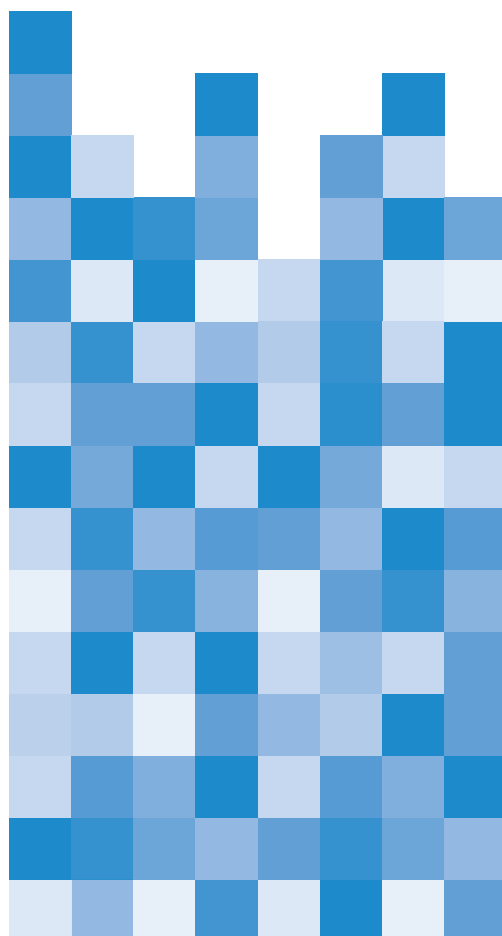


mitsui **FUDOSAN**

AUDITED FINANCIAL STATEMENTS

Year ended March 31, 2022



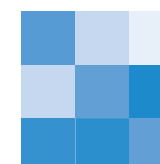
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MITSUI FUDOSAN

AUDITED FINANCIAL STATEMENTS

Year ended March 31, 2022



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Consolidated Financial Statements

Consolidated Balance Sheets

Mitsui Fudosan Co., Ltd. and its Subsidiaries
As of March 31, 2022, 2021 and 2020

	Millions of yen			Thousands of U.S. dollars (Note 1)
	2022	2021	2020	2022
ASSETS				
CURRENT ASSETS				
Cash and cash equivalents (Note 4)	¥ 142,682	¥187,724	¥179,472	\$ 1,165,798
Marketable securities (Note 4, 5)	100	88	219	817
Notes and accounts receivable - trade, and contract assets (Note 4, 19)	61,465	-	-	502,206
Notes and accounts receivable - trade (Note 4)	-	41,368	38,908	-
Short-term loans receivable	16,950	17,187	18,543	138,492
Allowance for doubtful accounts	(811)	(574)	(300)	(6,626)
Inventories (Note 8, 13)	2,047,991	1,938,599	1,901,756	16,733,320
Advances paid for purchases (Note 9)	22,290	15,845	28,542	182,123
Equity investments in properties for sale (Note 4)	9,803	10,013	6,683	80,096
Other current assets	267,401	245,747	219,744	2,184,827
Total current assets	2,567,871	2,455,997	2,393,567	20,981,053
PROPERTY and EQUIPMENT, at cost:				
Land (Note 7, 13)	2,081,491	2,099,946	2,216,701	17,007,035
Buildings and structures (Note 7, 13, 24)	2,347,362	2,166,327	1,965,267	19,179,361
Machinery and equipment (Note 24)	335,172	303,244	255,479	2,738,557
Construction in progress	252,516	249,386	177,433	2,063,208
	5,016,541	4,818,903	4,614,880	40,988,161
Accumulated depreciation	(1,140,600)	(1,060,784)	(896,277)	(9,319,389)
Net property and equipment (Note 25)	3,875,941	3,758,119	3,718,603	31,668,772
INVESTMENTS and OTHER ASSETS				
Investments in unconsolidated subsidiaries and affiliated companies	335,283	273,233	252,736	2,739,464
Investment securities (Note 4, 5)	881,726	775,852	635,320	7,204,232
Non-current loans and accounts receivable	248,531	203,078	161,304	2,030,648
Allowance for doubtful accounts	(1,064)	(1,199)	(1,065)	(8,694)
Lease deposits (Note 4, 10)	170,859	160,944	145,414	1,396,021
Net defined benefit asset (Note 12)	65,082	50,677	28,994	531,759
Deferred income taxes (Note 11)	25,574	26,587	25,944	208,955
Deferred tax assets on land revaluation	15	3	3	123
Other	38,194	38,682	34,539	312,068
Total investments and other assets	1,764,200	1,527,857	1,283,189	14,414,576
Total assets	¥8,208,012	¥7,741,973	¥7,395,359	\$67,064,401

See accompanying notes.

	Millions of yen			Thousands of U.S. dollars (Note 1)
	2022	2021	2020	2022
LIABILITIES AND NET ASSETS				
CURRENT LIABILITIES				
Bank loans (Note 4, 13)	¥ 125,045	¥ 39,213	¥ 46,309	\$ 1,021,693
Commercial paper (Note 4, 13)	36,000	99,500	173,000	294,142
Long-term debt due within one year (Note 4, 13)	480,554	324,326	220,633	3,926,416
Notes and accounts payable - trade (Note 4)	135,098	97,970	147,075	1,103,832
Accrued expenses	58,306	53,683	43,883	476,395
Accrued income taxes	59,591	50,340	36,906	486,894
Advances and deposits received	117,650	231,528	258,207	961,271
Contract liabilities (Note 19)	141,892	-	-	1,159,343
Other current liabilities (Note 13, 14)	122,944	104,607	113,749	1,004,527
Total current liabilities	1,277,080	1,001,167	1,039,762	10,434,513
LONG-TERM LIABILITIES				
Net defined benefit liability (Note 12)	49,866	48,067	46,196	407,435
Allowance for directors' and corporate auditors' retirement benefits	775	846	801	6,332
Long-term debt due after one year (Note 4, 13)	3,025,635	3,160,400	3,041,175	24,721,260
Deposits from tenants (Note 4, 13, 15)	443,920	435,930	436,595	3,627,094
Deferred income taxes (Note 11)	299,398	269,234	147,786	2,446,262
Deferred tax liabilities on land revaluation	91,088	94,836	151,544	744,244
Other long-term liabilities (Note 14)	106,497	75,501	44,975	870,144
Total long-term liabilities	4,017,179	4,084,814	3,869,072	32,822,771
CONTINGENT LIABILITIES (Note 27)				
NET ASSETS (Notes 16, 17)				
Shareholders' equity				
Common stock	340,163	339,897	339,767	2,779,337
Authorized - 3,290,000,000 shares Issued—959,474,447 shares in 2022, 965,281,777 shares in 2021 and 979,250,227 shares in 2020				
Capital surplus	372,472	372,294	372,163	3,043,321
Retained earnings	1,390,511	1,259,716	1,070,240	11,361,312
Treasury stock – 8,973,356 shares in 2022, 3,128,170 shares in 2021 and 8,148,291 shares in 2020	(21,582)	(5,920)	(14,365)	(176,338)
Total shareholders' equity	2,081,564	1,965,987	1,767,805	17,007,632
Accumulated other comprehensive income (loss)				
Net unrealized holding gains on securities	471,795	394,874	319,993	3,854,849
Deferred gains (losses) on hedging instruments	10,303	5,165	(222)	84,182
Reserve on land revaluation	194,160	202,687	330,305	1,586,404
Foreign currency translation adjustments	10,430	(34,525)	(14,794)	85,219
Accumulated adjustments for retirement benefit	28,223	21,698	5,593	230,599
Total accumulated other comprehensive income	714,911	589,899	640,875	5,841,253
Subscription rights to shares (Note 18)	1,340	1,423	1,454	10,949
Non-controlling interests	115,938	98,683	76,391	947,283
Total net assets	2,913,753	2,655,992	2,486,525	23,807,117
Total liabilities and net assets	¥8,208,012	¥7,741,973	¥7,395,359	\$67,064,401

See accompanying notes.

