10,000**	¥ 10,000	**81,706**
0.27% unsecured bonds due 2029	**40,000**	40,000	**326,824**
0.43% unsecured bonds due 2030	**30,000**	30,000	**245,118**
0.26% unsecured bonds due 2031	**30,000**	―	**245,118**
2.9% unsecured bonds due 2032	**10,000**	10,000	**81,706**
2.615% unsecured bonds due 2032	**10,000**	10,000	**81,706**
2.04% unsecured bonds due 2032	**20,000**	20,000	**163,412**
1.72% unsecured bonds due 2033	**10,000**	10,000	**81,706**
0.859% unsecured bonds due 2036	**10,000**	10,000	**81,706**
0.736% unsecured bonds due 2037	**10,000**	10,000	**81,706**
0.703% unsecured bonds due 2037	**10,000**	10,000	**81,706**
0.59% unsecured bonds due 2039	**20,000**	20,000	**163,412**
0.73% unsecured bonds due 2040	**20,000**	20,000	**163,412**
0.61% unsecured bonds due 2041	**20,000**	―	**163,412**
0.789% unsecured bonds due 2056	**15,000**	15,000	**122,559**
1.402% unsecured bonds due 2057	**15,000**	15,000	**122,559**
1.313% unsecured bonds due 2058	**10,000**	10,000	**81,706**
1.132% unsecured bonds due 2069	**15,000**	15,000	**122,559**
0.874% unsecured bonds under Euro MTN program due 2023	**5,751**	5,175	**46,989**
0.102% unsecured bonds under Euro MTN program due 2025	**1,111**	1,111	**9,080**
0.135% unsecured bonds under Euro MTN program due 2026	**3,784**	3,784	**30,924**
0.115% unsecured bonds under Euro MTN program due 2026	**2,924**	2,924	**23,893**
0.16% unsecured bonds under Euro MTN program due 2029	**1,255**	1,255	**10,258**
0.25% unsecured bonds under Euro MTN program due 2029	**1,508**	1,508	**12,322**
1.04% unsecured bonds under Euro MTN program due 2050	**15,000**	15,000	**122,559**
1.33% interest deferrable and early redeemable subordinated unsecured bonds due 2076	**70,000**	70,000	**571,942**
1.48% interest deferrable and early redeemable subordinated unsecured bonds due 2076	**30,000**	30,000	**245,118**
0.66% interest deferrable and early redeemable subordinated unsecured bonds due 2081	**80,000**	80,000	**653,648**
0.97% interest deferrable and early redeemable subordinated unsecured bonds due 2081	**35,000**	35,000	**285,971**
Loans from banks and insurance companies:			
Secured	**89,281**	89,991	**729,480**
Unsecured	**1,589,209**	1,431,510	**12,984,801**
	2,554,826	2,332,261	**20,874,469**
Less current portion	**(169,928)**	(192,643)	**(1,388,419)**
	¥ **2,384,897**	¥ 2,139,618	$ **19,486,050**

The aggregate annual maturities of long-term debt subsequent to March 31, 2022 are summarized as follows:

Year ending March 31,	*Millions of yen*	*Thousands of U.S. dollars*
2023	¥ **169,928**	$ **1,388,419**
2024	**265,531**	**2,169,555**
2025	**176,821**	**1,444,740**
2026	**132,176**	**1,079,958**
2027	**179,449**	**1,466,214**
2028 and thereafter	**1,630,917**	**13,325,581**
Total	¥ **2,554,826**	$ **20,874,469**

7. Short-Term Borrowings and Long-Term Debt (continued)

The assets pledged as collateral for short-term borrowings of ¥100 million ($817 thousand) and long-term debt of ¥89,281 million ($729,480 thousand) at March 31, 2022 were as follows:

	Millions of yen	*Thousands of U.S. dollars*
Buildings and structures	¥ **199,896**	$ **1,633,275**
Machinery and equipment	**1,443**	**11,796**
Land	**235,552**	**1,924,605**
Investment securities (*)	**15,716**	**128,412**
Other (*)	**850**	**6,950**
Total	¥ **453,459**	$ **3,705,039**

(*) Investment securities of ¥15,716 million ($128,412 thousand) and other of ¥840 million ($6,868 thousand) are pledged as collateral for the debts of the affiliated companies.

The following borrowings are non-recourse loans at March 31, 2022 and 2021, which are secured by collaterals as the sole source of recovery.

	2022	**2021**	**2022**
	Millions of yen		*Thousands of U.S. dollars*
Current portion of long-term borrowings	¥ **11,735**	¥ 10,934	$ **95,889**
Long-term borrowings	**50,287**	35,130	**410,879**
Total	¥ **62,023**	¥ 46,064	$ **506,769**

The assets pledged as collateral for the above non-recourse loans at March 31, 2022 and 2021 were as follows:

	2022	**2021**	**2022**
	Millions of yen		*Thousands of U.S. dollars*
Buildings and structures	¥ **113,517**	¥ 32,562	$ **927,507**
Machinery and equipment	**29**	—	**239**
Land	**79,307**	51,359	**647,987**
Construction in progress	**—**	3,288	**—**
Total	¥ **192,854**	¥ 87,209	$ **1,575,734**

8. Retirement Benefit Plans

The Company and most of its domestic consolidated subsidiaries have either funded or unfunded defined benefit plans, defined contribution plans and lump-sum payment plans in the form of a defined benefit plan. The Company has adopted a retirement benefit trust for the lump-sum payment plan and defined benefit plan. Some U.S. consolidated subsidiaries have adopted defined benefit plans.

The simplified method, which assumes the retirement benefit obligation to be equal to the benefits payable if all eligible employees voluntarily terminated their employment at the fiscal year end, has been adopted in accounting for defined benefit plans for some consolidated subsidiaries and the Company's executive officers.

The changes in the retirement benefit obligation during the years ended March 31, 2022 and 2021 are as follows:

	2022	2021	2022
	Millions of yen		*Thousands of U.S. dollars*
Retirement benefit obligation at the beginning of the year	¥ **143,454**	¥ 140,885	$ **1,172,106**
Service cost	**5,906**	5,605	**48,259**
Interest cost	**647**	750	**5,294**
Actuarial gain and loss	**466**	3,510	**3,810**
Retirement benefits paid	**(6,007)**	(6,140)	**(49,088)**
Translation adjustments	**2,322**	(1,186)	**18,974**
Other	**(114)**	28	**(935)**
Retirement benefit obligation at the end of the year	¥ **146,674**	¥ 143,454	$ **1,198,421**

The changes in plan assets during the years ended March 31, 2022 and 2021 are as follows:

	2022	2021	2022
	Millions of yen		*Thousands of U.S. dollars*
Plan assets at the beginning of the year	¥ **150,452**	¥ 134,975	$ **1,229,284**
Expected return on plan assets	**3,530**	3,188	**28,844**
Actuarial gain and loss	**9,793**	13,353	**80,017**
Contributions by the Company	**3,488**	3,492	**28,506**
Retirement benefits paid	**(3,931)**	(3,705)	**(32,125)**
Translation adjustments	**1,752**	(869)	**14,318**
Other	**(100)**	17	**(818)**
Plan assets at the end of the year	¥ **164,985**	¥ 150,452	$ **1,348,027**

The following table sets forth the funded status of the plans and the amounts recognized in the consolidated balance sheet as of March 31, 2022 and 2021 for the Company's and the consolidated subsidiaries' defined benefit plans:

	2022	2021	2022
	Millions of yen		*Thousands of U.S. dollars*
Funded retirement benefit obligation	¥ **125,852**	¥ 123,175	$ **1,028,287**
Plan assets at fair value	**(164,985)**	(150,452)	**(1,348,027)**
	(39,133)	(27,276)	**(319,740)**
Unfunded retirement benefit obligation	**20,822**	20,278	**170,134**
Net liability for retirement benefits in the consolidated balance sheet	**(18,310)**	(6,997)	**(149,605)**
Liability for retirement benefits	**27,402**	27,123	**223,897**
Asset for retirement benefits	**(45,998)**	(34,370)	**(375,838)**
Other current liabilities	**285**	248	**2,334**
Net liability for retirement benefits in the consolidated balance sheet	¥ **(18,310)**	¥ (6,997)	$ **(149,605)**

(*) The accrued employees' retirement benefits recognized by some U.S. consolidated subsidiaries were included in "Other current liabilities."

