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

Year ended March 31, 2023

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. (the Company) and its consolidated subsidiaries (the Group), which comprise the consolidated balance sheet as at March 31, 2023, 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, 2023, 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 Group has recorded Revenue from operations of JPY 1,377,827 million in the Consolidated Statement of Income for the year ended March 31, 2023, which includes revenue from sales of real estate properties in Commercial Property Business of JPY	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

105,228 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 a property management role after transfer, having a repurchase option or retaining some equity interest in the property sold. 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 Group. Therefore, the determination of whether substantially all of the risks and rewards of the real estate property have been transferred may involve complexity. If misjudged, 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 the determination about transfer of the risks and rewards arising out of sales of properties to real estate funds as a key audit matter.	exceeding the testing threshold we had established based on our risk assessment: • We inspected the management approval documents to understand the scheme of transaction and assess whether there had been any continuing involvement in the property sold. • We inspected the purchase and sales agreement to understand the transaction terms and conditions and evaluate the business rationale. • We compared the transaction amount with market data of the relevant area and business plan prepared by the Company to examine the rationality of the transaction amount. • We inspected the cash receipt evidence and certified copy of a registry to assess the fact of delivery.

Valuation of redevelopment-related property and equipment	
Description of Key Audit Matter	**Auditor's Response**
The Group has recorded Property and	We performed the following procedures to

equipment of JPY 4,416,214 million in the Consolidated Balance Sheet as of March 31, 2023, 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 Group is carrying out multiple redevelopment projects in major business districts in Japan, mainly in the Marunouchi area. As described at o. “Significant accounting estimates”, 1 “Valuation of property and equipment” in the Note 1 “Significant accounting Policies”, management identified the assets or asset groups with any indication of impairment and assessed whether the sum of the undiscounted future cash flows attributable to them exceeded their carrying amounts. (1) Indication of impairment 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, failure 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 discovery of underground objects, natural disaster and difficulty of material procurement, and a slower progress of finding tenants. Therefore, management is required to evaluate those	assess the determination of whether impairment indicators were present and the determination of whether the Group was required to recognize an impairment loss on the redevelopment-related property and equipment for the project which met certain criteria we had established based on our risk assessment: (1) Indication of impairment • 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 estimated development costs with the investment budget. • For the redevelopment-related property and equipment where impairment indicators existed, we obtained the estimated undiscounted future cash flows and evaluated the underlying significant assumptions such as expected future rent to be earned after completion of redevelopment, construction costs, capital expenditures necessary to

various risks and make complex judgement on whether there are indications of impairment. (2) Recognition of impairment losses The future cash flows attributable to the redevelopment projects with an indication of impairment are estimated based on the business plan approved by the management or the executive committee. The significant assumptions in an estimate include the expected future rent to be earned after completion of a redevelopment, the capital expenditures reasonably expected 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. In addition, changes in the business environment have been explicitly observed, as evidenced by rising construction costs. Accordingly, valuation of redevelopment project-related property and equipment requires a judgement that takes into account potential risks, including complexity in determining whether any indication of impairment is identified, and also involves a high degree of uncertainty in determining whether impairment losses should be recognized. Therefore, we identified valuation of redevelopment-related property and equipment as a key audit matter.	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.

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Valuation of land held for future development of residential condominiums	
Description of Key Audit Matter	**Auditor's Response**
The Group has recorded the Land and housing projects in progress of JPY 420,956 million which is included in Inventory on the Consolidated Balance Sheet as of March 31, 2023. It mainly includes a real estate under	We performed the following procedures to assess the determination of whether the Group was required to record valuation losses on the land held for future development of residential condominiums for the project

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 o. "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 development before construction starts may have a potential risk of having lower profitability than originally expected in the event of delay in project or subsequent modification of the plan, due to the long development period until delivery. Valuation of the land held for development is made based on a business plan, however, the business itself involves various risks including a decline in sales price in the future, excessive supply due to increasing supply by competitors than initially planned in neighboring areas, failure to obtain necessary governmental permission, delay in construction due to continuing negotiation with existing residents in neighboring areas or discovery of underground objects and increases in construction costs due to the rise of material cost. In order to determine whether a valuation loss should be recognized on the land held for development of residential condominiums, it	which met certain criteria 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 performed a physical observation of certain project site to understand the surrounding business environment and the situation of delay. • We compared the sales price with market report obtained from external sources including sales transaction data in neighboring areas. • We compared the construction costs used in the calculation with the published relevant indicators. • We also performed the sensitivity analysis using the sales unit price and construction cost as significant assumptions to understand the impact on the valuation of land held for development of residential condominiums.

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. In addition, changes in the business environment have been explicitly observed, as evidenced by rising construction costs. Accordingly, given a high degree of uncertainty involved with such determination, we identified the determination of whether a valuation loss should be recognized on the land held for development as a key audit matter.	

Other Information

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

We have concluded that other information does not exist. Accordingly, we have not performed any work related to 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, 2023 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 10, 2023

/s/ Tatsuya Chiba
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, 2023	March 31, 2022	2023
	Millions of yen		*Thousands of U.S. dollars (Note 2)*
Assets			
Current assets:			
Cash on hand and in banks *(Notes 16 and 18)*	¥ **225,011**	¥ 233,117	$ **1,685,103**
Trade notes accounts receivable, and contract assets*(Notes 3 and 16)*	**69,987**	60,645	**524,130**
Marketable securities *(Notes 16 and 17)*	**3,578**	4,280	**26,797**
Allowance for doubtful receivables	**(659)**	(422)	**(4,938)**
Inventories *(Note 5)*	**493,544**	347,388	**3,696,130**
Equity investments *(Notes 16 and 17)*	**716,416**	624,521	**5,365,212**
Other current assets	**108,723**	87,260	**814,228**
Total current assets	**1,616,602**	1,356,789	**12,106,663**
Investments and other assets:			
Investments in and advances to unconsolidated subsidiaries and associates *(Note 16)*	**37,324**	41,832	**279,520**
Investment securities *(Notes 16 and 17)*	**269,678**	258,435	**2,019,610**
Asset for retirement benefits *(Note 8)*	**62,528**	45,998	**468,275**
Deferred income taxes *(Note 9)*	**25,943**	25,887	**194,292**
Other investments *(Notes 6 and 16)*	**332,478**	310,891	**2,489,918**
Total investments and other assets	**727,954**	683,045	**5,451,617**
Property and equipment *(Note 7)* :			
Land	**2,335,460**	2,310,551	**17,490,154**
Land in trust	**575,648**	585,470	**4,311,001**
Buildings and structures	**2,984,949**	2,919,944	**22,354,147**
Machinery and equipment and other	**169,845**	161,253	**1,271,965**
Construction in progress	**228,955**	169,700	**1,714,635**
	6,294,858	6,146,919	**47,141,904**
Less accumulated depreciation	**(1,878,644)**	(1,800,930)	**(14,069,081)**
Property and equipment, net	**4,416,214**	4,345,989	**33,072,823**
Intangible	**111,187**	108,092	**832,679**
Total assets	¥ **6,871,959**	¥ 6,493,917	$ **51,463,784**

	March 31, 2023		March 31, 2022		March 31, 2023
		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)*	¥	**431,603**	¥ 351,980	$	**3,232,257**
Notes and accounts payable – trade *(Note 16)*		**66,407**	60,516		**497,320**
Accrued income taxes *(Note 9)*		**23,574**	29,445		**176,545**
Advances and deposits		**150,411**	107,590		**1,126,424**
Accrued expenses and other current liabilities *(Note 4)*		**183,340**	81,509		**1,373,031**
Total current liabilities		**855,337**	631,043		**6,405,580**
Long-term liabilities:					
Long-term debt *(Notes 7 and 16)*		**2,438,603**	2,384,897		**18,262,590**
Lease deposits received *(Note 16)*		**448,442**	451,749		**3,358,368**
Liability for retirement benefits *(Note 8)*		**27,644**	27,402		**207,028**
Deferred income taxes *(Note 9)*		**552,944**	538,259		**4,140,978**
Negative goodwill		**60,413**	85,526		**452,436**
Other non-current liabilities		**108,630**	138,605		**813,527**
Total long-term liabilities		**3,636,680**	3,626,441		**27,234,929**
Total liabilities		**4,492,017**	4,257,484		**33,640,510**
Net assets:					
Shareholders' equity *(Note 10)* :					
Common stock, without par value: Authorized – 1,980,000,000 shares; Issued – 1,324,288,306 shares in 2023 and 1,391,478,706 shares in 2022		**142,414**	142,414		**1,066,533**
Capital surplus		**157,914**	159,749		**1,182,615**
Retained earnings		**1,147,425**	1,165,344		**8,593,015**
Less treasury stock, at cost		**(48,454)**	(132,483)		**(362,874)**
Total shareholders' equity		**1,399,299**	1,335,024		**10,479,291**
Accumulated other comprehensive income:					
Unrealized holding gain (loss) on securities		**138,552**	130,841		**1,037,611**
Deferred gain (loss) on hedging instruments		**2,106**	103		**15,775**
Land revaluation reserve		**526,417**	526,417		**3,942,313**
Foreign currency translation adjustments		**77,489**	2,162		**580,317**
Retirement benefits liability adjustments *(Note 8)*		**13,695**	8,675		**102,568**
Total accumulated other comprehensive income		**758,261**	668,200		**5,678,586**
Stock acquisition rights		**193**	201		**1,445**
Non-controlling interests		**222,187**	233,005		**1,663,951**
Contingent liabilities *(Note 13)*					
Total net assets		**2,379,941**	2,236,432		**17,823,274**
Total liabilities and net assets	¥	**6,871,959**	¥ 6,493,917	$	**51,463,784**

See accompanying notes to consolidated financial statements.

Mitsubishi Estate Co., Ltd. and Consolidated Subsidiaries

Consolidated Statement of Income

	Year ended March 31,					
	2023		2022		2023	
		Millions of yen				*Thousands of U.S. dollars (Note 2)*
Revenue from operations *(Note 14)*	¥	**1,377,827**	¥	1,349,489	$	**10,318,485**
Cost of revenue from operations *(Note 5)*		**(980,792)**		(974,724)		**(7,345,108)**
Selling, general and administrative expenses		**(100,332)**		(95,787)		**(751,384)**
Operating income		**296,702**		278,977		**2,221,991**
Other income (expenses):						
Interest and dividend income		**8,628**		7,997		**64,621**
Interest expenses		**(25,001)**		(20,742)		**(187,237)**
Equity in earnings of affiliates		**260**		332		**1,949**
Other, net *(Note 15)*		**(27,687)**		(12,786)		**(207,348)**
		(43,799)		(25,198)		**(328,014)**
Profit before income taxes		**252,902**		253,779		**1,893,976**
Income taxes *(Note 9)* :						
Current		**(65,855)**		(60,331)		**(493,186)**
Deferred		**(4,779)**		(10,558)		**(35,791)**
		(70,634)		(70,889)		**(528,977)**
Profit		**182,268**		182,889		**1,364,998**
Profit attributable to:						
Non-controlling interests		**(16,924)**		(27,718)		**(126,748)**
Shareholders of Mitsubishi Estate Co., Ltd.	¥	**165,343**	¥	155,171	$	**1,238,249**

See accompanying notes to consolidated financial statements.