Consolidated Statements of Income

Mitsui Fudosan Co., Ltd. and its Subsidiaries
For the years ended March 31, 2022, 2021 and 2020

	Millions of yen			Thousands of U.S. dollars (Note 1)
	2022	2021	2020	2022
Revenue from operations (Note 19, 25)	¥2,100,870	¥2,007,555	¥1,905,643	\$17,165,373
Cost of revenue from operations	(1,650,428)	(1,609,639)	(1,435,903)	(13,484,991)
Selling, general and administrative expenses	(205,463)	(194,145)	(189,122)	(1,678,756)
Operating income (Note 25)	244,979	203,771	280,618	2,001,626
Interest, dividends and miscellaneous income (Note 21)	75,219	88,761	27,422	614,585
Interest expense	(31,606)	(27,779)	(29,383)	(258,240)
Other expenses (Note 20, 22)	(28,349)	(66,774)	(23,155)	(231,629)
Equity in net income (loss) of affiliated companies	2,161	(6,158)	5,715	17,657
Income before income taxes	262,404	191,821	261,217	2,143,999
Income taxes (Note 11)				
Current	101,362	89,147	77,321	828,189
Deferred	(14,713)	(27,054)	(799)	(120,214)
Total	86,649	62,093	76,522	707,975
Net income	175,755	129,728	184,695	1,436,024
Net (income) loss attributable to non-controlling interests	1,231	(152)	(722)	10,058
Net income attributable to shareholders of the Company	¥ 176,986	¥ 129,576	¥183,973	\$ 1,446,082

See accompanying notes.

Consolidated Statements of Comprehensive Income

Mitsui Fudosan Co., Ltd. and its Subsidiaries
For the years ended March 31, 2022, 2021 and 2020

	Millions of yen			Thousands of U.S. dollars (Note 1)
	2022	2021	2020	2022
Net income	¥175,755	¥129,728	¥184,695	\$1,436,024
Other comprehensive income (loss):				
Net unrealized holding gains (losses) on securities	77,189	74,853	(14,550)	630,681
Deferred gains (losses) on hedging instruments	5,198	5,350	(153)	42,471
Foreign currency translation adjustments	33,869	(15,180)	(712)	276,730
Adjustments for retirement benefit	6,420	16,071	(3,983)	52,455
Equity in other comprehensive income (loss) of affiliated companies	12,234	(4,813)	1,707	99,959
Total other comprehensive income (loss)	134,910	76,281	(17,691)	1,102,296
Total comprehensive income	¥310,665	¥206,009	¥167,004	\$2,538,320
Comprehensive income (loss) attributable to:				
Shareholders of the Company	¥310,525	¥206,396	¥166,471	\$2,537,176
Non-controlling interests	140	(387)	533	1,144
Total	¥310,665	¥206,009	¥167,004	\$2,538,320

See Note 23.

PER SHARE INFORMATION

	Yen			U.S. dollars (Note 1)
	2022	2021	2020	2022
Net assets per share*	¥2,942.1	¥2,656.4	¥2,480.4	\$24.039
Net income per share				
— Basic	184.4	134.4	188.4	1.507
— Diluted	184.3	134.3	188.2	1.506
Cash dividends	55.0	44.0	44.0	0.449

* Net assets per share information does not include subscription rights to shares and non-controlling interests.

See accompanying notes.

Consolidated Statements of Changes in Net Assets

Mitsui Fudosan Co., Ltd. and its Subsidiaries
For the years ended March 31, 2022, 2021 and 2020

	Millions of yen												
	Shares of common stock (thousands)	Shareholders' equity				Accumulated other comprehensive income (loss)							
		Common stock	Capital surplus	Retained earnings	Treasury stock	Net unrealized holding gains (losses) on securities	Deferred gains (losses) on hedging instruments	Reserve on land revaluation	Foreign currency translation adjustment	Defined benefit pension plans	Subscription rights to shares	Non-controlling interests	Total net assets
BALANCE AT APRIL 1, 2019	991,425	¥339,767	¥403,269	¥ 962,154	¥(21,088)	¥334,612	¥ 72	¥330,538	¥(16,334)	¥ 9,523	¥1,285	¥ 77,007	¥2,420,805
Cash dividends paid	-	-	-	(45,047)	-	-	-	-	-	-	-	-	(45,047)
Net income attributable to shareholders of the Company	-	-	-	183,973	-	-	-	-	-	-	-	-	183,973
Reversal of reserve on land revaluation, net of tax	-	-	-	34	-	-	-	(233)	-	-	-	-	(199)
Purchase of treasury stock	-	-	-	-	(24,196)	-	-	-	-	-	-	-	(24,196)
Sales of treasury stock	-	-	(28)	-	74	-	-	-	-	-	-	-	46
Retirement of treasury stock	(12,175)	-	(30,845)	-	30,845	-	-	-	-	-	-	-	-
Change in the Company's equity due to transactions with non-controlling interests	-	-	(361)	-	-	-	-	-	-	-	-	-	(361)
Capital transactions with non-controlling interests	-	-	(30,746)	-	-	-	-	-	-	-	-	-	(30,746)
Transfer of retained earnings to capital surplus	-	-	30,874	(30,874)	-	-	-	-	-	-	-	-	-
Net unrealized holding losses on securities	-	-	-	-	-	(14,619)	-	-	-	-	-	-	(14,619)
Deferred losses on hedging instruments	-	-	-	-	-	-	(294)	-	-	-	-	-	(294)
Foreign currency translation adjustment	-	-	-	-	-	-	-	-	1,540	-	-	-	1,540
Defined benefit pension plans	-	-	-	-	-	-	-	-	(3,930)	-	-	-	(3,930)
Subscription rights to shares	-	-	-	-	-	-	-	-	-	-	169	-	169
Non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	(616)	(616)
BALANCE AT MARCH 31, 2020	979,250	339,767	372,163	1,070,240	(14,365)	319,993	(222)	330,305	(14,794)	5,593	1,454	76,391	2,486,525
BALANCE AT APRIL 1, 2020	979,250	339,767	372,163	1,070,240	(14,365)	319,993	(222)	330,305	(14,794)	5,593	1,454	76,391	2,486,525
Issuance of restricted stock	137	130	130	-	-	-	-	-	-	-	-	-	260
Cash dividends paid	-	-	-	(42,532)	-	-	-	-	-	-	-	-	(42,532)
Net income attributable to shareholders of the Company	-	-	-	129,576	-	-	-	-	-	-	-	-	129,576
Reversal of reserve on land revaluation, net of tax	-	-	-	127,620	-	-	-	(127,618)	-	-	-	-	2
Purchase of treasury stock	-	-	-	-	(16,830)	-	-	-	-	-	-	-	(16,830)
Sales of treasury stock	-	-	(12)	-	99	-	-	-	-	-	-	-	87
Retirement of treasury stock	(14,105)	-	(25,176)	-	25,176	-	-	-	-	-	-	-	-
Change in equity due to capital increase in consolidated subsidiaries	-	-	1	-	-	-	-	-	-	-	-	-	1
Transfer of retained earnings to capital surplus	-	-	25,188	(25,188)	-	-	-	-	-	-	-	-	-
Net unrealized holding gains on securities	-	-	-	-	-	74,881	-	-	-	-	-	-	74,881
Deferred gains on hedging instruments	-	-	-	-	-	-	5,387	-	-	-	-	-	5,387
Foreign currency translation adjustment	-	-	-	-	-	-	-	-	(19,731)	-	-	-	(19,731)
Defined benefit pension plans	-	-	-	-	-	-	-	-	-	16,105	-	-	16,105
Subscription rights to shares	-	-	-	-	-	-	-	-	-	-	(31)	-	(31)
Non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	22,292	22,292
BALANCE AT MARCH 31, 2021	965,282	339,897	372,294	1,259,716	(5,920)	394,874	5,165	202,687	(34,525)	21,698	1,423	98,683	2,655,992
BALANCE AT APRIL 1, 2021	965,282	339,897	372,294	1,259,716	(5,920)	394,874	5,165	202,687	(34,525)	21,698	1,423	98,683	2,655,992
Cumulative effects of the changes in accounting policies	-	-	-	1,889	-	-	-	-	-	-	-	-	1,889
BALANCE AT APRIL 1, 2021, as adjusted for cumulative effects of the changes in accounting policies	965,282	339,897	372,294	1,261,605	(5,920)	394,874	5,165	202,687	(34,525)	21,698	1,423	98,683	2,657,881
Issuance of restricted stock	200	266	266	-	-	-	-	-	-	-	-	-	532
Cash dividends paid	-	-	-	(42,339)	-	-	-	-	-	-	-	-	(42,339)
Net income attributable to shareholders of the Company	-	-	-	176,986	-	-	-	-	-	-	-	-	176,986
Reversal of reserve on land revaluation, net of tax	-	-	-	8,527	-	-	-	(8,527)	-	-	-	-	-
Purchase of treasury stock	-	-	-	-	(30,013)	-	-	-	-	-	-	-	(30,013)
Sales of treasury stock	-	-	(9)	-	92	-	-	-	-	-	-	-	83
Retirement of treasury stock	(6,008)	-	(14,259)	-	14,259	-	-	-	-	-	-	-	-
Change in the Company's equity due to transactions with non-controlling interests	-	-	(88)	-	-	-	-	-	-	-	-	-	(88)
Transfer of retained earnings to capital surplus	-	-	14,268	(14,268)	-	-	-	-	-	-	-	-	-
Net unrealized holding gains on securities	-	-	-	-	-	76,921	-	-	-	-	-	-	76,921
Deferred gains on hedging instruments	-	-	-	-	-	-	5,138	-	-	-	-	-	5,138
Foreign currency translation adjustment	-	-	-	-	-	-	-	-	44,955	-	-	-	44,955
Defined benefit pension plans	-	-	-	-	-	-	-	-	-	6,525	-	-	6,525
Subscription rights to shares	-	-	-	-	-	-	-	-	-	-	(83)	-	(83)
Non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	17,255	17,255
BALANCE AT MARCH 31, 2022	959,474	¥340,163	¥372,472	¥1,390,511	¥(21,582)	¥471,795	¥10,303	¥194,160	¥ 10,430	¥28,223	¥1,340	¥115,938	¥2,913,753