8. Retirement Benefit Plans (continued)

The components of retirement benefit expense for the years ended March 31, 2022 and 2021 are as follows:

	2022	2021	2022
	Millions of yen		*Thousands of U.S. dollars*
Service cost	**¥ 5,906**	¥ 5,605	**$ 48,259**
Interest cost	**647**	750	**5,294**
Expected return on plan assets	**(3,530)**	(3,188)	**(28,844)**
Amortization of actuarial loss	**(874)**	430	**(7,142)**
Amortization of prior service cost	**31**	16	**255**
Other	**159**	188	**1,304**
Retirement benefit expense	**¥ 2,340**	¥ 3,802	**$ 19,126**

(*) Retirement benefit expenses for consolidated subsidiaries adopting the simplified method, which assumes the retirement benefit obligation to be equal to the benefits payable if all eligible employees voluntarily terminated their employment at the fiscal year end, are included in "Service cost."

The components of retirement benefits liability adjustments included in other comprehensive income (before tax effect) for the years ended March 31, 2022 and 2021 are as follows:

	2022	2021	2022
	Millions of yen		*Thousands of U.S. dollars*
Prior service cost	**¥ 49**	¥ 3	**$ 405**
Actuarial gain and loss	**7,774**	10,627	**63,526**
Total	**¥ 7,824**	¥ 10,630	**$ 63,931**

The components of retirement benefits liability adjustments included in accumulated other comprehensive income (before tax effect) as of March 31, 2022 and 2021 are as follows:

	2022	2021	2022
	Millions of yen		*Thousands of U.S. dollars*
Unrecognized prior service cost	**¥ (36)**	¥ (82)	**$ (301)**
Unrecognized actuarial gain and loss	**11,329**	3,550	**92,571**
Total	**¥ 11,292**	¥ 3,468	**$ 92,270**

The fair values of plan assets, by major category, as a percentage of total plan assets as of March 31, 2022 and 2021 are as follows:

	2022	2021
Bonds	**15%**	14%
Stocks	**54%**	54%
General accounts	**8%**	9%
Other	**23%**	23%
Total	**100%**	100%

(*) Approximately 46% and 43% of total plan assets were held in the retirement benefit trust as of March 31, 2022 and 2021, respectively.

The expected return on plan assets has been estimated based on the anticipated allocation to each asset class and the expected long-term returns on assets held in each category.

The assumptions used in accounting for the above plans were as follows:

	2022	2021
Discount rates	**0.0 ~ 2.75%**	0.0 ~ 3.24%
Expected rates of return on plan assets	**1.0 ~ 6.20%**	0.92 ~ 6.50%
Rates of salary increase	**0.4 ~ 4.0%**	0.4 ~ 4.0%

The required contribution to defined contribution plans by the Company and its consolidated subsidiaries for the years ended March 31, 2022 and 2021 are ¥608 million ($4,972 thousand) and ¥567 million, respectively.

9. Income Taxes

The effective tax rates reflected in the consolidated statement of income for the years ended March 31, 2022 and 2021 differ from the effective statutory tax rates for the following reasons:

	2022	2021
Statutory tax rate	**30.62%**	30.62%
Increase (decrease) in income taxes resulting from:		
Different tax rates applied	**(1.38)**	(1.03)
Expenses not deductible for income tax purposes	**0.12**	0.11
Revenues deductible for income tax purposes	**(0.27)**	(1.61)
Change in valuation allowance	**0.38**	(0.28)
Undistributed earnings of affiliates	**0.78**	0.21
Equity income	**(0.16)**	0.19
Effect of enacted changes in tax laws and rates on Japanese tax	**(0.23)**	0.10
Other	**(1.93)**	(1.37)
Effective tax rate	**27.93%**	26.93%

The significant components of deferred tax assets and liabilities as of March 31, 2022 and 2021 were as follows:

	2022	2021	2022
	Millions of yen		*Thousands of U.S. dollars*
Deferred tax assets:			
Net operating loss carry forwards	**¥ 4,637**	¥ 3,322	**$ 37,891**
Liability for retirement benefits	**5,649**	8,737	**46,161**
Valuation loss on inventories	**672**	887	**5,493**
Unrealized loss on property and equipment	**57,601**	60,474	**470,641**
Unrealized loss on property and equipment by consolidation	**10,805**	10,402	**88,283**
Loss on valuation of investment securities	**1,575**	3,597	**12,873**
Loss on valuation of equity investments	**1,785**	4,300	**14,587**
Land revaluation reserve	**23,903**	23,903	**195,309**
Accrued bonuses	**3,538**	3,412	**28,909**
Other	**90,463**	67,035	**739,138**
Total gross deferred tax assets	**200,632**	186,073	**1,639,290**
Valuation allowance	**(80,003)**	(80,949)	**(653,678)**
Total deferred tax assets	**120,629**	105,124	**985,611**
Deferred tax liabilities:			
Reserves under Special Taxation Measures Law	**(68,222)**	(68,226)	**(557,419)**
Land revaluation reserve	**(266,333)**	(266,333)	**(2,176,107)**
Unrealized gain on property and equipment by consolidation	**(113,960)**	(110,595)	**(931,124)**
Unrealized gain on property and equipment	**(53,242)**	(53,242)	**(435,020)**
Unrealized gain on securities	**(57,167)**	(50,812)	**(467,095)**
Other	**(74,075)**	(47,278)	**(605,238)**
Total deferred tax liabilities	**(633,001)**	(596,489)	**(5,172,005)**
Net deferred tax liabilities	**¥ (512,372)**	¥ (491,364)	**$ (4,186,393)**

10. Shareholders' Equity

The Companies Act of Japan provides that an amount equal to 10% of the amount to be disbursed as distributions of capital surplus (other than the capital reserve) and retained earnings (other than the legal reserve) be transferred to the capital reserve and the legal reserve, respectively, until the sum of the capital reserve and the legal reserve equals 25% of the capital stock account. The capital reserve amounted to ¥159,749 million ($1,305,252 thousand), and the legal reserve amounted to ¥21,663 million ($177,006 thousand) at March 31, 2022. Such distributions can be made at any time by resolution of the shareholders or by the Board of Directors if certain conditions are met, but neither the capital reserve nor the legal reserve is available for distributions.

11. Amounts per Share

	Yen		*U.S. dollars*
Year ended March 31,	**2022**	**2021**	**2022**
Net income:			
Basic	¥ **116.45**	¥ 101.34	$ **0.95**
Diluted	**116.44**	101.33	**0.95**
Cash dividends applicable to the year	**36.00**	31.00	**0.29**

	Yen		*U.S. dollars*
As of March 31,	**2022**	**2021**	**2022**
Net assets	¥ **1,514.58**	¥ 1,383.47	$ **12.37**

Basic net income per share was computed based on the net income available for distribution to shareholders of common stock and the weighted average number of shares of common stock outstanding during the year, and diluted net income per share was computed based on the net income available for distribution to the shareholders and the weighted average number of shares of common stock outstanding during each year after giving effect to the dilutive potential of shares of common stock to be issued upon the exercise of warrants and stock subscription rights.

Amounts per share of net assets are computed based on net assets available for distribution to the shareholders and the number of shares of common stock outstanding at the year end.

Cash dividends per share represent the cash dividends proposed by the Board of Directors as applicable to the respective years together with the interim cash dividends paid.

12. Leases

Future minimum lease payments subsequent to March 31, 2022 on noncancelable operating leases are summarized as follows:

Year ending March 31,	*Millions of yen*	*Thousands of U.S. dollars*
2023	¥ **7,797**	$ **63,712**
2024 and thereafter	**254,588**	**2,080,140**
Total	¥ **262,386**	$ **2,143,853**

The Group leases office buildings and commercial properties, and earns income on these leases. Future minimum lease income subsequent to March 31, 2022 from noncancelable operating leases is summarized as follows:

Year ending March 31,	*Millions of yen*	*Thousands of U.S. dollars*
2023	¥ **386,111**	$ **3,154,764**
2024 and thereafter	**1,273,638**	**10,406,395**
Total	¥ **1,659,750**	$ **13,561,159**

13. Contingent Liabilities

At March 31, 2022, the Group had the following contingent liabilities:

(1) Guarantee of loans

		Millions of yen		*Thousands of U.S. dollars*
Guarantees of affiliates' loans from banks	**¥**	**1,500**	**$**	**12,255**
Guarantees of house purchasers' loans from banks		**57,718**		**471,596**
Total	**¥**	**59,218**	**$**	**483,852**

(2) Guarantee for business undertakings

		Millions of yen		*Thousands of U.S. dollars*
Business undertaking guarantees	**¥**	**79,343**	**$**	**648,280**

The Company, MEC Group International Inc., Mitsubishi Estate Asia Pte. Ltd. and MEA Commercial Holdings Pte. Ltd. provide business undertaking guarantees for property development projects in proportion to their share.
Mitsubishi Estate Asia Pte. Ltd. and MEA Commercial Holdings Pte. Ltd. provide business undertaking guarantees for property development projects. The amount exceeding the proportion of their share is collateralized or guaranteed by the joint venture.