Mitsubishi Estate Co., Ltd. and Consolidated Subsidiaries

Consolidated Statement of Comprehensive Income

	Year ended March 31,					
	2023		2022		2023	
	Millions of yen				*Thousands of U.S. dollars (Note 2)*	
Profit	¥	**182,268**	¥	182,889	$	**1,364,998**
Other comprehensive income *(Note 25)* :						
Unrealized holding gain (loss) on securities		**7,726**		12,754		**57,861**
Deferred gain (loss) on hedging instruments		**912**		1,508		**6,835**
Foreign currency translation adjustments		**82,727**		59,588		**619,540**
Retirement benefits liability adjustments		**5,045**		5,519		**37,784**
Share of other comprehensive income of affiliates accounted for by the equity method		**1,324**		344		**9,920**
Total other comprehensive income (loss)		**97,736**		79,715		**731,942**
Comprehensive income *(Note 25)*	¥	**280,004**	¥	262,605	$	**2,096,941**
Total comprehensive income attributable to:						
Shareholders of Mitsubishi Estate Co., Ltd.	¥	**255,404**	¥	231,360	$	**1,912,713**
Non-controlling interests	¥	**24,599**	¥	31,244	$	**184,227**

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, 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		
Cancellation of treasury shares							
Change by share exchanges		(964)		2,715	1,751		
Changes in the scope of consolidation							
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 April 1, 2022	142,414	159,749	1,165,344	(132,483)	1,335,024	130,841	103
Cumulative effects of changes in accounting policies							
Restated balance at April 1, 2022	142,414	159,749	1,165,344	(132,483)	1,335,024	130,841	103
Changes in the year:							
Issuance of new shares							
Cash dividends paid			**(51,587)**		**(51,587)**		
Profit attributable to owners of parent			**165,343**		**165,343**		
Purchase of treasury stock				**(45,822)**	**(45,822)**		
Disposal of treasury stock			**(10)**	**565**	**555**		
Cancellation of treasury shares			**(129,285)**	**129,285**			
Change by share exchanges							
Changes in the scope of consolidation			**(2,379)**		**(2,379)**		
Changes in equity related to transactions with non-controlling shareholders		**(1,835)**			**(1,835)**		
Net change in items other than those in shareholders' equity						**7,710**	**2,002**
Total of changes in the year	**—**	**(1,835)**	**(17,919)**	**84,029**	**64,274**	**7,710**	**2,002**
Balance at March 31, 2023	**¥ 142,414**	**¥ 157,914**	**¥ 1,147,425**	**¥ (48,454)**	**¥ 1,399,299**	**¥ 138,552**	**¥ 2,106**

Millions of yen

	Accumulated other comprehensive income						
	Land revaluation reserve	**Foreign currency translation adjustments**	**Retirement benefits liability adjustments (Note 8)**	**Total accumulated other comprehensiv e income**	**Stock acquisition rights**	**Non-controlling interests**	**Total net assets**
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
Cancellation of treasury shares							—
Change by share exchanges							1,751
Changes in the scope of consolidation							—
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 April 1, 2022	526,417	2,162	8,675	668,200	201	233,005	2,236,432
Cumulative effects of changes in accounting policies							
Restated balance at April 1, 2022	526,417	2,162	8,675	668,200	201	233,005	2,236,432
Changes in the year:							
Issuance of new shares							—
Cash dividends paid							**(51,587)**
Profit attributable to owners of parent							**165,343**
Purchase of treasury stock							**(45,822)**
Disposal of treasury stock							**555**
Cancellation of treasury shares							—
Change by share exchanges							—
Changes in the scope of consolidation							**(2,379)**
Changes in equity related to transactions with non-controlling shareholders							**(1,835)**
Net change in items other than those in shareholders' equity		**75,327**	**5,020**	**90,061**	**(8)**	**(10,818)**	**79,234**
Total of changes in the year	—	**75,327**	**5,020**	**90,061**	**(8)**	**(10,818)**	**143,509**
Balance at March 31, 2023	**¥ 526,417**	**¥ 77,489**	**¥ 13,695**	**¥ 758,261**	**¥ 193**	**¥ 222,187**	**¥ 2,379,941**

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, 2021	$ 1,065,521	$ 1,230,940	$ 7,926,738	$ (787,957)	$ 9,435,242	$ 884,359	$ (14,355)
Cumulative effects of changes in accounting policies			(11,303)		(11,303)		
Restated balance at April 1, 2021	1,065,521	1,230,940	7,915,434	(787,957)	9,423,938	884,359	(14,355)
Changes in the year:							
Issuance of new shares	1,012	1,012			2,025		
Cash dividends paid			(350,293)		(350,293)		
Profit attributable to owners of parent			1,162,072		1,162,072		
Purchase of treasury stock				(224,778)	(224,778)		
Disposal of treasury stock			(3)	236	233		
Cancellation of treasury shares							
Change by share exchanges		(7,220)		20,335	13,114		
Changes in the scope of consolidation							
Changes in equity related to transactions with non-controlling shareholders		(28,372)			(28,372)		
Net change in items other than those in shareholders' equity						95,509	15,130
Total of changes in the year	1,012	(34,580)	811,776	(204,206)	574,001	95,509	15,130
Balance at April 1, 2022	1,066,533	1,196,359	8,727,211	(992,164)	9,997,940	979,868	775
Cumulative effects of changes in accounting policies							
Restated balance at April 1, 2022	1,066,533	1,196,359	8,727,211	(992,164)	9,997,940	979,868	775
Changes in the year:							
Issuance of new shares							
Cash dividends paid			**(386,339)**		**(386,339)**		
Profit attributable to owners of parent			**1,238,249**		**1,238,249**		
Purchase of treasury stock				**(343,163)**	**(343,163)**		
Disposal of treasury stock			**(75)**	**4,238**	**4,163**		
Cancellation of treasury shares			**(968,215)**	**968,215**			
Change by share exchanges							
Changes in the scope of consolidation			**(17,816)**		**(17,816)**		
Changes in equity related to transactions with non-controlling shareholders		**(13,744)**			**(13,744)**		
Net change in items other than those in shareholders' equity						**57,742**	**14,999**
Total of changes in the year	**—**	**(13,744)**	**(134,195)**	**629,290**	**481,350**	**57,742**	**14,999**
Balance at March 31, 2023	**$ 1,066,533**	**$ 1,182,615**	**$ 8,593,015**	**$ (362,874)**	**$ 10,479,290**	**$ 1,037,611**	**$ 15,775**

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, 2021	$ 3,942,313	$ (402,461)	$ 23,689	$ 4,433,545	$ 1,735	$ 1,567,559	$ 15,438,083
Cumulative effects of changes in accounting policies							(11,303)
Restated balance at April 1, 2021	3,942,313	(402,461)	23,689	4,433,545	1,735	1,567,559	15,426,779
Changes in the year:							
Issuance of new shares							2,025
Cash dividends paid							(350,293)
Profit attributable to owners of parent							1,162,072
Purchase of treasury stock							(224,778)
Disposal of treasury stock							233
Cancellation of treasury shares							—
Change by share exchanges							13,114
Changes in the scope of consolidation							—
Changes in equity related to transactions with non-controlling shareholders							(28,372)
Net change in items other than those in shareholders' equity	—	418,653	41,283	570,577	(229)	177,408	747,755
Total of changes in the year	—	418,653	41,283	570,577	(229)	177,408	1,321,757
Balance at April 1, 2022	3,942,313	16,191	64,972	5,004,122	1,506	1,744,967	16,748,537
Cumulative effects of changes in accounting policies							
Restated balance at April 1, 2022	3,942,313	16,191	64,972	5,004,122	1,506	1,744,967	16,748,537
Changes in the year:							
Issuance of new shares							—
Cash dividends paid							**(386,339)**
Profit attributable to owners of parent							**1,238,249**
Purchase of treasury stock							**(343,163)**
Disposal of treasury stock							**4,163**
Cancellation of treasury shares							—
Change by share exchanges							—
Changes in the scope of consolidation							**(17,816)**
Changes in equity related to transactions with non-controlling shareholders							**(13,744)**
Net change in items other than those in shareholders' equity		**564,125**	**37,595**	**674,463**	**(60)**	**(81,016)**	**593,386**
Total of changes in the year	**—**	**564,125**	**37,595**	**674,463**	**(60)**	**(81,016)**	**1,074,737**
Balance at March 31, 2023	**$ 3,942,313**	**$ 580,317**	**$ 102,568**	**$ 5,678,586**	**$ 1,445**	**$ 1,663,951**	**$ 17,823,274**

See accompanying notes to consolidated financial statements.