	Thousands of U.S. Dollars (Note 1)											
	2022	2021	2020	2022	2021	2020	2022	2021	2020	2022	2021	2020
BALANCE AT APRIL 1, 2021	\$2,777,163	\$3,041,866	\$10,292,638	\$ (48,370)	\$3,226,358	\$ 42,201	\$1,656,075	\$(282,090)	\$177,286	\$11,627	\$806,300	\$21,701,054
Cumulative effects of the changes in accounting policies	-	-	15,434	-	-	-	-	-	-	-	-	15,434
BALANCE AT APRIL 1, 2021, as adjusted for cumulative effects of the changes in accounting policies	2,777,163	3,041,866	10,308,072	(48,370)	3,226,358	42,201	1,656,075	(282,090)	177,286	11,627	806,300	21,716,488
Issuance of restricted stock	2,174	2,174	-	-	-	-	-	-	-	-	-	4,348
Cash dividends paid	-	-	(345,935)	-	-	-	-	-	-	-	-	(345,935)
Net income attributable to shareholders of the Company	-	-	1,446,082	-	-	-	-	-	-	-	-	1,446,082
Reversal of reserve on land revaluation, net of tax	-	-	69,671	-	-	-	(69,671)	-	-	-	-	-
Purchase of treasury stock	-	-	-	(245,225)	-	-	-	-	-	-	-	(245,225)
Sales of treasury stock	-	(73)	-	752	-	-	-	-	-	-	-	679
Retirement of treasury stock	-	(116,505)	-	116,505	-	-	-	-	-	-	-	-
Change in the Company's equity due to transactions with non-controlling interests	-	(719)	-	-	-	-	-	-	-	-	-	(719)
Transfer of retained earnings to capital surplus	-	116,578	(116,578)	-	-	-	-	-	-	-	-	-
Net unrealized holding gains on securities	-	-	-	-	628,491	-	-	-	-	-	-	628,491
Deferred gains on hedging instruments	-	-	-	-	-	41,981	-	-	-	-	-	41,981
Foreign currency translation adjustment	-	-	-	-	-	-	367,309	-	-	-	-	367,309
Defined benefit pension plans	-	-	-	-	-	-	-	53,313	-	-	-	53,313
Subscription rights to shares	-	-	-	-	-	-	-	-	(678)	-	-	(678)
Non-controlling interests	-	-	-	-	-	-	-	-	-	-	140,983	140,983
BALANCE AT MARCH 31, 2022	\$2,779,337	\$3,043,321	\$11,361,312	\$(176,338)	\$3,854,849	\$84,182	\$1,586,404	\$ 85,219	\$230,599	\$10,949	\$947,283	\$23,807,117

See accompanying notes.

Consolidated Statements of Cash Flows

Mitsui Fudosan Co., Ltd. and its Subsidiaries

For the years ended March 31, 2022, 2021 and 2020

	Millions of yen			Thousands of U.S. dollars (Note 1)
	2022	2021	2020	2022
Cash flows from operating activities:				
Income before income taxes	¥262,404	¥191,821	¥261,217	\$2,143,999
Adjustments to reconcile income before income taxes to net cash provided by operating activities				
Depreciation and amortization	111,501	98,196	91,434	911,030
Loss on impairment of fixed assets	9,478	39,648	1,513	77,441
Interest and dividend income	(7,409)	(6,877)	(7,751)	(60,536)
Interest expense	31,606	27,779	29,383	258,240
Equity in net (income) loss of affiliated companies	(2,161)	6,158	(5,715)	(17,657)
Gain on sales of investment securities	(51,726)	(45,932)	(16,711)	(422,633)
Impairment loss on investment securities	-	-	2,868	-
Gain on sales of investments in unconsolidated subsidiaries and affiliated companies	-	(10,701)	-	-
Government grants income	(5,486)	(2,319)	(1,002)	(44,824)
Gain on sale of property and equipment	(6,886)	(20,704)	-	(56,263)
Loss on disposal of property and equipment	7,448	-	4,258	60,855
Loss on business transfer	-	-	2,963	-
Loss related to COVID-19	4,224	14,734	2,402	34,513
Decrease (increase) in accounts receivable	(13,693)	(508)	7,414	(111,880)
Increase (decrease) in accounts payable	8,368	(7,752)	(1,764)	68,372
Increase in real property for sale and advances paid for purchases	(26,383)	(4,635)	(255,847)	(215,565)
Other, net	59,362	15,920	54,107	485,023
Subtotal	380,647	294,828	168,769	3,110,115
Interests and dividends received	10,468	14,547	16,812	85,530
Interests paid	(31,442)	(31,538)	(28,816)	(256,900)
Payments related to COVID-19 loss	(2,872)	(12,081)	(282)	(23,466)
Government grants received	4,754	1,862	-	38,843
Income taxes paid	(90,086)	(79,755)	(69,388)	(736,057)
Net cash provided by operating activities	271,469	187,863	87,095	2,218,065
Cash flows from investing activities:				
Purchases of property and equipment	(241,568)	(276,338)	(473,818)	(1,973,756)
Proceeds from sale of property and equipment	57,159	245,957	1,908	467,023
Purchases of investment securities	(64,113)	(65,769)	(53,439)	(523,842)
Proceeds from sale of investment securities	72,680	69,533	22,810	593,839
Payments of lease deposits	(18,203)	(23,201)	(13,540)	(148,729)
Proceeds from collections of lease deposits	9,554	8,329	8,608	78,062
Repayments of deposits from tenants	(38,365)	(46,381)	(41,772)	(313,465)
Proceeds from deposits from tenants	46,002	44,123	54,763	375,864
Increase in loans receivable	(18,474)	(15,460)	(19,948)	(150,944)
Proceeds from collections of loans receivable	17,970	11,581	18,235	146,826
Transfers to time deposits	(2,858)	(157)	(15,639)	(23,352)
Proceeds from refunds of time deposits	1,278	2,704	28,114	10,442
Purchases of shares of subsidiaries resulting in change in scope of consolidation *	-	(77,788)	-	-
Payments for sales of shares of subsidiaries resulting in change in scope of consolidation	-	(164)	-	-
Proceeds from sales of shares of subsidiaries resulting in change in scope of consolidation	-	24	-	-
Other, net	(31,119)	(8,029)	(49,089)	(254,260)
Net cash used in investing activities	(210,057)	(131,036)	(532,807)	(1,716,292)