14. Revenue from Contracts with Customers

Revenue from operations includes revenues from contracts with customers and revenue from other sources. The amount of revenue from contracts with customers is described in “(1) Disaggregation of revenue from contracts with customers” in Note 22 “Revenue Recognition”.

15. Other Income (Expenses)

The components of "Other, net" in "Other income (expenses)" for the years ended March 31, 2022 and 2021 were as follows:

	2022	2021	2022
	Millions of yen		*Thousands of U.S. dollars*
Gain on sale of fixed assets	¥ **6,781**	¥ 13,582	$ **55,409**
Gain on sale of investment securities	**7,987**	3,021	**65,265**
Gain on disposition of stock in subsidiaries and affiliates	**1,843**	—	**15,059**
Reversal of environmental provision	**3,576**	—	**29,223**
Loss on disposal of fixed assets	**(12,404)**	(6,448)	**(101,354)**
Loss related to retirement of fixed assets	**(16,254)**	(2,099)	**(132,809)**
Impairment loss(*1)	**(3,866)**	(4,679)	**(31,589)**
Loss on liquidation of subsidiaries	—	(13,826)	—
Loss on infectious disease(*2)	—	(5,698)	—
Other, net	**(449)**	(2,630)	**(3,676)**
	¥ **(12,786)**	¥ (18,779)	$ **(104,472)**

(*1) Impairment loss

The Company recorded consolidated impairment losses for the following asset groups for the fiscal year ended March 31, 2022:

Major Application	Category	Location
Leased assets, etc. (total 62 groups)	Land, 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, for the fiscal year ended March 31, 2022, the book values of 62 asset groups, consisting of those for which the market prices fell considerably compared with the book values due to the decline of land prices and those for which profitability decreased considerably due to fallen rent levels or deteriorated market conditions, etc., were reduced to the respective recoverable amounts and such reductions were recorded as impairment losses in the amount of ¥3,866 million ($31,589 thousand).

The breakdown of such impairment losses was ¥212 million ($1,734 thousand) in land and ¥3,653 million ($29,854 thousand) in buildings and structures.

The recoverable amounts of asset groups are measured using 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 mainly discounted at a rate of 5% are used to compute the value in use.

The Company recorded consolidated impairment losses for the following asset groups for the fiscal year ended March 31, 2021:

Major Application	Category	Location
Leased assets, etc. (total 25 groups)	Land, Buildings, etc.	Nishinomiya, Hyogo Prefecture, 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, for the fiscal year ended March 31, 2021, the book values of 25 asset groups, consisting of those for which the market prices fell considerably compared with the book values due to the decline of land prices and those for which profitability decreased considerably due to fallen rent levels or deteriorated market conditions, etc., were reduced to the respective recoverable amounts and such reductions were recorded as impairment losses in the amount of ¥4,679 million.

The breakdown of such impairment losses was ¥3,105 million in land and trusted land, and ¥1,574 million in buildings and structures.

The recoverable amounts of asset groups are measured using 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 mainly discounted at a rate of 5% are used to compute the value in use.

(*2) Loss on infectious disease

Details of losses on infectious disease for the fiscal year ended March 31, 2021 were as follows:

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 (depreciation, rents, etc.) incurred by commercial facilities and hotels during the closed period are recorded as loss on infectious disease.

16. Financial Instruments

Overview

(1) Policy for financial instruments

In consideration of plans for capital investment, the Group raises funds mainly through bank borrowings and bond issues. In terms of fund management, the Group makes every effort to avoid market risks by emphasizing liquidity and shortening the fund management period. The Group uses derivatives for the purpose of hedging exposure to interest rates, reducing interest expenses, and hedging the risk of fluctuations in foreign exchange rates and does not enter into derivatives for speculative purposes.

(2) Types of financial instruments and related risk

Trade receivables – notes and accounts receivable – are exposed to credit risk in relation to customers. Trade receivables denominated in foreign currencies, which arise from overseas operation, are exposed to foreign currency exchange risk.

Marketable securities and investment securities are exposed to market risk. Those securities are composed of mainly held-to-maturity debt securities and the shares of common stock of other companies with which the Group has business relationships.

Equity investments are composed of mainly preferred equity investments in special purpose companies under the Law concerning Liquidation of Assets, investments in real estate investment trusts and investments in silent partnerships for special purpose companies. They are exposed to credit risks of issuers, risks of fluctuations in interest rates and market prices, respectively.

Lease and guarantee deposits for leased assets are exposed to credit risks of customers.

Substantially all trade payables – accounts and notes payable – have payment due dates within one year. Some of them denominated in foreign currencies are exposed to foreign currency exchange risk.

Borrowings and bonds are taken out principally for the purpose of making capital investments and the repayment dates of the long-term debt extend up to 59 years from the balance sheet date. Certain long-term debt with variable interest rates is exposed to interest rate fluctuation risk. However, to reduce such risk for long-term debt bearing interest at variable rates, the Group utilizes derivative transactions (interest rate swaps) as hedging instruments.

Derivative transactions include interest rate swaps, currency swaps and forward foreign exchange contracts. The Group also enters into interest rate swap transactions to fix interest expense for long-term debt bearing interest at variable rates and to reduce interest rate fluctuation risk. Some of the consolidated subsidiaries enter into interest swap and currency swap transactions in accordance with the same policies and purposes adopted by the Company.

(3) Risk management for financial instruments

(a) Monitoring of credit risk (the risk that customers or counterparties may default)

In accordance with the internal policies for managing credit risk of the Group arising from receivables and lease and guarantee deposits, each related division in each business segment monitors credit worthiness of their main customers periodically, and monitors due dates and outstanding balances by individual customer. In addition, the Group is making efforts to identify and mitigate risks of bad debts from customers who are having financial difficulties.

(b) Monitoring of market risks (the risks arising from fluctuations in foreign exchange rates, interest rates and others)

In order to mitigate the interest rate risk for loans payable and bonds bearing interest at variable rates, the Group may also enters into interest rate swap and currency swap transactions.

The Group also uses foreign currency borrowings to hedge the risk of fluctuations in foreign exchange rates on its net investments in foreign subsidiaries.

For marketable securities and investment securities, the Group periodically reviews the fair values of such financial instruments and the financial position of the issuers (business partners). In addition, the Group continuously evaluates whether securities other than those classified as held-to-maturity should be maintained taking into account their fair values and relationships with the issuers (business partners).

(c) Monitoring of liquidity risk (the risk that the Group may not be able to meet its obligations on scheduled due dates)

Based on the report from each division, the Group prepares and updates its cash flow plans on a timely basis and stabilizes liquidity to manage liquidity risk.

(4) Supplementary explanation of the estimated fair value of financial instruments

Since various assumptions and factors are reflected in estimating the fair value, different assumptions and factors could result in different fair value.

16. Financial Instruments (continued)

Estimated Fair Value of Financial Instruments

Carrying value of financial instruments on the consolidated balance sheet as of March 31, 2022 and unrealized gains (losses) are shown in the following table.

	2022					
	Millions of yen			*Thousands of U.S. dollars*		
	Carrying Value	**Estimated Fair Value**	**Difference**	**Carrying Value**	**Estimated Fair Value**	**Difference**
1) Securities and Investment securities (*2)						
(i) Held-to-maturity debt securities	**¥ 180**	**¥ 184**	**¥ 4**	**$ 1,473**	**$ 1,507**	**$ 34**
(ii) Other securities	**254,533**	**254,533**	**—**	**2,079,690**	**2,079,690**	**—**
2) Equity investments (*2)(*4)	**24,150**	**24,150**	**—**	**197,328**	**197,328**	**—**
Total assets	**¥ 278,864**	**¥ 278,868**	**¥ 4**	**$ 2,278,492**	**$ 2,278,526**	**$ 34**
1) Current portion of long-term borrowings	**¥ 79,928**	**¥ 80,346**	**¥ 418**	**$ 653,065**	**$ 656,482**	**$ 3,417**
2) Current portion of long-term bonds	**90,000**	**90,426**	**426**	**735,354**	**738,834**	**3,480**
3) Long-term bonds	**786,335**	**797,302**	**10,967**	**6,424,833**	**6,514,443**	**89,610**
4) Long-term borrowings	**1,598,562**	**1,617,802**	**19,239**	**13,061,216**	**13,218,419**	**157,202**
5) Lease deposits received	**451,749**	**432,359**	**(19,389)**	**3,691,065**	**3,532,640**	**(158,424)**
Total liabilities	**¥ 3,006,575**	**¥ 3,018,237**	**¥ 11,662**	**$24,565,535**	**$24,660,821**	**$ 95,285**
Derivative transactions (*3)	**¥ (92)**	**¥ (92)**	**—**	**$ (758)**	**$ (758)**	**—**

(*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 value of such financial instruments in the consolidated balance sheet are as follows.