Mitsubishi Estate Co., Ltd. and Consolidated Subsidiaries

Consolidated Statement of Cash Flows

	Year ended March 31, 2023	2022	2023
	Millions of yen		*Thousands of U.S. dollars (Note 2)*
Cash flows from operating activities			
Profit before income taxes	¥ **252,902**	¥ 253,779	$ **1,893,976**
Depreciation and amortization	**93,459**	91,581	**699,913**
(Gain) loss on sales or disposal of property and equipment	**750**	12,557	**5,617**
(Gain) loss on sales of securities	**(3,303)**	(7,987)	**(24,736)**
Gain on sales of shares of subsidiaries and associates	**—**	(1,843)	**—**
Loss on valuation of shares of subsidiaries and associates	**2,599**	—	**19,468**
Valuation loss on equity investments	**7,264**	—	**54,404**
Impairment loss	**3,535**	3,866	**26,475**
Equity in earnings of affiliates	**(260)**	(332)	**(1,949)**
Increase (decrease) in allowances	**(32)**	(3,526)	**(245)**
Increase (decrease) in liability for retirement benefits	**(9,486)**	(3,855)	**(71,043)**
Interest and dividend income	**(8,628)**	(7,997)	**(64,621)**
Interest expense	**25,001**	20,742	**187,237**
(Increase) decrease in trade receivables and contract assets	**(6,084)**	(6,948)	**(45,568)**
(Increase) decrease in inventories	**7,462**	116,993	**55,883**
(Increase) decrease in equity investments	**(5,399)**	(30,267)	**(40,440)**
Increase (decrease) in notes and accounts payable	**4,132**	474	**30,944**
Increase (decrease) in lease deposits received	**(2,894)**	(15,024)	**(21,676)**
Other	**(12,620)**	(76,965)	**(94,513)**
Subtotal	**348,396**	345,246	**2,609,127**
Interest and dividends received	**9,620**	7,704	**72,048**
Interest paid	**(23,797)**	(20,653)	**(178,215)**
Income taxes refund (paid)	**(64,305)**	(52,206)	**(481,582)**
Net cash provided by operating activities	**269,914**	280,090	**2,021,377**
Cash flows from investing activities			
Proceeds from sales of marketable securities	**2,314**	1,461	**17,333**
Purchases of marketable securities	**(2,360)**	(1,514)	**(17,680)**
Proceeds from sales of property and equipment	**17,047**	14,570	**127,666**
Purchases of property and equipment	**(286,301)**	(328,591)	**(2,144,099)**
Proceeds from sales of investment securities	**7,717**	9,562	**57,798**
Purchases of investment securities	**(5,453)**	(7,488)	**(40,844)**
Proceeds from sales of investments in subsidiaries resulting in change in scope of consolidation	**—**	1,883	**—**
Purchase of investments in subsidiaries resulting in change in scope of consolidation	**(33,421)**	(455)	**(250,291)**
Other	**(11,588)**	(3,205)	**(86,784)**
Net cash used in investing activities	**(312,046)**	(313,778)	**(2,336,902)**
Cash flows from financing activities			
Net increase (decrease) in short-term borrowings	**16,728**	26,104	**125,275**
Net increase (decrease) in commercial paper	**—**	(50,000)	**—**
Increase in long-term borrowings	**249,592**	261,114	**1,869,189**
Repayment of long-term borrowings	**(85,040)**	(118,951)	**(636,867)**
Proceeds from issuance of corporate bonds	**59,733**	129,564	**447,338**
Repayment of corporate bonds	**(90,000)**	(65,000)	**(674,005)**
Purchase of investments in subsidiaries that do not result in change in scope of consolidation	**(6,346)**	(10,442)	**(47,528)**
Net (increase) decrease in treasury stock	**(45,822)**	(29,861)	**(343,158)**
Cash dividends paid	**(51,579)**	(46,792)	**(386,275)**
Other	**(16,808)**	(4,762)	**(125,875)**
Net cash provided by financing activities	**30,457**	90,973	**228,091**
Effect of exchange rate changes on cash and cash equivalents	**5,244**	4,651	**39,278**
Net increase (decrease) in cash and cash equivalents	**(6,430)**	61,937	**(48,154)**
Cash and cash equivalents at beginning of year	**234,244**	172,307	**1,754,248**
Increase in cash and cash equivalents arising from newly consolidated subsidiaries	**762**	—	**5,707**
Cash and cash equivalents of subsidiaries excluded from consolidation	**(2,804)**	—	**(21,001)**
Cash and cash equivalents at end of year *(Note 18)*	¥ **225,772**	¥ 234,244	$ **1,690,799**

See accompanying notes to consolidated financial statements.

Mitsubishi Estate Co., Ltd. and Consolidated Subsidiaries

Notes to Consolidated Financial Statements

Year ended March 31, 2023

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, 2023 and 2022 is presented in Note 18.

f. Marketable securities and investment securities

Securities other than those of subsidiaries and associates 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 provides 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

	2023	2022	2023
	Millions of yen		*Thousands of U.S. dollars*
Property and equipment, net	¥ **4,416,214**	¥ **4,345,989**	$ **33,072,823**
Impairment loss	**3,535**	**3,866**	**26,475**

(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 remained steadily high since the previous fiscal year, which is expected to continue in the next fiscal year. The vacancy rate improved as leasing performed steadily in the current fiscal year. We assume that the vacancy rate will continue to stay stable in the next fiscal year.

■ Commercial facilities and outlet malls

As commercial rents include variable rents that are linked to tenant sales, there is a correlation between rents and tenant sales at the relevant commercial facilities. While we were affected by COVID-19 in the first half of the current fiscal year, the business environment gradually improved in the second half. As for the next fiscal year, we assume that the impact of COVID-19 will be limited as the economy is starting to normalize.

■ Hotels

While the impact of COVID-19 remained in the first half of the current fiscal year, the business environment gradually improved in the second half. Currently, inbound-travel is noticeably recovering, and this trend is expected to continue in the next fiscal year and beyond. For our estimates, we assumed that hotel demand would recover to the pre-COVID-19 levels in around 2024, taking into account the overall outlook for global air demand and tourism demand.

■ Logistics facilities

For logistics facilities, the market has been favorable. Therefore we assume that performance of logistics facilities will continue to be steady in the next fiscal year and beyond as is expected for the market trend.

■ Redevelopment projects

The Group is engaged in multiple redevelopment projects. Compared with other development projects, redevelopment projects 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, for the redevelopment projects currently underway, we expect to make progress with their development while securing a certain level of profitability by implementing various measures to address the deterioration of the business environment, such as increased costs.

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

	2023	2022	2023
	Millions of yen		*Thousands of U.S. dollars*
Real estate for sale	¥ **65,252**	¥ 41,239	$ **488,675**
Land and housing projects in progress	**420,956**	299,532	**3,152,526**
Write-down of inventories	**218**	380	**1,638**

(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 quarterly distribution of sales by agreement date, contract prices and number of model units visitors, the net sale values of projects whose performance is generally in line with or better the initial business plan are estimated based on the initial business plan. Meanwhile, the net sale values of projects whose performance has deteriorated from the initial business plan are estimated based on a revised business plan, taking into consideration conditions unique to each project such as the status of progress, market prices in the neighborhood and incurrence of additional costs.
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 development before construction starts.
However, for the pre-construction projects currently underway, we expect to make progress with their development while securing a certain level of profitability by implementing various measures to address the deterioration of the business environment, such as increased costs.

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

	2023	2022	2023
	Millions of yen		*Thousands of U.S. dollars*
Equity investments	¥ **716,416**	¥ 624,521	$ **5,365,212**
Loss on valuation of equity investments	**7,264**	—	**54,404**

(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

Application of Implementation Guidance on Accounting Standard for Fair Value Measurement

The Company has applied the "Implementation Guidance on Accounting Standard for Fair Value Measurement" (ASBJ Guidance No. 31, June 17, 2021; hereinafter "Fair Value Measurement Implementation Guidance") from the beginning of the current fiscal year, and will prospectively apply the new accounting policies stipulated by the Fair Value Measurement Implementation Guidance in accordance with the transitional treatment provided in Paragraph 27-2 of the Fair Value Measurement Implementation Guidance. The impact on the consolidated financial statements for the current fiscal year is immaterial.

r. Accounting standards issued but not yet effective

- On October 28, 2022, the ASBJ issued "Accounting Standard for Current Income Taxes" (ASBJ Statement No. 27)
- On October 28, 2022, the ASBJ issued "Accounting Standard for Presentation of Comprehensive Income" (ASBJ Statement No. 25)
- On October 28, 2022, the ASBJ issued "Implementation Guidance on Tax Effect Accounting" (ASBJ Guidance No. 28)

(1) Overview

The ASBJ Statement No. 28 "Partial Amendments to Accounting Standard for Tax Effect Accounting", etc. (hereinafter "ASBJ Statement No. 28, etc.") was issued on February 16, 2018, and completed the transfer of practical guidelines on tax effect accounting at the Japanese Institute of Certified Public Accountants (JICPA) to the ASBJ. In the process of the deliberations, the following two issues, which were to be considered again after the release of ASBJ Statement No. 28, etc., were discussed and released.

・Classification of income taxes when taxes are imposed on other comprehensive income

・Treatment of tax effect related to the sale of shares of subsidiaries and other securities (shares of subsidiaries or associates) when group tax system is applied

(2) Scheduled date of adoption

The Company expects to adopt the accounting standards and related implementation guidance from the beginning of the fiscal year ending March 31, 2025.

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

The Company is currently evaluating the effect of the adoption of the accounting standards and related implementation guidance on its consolidated financial statements.

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 ¥133.53 = U.S.$1.00, the approximate rate of exchange prevailing on March 31, 2023. 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

	2023	2022	2023
	Millions of yen		*Thousands of U.S. dollars*
Trade notes	¥ **165**	¥ 186	$ **1,242**
Accounts receivable	**38,774**	34,344	**290,382**
Contract assets	**10,705**	7,081	**80,169**
Total	¥ **49,645**	¥ 41,612	$ **371,794**

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, 2023 and 2022 are summarized as follows:

	2023	2022	2023
	Millions of yen		*Thousands of U.S. dollars*
Real estate for sale	¥ **65,252**	¥ 41,239	$ **488,675**
Land and housing projects in progress	**420,956**	299,532	**3,152,526**
Land held for development	**719**	724	**5,386**
Other	**6,615**	5,892	**49,542**
Total	¥ **493,544**	¥ 347,388	$ **3,696,130**

Write-downs of inventories as a result of a decrease in profitability for the years ended March 31, 2023 and 2022 were ¥218 million ($1,638 thousand) and ¥380 million, respectively, and recognized in cost of revenue from operations.

6. Other Investments

Other investments at March 31, 2023 and 2022 were as follows:

	2023	2022	2023
	Millions of yen		*Thousands of U.S. dollars*
Lease deposits	¥ **144,070**	¥ 140,230	$ **1,078,940**
Long-term prepaid expenses	**148,571**	138,917	**1,112,646**
Other	**39,836**	31,743	**298,331**
Total	¥ **332,478**	¥ 310,891	$ **2,489,918**

7. Short-Term Borrowings and Long-Term Debt

At March 31, 2023 and 2022, short-term borrowings and the current portion of long-term debt consisted of the following:

	2023	2022	2023
	Millions of yen		*Thousands of U.S. dollars*
Loans, principally from banks	¥ **194,881**	¥ 182,052	$ **1,459,455**
Current portion of long-term debt	**236,722**	169,928	**1,772,801**
Total	¥ **431,603**	¥ 351,980	$ **3,232,257**

The weighted-average interest rates per annum on short-term borrowings outstanding at March 31, 2023 and 2022 were 1.02% and 0.45%, respectively. Short-term borrowings are principally unsecured.