	Millions of yen			Thousands of U.S. dollars (Note 1)
	2022	2021	2020	2022
Cash flows from financing activities:				
Proceeds from bank loans and commercial paper	1,598,897	1,272,237	2,886,795	13,063,951
Repayments of bank loans and commercial paper	(1,583,384)	(1,352,109)	(2,836,966)	(12,937,201)
Proceeds from long-term debt	288,753	239,200	630,139	2,359,286
Repayments of long-term debt	(318,271)	(162,585)	(230,977)	(2,600,466)
Proceeds from issuance of bonds	42,602	137,650	230,500	348,084
Payments for redemption of bonds	(101,035)	(142,100)	(103,300)	(825,517)
Cash dividends paid	(42,332)	(42,523)	(45,049)	(345,878)
Proceeds from non-controlling shareholders	7,871	8,059	6,533	64,311
Payments of dividends to non-controlling shareholders	(3,510)	(2,414)	(7,142)	(28,679)
Repayments of capital to non-controlling shareholders	(2)	(380)	(136)	(16)
Payments related to capital transaction with non-controlling shareholders	-	-	(30,746)	-
Repayments of lease obligations	(4,995)	(4,772)	(5,030)	(40,812)
Net increase in treasury stocks	(30,013)	(16,828)	(24,194)	(245,224)
Additional investments in consolidated subsidiaries not resulting in change in scope of consolidation	(18,288)	-	(2,675)	(149,424)
Proceeds from sale of consolidated subsidiaries not resulting in change in scope of consolidation	24,106	-	-	196,961
Net cash provided by (used in) financing activities	(139,601)	(66,565)	467,752	(1,140,624)
Effect of exchange rate changes on cash and cash equivalents	33,147	17,990	(250)	270,831
Net increase (decrease) in cash and cash equivalents	(45,042)	8,252	21,790	(368,020)
Cash and cash equivalents at beginning of year	187,724	179,472	157,682	1,533,818
Cash and cash equivalents at end of year	¥142,682	¥187,724	¥179,472	\$1,165,798

* Details of assets and liabilities of newly consolidated subsidiary acquired

TOKYO DOME CORPORATION ("TDC") has been newly consolidated in the year ended March 31, 2021 through acquisition of its stock. The following table summarizes details of assets and liabilities at the inception of consolidation, acquisition costs and net amount paid for acquisition of TDC.

	Millions of yen
Current assets	¥ 40,487
Non-current assets	318,106
Current liabilities	(46,647)
Non-current liabilities	(191,447)
Non-controlling interests	(18,270)
Acquisition costs of TDC's stock	102,229
Cash and cash equivalents of TDC	(24,441)
Amount paid for acquisition of TDC	¥ 77,788

See accompanying notes.

Notes to Consolidated Financial Statements

Mitsui Fudosan Co., Ltd. and its Subsidiaries

1. BASIS OF PRESENTING CONSOLIDATED FINANCIAL STATEMENTS

The accompanying consolidated financial statements of Mitsui Fudosan Co., Ltd. (the “Company”) have been prepared in accordance with the provisions set forth in the Japanese Financial Instruments and Exchange Law and its related accounting regulations, and in conformity with accounting principles generally accepted in Japan (“Japanese GAAP”), which are different in certain respects as to application and disclosure requirements of International Financial Reporting Standards.

The accounts of overseas subsidiaries are based on their accounting records maintained in conformity with generally accepted accounting principles prevailing in the respective countries of domicile. In compliance with the accounting standard, “Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for Consolidated Financial Statements” issued by Accounting Standards Board of Japan, hereafter ASBJ, (ASBJ PITF No. 18, hereafter, “PITF No. 18”), certain adjustments, which are not recorded in the statutory books of overseas subsidiaries, are incorporated in the consolidated financial statements of the Company prepared in accordance with Japanese

2. SIGNIFICANT ACCOUNTING POLICIES

(A) CONSOLIDATION

The consolidated financial statements include the accounts of the Company and its subsidiaries. The difference between the cost and the underlying net equity at fair value of investments in consolidated subsidiaries and in equity method investees is amortized over a period of 5 years. If the amount is immaterial, it is fully recognized currently in earnings.

The difference between the cost and the underlying net equity at fair value of investments in consolidated subsidiaries is recorded as goodwill.

All significant inter-company accounts and transactions have been eliminated. In the elimination of investments in subsidiaries, the assets and liabilities of the subsidiaries, including the portion attributable to non-controlling shareholders, are recorded based on the fair value at the time the Company acquired control of the respective subsidiaries.

(B) USE OF ESTIMATES

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

Refer to (Y) for significant accounting estimates.

(C) EQUITY METHOD

Investments in all significant affiliated companies are accounted for by the equity method and, accordingly, stated at cost adjusted for equity in undistributed earnings and losses from the date of acquisition.

(D) TRANSLATION OF FOREIGN CURRENCY ACCOUNTS

Foreign currency receivables and payables are translated at appropriate year-end rates and the resulting translation gains or losses are taken into income currently.

Financial statements of consolidated overseas subsidiaries are translated into Japanese yen at the year-end rate, except that shareholders’ equity accounts are translated at historical rates and income statement items resulting from transactions with the Company at the rates used by the Company.

Differences arising from translation are presented as “Foreign

GAAP and filed with the appropriate Local Finance Bureau of the Ministry of Finance as required by the Financial Instruments and Exchange Law (“statutory Japanese language consolidated financial statements”). The accompanying consolidated financial statements have been restructured and translated into English (with some expanded descriptions) from the statutory Japanese language consolidated financial statements. Some supplementary information included in the statutory Japanese language consolidated financial statements, but not required for fair presentation, is not presented in the accompanying consolidated financial statements.

The translations of the Japanese yen amounts into U.S. dollars are included solely for the convenience of readers, using the prevailing exchange rate at March 31, 2022, which was ¥122.39 to U.S. \$1.00. The convenience translations should not be construed as representations that the Japanese yen amounts have been, could have been, or could in the future be, converted into U.S. dollars at this or any other rate of exchange.

currency translation adjustments” in accumulated other comprehensive income under net assets section.

(E) CASH AND CASH EQUIVALENTS

Deposits in banks and short-term investments which are highly liquid, readily convertible to cash and with insignificant risk of market value fluctuation, with a maturity of three months or less at the time of purchase are treated as cash equivalents.