	2022	
	Millions of yen	*Thousands of U.S. dollars*
(i) Unlisted stocks	**¥ 48,972**	**$ 400,131**
(ii) Investments in capital	**94**	**773**

(*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 ($11,351 thousand).

16. Financial Instruments (continued)

Estimated Fair Value of Financial Instruments (continued)

	2021		
	Millions of yen		
	Carrying Value	**Estimated Fair Value**	**Difference**
1) Securities and Investment securities			
(i) Held-to-maturity debt securities	¥ 2,865	¥ 2,873	¥ 8
(ii) Other securities	231,524	231,524	—
(iii) Investments in subsidiaries and affiliates	60	594	533
2) Equity investments	18,118	18,118	—
Total assets	¥ 252,570	¥ 253,111	¥ 541
1) Current portion of long-term borrowings (*2)	¥ 127,643	¥ 127,643	—
2) Current portion of long-term bonds (*2)	65,000	65,000	—
3) Long-term bonds	745,759	770,126	24,367
3) Long-term borrowings	1,393,858	1,414,828	20,969
Total liabilities	¥ 2,332,261	¥ 2,377,598	¥ 45,336
Derivative transactions(*3)	¥ (2,251)	¥ (2,251)	—

(*1) Cash and items whose market value approximates their carrying amount due to their short maturities are omitted.

(*2) Because current portion of long-term borrowings and current portion of long-term bonds are settled in a short period of time and their fair value approximates carrying value, fair value of these accounts are valued by carrying amount.

(*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) Financial instruments for which it is extremely difficult to determine the fair value.

	2021
	Millions of yen
(i) Unlisted stocks	¥ 52,171
(ii) Equity investments	478,063
(iii) Lease and guarantee deposits	136,478
(iv) Lease deposits received	466,891

(i) Because no quoted market price is available and it is extremely difficult to determine the fair value, unlisted stocks are not included in the above table.

(ii) Because it is extremely difficult to determine the fair value for equity investments which are not listed and have no quoted market price, they are not included in the above table.

(iii) Because no quoted market price for lease and guarantee deposit receivables for rental properties is available and calculation of the actual period of duration from lease initiation to evacuation is difficult, it is extremely difficult to estimate a reasonable amount of cash flow and therefore they are not included in the above table.

(iv) Because no quoted market price for lease and guarantee deposit payables for rental properties is available and calculation of the actual period of duration from lease initiation to evacuation is difficult, it is extremely difficult to estimate a reasonable amount of cash flow, and therefore they are not included in the above table.

16. Financial Instruments (continued)

Estimated Fair Value of Financial Instruments (continued)

Note A: Redemption schedule for receivables and marketable securities with maturities

	Millions of yen				*Thousands of U.S. dollars*			
As of March 31, 2022	**Due in One Year or Less**	**Due after One Year through Five Years**	**Due after Five Years through Ten Years**	**Due after Ten Years**	**Due in One Year or Less**	**Due after One Year through Five Years**	**Due after Five Years through Ten Years**	**Due after Ten Years**
Cash on hand and in banks	**¥ 233,117**	—	—	—	**$ 1,904,707**	—	—	—
Trade notes	**186**	—	—	—	**1,525**	—	—	—
Accounts receivable	**53,376**	—	—	—	**436,120**	—	—	—
Marketable securities and investment securities:								
Held-to-maturity debt securities								
National bonds	**20**	**¥ 100**	**¥ 35**	**¥ 25**	**163**	**$ 817**	**$ 285**	**$ 204**
Corporate bonds	—	—	—	—	—	—	—	—
Other	—	—	—	—	—	—	—	—
Other marketable securities with maturities:								
National and local government bonds	—	—	—	—	—	—	—	—
Other	**4,301**	**12**	**116**	—	**35,149**	**98**	**948**	—
Total	**¥ 291,002**	**¥ 112**	**¥ 151**	**¥ 25**	**$ 2,377,666**	**$ 915**	**$ 1,234**	**$ 204**

	Millions of yen			
As of March 31, 2021	**Due in One Year or Less**	**Due after One Year through Five Years**	**Due after Five Years through Ten Years**	**Due after Ten Years**
Cash on hand and in banks	¥ 170,040	—	—	—
Notes and accounts receivable – trade	52,031	—	—	—
Marketable securities and investment securities:				
Held-to-maturity debt securities				
National bonds	24	¥ 253	¥ 35	¥ 25
Corporate bonds	—	—	—	—
Other	2,527	—	—	—
Other marketable securities with maturities:				
National and local government bonds	—	—	—	—
Other	2,100	628	74	—
Total	¥ 226,723	¥ 882	¥ 109	¥ 25

16. Financial Instruments (continued)

Estimated Fair Value of Financial Instruments (continued)

Note B: The redemption schedule for bonds and long-term borrowings

	Millions of yen						*Thousands of U.S. dollars*					
As of March 31, 2022	**Due in One Year or Less**	**Due after One Year through Two Years**	**Due after Two Years through Three Years**	**Due after Three Years through Four Years**	**Due after Four Years through Five Years**	**Due after Five Years**	**Due in One Year or Less**	**Due after One Year through Two Years**	**Due after Two Years through Three Years**	**Due after Three Years through Four Years**	**Due after Four Years through Five Years**	**Due after Five Years**
Corporate bonds	**¥ 90,000**	**¥ 25,751**	**¥ 81,111**	**¥ 10,000**	**¥ 66,709**	**¥ 602,763**	**$ 735,354**	**$ 210,401**	**$ 662,728**	**$ 81,706**	**$ 545,054**	**$ 4,924,942**
Long-term borrowings	**79,928**	**239,780**	**95,710**	**122,176**	**112,740**	**1,028,154**	**653,065**	**1,959,154**	**782,011**	**998,252**	**921,159**	**8,400,638**
Total	**¥ 169,928**	**¥ 265,531**	**¥ 176,821**	**¥ 132,176**	**¥ 179,449**	**¥ 1,630,917**	**$ 1,388,419**	**$ 2,169,555**	**$ 1,444,740**	**$ 1,079,958**	**$ 1,466,214**	**$ 13,325,581**

	Millions of yen					
As of March 31, 2021	**Due in One Year or Less**	**Due after One Year through Two Years**	**Due after Two Years through Three Years**	**Due after Three Years through Four Years**	**Due after Four Years through Five Years**	**Due after Five Years**
Corporate bonds	¥ 65,000	¥ 90,000	¥ 25,175	¥ 51,111	¥ 10,000	¥ 569,472
Long-term borrowings	127,643	64,732	223,086	86,823	104,450	914,766
Total	¥ 192,643	¥ 154,732	¥ 248,261	¥ 137,934	¥ 114,450	¥ 1,484,239

16. Financial Instruments (continued)

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

The fair 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 : Fair value calculated based on quoted prices in active markets for identical assets or liabilities.
Level 2 market value : Fair value calculated using observable inputs that are not included in Level 1 inputs.
Level 3 market value : Fair value calculated using unobservable inputs.

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 measured at fair value

	2022							
	Millions of yen				*Thousands of U.S. dollars*			
	Market value				Market value			
Classification	**Level 1**	**Level 2**	**Level 3**	**Total**	**Level 1**	**Level 2**	**Level 3**	**Total**
Securities and Investment securities:								
Other securities								
Stocks	**¥ 244,386**	**—**	**—**	**¥ 244,386**	**$ 1,996,788**	**—**	**—**	**$ 1,996,788**
Corporate bonds	**—**	**—**	**¥ 5,866**	**5,866**	**—**	**—**	**$ 47,931**	**47,931**
Other	**4,280**	**—**	**—**	**4,280**	**34,970**	**—**	**—**	**34,970**
Equity investments	**19,629**	**—**	**4,521**	**24,150**	**160,387**	**—**	**36,940**	**197,328**
Total assets	**¥ 268,296**	**—**	**¥ 10,387**	**¥ 278,684**	**$ 2,192,146**	**—**	**$ 84,872**	**$ 2,277,018**
Derivative transactions: (*)								
Interest-related	**—**	**¥ (92)**	**—**	**¥ (92)**	**—**	**$ (758)**	**—**	**$ (758)**
Total liabilities	**—**	**¥ (92)**	**—**	**¥ (92)**	**—**	**$ (758)**	**—**	**$ (758)**