At March 31, 2023 and 2022, long-term debt consisted of the following:

	2023	2022	2023
	Millions of yen		*Thousands of U.S. dollars*
1.087% unsecured bonds due 2022	**—**	¥ 20,000	**—**
1.026% unsecured bonds due 2022	—	30,000	—
2.42% unsecured bonds due 2022	**—**	10,000	**—**
0.929% unsecured bonds due 2022	—	10,000	—
1.5% unsecured bonds due 2022	**—**	10,000	**—**
2.075% unsecured bonds due 2023	—	10,000	—
0.09% unsecured bonds due 2023	¥ **20,000**	20,000	$ **149,779**
0.643% unsecured bonds due 2024	**20,000**	20,000	**149,779**
2.28% unsecured bonds due 2024	**10,000**	10,000	**74,889**
1.067% unsecured bonds due 2024	**10,000**	10,000	**74,889**
0.05% unsecured bonds due 2025	**30,000**	30,000	**224,668**
0.19% unsecured bonds due 2025	**10,000**	10,000	**74,889**
0.175% unsecured bonds due 2025	**10,000**	10,000	**74,889**
0.17% unsecured bonds due 2026	**10,000**	10,000	**74,889**
0.27% unsecured bonds due 2026	**10,000**	10,000	**74,889**
0.15% unsecured bonds due 2027	**30,000**	30,000	**224,668**
2.305% unsecured bonds due 2027	**10,000**	10,000	**74,889**
0.24% unsecured bonds due 2027	**10,000**	10,000	**74,889**
0.36% unsecured bonds due 2027	**20,000**	—	**149,779**
2.385% unsecured bonds due 2027	**10,000**	10,000	**74,889**
2.52% unsecured bonds due 2027	**15,000**	15,000	**112,334**
2.425% unsecured bonds due 2027	**10,000**	10,000	**74,889**
0.16% unsecured bonds due 2028	**20,000**	20,000	**149,779**
2.555% unsecured bonds due 2028	**10,000**	10,000	**74,889**
0.27% unsecured bonds due 2029	**40,000**	40,000	**299,558**
0.43% unsecured bonds due 2030	**30,000**	30,000	**224,668**
0.26% unsecured bonds due 2031	**30,000**	30,000	**224,668**

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

	2023	2022	2023
	Millions of yen		*Thousands of U.S. dollars*
2.9% unsecured bonds due 2032	¥ **10,000**	¥ 10,000	$ **74,889**
0.644% unsecured bonds due 2032	**20,000**	—	**149,779**
2.615% unsecured bonds due 2032	**10,000**	10,000	**74,889**
2.04% unsecured bonds due 2032	**20,000**	20,000	**149,779**
1.72% unsecured bonds due 2033	**10,000**	10,000	**74,889**
0.859% unsecured bonds due 2036	**10,000**	10,000	**74,889**
0.736% unsecured bonds due 2037	**10,000**	10,000	**74,889**
0.703% unsecured bonds due 2037	**10,000**	10,000	**74,889**
0.59% unsecured bonds due 2039	**20,000**	20,000	**149,779**
0.73% unsecured bonds due 2040	**20,000**	20,000	**149,779**
0.61% unsecured bonds due 2041	**20,000**	20,000	**149,779**
1.543% unsecured bonds due 2052	**20,000**	—	**149,779**
0.789% unsecured bonds due 2056	**15,000**	15,000	**112,334**
1.402% unsecured bonds due 2057	**15,000**	15,000	**112,334**
1.313% unsecured bonds due 2058	**10,000**	10,000	**74,889**
1.132% unsecured bonds due 2069	**15,000**	15,000	**112,334**
0.874% unsecured bonds under Euro MTN program due 2023	**6,635**	5,751	**49,689**
0.102% unsecured bonds under Euro MTN program due 2025	**1,111**	1,111	**8,323**
0.135% unsecured bonds under Euro MTN program due 2026	**3,784**	3,784	**28,344**
0.115% unsecured bonds under Euro MTN program due 2026	**2,924**	2,924	**21,900**
0.16% unsecured bonds under Euro MTN program due 2029	**1,255**	1,255	**9,402**
0.25% unsecured bonds under Euro MTN program due 2029	**1,508**	1,508	**11,294**
1.04% unsecured bonds under Euro MTN program due 2050	**15,000**	15,000	**112,334**
1.33% interest deferrable and early redeemable subordinated unsecured bonds due 2076	**70,000**	70,000	**524,226**
1.48% interest deferrable and early redeemable subordinated unsecured bonds due 2076	**30,000**	30,000	**224,668**
0.66% interest deferrable and early redeemable subordinated unsecured bonds due 2081	**80,000**	80,000	**599,116**
0.97% interest deferrable and early redeemable subordinated unsecured bonds due 2081	**35,000**	35,000	**262,113**
Loans from banks and insurance companies:			
Secured	**40,721**	89,281	**304,962**
Unsecured	**1,787,384**	1,589,209	**13,385,643**
	2,675,325	2,554,826	**20,035,392**
Less current portion	**(236,722)**	(169,928)	**(1,772,801)**
	¥ **2,438,603**	¥ 2,384,897	$ **18,262,590**

The aggregate annual maturities of long-term debt subsequent to March 31, 2023 are summarized as follows:

Year ending March 31,	*Millions of yen*	*Thousands of U.S. dollars*
2024	¥ **236,722**	$ **1,772,801**
2025	**168,735**	**1,263,651**
2026	**146,062**	**1,093,858**
2027	**226,487**	**1,696,157**
2028	**234,881**	**1,759,016**
2029 and thereafter	**1,662,436**	**12,449,906**
Total	¥ **2,675,325**	$ **20,035,392**

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

The assets pledged as collateral for short-term borrowings of ¥100 million ($748 thousand) and long-term debt of ¥40,721 million ($304,962 thousand) at March 31, 2023 were as follows:

	2023	2022	2023
	Millions of yen		*Thousands of U.S. dollars*
Cash on hand and in banks	¥ **150**	¥ **-**	$ **1,123**
Equity investments	**10,773**	—	**80,678**
Buildings and structures	**159,594**	**199,896**	**1,195,194**
Machinery and equipment	—	**1,443**	—
Land	**189,750**	**235,552**	**1,421,035**
Construction in progress	**8,751**	—	**65,537**
Investment securities (*)	**16,037**	**15,716**	**120,103**
Other (*)	**1,230**	**850**	**9,213**
Total	¥ **386,287**	¥ **453,459**	$ **2,892,886**

(*) Equity Investment of ¥8,724 million ($65,340 thousand), investment securities of ¥16,037 million ($120,103 thousand) (¥15,716 million in the previous fiscal year) and other of ¥1,230 million ($9,213 thousand) (¥840 million in the previous fiscal year) are pledged as collateral for the debts of the affiliated companies.

The following borrowings are non-recourse loans at March 31, 2023 and 2022, which are secured by collaterals as the sole source of recovery.

	2023	2022	2023
	Millions of yen		*Thousands of U.S. dollars*
Current portion of long-term borrowings	¥ **-**	¥ 11,735	$ **-**
Long-term borrowings	**11,146**	50,287	**83,477**
Total	¥ **11,146**	¥ 62,023	$ **83,477**

The assets pledged as collateral for the above non-recourse loans at March 31, 2023 and 2022 were as follows:

	2023	2022	2023
	Millions of yen		*Thousands of U.S. dollars*
Buildings and structures	¥ **80,926**	¥ 113,517	$ **606,056**
Machinery and equipment	**30**	29	**231**
Land	**25,085**	79,307	**187,867**
Total	¥ **106,043**	¥ 192,854	$ **794,155**

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, 2023 and 2022 are as follows:

	2023	2022	2023
	Millions of yen		*Thousands of U.S. dollars*
Retirement benefit obligation at the beginning of the year	¥ **146,674**	¥ 143,454	$ **1,098,441**
Service cost	**5,995**	5,906	**44,903**
Interest cost	**838**	647	**6,279**
Actuarial gain and loss	**(12,910)**	466	**(96,686)**
Retirement benefits paid	**(6,509)**	(6,007)	**(48,749)**
Past service cost generated	**178**	—	**1,333**
Translation adjustments	**3,403**	2,322	**25,487**
Other	**(230)**	(114)	**(1,727)**
Retirement benefit obligation at the end of the year	¥ **137,439**	¥ 146,674	$ **1,029,281**

The changes in plan assets during the years ended March 31, 2023 and 2022 are as follows:

	2023	2022	2023
	Millions of yen		*Thousands of U.S. dollars*
Plan assets at the beginning of the year	¥ **164,985**	¥ 150,452	$ **1,235,565**
Expected return on plan assets	**3,922**	3,530	**29,378**
Actuarial gain and loss	**(2,875)**	9,793	**(21,537)**
Contributions by the Company	**8,012**	3,488	**60,007**
Retirement benefits paid	**(4,426)**	(3,931)	**(33,148)**
Translation adjustments	**2,631**	1,752	**19,703**
Other	**(189)**	(100)	**(1,421)**
Plan assets at the end of the year	¥ **172,059**	¥ 164,985	$ **1,288,547**

The following table sets forth the funded status of the plans and the amounts recognized in the consolidated balance sheet as of March 31, 2023 and 2022 for the Company's and the consolidated subsidiaries' defined benefit plans:

	2023	2022	2023
	Millions of yen		*Thousands of U.S. dollars*
Funded retirement benefit obligation	¥ **116,424**	¥ 125,852	$ **871,896**
Plan assets at fair value	**(172,059)**	(164,985)	**(1,288,547)**
	(55,635)	(39,133)	**(416,651)**
Unfunded retirement benefit obligation	**21,015**	20,822	**157,385**
Net liability for retirement benefits in the consolidated balance sheet	**(34,619)**	(18,310)	**(259,265)**
Liability for retirement benefits	**27,644**	27,402	**207,028**
Asset for retirement benefits	**(62,528)**	(45,998)	**(468,275)**
Other current liabilities	**264**	285	**1,981**
Net liability for retirement benefits in the consolidated balance sheet	¥ **(34,619)**	¥ (18,310)	$ **(259,265)**

(*) 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, 2023 and 2022 are as follows:

	2023	2022	2023
	Millions of yen		*Thousands of U.S. dollars*
Service cost	**¥ 5,995**	¥ 5,906	**$ 44,903**
Interest cost	**838**	647	**6,279**
Expected return on plan assets	**(3,922)**	(3,530)	**(29,378)**
Amortization of actuarial loss	**(1,980)**	(874)	**(14,831)**
Amortization of prior service cost	**209**	31	**1,570**
Other	**83**	159	**622**
Retirement benefit expense	**¥ 1,223**	¥ 2,340	**$ 9,165**