(F) SECURITIES

Held-to-maturity securities are stated at amortized cost.

Other securities other than those without market prices are stated at fair value. Unrealized gains and unrealized losses on these securities are reported, net of applicable income taxes, as a separate component of accumulated other comprehensive income under net assets section. Realized gains and losses on sale of such securities are computed using moving-average cost.

Other securities without market prices are stated at moving-average cost.

The Company and its consolidated subsidiaries recognize losses for the difference between the fair value and the carrying amount when the fair value significantly declines. The Company and its consolidated subsidiaries consider the decline to be significant when the fair value of the other securities declines more than 50% of the carrying amount. When the fair value of the other securities declines from 30% to less than 50% of the carrying amount, the decline is also determined to be significant if the fair value of the securities is considered not to be recoverable to the carrying amount.

If the net realizable value of the securities without fair value declines significantly below the carrying amount, it is written down to net realizable value with a corresponding charge in the statements of income.

(G) INVENTORIES, REVENUE AND RELATED COSTS

The Company and its consolidated subsidiaries have followed accounting standard, “Accounting Standard for Measurement of Inventories” (ASBJ Statement No.9). Under the standard, inventories are initially recorded at acquisition cost, and when net realizable value is less than the cost (i.e., profitability of inventory has declined), the cost basis is reduced to net realizable value. Costs are determined mainly by the specific identification method

and do not include interest and administrative expenses incurred during or after development of real estate, which are charged to income when incurred.

The Company and its consolidated subsidiaries newly adopted “Accounting Standard for Revenue Recognition” (ASBJ Statement No. 29, March 31, 2020) and the related standard commencing on April 1, 2021. Descriptions of the performance obligations and timing of satisfying the performance obligations (i.e., timing of revenue recognition) in revenue arising from contracts with customers regarding the major businesses of the Company and its consolidated subsidiaries are summarized below.

1. Performance obligations satisfied at a point in time

In “property sales business,” performance obligations are satisfied when properties are delivered based on the real estate sales contracts with customers. In real estate brokerage operations of “management business,” performance obligations are satisfied upon conclusions of contracts and delivery of properties based on the real estate brokerage contracts with customers. Revenues from these operations are recognized at a point in time of delivery of the properties when performance obligations are satisfied.

In facility operations of “other business,” the Company and its consolidated subsidiaries run hotels, resort facilities and other facilities to provide accommodation and other services. Tokyo Dome operations of “other business” provide entertainment and other services. Performance obligations in these operations are satisfied when customers receive the benefits of using the facilities, at which point in time revenues are recognized.

2. Performance obligations satisfied over time

In property management operations of the “management business,” the Company and its consolidated subsidiaries are obligated to provide administration, cleaning, maintenance and other services related to real estate based on contracts with customers. Revenues from these operations are mainly recognized over time as performance obligations are satisfied by a transfer of control over services to the customers throughout the contract period.

In new construction operations of “other business,” the Company and its consolidated subsidiaries are obligated to perform constructions based on building construction contract with customers. Revenues from these operations are mainly recognized over time according to the progress of construction over the contract period, by which performance obligations are satisfied. Progress of construction is measured at cost accrued against estimated total cost.

Considerations are generally collected within approximately one year after satisfaction of performance obligations and do not include significant financial elements.

Revenues from leasing of office buildings, retail facilities and other are recognized in accordance with “Accounting Standard for Lease Transactions” (ASBJ Statement No.13, March 30, 2007). Refer to (O) ACCOUNTING FOR LEASE TRANSACTIONS.

(H) PROPERTY AND EQUIPMENT, RELATED DEPRECIATION AND REVALUATION – excluding leased assets

Property and equipment are carried mainly at cost.

When disposed of, the cost and related accumulated depreciation or revaluation of property and equipment are removed from the respective accounts and the net difference, less any amounts realized on disposal, is reflected in the statements of income.

Depreciation of property and equipment is mainly computed by the declining-balance method over the estimated useful lives of the assets, except for those listed below which are calculated using the straight-line method.

1. Office buildings (excluding building improvements) of the Company
2. Buildings (excluding building improvements) acquired by the Company and the domestic consolidated subsidiaries after April 1, 1998
3. Property and equipment of the overseas consolidated subsidiaries
4. Building improvements and structures acquired by the Company and the domestic consolidated subsidiaries after April 1, 2016

For buildings on fixed term leasehold, the Company computes depreciation using the straight-line method, over its lease term assuming no residual value.

(I) IMPAIRMENT LOSSES ON FIXED ASSETS

The Company and its consolidated subsidiaries have followed “Accounting Standard for Impairment of Fixed Assets” (“Opinion on Establishment of Accounting Standards for Impairment of Fixed Assets” issued by the Business Accounting Deliberation Council) and “Guidance on Accounting Standard for Impairment of Fixed Assets” (ASBJ Guidance No. 6). The accounting standards require that fixed assets be tested for recoverability whenever events or changes in circumstances indicate that the assets may be impaired. When the undiscounted cash flows estimated to be generated by those assets are less than the carrying amount of those assets, the net carrying value of assets not recoverable is reduced to recoverable amounts. Recoverable amounts are measured by net realizable values or values in current use. Net realizable values are determined mainly based upon appraisal value calculated by real-estate appraisers. Values in current use are calculated based on the present values of future cash flows.

Accumulated impairment losses are deducted from book values of related fixed assets.

(J) LAND REVALUATION

Pursuant to the Law Concerning Land Revaluation and the revisions thereof, the Company and certain consolidated subsidiaries revalued land used for business activities on March 31, 2002.

The land prices for revaluation were determined based on the appraisal prices by real estate appraisers in accordance with Article 2, Paragraph 5 of the Enforcement Ordinance Concerning Land Revaluation. The difference between quoted appraisal value and the carrying amount is recorded, net of applicable income taxes, as “Reserve on land revaluation” as a separate component of accumulated other comprehensive income under the net assets section.

(K) GOODWILL AND OTHER INTANGIBLE ASSETS

Goodwill and other intangible assets are included in “Other” under caption of “INVESTMENTS and OTHER ASSETS.”

Goodwill is amortized over a period of 5 years under straight-line method. If the amount is immaterial, it is fully recognized currently in earnings.

Other intangible assets are amortized under the straight-line method. Software (for internal use) is amortized over its estimated useful lives of 5 years.

(L) ALLOWANCE FOR DOUBTFUL ACCOUNTS

The Company and its consolidated subsidiaries provide for doubtful accounts principally at an amount computed based on the historical bad debt ratio during a certain reference period plus an estimated uncollectible amount based on the analysis of certain individual accounts, including claims in bankruptcy.

(M) EMPLOYEES’ RETIREMENT BENEFITS

The Company has a retirement plan which provides for lump-sum payment and annuity. Upon retirement age, a regular employee is entitled to receive a lump-sum payment and an annuity, or in certain cases at the option of the retiring employee, the full amount of the retirement benefits may be paid in a lump-sum. The retirement benefits are based primarily upon the years of employee’s service and monthly pay at the time of retirement.

The Company and its consolidated subsidiaries record net defined benefit asset and liability at fiscal year-end based on the estimated amounts of projected benefit obligation and the fair value of the plan assets at that date.

The benefit formula method is adopted as an allocation method for the projected retirement benefits. Prior service costs are allocated under the straight-line method over a certain number of years within the average remaining service years (1-10 years). Actuarial differences are allocated, beginning in the year following their occurrence, under the straight-line method over a certain number of years within the average remaining service years (5-10 years).

The Company’s certain consolidated subsidiaries have calculated net defined benefit liability and retirement benefit expenses using the simplified method, under which defined benefit liability is provided at the amounts to be paid if all eligible employees would have voluntarily retired at year end.