(*) 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 measured at fair value

	2022							
	Millions of yen				*Thousands of U.S. dollars*			
	Market value				Market value			
Classification	**Level 1**	**Level 2**	**Level 3**	**Total**	**Level 1**	**Level 2**	**Level 3**	**Total**
Securities and Investment securities:								
Held-to-maturity debt securities								
National bonds	**¥ 184**	**—**	**—**	**¥ 184**	**$ 1,507**	**—**	**—**	**$ 1,507**
Total assets	**¥ 184**	**—**	**—**	**¥ 184**	**$ 1,507**	**—**	**—**	**$ 1,507**
Current portion of long-term borrowings	**—**	**¥ 80,346**	**—**	**¥ 80,346**	**—**	**$ 656,482**	**—**	**$ 656,482**
Current portion of long-term bonds	**—**	**90,426**	**—**	**90,426**	**—**	**738,834**	**—**	**738,834**
Long-term bonds	**—**	**797,302**	**—**	**797,302**	**—**	**6,514,443**	**—**	**6,514,443**
Long-term borrowings	**—**	**1,617,802**	**—**	**1,617,802**	**—**	**13,218,419**	**—**	**13,218,419**
Lease and guarantee deposit payables	**—**	**432,359**	**—**	**432,359**	**—**	**3,532,640**	**—**	**3,532,640**
Total liabilities	**—**	**¥ 3,018,237**	**—**	**¥ 3,018,237**	**—**	**$ 24,660,821**	**—**	**$ 24,660,821**

Note : 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 national bonds with quoted market prices held by the Group 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 investments

Equity investments with market value held by the Group 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 Group 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 Group 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.)

Lease and guarantee deposit payables

The market value of lease and guarantee deposit payables 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.

17. Marketable Securities and Investment Securities

Marketable and investment securities classified as other securities at March 31, 2022 and 2021 are summarized as follows:

	2022											
	Millions of yen						*Thousands of U.S. dollars*					
		Cost		**Fair Value**		**Unrealized Gain (Loss)**		**Cost**		**Fair Value**		**Unrealized Gain (Loss)**
Securities whose fair value exceeds their cost:												
Equity securities	¥	**60,527**	¥	**239,142**	¥	**178,614**	$	**494,546**	$	**1,953,936**	$	**1,459,389**
Government bonds		—		—		—		—		—		—
Other		**12,874**		**24,150**		**11,276**		**105,190**		**197,328**		**92,137**
Subtotal		**73,401**		**263,293**		**189,891**		**599,736**		**2,151,264**		**1,551,527**
Securities whose cost exceeds their fair value:												
Equity securities		**7,231**		**5,244**		**(1,986)**		**59,082**		**42,852**		**(16,229)**
Government bonds		—		—		—		—		—		—
Corporate bonds		**6,845**		**5,866**		**(978)**		**55,927**		**47,931**		**(7,996)**
Other		**4,344**		**4,280**		**(64)**		**35,498**		**34,970**		**(528)**
Subtotal		**18,420**		**15,391**		**(3,029)**		**150,508**		**125,754**		**(24,754)**
Total	¥	**91,822**	¥	**278,684**	¥	**186,861**	$	**750,245**	$	**2,277,018**	$	**1,526,773**

	2021					
	Millions of yen					
		Cost		**Fair Value**		**Unrealized Gain (Loss)**
Securities whose fair value exceeds their cost:						
Equity securities	¥	57,519	¥	218,474	¥	160,955
Government bonds		—		—		—
Other		9,233		18,120		8,887
Subtotal		66,752		236,595		169,842
Securities whose cost exceeds their fair value:						
Equity securities		13,135		10,940		(2,195)
Government bonds		—		—		—
Corporate bonds		—		—		—
Other		2,242		2,108		(133)
Subtotal		15,377		13,048		(2,328)
Total	¥	82,130	¥	249,643	¥	167,513

Proceeds from sales of securities classified as other securities totaled ¥8,867 million ($72,454 thousand) and ¥4,233 million for the years ended March 31, 2022 and 2021, respectively. Gross realized gains were ¥5,486 million ($44,830 thousand) and ¥3,021 million for the years ended March 31, 2022 and 2021, respectively.
In addition, there is ¥2,500 million ($20,434 thousand) of proceeds from sales of limited partnership for investment.

Disclosure for impaired marketable and investment securities as of March 31, 2022 and 2021 is not provided as the amount is immaterial.

Marketable debt securities classified as held-to-maturity securities at March 31, 2022 and 2021 are summarized as follows:

	2022											
	Millions of yen						*Thousands of U.S. dollars*					
		Amortized Cost		**Fair Value**		**Unrealized Gain (Loss)**		**Amortized Cost**		**Fair Value**		**Unrealized Gain (Loss)**
Debt securities whose fair value exceeds their cost:												
Government bonds	¥	**180**	¥	**184**	¥	**4**	$	**1,473**	$	**1,507**	$	**34**
Corporate bonds		—		—		—		—		—		—
Subtotal		**180**		**184**		**4**		**1,473**		**1,507**		**34**
Debt securities whose cost exceeds their fair value:												
Government bonds		—		—		—		—		—		—
Corporate bonds		—		—		—		—		—		—
Other		—		—		—		—		—		—
Subtotal		—		—		—		—		—		—
Total	¥	**180**	¥	**184**	¥	**4**	$	**1,473**	$	**1,507**	$	**34**

	2021					
	Millions of yen					
		Amortized Cost		**Fair Value**		**Unrealized Gain (Loss)**
Debt securities whose fair value exceeds their cost:						
Government bonds	¥	338	¥	346	¥	8
Corporate bonds		—		—		—
Subtotal		338		346		8
Debt securities whose cost exceeds their fair value:						
Government bonds		—		—		—
Corporate bonds		—		—		—
Other		2,527		2,527		—
Subtotal		2,527		2,527		—
Total	¥	2,865	¥	2,873	¥	8

18. Supplemental Cash Flow Information

The following table represents a reconciliation of cash and cash equivalents as of March 31, 2022 and 2021:

	2022	2021	2022
	Millions of yen		*Thousands of U.S. dollars*
Cash on hand and in banks	**¥ 233,117**	¥ 170,040	**$ 1,904,707**
Time deposits with maturities of more than three months	**(688)**	(260)	**(5,624)**
Marketable securities with maturities of three months or less	**1,815**	2,527	**14,837**
Cash and cash equivalents	**¥ 234,244**	¥ 172,307	**$ 1,913,920**

19. Derivatives and Hedging Activities

(1) Currency related transactions

		2022					
		Millions of yen			*Thousands of U.S. dollars*		
Class of transactions	Subject to hedge accounting	Notional Amount	Due after One Year	Fair Value	Notional Amount	Due after One Year	Fair Value
Currency swap contracts by allocation method							
Payment in JPY and receipt in USD	Corporate bonds and						
Payment in JPY and receipt in EUR	Long-term borrowings						
Payment in JPY and receipt in AUD		**¥ 15,924**	**¥ 15,924**	**(*)**	**$ 130,111**	**$ 130,111**	**(*)**
Total		**¥ 15,924**	**¥ 15,924**	**(*)**	**$ 130,111**	**$ 130,111**	**(*)**

		2021		
		Millions of yen		
Class of transactions	Subject to hedge accounting	Notional Amount	Due after One Year	Fair Value
Currency swap contracts by allocation method				
Payment in JPY and receipt in USD	Corporate bonds and			
Payment in JPY and receipt in EUR	Long-term borrowings			
Payment in JPY and receipt in AUD		¥ 19,388	¥ 15,924	(*)
Total		¥ 19,388	¥ 15,924	(*)

(*) The estimated fair value of currency swap contracts is included in the estimated fair value of corporate bonds and long-term borrowings since amounts in such derivative contracts accounted for by the allocation method are handled together with corporate bonds and long-term borrowings that are subject to hedge accounting.

(2) Interest related transactions

		2022					
		Millions of yen			*Thousands of U.S. dollars*		
Class of transactions	Subject to hedge accounting	Notional Amount	Due after One Year	Fair Value	Notional Amount	Due after One Year	Fair Value
Interest rate swap contracts Fixed rate payment and floating rate receipt	Corporate bonds and Long-term borrowings	**¥ 40,676**	**¥ 40,524**	**¥ (92)**	**$ 332,350**	**$ 331,108**	**$ (758)**
Interest rate swap contracts by short-cut method Fixed rate payment and floating rate receipt	Long-term borrowings	**128,397**	**96,580**	**(*)**	**1,049,084**	**789,118**	**(*)**
Total		**¥ 169,073**	**¥ 137,104**	**¥ (92)**	**$ 1,381,434**	**$ 1,120,227**	**$ (758)**

		2021		
		Millions of yen		
Class of transactions	Subject to hedge accounting	Notional Amount	Due after One Year	Fair Value
Interest rate swap contracts Fixed rate payment and floating rate receipt	Short-term borrowings and Long-term borrowings	¥ 67,661	¥ 64,045	¥ (2,251)
Interest rate swap contracts by short-cut method Fixed rate payment and floating rate receipt	Long-term borrowings	149,080	128,354	(*)
Total		¥ 216,742	¥ 192,400	¥ (2,251)

(*) The estimated fair value of interest rate swap contracts is included in the estimated fair value of long-term borrowings since amounts in such derivative contracts accounted for by the short-cut method are handled together with long-term borrowings that are subject to hedge accounting.