(*) 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, 2023 and 2022 are as follows:

	2023	2022	2023
	Millions of yen		*Thousands of U.S. dollars*
Prior service cost	**¥ 49**	¥ 49	**$ 369**
Actuarial gain and loss	**7,098**	7,774	**53,159**
Total	**¥ 7,147**	¥ 7,824	**$ 53,528**

The components of retirement benefits liability adjustments included in accumulated other comprehensive income (before tax effect) as of March 31, 2023 and 2022 are as follows:

	2023	2022	2023
	Millions of yen		*Thousands of U.S. dollars*
Unrecognized prior service cost	**¥ 16**	¥ (36)	**$ 120**
Unrecognized actuarial gain and loss	**18,424**	11,329	**137,980**
Total	**¥ 18,440**	¥ 11,292	**$ 138,100**

The fair values of plan assets, by major category, as a percentage of total plan assets as of March 31, 2023 and 2022 are as follows:

	2023	2022
Bonds	**14%**	15%
Stocks	**55**	54
General accounts	**6**	8
Other	**25**	23
Total	**100%**	100%

(*) Approximately 49% and 46% of total plan assets were held in the retirement benefit trust as of March 31, 2023 and 2022, 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:

	2023	2022
Discount rates	**0.0 ~ 5.20%**	0.0 ~ 2.75%
Expected rates of return on plan assets	**0.90 ~ 6.30%**	1.0 ~ 6.20%
Rates of salary increase	**0.4 ~ 4.2%**	0.4 ~ 4.0%

The required contribution to defined contribution plans by the Company and its consolidated subsidiaries for the years ended March 31, 2023 and 2022 are ¥649 million ($4,863 thousand) and ¥608 million, respectively.

9. Income Taxes

The effective tax rates reflected in the consolidated statement of income for the years ended March 31, 2023 and 2022 differ from the effective statutory tax rates for the following reasons:

	2023	2022
Statutory tax rate	**30.62%**	30.62%
Increase (decrease) in income taxes resulting from:		
Different tax rates applied	**(1.42)**	(1.38)
Expenses not deductible for income tax purposes	**0.21**	0.12
Revenues deductible for income tax purposes	**(0.23)**	(0.27)
Change in valuation allowance	**1.66**	0.38
Undistributed earnings of affiliates	**0.40**	0.78
Equity income	**(0.03)**	(0.16)
Effect of enacted changes in tax laws and rates on Japanese tax	**(0.00)**	(0.23)
Other	**(3.27)**	(1.93)
Effective tax rate	**27.93%**	27.93%

The significant components of deferred tax assets and liabilities as of March 31, 2023 and 2022 were as follows:

	2023	2022	2023
	Millions of yen		*Thousands of U.S. dollars*
Deferred tax assets:			
Net operating loss carry forwards	**¥ 2,751**	¥ 4,637	**$ 20,608**
Liability for retirement benefits	**1,343**	5,649	**10,061**
Valuation loss on inventories	**933**	672	**6,991**
Unrealized loss on property and equipment	**64,234**	57,601	**481,049**
Unrealized loss on property and equipment by consolidation	**9,692**	10,805	**72,587**
Loss on valuation of investment securities	**296**	1,575	**2,217**
Loss on valuation of equity investments	**3,438**	1,785	**25,752**
Land revaluation reserve	**23,903**	23,903	**179,015**
Accrued bonuses	**3,916**	3,538	**29,332**
Other	**96,741**	90,463	**724,489**
Total gross deferred tax assets	**207,252**	200,632	**1,552,106**
Valuation allowance	**(84,057)**	(80,003)	**(629,502)**
Total deferred tax assets	**123,195**	120,629	**922,603**
Deferred tax liabilities:			
Reserves under Special Taxation Measures Law	**(68,532)**	(68,222)	**(513,237)**
Land revaluation reserve	**(266,333)**	(266,333)	**(1,994,561)**
Unrealized gain on property and equipment by consolidation	**(116,487)**	(113,960)	**(872,366)**
Unrealized gain on property and equipment	**(53,391)**	(53,242)	**(399,842)**
Unrealized gain on securities	**(59,025)**	(57,167)	**(442,037)**
Other	**(86,426)**	(74,075)	**(647,243)**
Total deferred tax liabilities	**(650,196)**	(633,001)	**(4,869,290)**
Net deferred tax liabilities	**¥ (527,001)**	¥ (512,372)	**$ (3,946,686)**

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 retained earnings reserve) be transferred to the capital reserve and the retained earnings reserve, respectively, until the sum of the capital reserve and the retained earnings reserve equals 25% of the capital stock account. The capital reserve amounted to ¥171,526 million ($1,284,551 thousand), and the retained earnings reserve amounted to ¥21,663 million ($162,239 thousand) at March 31, 2023. 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 retained earnings reserve is available for distributions.

11. Amounts per Share

	Yen				*U.S. dollars*	
Year ended March 31,	**2023**		**2022**		**2023**	
Net income:						
Basic	¥	**125.54**	¥	116.45	$	**0.94**
Diluted		**125.53**		116.44		**0.94**
Cash dividends applicable to the year		**38.00**		36.00		**0.28**

	Yen				*U.S. dollars*	
As of March 31,	**2023**		**2022**		**2023**	
Net assets	¥	**1,664.47**	¥	1,514.58	$	**12.46**

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, 2023 and 2022 on noncancelable operating leases are summarized as follows:

	Millions of yen				*Thousands of U.S. dollars*	
Year ending March 31,	**2023**		**2022**		**2023**	
Due within One Year	¥	**14,618**	¥	**7,797**	$	**109,475**
Due after One Year		**298,062**		**254,588**		**2,232,175**
Total	¥	**312,680**	¥	**262,386**	$	**2,341,650**

Note : Since IFRS 16 and ASC 842 "Leases" are applied, lease transactions for which assets and liabilities are posted in the consolidated balance sheet are not included.

The Group leases office buildings and commercial properties, and earns income on these leases. Future minimum lease income subsequent to March 31, 2023 and 2022 from noncancelable operating leases is summarized as follows:

	Millions of yen				*Thousands of U.S. dollars*	
Year ending March 31,	**2023**		**2022**		**2023**	
Due within One Year	¥	**364,336**	¥	**386,111**	$	**2,728,498**
Due after One Year		**1,238,808**		**1,273,638**		**9,277,377**
Total	¥	**1,603,144**	¥	**1,659,750**	$	**12,005,875**

13. Contingent Liabilities

The Group had the following contingent liabilities as of March 31, 2023 and 2022

(1) Guarantee of loans

	Millions of yen				*Thousands of U.S. dollars*	
	2023		**2022**		**2023**	
Guarantees of affiliates' loans from banks	¥	**1,500**	¥	1,500	$	**11,233**
Guarantees of house purchasers' loans from banks		**46,930**		57,718		**351,461**
Total	¥	**48,430**	¥	59,218	$	**362,695**

(2) Guarantee for business undertakings

	Millions of yen				*Thousands of U.S. dollars*	
	2023		**2022**		**2023**	
Business undertaking guarantees	¥	**58,822**	¥	79,343	$	**440,517**

The Company and MEC Group International Inc. 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, 2023 and 2022 were as follows:

	2023	2022	2023
	Millions of yen		*Thousands of U.S. dollars*
Gain on sale of fixed assets	¥ **8,921**	¥ 6,781	$ **66,811**
Gain on sale of investment securities	**3,303**	7,987	**24,736**
Gain on disposition of stock in subsidiaries and associates	—	1,843	—
Reversal of environmental provision	—	3,576	—
Loss on disposal of fixed assets	**(5,749)**	(12,404)	**(43,056)**
Loss related to retirement of fixed assets	**(17,741)**	(16,254)	**(132,867)**
Loss on valuation of shares of subsidiaries and associates	**(2,599)**	—	**(19,468)**
Impairment loss(*1)	**(3,535)**	(3,866)	**(26,475)**
Loss on valuation of equity investments	**(7,264)**	—	**(54,404)**
Other, net	**(3,020)**	(449)	**(22,623)**
	¥ **(27,687)**	¥ (12,786)	$ **(207,348)**

(*1) Impairment loss

The Company recorded consolidated impairment losses for the following asset groups for the fiscal year ended March 31, 2023:

Major Application	Category	Location
Leased assets, etc. (total 48 groups)	Land, Buildings, etc.	Jakarta, Republic of Indonesia, 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, 2023, the book values of 48 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 ¥3,535 million ($26,475 thousand).

The breakdown of such impairment losses was ¥451 million ($3,380 thousand) in land and ¥3,083 million ($23,095 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, 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.

The breakdown of such impairment losses was ¥212 million in land and ¥3,653 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.

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 58 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, 2023 and unrealized gains (losses) are shown in the following table.

	2023					
	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	**¥ 160**	**¥ 163**	**¥ 2**	**$ 1,199**	**$ 1,222**	**$ 22**
(ii) Other securities	**263,242**	**263,242**	**—**	**1,971,412**	**1,971,412**	**—**
2) Equity investments (*2)(*4)	**24,542**	**24,542**	**—**	**183,795**	**183,795**	**—**
Total assets	**¥ 287,945**	**¥ 287,948**	**¥ 2**	**$ 2,156,408**	**$ 2,156,430**	**$ 22**
1) Current portion of long-term borrowings	**¥ 210,087**	**¥ 209,820**	**¥ (267)**	**$ 1,573,333**	**$ 1,571,332**	**$ (2,000)**
2) Current portion of long-term bonds	**26,635**	**26,567**	**(68)**	**199,468**	**198,959**	**(509)**
3) Long-term bonds	**820,584**	**803,972**	**(16,612)**	**6,145,318**	**6,020,909**	**(124,408)**
4) Long-term borrowings	**1,618,019**	**1,610,426**	**(7,593)**	**12,117,272**	**12,060,406**	**(56,865)**
5) Lease deposits received	**448,442**	**426,388**	**(22,054)**	**3,358,368**	**3,193,201**	**(165,166)**
Total liabilities	**¥ 3,123,768**	**¥ 3,077,173**	**¥ (46,595)**	**$23,393,761**	**$23,044,809**	**$ (348,951)**
Derivative transactions (*3)	**¥ 1,377**	**¥ 1,377**	**—**	**$ 10,314**	**$ 10,314**	**—**

(*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.

	2023	
	Millions of yen	*Thousands of U.S. dollars*
(i) Unlisted stocks	**¥ 46,312**	**$ 346,829**
(ii) Investments in capital	**100**	**751**

(*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 ¥4,904 million ($36,731 thousand).