(N) ALLOWANCE FOR DIRECTORS’ AND CORPORATE AUDITORS’ RETIREMENT BENEFITS

Allowance for retirement benefits for directors and corporate auditors of the Company and its 29 consolidated subsidiaries are also provided at the amounts to be paid if all eligible directors and corporate auditors would have retired at year end under the internal guidelines.

(O) ACCOUNTING FOR LEASE TRANSACTIONS

The Company and its consolidated subsidiaries have followed “Accounting Standard for Lease Transactions” (ASBJ Statement No.13) and the “Implementation Guidance on Accounting Standard for Lease Transactions” ASBJ Guidance No.16).

Those standards require finance leases to be accounted for in a manner similar to the accounting treatment for ordinary sales transactions. Lessees are required to record assets and liabilities regarding finance leases with recognition of depreciation and interest expenses. Capitalized leased assets are depreciated under the straight-line method, over the lease term assuming no residual value. Lessors are required to recognize lease receivables or investments in leased assets along with related lease (interest) income.

It should be noted that finance leases which do not transfer ownership of the leased assets to lessees whose commencement day falls on or prior to March 31, 2008 are accounted for as operating leases.

(P) INCOME TAXES

Income taxes are provided for on the basis of income for financial statement purposes. The tax effect of temporary differences between the carrying amounts of assets and liabilities for financial statements and income tax purposes is recognized as deferred income taxes.

The Company and its consolidated domestic subsidiaries are subject to a corporate tax of approximately 23%, an inhabitants tax of approximately 5% and a deductible enterprise tax of approximately 4%, which in the aggregate resulted in a statutory income tax rate of approximately 31% for the years ended March 31, 2022, 2021 and 2020.

(Q) DERIVATIVES AND HEDGE ACCOUNTING

1. Hedge accounting

The Company and its consolidated subsidiaries defer recognition of gains or losses resulting from changes in fair value of derivative financial instruments until the related losses or gains on the hedged items are recognized, if derivative financial instruments are used as hedges and meet certain hedging criteria.

However, in cases where forward foreign exchange contracts are used as hedges and meet certain hedging criteria, forward foreign exchange contracts and hedged items are accounted for in the following manner:

- (1) If a forward foreign exchange contract is executed to hedge an existing foreign currency receivable or payable,
 - (a) the difference, if any, between the Japanese yen amount of the hedged foreign currency receivable or payable translated using the spot rate at the inception date of the contract and the book value of the receivable or payable is recognized in the income statements in the period which includes the inception date, and
 - (b) the discount or premium on the contract (that is, the difference between the Japanese yen amount of the contract translated using the contracted forward rate and that translated using the spot rate at the inception date of the contract) is recognized over the term of the contract.
- (2) If a forward foreign exchange contract is executed to hedge a future transaction denominated in a foreign currency, the future transaction will be recorded using the contracted forward rate, and no gains or losses on the forward foreign exchange contract are recognized.

Also, if interest rate swap contracts are used as hedge and meet certain hedging criteria, the net amount to be paid or received under the interest rate swap contract is added to or deducted from the interest on the assets or liabilities for which the swap contract was executed (“specified hedge accounting treatment”).

2. The following summarizes hedging derivative financial instruments used by the Company and its consolidated subsidiaries and items hedged:

Hedging instruments:

- Forward foreign exchange contracts
- Foreign currency swap contracts
- Interest rate swap contracts

Hedged items:

- Expected foreign currency transactions
- Foreign currency debt
- Borrowings and debentures

3. Hedge policy

The Company and its consolidated subsidiaries use interest rate swap contracts to hedge risk of fair value changes of borrowings due to fluctuating interest rates and risk of changes in cash flows. Exchange rate risk on borrowings made and debentures issued in non-functional currencies is hedged by utilizing currency swaps. Exchange rate risk on forecasted transactions to be settled in non-functional currencies is hedged by using forward foreign exchange contracts. Among these, all hedges that meet the criteria provided in “Practical Solution on the Treatment of Hedge

Accounting for Financial Instruments that Reference LIBOR” (PITF No.40) are subject to the special treatment set forth therein. The details of the hedges to which PITF No.40 is applied are as follows.

Hedge accounting method:	Specified hedge accounting treatment
Hedging instrument:	Interest rate swap contracts
Hedged item:	Borrowings and debentures
Hedging purpose:	Cash flow hedge

4. Assessment of hedge effectiveness

The assessment of hedge effectiveness is performed by comparing the accumulated change in the fair value or cash flows of the hedged item to those of the hedging instrument over the term of the relationship. Interest rate swap transactions accounted for under specified hedge accounting treatment is excluded from the effectiveness assessment.

(R) EQUITY INVESTMENTS REGARDING REAL ESTATE SECURITIZATION-RELATED BUSINESS

Equity investments in tokumei-kumiai, or silent partnerships (“TK”), preferred securities issued by tokutei-mokuteki-kaisha, or specific purpose companies (“TMK”) and others regarding real estate securitization-related business (collectively, “equity investments”) are presented in the balance sheets as follows.

Equity investments held for sale are presented as “Equity investments in properties for sale” under “CURRENT ASSETS” and those held other than for sale are presented as “Investment securities” under “INVESTMENTS and OTHER ASSETS.”

(S) REVENUE FROM JAPANESE REAL ESTATE INVESTMENT TRUST (J-REIT)

Revenue from J-REIT is included in “Revenue from operations.”

(T) DIRECTORS’ BONUS

The Company and its consolidated subsidiaries have followed the accounting standard, “Accounting Standard for Directors’ Bonus” (ASBJ Statement No.4). Directors’ bonuses are charged to income as selling, general and administrative expenses.

(U) SHARE-BASED PAYMENTS

The Company and its consolidated subsidiaries have followed the accounting standards, “Accounting Standard for Share-Based Payment” (ASBJ Statement No.8) and the “Implementation Guidance for the Accounting Standard for Share-Based Payment” ASBJ Guidance No.11).

Those standards require that the cost of stock options be measured based on the grant-date fair value. Outstanding options are presented as subscription rights to shares as a component of net assets in the balance sheet.

(V) ASSET RETIREMENT OBLIGATIONS

The Company and its consolidated subsidiaries have followed “Accounting Standard for Asset Retirement Obligations” (ASBJ Statement No.18) and “Guidance on Accounting Standard for Asset Retirement Obligations” (ASBJ Guidance No.21). According to the standards, obligations associated with the retirement of tangible fixed assets are recorded as liabilities when those obligations are incurred, with the amount of the liability initially measured by discounting the future cash flows. The associated asset retirement costs are capitalized as part of the carrying amount of the fixed asset and allocated as period expenses.

(W) ACCOUNTING CHANGES AND ERROR CORRECTIONS

The Company and its consolidated subsidiaries have followed “Accounting Standard for Accounting Changes and Error Corrections” (ASBJ Statement No.24) and “Guidance on Accounting

Standard for Accounting Changes and Error Corrections” (ASBJ Guidance No.24). Those standards require that changes in accounting policies, changes in presentations and corrections of prior period errors be accounted for retrospectively, and changes in accounting estimates be accounted for prospectively.

(X) EARNINGS PER SHARE

Basic income per share is computed by dividing the net income available for distribution to shareholders of common stock by the weighted average number of shares of common stock outstanding during each year. Diluted net income per share reflects the potential dilution that could occur if securities or other contracts to issue common stock were exercised or converted into common stock.

(Y) SIGNIFICANT ACCOUNTING ESTIMATES

The Company and its consolidated subsidiaries adopted “Accounting Standard for Disclosure of Accounting Estimates” (ASBJ Statement No. 31, March 31, 2020) on the consolidated financial statements for the year ended March 31, 2021.

Description regarding the year ended March 31, 2020 is not disclosed in accordance with the transitional treatment stipulated in the proviso of paragraph 11 of the Statement.