(3) Interest and currency related transactions

		2022					
		Millions of yen			*Thousands of U.S. dollars*		
Class of transactions	Subject to hedge accounting	Notional Amount	Due after One Year	Fair Value	Notional Amount	Due after One Year	Fair Value
Interest rate and currency swap contracts by short-cut method and allocation method Payment in JPY and receipt in USD Fixed rate payment and floating rate receipt	Long-term borrowings	**¥ 43,400**	**¥ 43,400**	**(*)**	**$ 354,607**	**$ 354,607**	**(*)**
Total		**¥ 43,400**	**¥ 43,400**	**(*)**	**$ 354,607**	**$ 354,607**	**(*)**

		2021		
		Millions of yen		
Class of transactions	Subject to hedge accounting	Notional Amount	Due after One Year	Fair Value
Interest rate and currency swap contracts by short-cut method and allocation method Payment in JPY and receipt in USD Fixed rate payment and floating rate receipt	Long-term borrowings	¥ 49,400	¥ 43,400	(*)
Total		¥ 49,400	¥ 43,400	(*)

(*) The estimated fair value of interest rate and currency swap contracts is included in the estimated fair value of long-term borrowings since amounts in such derivative contracts accounted for by the short-cut method and allocation method are handled together with long-term borrowings that are subject to hedge accounting.

20. Segment Information

The reportable segments of the Group are components for which discrete financial information is available and whose operating results are regularly reviewed by the board of directors and other committees to make decisions about resource allocation and to assess performance. Business performances are aggregated according to business areas that consist of multiple business groups and defined as organizational units having common business objectives and management responsibilities within the Group, and such aggregated business areas are disclosed as reportable segments.

The Group is primarily engaged in the real estate business. Their business segments are classified in terms of the nature of each operation or service and consist of following segments: (1) Commercial Property Business; (2) Residential Business; (3) International Business; (4) Investment Management Business; (5) Architectural Design & Engineering Business and Real Estate Services Business; (6) Other businesses.

The accounting policies of segments are almost the same as those described in Note 1 "Significant Accounting Policies". Segment operating income is based on revenue from operations, cost of revenue from operations and selling, general and administrative expenses. Transactions and transfers between segments are made at amounts based on prevailing market prices.
As described in Note 1 "q.Notes on Changes in Accounting Policies," the Company applied “Revenue Recognition Standard” from the beginning of the fiscal year and changed the accounting method for revenue recognition.
As a result, the method of calculating income or loss for business segments has also been changed in the same manner. However, the impact of this change is immaterial.

The reportable segment information of the Group for the years ended March 31, 2022 and 2021 are summarized as follows:

Millions of yen

	2022									
	Reportable Segments									
	Commercial Property Business	Residential Business	International Business	Investment Management Business	Architectural Design & Engineering Business and Real Estate Services Business	Subtotal	Other	Total	Eliminations or Corporate	Consolidated
Revenue, operating income and assets by reportable segment										
Revenue from:										
External customers	¥ 755,066	¥ 379,415	¥ 121,397	¥ 44,533	¥ 47,599	¥ 1,348,013	¥ 1,476	¥ 1,349,489	—	¥ 1,349,489
Intersegment or transfers	5,592	1,543	(163)	2,168	10,180	19,321	8,658	27,979	¥ (27,979)	—
Total revenue	760,658	380,959	121,234	46,702	57,780	1,367,334	10,134	1,377,469	(27,979)	1,349,489
Segment income (loss)	189,909	30,173	55,816	26,537	2,802	305,239	(1,683)	303,555	(24,578)	278,977
Segment assets	¥ 4,273,287	¥ 666,928	¥ 1,130,973	¥ 108,984	¥ 57,759	¥ 6,237,934	¥ 25,352	¥ 6,263,287	¥ 230,630	¥ 6,493,917
Other items										
Depreciation and amortization	73,315	4,570	8,460	1,681	894	88,923	147	89,071	2,510	91,581
Capital expenditures	¥ 169,453	¥ 53,410	¥ 123,234	¥ 978	¥ 1,112	¥ 348,190	¥ 99	¥ 348,289	¥ (595)	¥ 347,694

Thousands of U.S. dollars

	2022									
	Reportable Segments									
	Commercial Property Business	Residential Business	International Business	Investment Management Business	Architectural Design & Engineering Business and Real Estate Services Business	Subtotal	Other	Total	Eliminations or Corporate	Consolidated
Revenue, operating income and assets by reportable segment										
Revenue from:										
External customers	$ 6,169,345	$ 3,100,055	$ 991,893	$ 363,867	$ 388,918	$ 11,014,079	$ 12,062	$ 11,026,142	—	$ 11,026,142
Intersegment or transfers	45,690	12,615	(1,338)	17,718	83,181	157,866	70,745	228,612	$ (228,612)	—
Total revenue	6,215,035	3,112,670	990,554	381,585	472,099	11,171,946	82,808	11,254,755	(228,612)	11,026,142
Segment income (loss)	1,551,672	246,535	456,057	216,828	22,897	2,493,992	(13,757)	2,480,235	(200,818)	2,279,416
Segment assets	$ 34,915,329	$ 5,449,209	$ 9,240,736	$ 890,472	$ 471,931	$ 50,967,679	$ 207,147	$ 51,174,826	$ 1,884,386	$ 53,059,213
Other items										
Depreciation and amortization	599,033	37,345	69,128	13,737	7,312	726,558	1,206	727,764	20,513	748,278
Capital expenditures	$ 1,384,540	$ 436,397	$ 1,006,902	$ 7,995	$ 9,090	$ 2,844,927	$ 810	$ 2,845,738	$ (4,866)	$ 2,840,871

20. Segment Information (continued)

Millions of yen

	2021									
	Reportable Segments									
	Commercial Property Business	Residential Business	International Business	Investment Management Business	Architectural Design & Engineering Business and Real Estate Services Business	Subtotal	Other	Total	Eliminations or Corporate	Consolidated
Revenue, operating income and assets by reportable segment										
Revenue from:										
External customers	¥ 665,257	¥ 361,335	¥ 114,399	¥ 20,505	¥ 44,746	¥ 1,206,243	¥ 1,351	¥ 1,207,594	—	¥ 1,207,594
Intersegment or transfers	7,184	1,419	57	1,694	11,318	21,674	7,704	29,378	¥ (29,378)	—
Total revenue	672,441	362,755	114,457	22,199	56,064	1,227,917	9,055	1,236,973	(29,378)	1,207,594
Segment income (loss)	180,775	24,068	37,932	5,966	959	249,703	(1,089)	248,613	(24,219)	224,394
Segment assets	¥ 4,167,287	¥ 673,344	¥ 929,869	¥ 77,586	¥ 56,067	¥ 5,904,155	¥ 25,367	¥ 5,929,523	¥ 142,995	¥ 6,072,519
Other items										
Depreciation and amortization	71,713	4,120	8,599	1,359	909	86,701	130	86,832	2,274	89,107
Capital expenditures	¥ 196,728	¥ 73,169	¥ 71,341	¥ 114	¥ 989	¥ 342,342	¥ 349	¥ 342,692	¥ 10,939	¥ 353,631

Impairment losses of the Group on fixed assets by reportable segments for the years ended March 31, 2022 and 2021 are summarized as follows:

Millions of yen

	2022									
	Reportable Segments									
	Commercial Property Business	Residential Business	International Business	Investment Management Business	Architectural Design & Engineering Business and Real Estate Services Business	Subtotal	Other	Total	Eliminations or Corporate	Consolidated
Impairment loss	**¥ 1,227**	**¥ 2,627**	**¥ 55**	**—**	**¥ 18**	**¥ 3,929**	**—**	**¥ 3,929**	**¥ (63)**	**¥ 3,866**
										Thousands of U.S. dollars
Impairment loss	**$ 10,026**	**$ 21,469**	**$ 456**	**—**	**$ 151**	**$ 32,104**	**—**	**$ 32,104**	**$ (514)**	**$ 31,589**