16. Financial Instruments (continued)

Estimated Fair Value of Financial Instruments (continued)

	2022 Millions of yen Carrying Value	Estimated Fair Value	Difference
1) Securities and Investment securities (*2)			
(i) Held-to-maturity debt securities	¥ 180	¥ 184	¥ 4
(ii) Other securities	254,533	254,533	–
2) Equity investments (*2)(*4)	24,150	24,150	–
Total assets	¥ 278,864	¥ 278,868	¥ 4
1) Current portion of long-term borrowings	¥ 79,928	¥ 80,346	¥ 418
2) Current portion of long-term bonds	90,000	90,426	426
3) Long-term bonds	786,335	797,302	10,967
4) Long-term borrowings	1,598,562	1,617,802	19,239
5) Lease deposits received	451,749	432,359	(19,389)
Total liabilities	¥ 3,006,575	¥ 3,018,237	¥ 11,662
Derivative transactions (*3)	¥ (92)	¥ (92)	–

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

(*2) Equity securities without market prices are not included in "1) Securities and Investment securities" and "2) Equity investments".
The carrying value of such financial instruments in the consolidated balance sheet are as follows.

	2022 Millions of yen
(i) Unlisted stocks	¥ 48,972
(ii) Investments in capital	94

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

(*4) Investments in partnerships, etc., which are recorded on the consolidated balance sheet at the net amount of the Company's equity interest, are not included in "2) Equity investments".
The amount of such financial instruments recorded on the consolidated balance sheet is ¥1,389 million.

16. Financial Instruments (continued)

Estimated Fair Value of Financial Instruments (continued)

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

As of March 31, 2023	*Millions of yen*				*Thousands of U.S. dollars*			
	Due within One Year	**Due after One Year through Five Years**	**Due after Five Years through Ten Years**	**Due after Ten Years**	**Due within One Year**	**Due after One Year through Five Years**	**Due after Five Years through Ten Years**	**Due after Ten Years**
Cash on hand and in banks	**¥ 225,011**	**—**	**—**	**—**	**$ 1,685,103**	**—**	**—**	**—**
Trade notes	**165**	**—**	**—**	**—**	**1,242**	**—**	**—**	**—**
Accounts receivable	**59,116**	**—**	**—**	**—**	**442,718**	**—**	**—**	**—**
Marketable securities and investment securities:								
Held-to-maturity debt securities								
National bonds	**20**	**¥ 115**	**—**	**¥ 25**	**149**	**$ 861**	**—**	**$ 187**
Corporate bonds	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**
Other	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**
Other marketable securities with maturities:								
National and local government bonds	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**
Other	**3,600**	**12**	**¥ 214**	**—**	**26,961**	**90**	**$ 1,609**	**—**
Total	**¥ 287,914**	**¥ 127**	**¥ 214**	**¥ 25**	**$ 2,156,175**	**$ 951**	**$ 1,609**	**$ 187**

As of March 31, 2022	*Millions of yen*			
	Due within One Year	**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	—	—	—
Trade notes	186	—	—	—
Accounts receivable	53,376	—	—	—
Marketable securities and investment securities:				
Held-to-maturity debt securities				
National bonds	20	¥ 100	¥ 35	¥ 25
Corporate bonds	—	—	—	—
Other	—	—	—	—
Other marketable securities with maturities:				
National and local government bonds	—	—	—	—
Other	4,301	12	116	—
Total	¥ 291,002	¥ 112	¥ 151	¥ 25

16. Financial Instruments (continued)

Estimated Fair Value of Financial Instruments (continued)

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

As of March 31, 2023	*Millions of yen* Due within One Year	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	**¥ 26,635**	**¥ 81,111**	**¥ 10,000**	**¥ 66,709**	**¥ 65,000**	**¥ 597,763**
Long-term borrowings	**210,087**	**87,623**	**136,062**	**159,778**	**169,881**	**1,064,672**
Total	**¥ 236,722**	**¥ 168,735**	**¥ 146,062**	**¥ 226,487**	**¥ 234,881**	**¥ 1,662,436**

As of March 31, 2023	*Thousands of U.S. dollars* Due within One Year	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	**$ 199,468**	**$ 607,439**	**$ 74,889**	**$ 499,582**	**$ 486,781**	**$ 4,476,624**
Long-term borrowings	**1,573,333**	**656,211**	**1,018,969**	**1,196,575**	**1,272,234**	**7,973,282**
Total	**$ 1,772,801**	**$ 1,263,651**	**$ 1,093,858**	**$ 1,696,157**	**$ 1,759,016**	**$ 12,449,906**

As of March 31, 2022	*Millions of yen* Due within One Year	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
Long-term borrowings	79,928	239,780	95,710	122,176	112,740	1,028,154
Total	¥ 169,928	¥ 265,531	¥ 176,821	¥ 132,176	¥ 179,449	¥ 1,630,917

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

	2023							
	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	**¥ 253,779**	**—**	**—**	**¥ 253,779**	**$ 1,900,540**	**—**	**—**	**$ 1,900,540**
Corporate bonds	**—**	**—**	**¥ 5,885**	**5,885**	**—**	**—**	**$ 44,074**	**44,074**
Other	**3,578**	**—**	**—**	**3,578**	**26,797**	**—**	**—**	**26,797**
Equity investments	**17,065**	**—**	**7,476**	**24,542**	**127,800**	**—**	**55,994**	**183,795**
Total assets	**¥ 274,422**	**—**	**¥ 13,362**	**¥ 287,784**	**$ 2,055,138**	**—**	**$ 100,069**	**$ 2,155,208**
Derivative transactions: (*)								
Interest-related	**—**	**¥ 1,377**	**—**	**¥ 1,377**	**—**	**$ 10,314**	**—**	**$ 10,314**
Total liabilities	**—**	**¥ 1,377**	**—**	**¥ 1,377**	**—**	**$ 10,314**	**—**	**$ 10,314**

	2022			
	Millions of yen			
	Market value			
Classification	**Level 1**	**Level 2**	**Level 3**	**Total**
Securities and Investment securities:				
Other securities				
Stocks	¥ 244,386	—	—	¥ 244,386
Corporate bonds	—	—	¥ 5,866	5,866
Other	4,280	—	—	4,280
Equity investments	19,629	—	4,521	24,150
Total assets	¥ 268,296	—	¥ 10,387	¥ 278,684
Derivative transactions: (*)				
Interest-related	—	¥ (92)	—	¥ (92)
Total liabilities	—	¥ (92)	—	¥ (92)

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

(2) Financial instruments other than those measured at fair value

	2023							
	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	¥ 163	—	—	¥ 163	$ 1,222	—	—	$ 1,222
Total assets	¥ 163	—	—	¥ 163	$ 1,222	—	—	$ 1,222
Current portion of long-term borrowings	—	¥ 209,820	—	¥ 209,820	—	$ 1,571,332	—	$ 1,571,332
Current portion of long-term bonds	—	26,567	—	26,567	—	198,959	—	198,959
Long-term bonds	—	803,972	—	803,972	—	6,020,909	—	6,020,909
Long-term borrowings	—	1,610,426	—	1,610,426	—	12,060,406	—	12,060,406
Lease and guarantee deposit payables	—	426,388	—	426,388	—	3,193,201	—	3,193,201
Total liabilities	—	¥ 3,077,173	—	¥ 3,077,173	—	$ 23,044,809	—	$ 23,044,809

	2022			
	Millions of yen			
	Market value			
Classification	**Level 1**	**Level 2**	**Level 3**	**Total**
Securities and Investment securities:				
Held-to-maturity debt securities				
National bonds	¥ 184	—	—	¥ 184
Total assets	¥ 184	—	—	¥ 184
Current portion of long-term borrowings	—	¥ 80,346	—	¥ 80,346
Current portion of long-term bonds	—	90,426	—	90,426
Long-term bonds	—	797,302	—	797,302
Long-term borrowings	—	1,617,802	—	1,617,802
Lease and guarantee deposit payables	—	432,359	—	432,359
Total liabilities	—	¥ 3,018,237	—	¥ 3,018,237

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, 2023 and 2022 are summarized as follows:

	2023					
	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	**¥ 60,070**	**¥ 249,903**	**¥ 189,833**	**$ 449,862**	**$ 1,871,515**	**$ 1,421,653**
Government bonds	**—**	**—**	**—**	**—**	**—**	**—**
Other	**5,436**	**7,327**	**1,891**	**40,711**	**54,878**	**14,167**
Subtotal	**65,506**	**257,231**	**191,725**	**490,573**	**1,926,394**	**1,435,820**
Securities whose cost exceeds their fair value:						
Equity securities	**4,828**	**3,875**	**(952)**	**36,158**	**29,024**	**(7,133)**
Government bonds	**—**	**—**	**—**	**—**	**—**	**—**
Corporate bonds	**6,536**	**5,885**	**(650)**	**48,948**	**44,074**	**(4,873)**
Other	**23,357**	**20,792**	**(2,564)**	**174,919**	**155,714**	**(19,205)**
Subtotal	**34,721**	**30,553**	**(4,167)**	**260,026**	**228,813**	**(31,212)**
Total	**¥ 100,227**	**¥ 287,784**	**¥ 187,557**	**$ 750,600**	**$ 2,155,208**	**$ 1,404,608**

	2022		
	Millions of yen		
	Cost	**Fair Value**	**Unrealized Gain (Loss)**
Securities whose fair value exceeds their cost:			
Equity securities	¥ 60,527	¥ 239,142	¥ 178,614
Government bonds	—	—	—
Other	12,874	24,150	11,276
Subtotal	73,401	263,293	189,891
Securities whose cost exceeds their fair value:			
Equity securities	7,231	5,244	(1,986)
Government bonds	—	—	—
Corporate bonds	6,845	5,866	(978)
Other	4,344	4,280	(64)
Subtotal	18,420	15,391	(3,029)
Total	¥ 91,822	¥ 278,684	¥ 186,861

Proceeds from sales of securities classified as other securities totaled ¥5,911 million ($44,269 thousand) and ¥8,867 million for the years ended March 31, 2023 and 2022, respectively. Gross realized gains were ¥3,303 million (S24,736 thousand) and ¥5,486 million for the years ended March 31, 2023 and 2022, respectively.

The Group recognized impairment losses of ¥2,599 million ($19,468 thousand) on investments in subsidiaries and associates for the year ended March 31, 2023. Disclosure for impaired marketable and investment securities as of March 31, 2022 is not provided as the amount is immaterial.