1. Impairment of fixed assets

(1) Amounts recognized in the consolidated financial statements for the year ended March 31, 2022 and 2021

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2022	2021	2022
Net property and equipment	¥3,875,941	¥3,758,119	\$31,668,772
Other, INVESTMENTS and OTHER ASSETS	38,194	38,682	312,068
Loss on impairment of fixed assets	9,478	39,648	77,441

(2) Description of significant accounting estimates

- (a) Calculation method of amounts presented in (1) above
 - In accordance with “Accounting Standard for Impairment of Fixed Assets,” the Company and its consolidated subsidiaries reduce the book value of fixed assets to recoverable amounts when the book value is projected not to be recoverable due to a decline in its profitability. Management considers necessity of recognizing an impairment loss when factors such as recurring operating losses, a significant decline in market prices, a significant deterioration in the business environment, or a change in usage indicate that the assets may be impaired. Management determines whether to recognize an impairment loss based on estimated future cash flows, and the amount that book value exceeds the recoverable amount is recognized as an impairment loss. Recoverable amount is measured by net realizable value or value in current use whichever is higher.
- (b) Key assumptions used in significant accounting estimates
 - In calculating future cash flows, the rent, vacancy rate, rent costs and other factors are determined comprehensively taking into consideration the market trends, transaction cases of similar real estate, past results and other. Discount rate in calculating value in current use is determined based on transaction cases of similar assets, trends in interest rates and other factors. Net realizable

value is determined at an appropriate amount based on local transaction cases, property performance, location and other factors.

In making significant accounting estimates, management assumes that COVID-19 will have a certain impact on future revenues. Although COVID-19 has not yet converged, management expects a trend of recovery throughout the next fiscal year amid a normalization of social and economic environments while controlling the infection. As to the hotel business, management assumes that some impact of COVID-19 will still remain in the next fiscal year, while expecting a trend of recovery.

- (c) Impact of significant accounting estimates on the consolidated financial statements for the year ending March 31, 2023

Those key assumptions are based on the best estimates to date, however the estimates could result in different outcomes. That is, calculation of future cash flows and value in current use could significantly be affected by decrease in rent and increase in vacancy rate due to deterioration of economic environment, increase in rent costs due to unexpected additional costs, and increase in discount rate due to fluctuations in market interest rates. In addition, deterioration of geographical conditions due to changes in the local environment could have a material impact on the calculation of the net realizable value.

2.Evaluation of real property for sale

- (1)Amounts recognized in the consolidated financial statements for the year ended March 31, 2022 and 2021

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2022	2021	2022
Real property for sale			
Completed	¥1,188,686	¥1,080,340	\$9,712,280
In progress	540,649	536,767	4,417,428
Land held for development	300,080	297,577	2,451,834
Loss on devaluation of real property for sale	2,278	3,907	18,613

- (2)Description of significant accounting estimates

- (a) Calculation method of amounts presented in (1) above
In accordance with “Accounting Standard for Measurement of Inventories” the Company and its consolidated subsidiaries reduce the book value of real property for sale to net realizable value when net realizable value is less than the book value due to a decline in profitability. Net realizable value is calculated for each property based on estimated sales price and estimated additional cost including estimated development cost. Loss on devaluation is recorded for those assets with net realizable value less than the book value.
- (b) Key assumptions used in significant accounting estimates
In calculating net realizable value of real property for investors, the rent, vacancy rate, rent costs and other factors are determined comprehensively taking into consideration the market trends, transaction cases of similar real estate, past results and others. Discount rate is

determined based on transaction cases of similar assets, trends in interest rates and other factors. Net realizable value for housing is determined based on latest sales results, market trends and other factors. In addition, appraisal values calculated by real-estate appraisers are utilized where necessary.

In making significant accounting estimates, management assumes that COVID-19 will have a certain impact on future revenues. Although COVID-19 has not yet converged, management expects a trend of recovery throughout the next fiscal year amid a normalization of social and economic environments while controlling the infection. As to the hotel business, management assumes that some impact of COVID-19 will still remain in the next fiscal year, while expecting a trend of recovery.

- (c) Impact of significant accounting estimates on the consolidated financial statements for the year ending March 31, 2023

Those key assumptions are based on the best estimates to date, however the estimates could result in different outcomes. That is, calculation of the net realizable value could significantly be affected by decrease in rent and increase in vacancy rate due to deterioration of economic environment, increase in rent costs due to unexpected additional costs, increase in discount rate due to fluctuations in market interest rates, and decrease in sales price due to the deterioration of the housing market.

(Z) RECLASSIFICATIONS

Certain prior years’ amounts have been reclassified to conform to the current presentation.

(AA) CHANGE IN ACCOUNTING POLICIES

1. Adoption of Accounting Standard for Revenue Recognition

The Company and its consolidated subsidiaries newly adopted “Accounting Standard for Revenue Recognition” (ASBJ Statement No. 29, March 31, 2020) and the related standard commencing on April 1, 2021, under which standards the revenue is recognized when a promised good or service is transferred to a customer, at an amount of consideration to which the Company and its consolidated subsidiaries expect to be entitled in exchange for transferring promised goods or services to a customer.

The new accounting policy was applied from the balance of retained earnings as of April 1, 2021 in which the cumulative effect of applying the new accounting policy retrospectively was recognized, in accordance with transitional treatment prescribed in the proviso of Article 84 of the Standard. Effect of those changes on the consolidated financial statements is immaterial.

As a result of adopting those standards, “Notes and accounts receivable-trade” under “CURRENT ASSETS” presented in the consolidated balance sheets as of March 31, 2021 is included in “Notes and accounts receivable-trade, and contract assets” commencing on April 1, 2021. Advances received on construction contracts in progress and certain advances included in “Advances and deposits received” under “CURRENT LIABILITIES” presented in the consolidated balance sheets as of March 31, 2021 are presented as “Contract liabilities” commencing on April 1, 2021. In accordance with transitional treatment described in the Article 89-2 of the Standard, prior year’s amounts have not been reclassified to conform to the current

presentation. In addition, in accordance with transitional treatment described in the Article 89-3 of the Standard, prior years’ information is not presented in Note 19 “REVENUE FROM OPERATIONS.”

2. Adoption of Accounting Standard for Fair Value Measurement

The Company and its consolidated subsidiaries newly adopted “Accounting Standard for Fair Value Measurement” (ASBJ Statement No. 30, July 4, 2019) and other standards commencing on April 1, 2021. The new accounting policies set forth in those standards are adopted prospectively in accordance with transitional treatment prescribed in the Article 19 of the Standard and the Article 44-2 of “Accounting Standard for Financial Instruments” (ASBJ Statement No. 10, July 4, 2019). Other securities with fair values are stated at fair values based on market prices as of the period end under the new standards, while they were stated at fair values based on average market prices for one month before the period end under the previous standards.

In addition, information about details of the fair values of the financial instruments by fair value hierarchy level is disclosed in Note 4 “FINANCIAL INSTRUMENTS” under the new standards. In accordance with transitional treatment described in the Article 7-4 of the “Implementation Guidance on Disclosures about Fair Value of Financial Instruments” (ASBJ Guidance No. 19, July 4, 2019), prior years’ information is not presented. Effect of those changes on the consolidated financial statements is immaterial.

(AB) CHANGES IN FINANCIAL STATEMENTS PRESENTATION

Consolidated Statements of Cash Flows

1. Government grants received under “net cash used in investing activities”

“Government grants received” which was presented in the consolidated statements of cash flows for the year ended March 31, 2021 is included in “other, net” for the year ended

3. BUSINESS REORGANIZATIONS

There were no significant business reorganizations for the year ended March 31, 2022.