Millions of yen

	2021									
	Reportable Segments									
	Commercial Property Business	Residential Business	International Business	Investment Management Business	Architectural Design & Engineering Business and Real Estate Services Business	Subtotal	Other	Total	Eliminations or Corporate	Consolidated
Impairment loss	¥ 2,513	¥ 849	¥ 1,035	—	¥ 9	¥ 4,408	¥ 271	¥ 4,679	—	¥ 4,679

20. Segment Information (continued)

The following tables present the amortization and balance of goodwill as of and for the years ended March 31, 2022 and 2021 by reportable segment:

Millions of yen

	2022									
	Reportable Segments									
	Commercial Property Business	**Residential Business**	**International Business**	**Investment Management Business**	**Architectural Design & Engineering Business and Real Estate Services Business**	**Subtotal**	**Other**	**Total**	**Eliminations or Corporate**	**Consolidated**
Amortization of goodwill	**¥ 75**	**¥ 358**	**¥ 67**	**¥ 1,665**	**¥ 377**	**¥ 2,544**	**—**	**¥ 2,544**	**—**	**¥ 2,544**
Balance of goodwill	**—**	**¥ 3,758**	**¥ 222**	**¥ 3,414**	**¥ 4,606**	**¥ 12,002**	**—**	**¥ 12,002**	**—**	**¥ 12,002**
Amortization of negative goodwill	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**
Balance of negative goodwill	**¥ 97,528**	**—**	**—**	**—**	**—**	**¥ 97,528**	**—**	**¥ 97,528**	**—**	**¥ 97,528**

Thousands of U.S. dollars

	2022									
	Reportable Segments									
	Commercial Property Business	**Residential Business**	**International Business**	**Investment Management Business**	**Architectural Design & Engineering Business and Real Estate Services Business**	**Subtotal**	**Other**	**Total**	**Eliminations or Corporate**	**Consolidated**
Amortization of goodwill	**$ 616**	**$ 2,930**	**$ 549**	**$ 13,611**	**$ 3,083**	**$ 20,792**	**—**	**$ 20,792**	**—**	**$ 20,792**
Balance of goodwill	**—**	**$ 30,712**	**$ 1,817**	**$ 27,895**	**$ 37,639**	**$ 98,065**	**—**	**$ 98,065**	**—**	**$ 98,065**
Amortization of negative goodwill	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**
Balance of negative goodwill	**$ 796,869**	**—**	**—**	**—**	**—**	**$ 796,869**	**—**	**$ 796,869**	**—**	**$ 796,869**

Millions of yen

	2021									
	Reportable Segments									
	Commercial Property Business	**Residential Business**	**International Business**	**Investment Management Business**	**Architectural Design & Engineering Business and Real Estate Services Business**	**Subtotal**	**Other**	**Total**	**Eliminations or Corporate**	**Consolidated**
Amortization of goodwill	75	¥ 358	¥ 64	¥ 2,146	¥ 377	¥ 3,022	—	¥ 3,022	—	¥ 3,022
Balance of goodwill	—	¥ 4,117	¥ 69	¥ 4,678	¥ 4,984	¥ 13,848	—	¥ 13,848	—	¥ 13,848
Amortization of negative goodwill	—	—	—	—	—	—	—	—	—	—
Balance of negative goodwill	¥ 97,453	—	—	—	—	¥ 97,453	—	¥ 97,453	—	¥ 97,453

Products and Service Information

Refer to reportable segment information.

Geographical Area Information

Geographical area information on net sales for the year ended March 31, 2022 and 2021 are as follows:

	Millions of yen		*Thousands of U.S. dollars*
	2022	2021	**2022**
Japan	**¥ 1,192,802**	¥ 1,081,090	**$ 9,745,913**
United States	**125,898**	87,867	**1,028,669**
Europe	**4,028**	22,785	**32,911**
Asia	**26,760**	15,852	**218,647**
Total	**¥ 1,349,489**	¥ 1,207,594	**$ 11,026,142**

(*) Net sales is classified into countries or regions based on the location of the Group companies.

Geographical area information on property, plant, and equipment for the year ended March 31, 2022 is as follows:

	Millions of yen	*Thousands of U.S. dollars*
	2022	**2022**
Japan	**¥ 3,860,158**	**$ 31,539,821**
United States	**218,157**	**1,782,474**
Europe	**174,082**	**1,422,355**
Asia	**93,591**	**764,698**
Total	**¥ 4,345,989**	**$ 35,509,350**

(*) Property, plant, and equipment are classified into countries or regions based on the location of the Group companies.

Geographical area information on property, plant, and equipment for the year ended March 31, 2021 is omitted since property and equipment located in Japan accounted for more than 90% of equipment on the consolidated balance sheet.

Major Customer Information

The Company does not have any major customers whose share of revenue from operations accounted for more than 10% of revenue from operations shown on the consolidated income statement. Accordingly, major customer information has been omitted.

21 Rental Properties

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

Some office buildings for lease in Japan are regarded as real estate including space used as rental properties since they are used by the Company and some of its consolidated subsidiaries.

The carrying value on the consolidated balance sheet as of March 31, 2022 and the fair value of these rental properties and real estate including space used as rental properties are as follows:

	2022							
	Millions of yen				*Thousands of U.S. dollars*			
	Carrying Value			Fair Value	Carrying Value			Fair Value
	As of April 1, 2021	**Net Change**	**As of March 31, 2022**	**As of March 31, 2022**	**As of April 1, 2021**	**Net Change**	**As of March 31, 2022**	**As of March 31, 2022**
Rental properties	**¥ 3,565,590**	**¥ 160,214**	**¥ 3,725,804**	**¥ 7,924,196**	**$ 29,133,023**	**$ 1,309,045**	**$ 30,442,068**	**$ 64,745,458**
Real estate including space used as rental properties	**545,404**	**(4,079)**	**541,325**	**916,224**	**4,456,281**	**(33,329)**	**4,422,952**	**7,486,102**

1. The carrying value represents the acquisition cost less accumulated depreciation and accumulated impairment loss.

2. The fair value is based on the following:
   (1) The fair value of real estate in Japan is calculated by the Company based mainly on the Real Estate Appraisal Standards.
   (2) The fair value of real estate in overseas countries is appraised principally by local real estate appraisers.

The carrying value on the consolidated balance sheet as of March 31, 2021 and the fair value of these rental properties and real estate including space used as rental properties are as follows:

	2021			
	Millions of yen			
	Carrying Value			Fair Value
	As of April 1, 2020	**Net Change**	**As of March 31, 2021**	**As of March 31, 2021**
Rental properties	¥ 3,502,759	¥ 62,830	¥ 3,565,590	¥ 7,441,369
Real estate including space used as rental properties	545,580	(176)	545,404	919,848

1. The carrying value represents the acquisition cost less accumulated depreciation and accumulated impairment loss.

2. The fair value is based on the following:
   (1) The fair value of real estate in Japan is calculated by the Company based mainly on the Real Estate Appraisal Standards.
   (2) The fair value of real estate in overseas countries is appraised principally by local real estate appraisers.

The income or loss from rental properties and real estate including space used as rental properties for the years ended March 31, 2022 and 2021 are as follows:

	2022				2021				2022			
	Millions of yen								*Thousands of U.S. dollars*			
	Lease income (*)	**Lease cost**	**Lease income (loss), net**	**Other, net**	**Lease income (*)**	**Lease cost**	**Lease income (loss), net**	**Other, net**	**Lease income (*)**	**Lease cost**	**Lease income (loss), net**	**Other, net**
Rental properties	**¥ 503,737**	**¥ 329,374**	**¥ 174,363**	**¥ (17,577)**	¥ 475,309	¥ 304,405	¥ 170,903	¥ 5,622	**$ 4,115,841**	**$ 2,691,184**	**$ 1,424,656**	**$ (143,617)**
Real estate including space used as rental properties	**44,552**	**34,562**	**9,990**	**(777)**	43,639	34,289	9,349	(2,026)	**364,024**	**282,393**	**81,631**	**(6,354)**

(*) Lease income excludes that from real estate including space used as rental properties that was used by the Company and some of its consolidated subsidiaries for leasing service and operating management.

22 Revenue Recognition

(1) Disaggregation of revenue from contracts with customers

The Company disaggregates its operating revenues based on its business segments and in addition disaggregates its commercial property business and residential business by goods or services.