Marketable debt securities classified as held-to-maturity securities at March 31, 2023 and 2022 are summarized as follows:

	2023					
	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	**¥ 160**	**¥ 163**	**¥ 2**	**$ 1,199**	**$ 1,222**	**$ 22**
Corporate bonds	**—**	**—**	**—**	**—**	**—**	**—**
Subtotal	**160**	**163**	**2**	**1,199**	**1,222**	**22**
Debt securities whose cost exceeds their fair value:						
Government bonds	—	—	—	—	—	—
Corporate bonds	—	—	—	—	—	—
Other	—	—	—	—	—	—
Subtotal	—	—	—	—	—	—
Total	**¥ 160**	**¥ 163**	**¥ 2**	**$ 1,199**	**$ 1,222**	**$ 22**

	2022		
	Millions of yen		
	Amortized Cost	**Fair Value**	**Unrealized Gain (Loss)**
Debt securities whose fair value exceeds their cost:			
Government bonds	¥ 180	¥ 184	¥ 4
Corporate bonds	—	—	—
Subtotal	180	184	4
Debt securities whose cost exceeds their fair value:			
Government bonds	—	—	—
Corporate bonds	—	—	—
Other	—	—	—
Subtotal	—	—	—
Total	¥ 180	¥ 184	¥ 4

18. Supplemental Cash Flow Information

The following table represents a reconciliation of cash and cash equivalents as of March 31, 2023 and 2022:

	2023	2022	2023
	Millions of yen		*Thousands of U.S. dollars*
Cash on hand and in banks	¥ **225,011**	¥ 233,117	$ **1,685,103**
Time deposits with maturities of more than three months	**(201)**	(688)	**(1,511)**
Marketable securities with maturities of three months or less	**962**	1,815	**7,206**
Cash and cash equivalents	¥ **225,772**	¥ 234,244	$ **1,690,799**

The major components of assets acquired and liabilities assumed of a consolidated subsidiary, which was acquired through a stock purchase, as well as a reconciliation of the difference between the acquisition cost and the payment for the acquisition are as follows:

	2023	2022	2023
	Millions of yen		*Thousands of U.S. dollars*
Current assets	¥ **4,810**	—	$ **36,026**
Fixed assets	**15,870**	—	**118,853**
Goodwill	**27,629**	—	**206,914**
Current liabilities	**(9,590)**	—	**(71,823)**
Long-term liabilities	**(3,922)**	—	**(29,378)**
Acquisition cost	**34,797**	—	**260,593**
Cash and cash equivalents of subsidiary	**(1,375)**	—	**(10,301)**
Payment for acquisition	¥ **33,421**	—	$ **250,291**

Disclosure for the year ended March 31, 2022 is omitted due to immateriality.

19. Derivatives and Hedging Activities

(1) Currency related transactions

Class of transactions	Subject to hedge accounting	2023 Millions of yen Notional Amount	Due after One Year	Fair Value	Thousands of U.S. dollars 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**	(*)	**$ 119,256**	**$ 119,256**	(*)
Total		**¥ 15,924**	**¥ 15,924**	(*)	**$ 119,256**	**$ 119,256**	(*)

Class of transactions	Subject to hedge accounting	2022 Millions of yen 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	(*)
Total		¥ 15,924	¥ 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

Class of transactions	Subject to hedge accounting	2023 Millions of yen Notional Amount	Due after One Year	Fair Value	Thousands of U.S. dollars Notional Amount	Due after One Year	Fair Value
Interest rate swap contracts	Corporate bonds and						
Fixed rate payment and floating rate receipt	Long-term borrowings	**¥ 43,309**	**¥ 43,157**	**¥ 1,377**	**$ 324,342**	**$ 323,203**	**$ 10,314**
Interest rate swap contracts by short-cut method	Long-term borrowings						
Fixed rate payment and floating rate receipt		**96,827**	**74,979**	(*)	**725,138**	**561,521**	(*)
Total		**¥ 140,137**	**¥ 118,137**	**¥ 1,377**	**$ 1,049,480**	**$ 884,724**	**$ 10,314**

Class of transactions	Subject to hedge accounting	2022 Millions of yen Notional Amount	Due after One Year	Fair Value
Interest rate swap contracts	Corporate bonds and			
Fixed rate payment and floating rate receipt	Long-term borrowings	¥ 40,676	¥ 40,524	¥ (92)
Interest rate swap contracts by short-cut method	Long-term borrowings			
Fixed rate payment and floating rate receipt		128,397	96,580	(*)
Total		¥ 169,073	¥ 137,104	¥ (92)

(*) 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

Class of transactions	Subject to hedge accounting	2023 Millions of yen Notional Amount	Due after One Year	Fair Value	Thousands of U.S. dollars Notional Amount	Due after One Year	Fair Value
Interest rate and currency swap contracts by							
short-cut method and allocation method	Long-term borrowings						
Payment in JPY and receipt in USD							
Fixed rate payment and floating rate receipt		**¥ 43,400**	**¥ 24,400**	(*)	**$ 325,023**	**$ 182,733**	(*)
Total		**¥ 43,400**	**¥ 24,400**	(*)	**$ 325,023**	**$ 182,733**	(*)

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

The reportable segment information of the Group for the years ended March 31, 2023 and 2022 are summarized as follows:

Millions of yen

	2023									
	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	¥ 771,671	¥ 344,598	¥ 176,517	¥ 32,703	¥ 51,161	¥ 1,376,653	¥ 1,174	¥ 1,377,827	—	¥ 1,377,827
Intersegment or transfers	5,752	1,821	(386)	3,174	9,612	19,974	10,627	30,602	¥ (30,602)	—
Total revenue	777,424	346,419	176,130	35,878	60,774	1,396,628	11,801	1,408,429	(30,602)	1,377,827
Segment income (loss)	188,852	35,037	89,400	8,054	4,176	325,520	(2,121)	323,399	(26,696)	296,702
Segment assets	¥ 4,434,331	¥ 834,751	¥ 1,270,849	¥ 112,590	¥ 61,225	¥ 6,713,748	¥ 27,599	¥ 6,741,348	¥ 130,610	¥ 6,871,959
Other items										
Depreciation and amortization	72,181	4,993	10,410	1,837	981	90,404	147	90,551	2,907	93,459
Capital expenditures	¥ 136,938	¥ 60,284	¥ 97,581	¥ 364	¥ 676	¥ 295,846	¥ 883	¥ 296,730	¥ 1,709	¥ 298,439

Thousands of U.S. dollars

	2023									
	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	$ 5,779,014	$ 2,580,684	$ 1,321,930	$ 244,914	$ 383,148	$ 10,309,692	$ 8,792	$ 10,318,485	—	$ 10,318,485
Intersegment or transfers	43,081	13,637	(2,893)	23,774	71,990	149,590	79,588	229,179	$ (229,179)	—
Total revenue	5,822,096	2,594,321	1,319,036	268,689	455,139	10,459,283	88,380	10,547,664	(229,179)	10,318,485
Segment income (loss)	1,414,305	262,391	669,516	60,316	31,280	2,437,811	(15,890)	2,421,920	(199,929)	2,221,991
Segment assets	$ 33,208,502	$ 6,251,417	$ 9,517,329	$ 843,187	$ 458,518	$ 50,278,955	$ 206,694	$ 50,485,650	$ 978,134	$ 51,463,784
Other items										
Depreciation and amortization	540,560	37,399	77,961	13,759	7,351	677,033	1,105	678,138	21,774	699,913
Capital expenditures	$ 1,025,528	$ 451,465	$ 730,786	$ 2,733	$ 5,067	$ 2,215,581	$ 6,618	$ 2,222,200	$ 12,800	$ 2,235,001

20. Segment Information (continued)

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

Impairment losses of the Group on fixed assets by reportable segments for the years ended March 31, 2023 and 2022 are summarized as follows:

Millions of yen

	2023									
	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	**¥ 121**	**¥ 505**	**¥ 2,142**	**¥ 728**	**¥ 36**	**¥ 3,535**	**¥ 0**	**¥ 3,535**	**—**	**¥ 3,535**
										Thousands of U.S. dollars
Impairment loss	**$ 908**	**$ 3,788**	**$ 16,043**	**$ 5,459**	**$ 276**	**$ 26,475**	**$ 0**	**$ 26,475**	**—**	**$ 26,475**

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

20. Segment Information (continued)

The following tables present the amortization and balance of goodwill as of and for the years ended March 31, 2023 and 2022 by reportable segment:

Millions of yen

	2023									
	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**	**¥ 217**	**¥ 2,140**	**¥ 377**	**¥ 3,170**	**—**	**¥ 3,170**	**—**	**¥ 3,170**
Balance of goodwill	**—**	**¥ 3,400**	**¥ 7**	**¥ 1,923**	**¥ 4,229**	**¥ 9,561**	**—**	**¥ 9,561**	**—**	**¥ 9,561**
Amortization of negative goodwill	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**
Balance of negative goodwill	**¥ 69,975**	**—**	**—**	**—**	**—**	**¥ 69,975**	**—**	**¥ 69,975**	**—**	**¥ 69,975**

Thousands of U.S. dollars

	2023									
	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	**$ 565**	**$ 2,685**	**$ 1,630**	**$ 16,032**	**$ 2,826**	**$ 23,740**	**—**	**$ 23,740**	**—**	**$ 23,740**
Balance of goodwill	**—**	**$ 25,464**	**$ 57**	**$ 14,408**	**$ 31,673**	**$ 71,603**	**—**	**$ 71,603**	**—**	**$ 71,603**
Amortization of negative goodwill	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**
Balance of negative goodwill	**$ 524,039**	**—**	**—**	**—**	**—**	**$ 524,039**	**—**	**$ 524,039**	**—**	**$ 524,039**

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

Products and Service Information
Refer to reportable segment information.

Geographical Area Information
Geographical area information on net sales for the years ended March 31, 2023 and 2022 are as follows:

	Millions of yen		*Thousands of U.S. dollars*
	2023	**2022**	**2023**
Japan	¥ **1,178,570**	¥ 1,192,802	$ **8,826,262**
United States	**140,534**	125,898	**1,052,454**
Europe	**47,851**	4,028	**358,360**
Asia	**10,870**	26,760	**81,407**
Total	¥ **1,377,827**	¥ 1,349,489	$ **10,318,485**

(*) 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 years ended March 31, 2023 and 2022 are as follows:

	Millions of yen		*Thousands of U.S. dollars*
	2023	**2022**	**2023**
Japan	¥ **3,921,843**	¥ 3,860,158	$ **29,370,507**
United States	**263,300**	218,157	**1,971,845**
Europe	**215,741**	174,082	**1,615,676**
Asia	**15,328**	93,591	**114,793**
Total	¥ **4,416,214**	¥ 4,345,989	$ **33,072,823**

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

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, 2023 and the fair value of these rental properties and real estate including space used as rental properties are as follows:

	2023							
	Millions of yen				*Thousands of U.S. dollars*			
	Carrying Value			Fair Value	Carrying Value			Fair Value
	As of April 1, 2022	**Net Change**	**As of March 31, 2023**	**As of March 31, 2023**	**As of April 1, 2022**	**Net Change**	**As of March 31, 2023**	**As of March 31, 2023**
Rental properties	**¥ 3,725,804**	**¥ 68,525**	**¥ 3,794,330**	**¥ 8,016,139**	**$ 27,902,379**	**$ 513,187**	**$ 28,415,567**	**$ 60,032,500**
Real estate including space used as rental properties	**541,325**	**(5,028)**	**536,297**	**948,351**	**4,053,958**	**(37,655)**	**4,016,303**	**7,102,163**

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, 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			
	Carrying Value			Fair Value
	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
Real estate including space used as rental properties	545,404	(4,079)	541,325	916,224

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, 2023 and 2022 are as follows:

	2023				2022				2023			
	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	**¥ 512,945**	**¥ 343,578**	**¥ 169,367**	**¥ (15,468)**	¥ 503,737	¥ 329,374	¥ 174,363	¥ (17,577)	**$ 3,841,428**	**$ 2,573,045**	**$ 1,268,382**	**$ (115,841)**
Real estate including space used as rental properties	**44,640**	**36,497**	**8,143**	**(466)**	44,552	34,562	9,990	(777)	**334,307**	**273,324**	**60,983**	**(3,494)**

(*) 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.

		2023		2022		2023
		Millions of yen				*Thousands of U.S. dollars*
Commercial property business						
Real estate leasing business(*1)	¥	**548,954**	¥	546,186	$	**4,111,097**
Real estate sales business		**105,228**		126,878		**788,054**
Other		**123,240**		87,593		**922,944**
Subtotal		**777,424**		760,658		**5,822,096**
Residential business						
Condominium sales business		**112,937**		212,335		**845,780**
Residential property management services		**57,713**		56,664		**432,210**
Homebuilding		**38,252**		38,910		**286,471**
Other		**137,517**		73,049		**1,029,858**
Subtotal		**346,419**		380,959		**2,594,321**
International business (*1)		**176,130**		121,234		**1,319,036**
Investment management business		**35,878**		46,702		**268,689**
Architectural design & engineering and real estate services business		**60,774**		57,780		**455,139**
Other business		**11,801**		10,134		**88,380**
Total	¥	**1,408,429**	¥	1,377,469	$	**10,547,664**
Inter-segment transactions (*2)	¥	**(30,602)**	¥	(27,979)	$	**(229,179)**
Amount recorded in consolidated financial statements	¥	**1,377,827**	¥	1,349,489	$	**10,318,485**
Revenue from contracts with customers	¥	**642,222**	¥	716,005	$	**4,809,578**
Revenue from other sources (*1)	¥	**735,604**	¥	633,483	$	**5,508,907**

(*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.

		2023		2022		2023
		Millions of yen				*Thousands of U.S. dollars*
Receivables from contracts with customers (Balance at the beginning of the year)	¥	**34,530**	¥	**29,952**	$	**258,600**
Receivables from contracts with customers (Balance at the end of the year)		**38,940**		**34,530**		**291,624**
Contract assets (Balance at the beginning of the year)		**7,081**		**4,612**		**53,033**
Contract assets (Balance at the end of the year)		**10,705**		**7,081**		**80,169**
Contract liabilities (Balance at the beginning of the year)		**29,579**		**29,060**		**221,520**
Contract liabilities (Balance at the end of the year)		**64,486**		**29,579**		**482,937**

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 current fiscal year under review, ¥17,618 million ($131,947 thousand) was related to condominium sales, of which ¥10,710 million ($80,208 thousand) was recognized as revenue in the current fiscal year under review. Almost all of the contract liabilities other than those related to sales of condominiums were recognized as revenues during the current fiscal year under review.

Of the contract liability balances at the beginning of the previous fiscal year under review, ¥18,090 million was related to condominium sales, of which ¥15,929 million was recognized as revenue in the previous fiscal year under review. Almost all of the contract liabilities other than those related to sales of condominiums were recognized as revenues during the previous fiscal year under review.

(b) Transaction price allocated to remaining performance obligations
The transaction price allocated to the remaining performance obligation was ¥205,816 million ($1,541,350 thousand) at the end of the current fiscal year, of which ¥91,990 million ($688,910 thousand) was allocated to the Commercial property business and ¥113,826 million ($852,440 thousand) to the Residential business.
As of the end of the current 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 transaction price allocated to the remaining performance obligation was ¥83,935 million at the end of the previous fiscal year, of which ¥12,409 million was allocated to the Commercial property business and ¥71,526 million to the Residential business.
As of the end of the previous 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, 2023 and 2022 are as follows:

	2023	2022	2023
	Millions of yen		*Thousands of U.S. dollars*
Balance at the beginning of the year	**¥ 7,516**	¥ 7,015	**$ 56,287**
Increase due to the acquisition of property and equipment	**357**	425	**2,674**
Adjustments due to the elapse of time	**76**	73	**569**
Decrease due to the fulfillment of asset retirement obligations	**(24)**	(9)	**(182)**
Increase due to changes in the scope of consolidation	**1,425**	—	**10,678**
Other	**(0)**	10	**(0)**
Balance at the end of the year	**¥ 9,350**	¥ 7,516	**$ 70,028**

(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, 2023, 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, 2023, 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, 2023 and 2022 and the amounts of these transactions for the years then ended are summarized as follows:

						Millions of yen			*Thousands of U.S. dollars*		
						2023					
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**
—	—	—	—	—	—	—	—	—	—	—	—

						Millions of yen		
				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**
Director	Keiji Takano	Executive Officer of the Company	0.00%	Contract for construction of housing and other	Construction of housing	¥ 63	—	—
Director	Ikuo Ono	Executive Officer of the Company	0.00%	Contract for construction of housing and other	Construction of housing	¥ 27	—	—

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, 2023 and 2022:

	2023	2022	2023
	Millions of yen		*Thousands of U.S. dollars*
Unrealized holding gain (loss) on securities:			
Amount arising during the year	¥ **12,846**	¥ 23,559	$ **96,207**
Reclassification adjustments for gains and losses included in net income	**(2,855)**	(5,024)	**(21,385)**
Amount before tax effects	**9,991**	18,534	**74,822**
Tax effects	**(2,264)**	(5,779)	**(16,960)**
Unrealized holding gain (loss) on securities	**7,726**	12,754	**57,861**
Deferred gain (loss) on hedging instruments:			
Amount arising during the year	**2,248**	1,360	**16,842**
Reclassification adjustments for gains and losses included in net income	**(913)**	810	**(6,844)**
Amount before tax effects	**1,334**	2,171	**9,997**
Tax effects	**(422)**	(662)	**(3,162)**
Deferred gain (loss) on hedging instruments	**912**	1,508	**6,835**
Foreign currency translation adjustments:			
Amount arising during the year	**82,780**	59,597	**619,942**
Amount before tax effects	**82,780**	59,597	**619,942**
Tax effects	**(53)**	(9)	**(402)**
Foreign currency translation adjustments	**82,727**	59,588	**619,540**
Retirement benefits liability adjustments:			
Amount arising during the year	**8,918**	8,667	**66,789**
Reclassification adjustments for gains and losses included in net income	**(1,770)**	(842)	**(13,260)**
Amount before tax effects	**7,147**	7,824	**53,528**
Tax effects	**(2,102)**	(2,304)	**(15,743)**
Retirement benefits liability adjustments	**5,045**	5,519	**37,784**
Share of other comprehensive income of companies accounted for by the equity method:			
Amount arising during the year	**1,324**	1,538	**9,920**
Reclassification adjustments for gains and losses included in net income	**-**	(1,193)	**-**
Share of other comprehensive income of companies accounted for by the equity method	**1,324**	344	**9,920**
Total other comprehensive income (loss)	¥ **97,736**	¥ 79,715	$ **731,942**

26. Business Combinations

1. Acquisitions

(1) Outline of business combination

i. Name and business of acquired entity
Name: Regus Japan Holdings Co., Ltd.
Business: Management and operation of rental offices and co-working spaces, etc.

ii. Objective of acquisition

In addition to taking over the existing domestic offices operated by Regus Japan Holdings Co., Ltd., by acquiring the rights and management and development rights as the exclusive partner of IWG plc.(Head Office: Switzerland, CEO: Mark Dixon, hereinafter referred to as "IWG"), the world's largest workspace provider, in Japan, the Group aims to expand business in the flexible workspace area by combining the Group's customer network and property development capabilities in diverse business areas with IWG's global competitive advantage in the future.

iii. Date of acquisition
February 1, 2023

iv. Legal form of acquisition
Purchase of common stocks

v. Name of acquired entity subsequent to acquisition
Regus Japan Holdings Co., Ltd.

vi. Change in voting rights ratio
100%

vii. Determination of acquirer
As a result of the purchase of the common stocks, the Company obtained the substantial control of Regus Japan Holdings Co., Ltd.

(2) Consideration transferred for the acquisition

		Millions of yen		*Thousands of U.S. dollars*
Cash on hand and in banks	¥	34,797	$	260,593
Acquisition cost		34,797		260,593

The acquisition cost has not been finalized at this time as the price adjustment based on the stock purchase agreement has not been completed.

(3) Major acquisition related cost

		Millions of yen		*Thousands of U.S. dollars*
Advisory cost and others	¥	237	$	1,774

(4) Amount of goodwill recorded and its cause

i. Amount: ¥27,629 million ($206,914 thousand)

ii. Cause: The consideration transferred exceeded the fair value of the net assets acquired.

iii. Amortization method and period: Straight line method for 15 years

(5) Assets acquired and liabilities assumed at the acquisition date

		Millions of yen		*Thousands of U.S. dollars*
Current assets	¥	4,810	$	36,026
Fixed assets		15,870		118,853
Total assets	¥	20,681	$	154,880

		Millions of yen		*Thousands of U.S. dollars*
Current liabilities	¥	9,590	$	71,823
Long-term liabilities		3,922		29,378
Total liabilities	¥	13,513	$	101,201

The intangible assets identified as a result of purchase price allocation are customer-related assets of ¥4,303 million ($32,224 thousand), which will be amortized on a straight line method for 11 years.

(6) Pro forma impact on consolidated statement of income assuming the business combination was completed at the beginning of the fiscal year

Omitted due to immateriality. The pro forma impact was not subject to audit certification.