	2022	
	Millions of yen	*Thousands of U.S. dollars*
Commercial property business		
Real estate leasing business(*1)	¥ 546,186	$ 4,462,670
Real estate sales business	126,878	1,036,675
Other	87,593	715,689
Subtotal	760,658	6,215,035
Residential business		
Condominium sales business	212,335	1,734,907
Residential property management services	56,664	462,980
Homebuilding	38,910	317,924
Other	73,049	596,857
Subtotal	380,959	3,112,670
International business (*1)	121,234	990,554
Investment management business	46,702	381,585
Architectural design & engineering and real estate services business	57,780	472,099
Other business	10,134	82,808
Total	¥ 1,377,469	$ 11,254,755
Inter-segment transactions (*2)	¥ (27,979)	$ (228,612)
Amount recorded in consolidated financial statements	¥ 1,349,489	$ 11,026,142
Revenue from contracts with customers	¥ 716,005	$ 5,850,199
Revenue from other sources (*1)	¥ 633,483	$ 5,175,942

(*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 disaggregation includes inter-segment revenues and transfers. Disaggregation of inter-segment revenues and transfers is described in Note “ 20. Segment Information.”

(2) The basis for understanding revenues from contracts with customers is as described in Note “n. Revenue recognition” in Note 1 "Significant Accounting Policies."

(3) Information on the relationship between satisfaction of performance obligations under contracts with customers and cash flows arising from such contracts, and the amount and timing of revenue expected to be recognized from contracts with customers existing at the end of the current fiscal year and thereafter

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

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

	2022			
	Millions of yen		*Thousands of U.S. dollars*	
	As of April 1, 2021	**As of March 31, 2022**	**As of April 1, 2021**	**As of March 31, 2022**
Receivables from contracts with customers	¥ 29,952	¥ 34,530	$ 244,726	$ 282,137
Contract assets	4,612	7,081	37,685	57,860
Contract liabilities	29,060	29,579	237,441	241,683

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 homebuilding, 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, and performance obligations are satisfied upon delivery of condominium units to customers and contract liabilities are reclassified to revenue. Of the contract liability balances at the beginning of the fiscal year under review, ¥18,090 million ($147,807 thousand) was related to condominium sales, of which ¥15,929 million ($130,149) 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.

(b) Transaction price allocated to remaining performance obligations

The transaction value allocated to the remaining performance obligation was ¥83,935 million ($685,804 thousand) at the end of the fiscal year, of which ¥12,409 million ($101,391 thousand) was allocated to the Commercial property business and ¥71,526 million ($584,412 thousand) 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 disclosure applies the practical expedient method and does 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 ASBJ Guidance No. 19.

23. Asset Retirement Obligations

(1) Asset retirement obligations presented in the consolidated balance sheet

1. Outline of asset retirement obligations

   Asset retirement obligations include obligations of restoration related to leasehold and rental contracts.

2. Calculation method for asset retirement obligations

   Asset retirement obligations are calculated based on the remaining contract years as an expected use period with a discount rate between 0.0% and 2.3%.

3. Changes in asset retirement obligations during the years ended March 31, 2022 and 2021 are as follows:

	2022		2021		2022	
	Millions of yen				*Thousands of U.S. dollars*	
Balance at the beginning of the year	**¥**	**7,015**	¥	6,236	**$**	**57,322**
Increase due to the acquisition of property and equipment		**425**		656		**3,479**
Adjustments due to the elapse of time		**73**		70		**602**
Decrease due to the fulfillment of asset retirement obligations		**(9)**		(20)		**(75)**
Other		**10**		73		**82**
Balance at the end of the year	**¥**	**7,516**	¥	7,015	**$**	**61,411**

(2) Asset retirement obligations not recognized in the consolidated balance sheet

As stated below, certain obligations are excluded from recognition of asset retirement obligations.

1) Obligation to remove asbestos that is used for some properties and equipments in a particular way required by the Ordinance on Preventing Asbestos Hazards

   For such properties, the Company has an obligation to remove asbestos at demolition of buildings. However, no demolition has taken place in the past other than those related to redevelopment or other projects involving many other business associates. It is therefore difficult to reasonably estimate the timing to fulfill such obligation based on the physical useful life of the assets caused by aging and it is impossible to estimate the timing without specific business plans. Although the Company has been voluntarily conducting asbestos removal work when that is feasible due to such as termination of tenancy, it is impractical to make a reasonable estimation of progress of such voluntary removal work based on the actual record of the tenancy termination and of the remaining amount of asbestos at demolition. Moreover, it is difficult to distinguish costs of asbestos removal from total costs of demolition. Although the Company made the best estimation taking into account all the evidence available as of March 31, 2022, these obligations are excluded from recognition of asset retirement obligations since the probability of obligations in terms of scope and amount was not reasonably estimated.

2) Obligation of restoration based on some real estate rental agreements

   For some commercial facilities, the Company has an obligation of restoration at the termination of leasehold rental agreements. However, the timing to fulfill the obligation is uncertain since it is practically possible to continue to use those facilities by re-signing contracts and some contracts set forth a special provision to reduce the possibility to fulfill the obligation. Furthermore, given its business strategies and the current business environment, the Company intends to continue its operation and not to fulfill the obligation. Although the Company made the best estimation taking into account all the evidence available as of March 31, 2022, these obligations are excluded from recognition of asset retirement obligations since the probability of the obligations in terms of scope and amount could not be reasonably estimated.

24. Related Party Transactions

The Company has related party transactions with key management personnel of the Company and major individual shareholders.

The corresponding balances as of March 31, 2022 and 2021 and the amounts of these transactions for the years then ended are summarized as follows:

						Millions of yen			*Thousands of U.S. dollars*	
				2022						
Type	**Name**	**Occupation**	**Ownership ratio of voting shares**	**Relationship with the related party**	**Nature of transaction**	**Transaction amount**	**Account**	**Balance outstanding at year end**	**Transaction amount**	**Account**	**Balance outstanding at year end**
Director	Keiji Takano	Executive Officer of the Company	0.00%	Contract for construction of housing and other	Construction of housing	¥ 63	—	—	$ 516	—	—
Director	Ikuo Ono	Executive Officer of the Company	0.00%	Contract for construction of housing and other	Construction of housing	¥ 27	—	—	$ 227	—	—

1. Transaction amounts do not include consumption tax.

2. Transaction terms are determined in consideration with market prices, the same as general transactions.

							Millions of yen	
				2021				
Type	**Name**	**Occupation**	**Ownership ratio of voting shares**	**Relationship with the related party**	**Nature of transaction**	**Transaction amount**	**Account**	**Balance outstanding at year end**
Officer's close relatives	Noboru Nishigai's close relatives	—	—	Contract for construction of housing and other	Construction of housing	¥ 20	—	—

1. Transaction amounts do not include consumption tax.

2. Transaction terms are determined in consideration with market prices, the same as general transactions.

25. Other Comprehensive Income

The following table presents reclassification and tax effects allocated to each component of other comprehensive income for the years ended March 31, 2022 and 2021:

	2022	2021	2022
	Millions of yen		*Thousands of U.S. dollars*
Unrealized holding gain (loss) on securities:			
Amount arising during the year	**¥ 23,559**	¥ 57,781	**$ 192,491**
Reclassification adjustments for gains and losses included in net income	**(5,024)**	(3,003)	**(41,051)**
Amount before tax effects	**18,534**	54,778	**151,440**
Tax effects	**(5,779)**	(16,212)	**(47,224)**
Unrealized holding gain (loss) on securities	**12,754**	38,566	**104,215**
Deferred gain (loss) on hedging instruments:			
Amount arising during the year	**1,360**	(60)	**11,120**
Reclassification adjustments for gains and losses included in net income	**810**	565	**6,620**
Amount before tax effects	**2,171**	505	**17,740**
Tax effects	**(662)**	(153)	**(5,416)**
Deferred gain (loss) on hedging instruments	**1,508**	352	**12,323**
Land revaluation reserve:			
Tax effects	**—**	(44)	**—**
Foreign currency translation adjustments:			
Amount arising during the year	**59,597**	(26,143)	**486,947**
Amount before tax effects	**59,597**	(26,143)	**486,947**
Tax effects	**(9)**	(0)	**(76)**
Foreign currency translation adjustments	**59,588**	(26,143)	**486,871**
Retirement benefits liability adjustments:			
Amount arising during the year	**8,667**	10,184	**70,819**
Reclassification adjustments for gains and losses included in net income	**(842)**	446	**(6,887)**
Amount before tax effects	**7,824**	10,630	**63,931**
Tax effects	**(2,304)**	(3,321)	**(18,833)**
Retirement benefits liability adjustments	**5,519**	7,309	**45,098**
Share of other comprehensive income of companies accounted for by the equity method:			
Amount arising during the year	**344**	57	**2,817**
Total other comprehensive income (loss)	**¥ 79,715**	¥ 20,097	**$ 651,327**