Significant business reorganization for the year ended March 31, 2021 is described as follows:

The Company acquired TOKYO DOME CORPORATION through public tender offering.

(1) Outline of the business combination

- (a) Acquiree

Name of the company	TOKYO DOME CORPORATION
Business of the company	Operation of retail facilities (Tokyo Dome City), distribution, real estate, resort and bicycle racing

- (b) Reason for the business combination

The Company acquired TOKYO DOME CORPORATION (hereafter, “TDC”) through tender offering (a) in order to utilize the Company’s experiences, expertise and financial strength earned through various businesses for its urban development business and TDC’s stadium/arena business and (b) in order for the Company to fully enjoy TDC’s experiences and knowledge on stadium/arena business. In accomplishing those goals, the Company decided to acquire the shares of TDC and implement growth strategies. In addition, the Company believes the possibility of appreciation of corporate values of both companies and TDC’s recovery

March 31, 2022 due to its immateriality.

As a result, ¥308 million and ¥1,946 million of “government grants received” for the years ended March 31, 2021 and 2020, respectively, are reclassified to “other, net” to conform to the current presentation.

2. Transfers to time deposits under “net cash used in investing activities”

Transfers to time deposits which was included in “other, net” in the consolidated statements of cash flows for the year ended March 31, 2021 is presented as “transfers to time deposits” for the year ended March 31, 2022 due to increase in its materiality.

As a result, ¥(157) million and ¥(15,639) million of transfers to time deposits for the years ended March 31, 2021 and 2020, respectively, are reclassified to “transfers to time deposits” from “other, net” to conform to the current presentation.

(AC) NEW ACCOUNTING STANDARDS NOT YET ADOPTED

The Company and its consolidated subsidiaries have not yet adopted “Implementation Guidance on Accounting Standard for Fair Value Measurement” (ASBJ Guidance No. 31, June 17, 2021)

ASBJ, at the time of original issuance of the guidance on July 4, 2019, announced that a certain period of time was required for discussions with concerned parties in the examination of “calculation of fair value of investment trusts” and certain consideration was required for fair value disclosures about “equity investments in partnerships accounted for under equity method,” and that it would take approximately one year to discuss those issues. The guidance was revised on June 17, 2021, reflecting the discussions and considerations.

The Company and its consolidated subsidiaries will adopt the standards at the beginning of the year commencing on April 1, 2022. The effect that the adoption of the standards will have on the consolidated financial statements is immaterial.

from COVID-19 as a result of the business combination.

- (c) Date of the business combination
January 25, 2021 (deemed acquisition date: January 31, 2021)
- (d) Legal form of the business combination
Purchase of stock paid in cash
- (e) Name of the company after the business combination
There is no change in the name of the company.
- (f) Ownership percentage in the acquiree
Before the acquisition - %
After the acquisition 84.82 %
- (g) Identification of the acquirer
The Company was identified as the acquirer based on fact that it purchased TDC’s stock in cash.

(2) Period for which earnings of the acquiree included in the consolidated financial statements

The acquiree’s earnings are not included in the consolidated statement of income since the deemed acquisition date is January 31, 2021.

(3) Acquisition cost and details of investment in the acquiree

Acquisition through public tender offering:

	Consideration	Millions of yen
Cash		¥102,229
Total		¥102,229

(4) Major acquisition-related costs

Advisory fee and other: ¥617 million

(5) Goodwill

No goodwill nor negative goodwill was recognized.

(6) Acquired assets and liabilities assumed on the business combination date

	Millions of yen
Current assets	¥ 40,487
Non-current assets	318,106
Total assets	¥358,593
Current liabilities	¥ 46,647
Non-current liabilities	191,447
Total liabilities	¥238,094

(7) Intangible assets other than goodwill

¥4,830 million is allocated to trademark which is amortized over 10 years.

(8) Other matters (non-audited)

Approximate impact on the consolidated statement of income for the year ended March 31, 2021 assuming that the business combination was completed at the beginning of the year is summarized as follows:

	Millions of yen
Revenue from operations	¥39,756
Operating income	(12,952)
Net income attributable to shareholders of the Company	(17,287)

The amounts shown in the above table are calculated based on revenue and income information in the consolidated statement of income of the acquiree from the beginning of the year ended March 31, 2021 to the business combination date. The amounts are adjusted for amortization of intangible assets and other items recognized on the acquisition date, assuming that those assets were recognized at the beginning of the year.

There were no significant business reorganizations for the year ended March 31, 2020.

4. FINANCIAL INSTRUMENTS**(1) Risk management policy regarding financial instruments****a. Policy on financial instruments**

The Company and its consolidated subsidiaries make fund procurements mainly through bank loans and issuance of bonds. The temporary surplus funds are invested in low-risk financial assets. Derivative instruments are used to mitigate risks referred to below, and the Company and its consolidated subsidiaries do not enter into speculative derivative transactions or transactions with high volatility on fair value.

b. Risk management

Notes and accounts receivable and lease deposits are subject to customers' credit risk (risk related to customers' failure to perform a contract). Each business division monitors due dates and balances for each counterparty to mitigate the risk of those receivables being uncollectible due to financial difficulties and other factors.

Investment in equity securities is exposed to market-price risk. The securities are mainly those of companies with business relationships. The Company and its consolidated subsidiaries periodically monitor market prices and continuously review whether the securities should be held.

Notes and accounts payable are mostly due within one year.

Short-term debt is mainly used for funding working capital.

Procurement from long-term debt and bonds payable, of which

the maturities are due within 48 years from the balance sheet date, are mainly used for capital expenditures. Debt with floating interest rates is subject to interest-rate risk. The Company and its consolidated subsidiaries utilize derivatives (interest rate swaps) as hedging instruments for some long-term debt with floating interest rates to fix the cash flows of interest payments. Exchange rate risk on borrowings made in non-functional currencies are hedged by utilizing currency swaps. Refer to Note 2 (Q) for details on hedge accounting, hedge policy, assessment of hedge effectiveness and other matters.

By using derivative instruments, the Company and its consolidated subsidiaries are exposed to counterparty's credit risk and market risks such as interest rate risk and exchange rate risk. The Company and its consolidated subsidiaries manage the credit risk by carefully evaluating the financial positions of major financial institutions before entering into contracts. The derivative transactions are executed in compliance with procedures set forth in the policies established in each group company, and transaction volumes and fair values are reported as appropriate to directors in charge.

Payables, debt and deposits from customers are subject to liquidity risk (risk of being unable to pay on a due date). The risk is managed by preparing and updating monthly cash schedules and by preserving liquidity on hand.

(2) Estimated fair value of financial instruments

The carrying amount, estimated fair value and the difference of financial instruments as of March 31, 2022 are summarized in the following table.

	Millions of yen			Thousands of U.S. dollars (See Note 1)		
	2022					
	Carrying amount	Estimated fair value	Difference	Carrying amount	Estimated fair value	Difference
Financial assets:						
Marketable and investment securities *1	¥ 835,571	¥ 835,573	¥ 2	\$ 6,827,118	\$ 6,827,135	\$ 17
Lease deposits	170,859	165,290	(5,569)	1,396,021	1,350,519	(45,502)
Financial liabilities:						
Bank loans and long-term debt due within one year						
Non-recourse	219,872	219,874	2	1,796,487	1,796,503	16
Recourse	385,727	386,575	848	3,151,622	3,158,551	6,929
Long-term debt due after one year						
Non-recourse	329,877	331,994	2,117	2,695,294	2,712,591	17,297
Recourse	2,695,758	2,712,843	17,085	22,025,966	22,165,561	139,595
Deposits from tenants	443,920	440,392	(3,528)	3,627,094	3,598,268	(28,826)
Derivative instruments *2	(14,490)	(14,490)	-	(118,392)	(118,392)	-

Cash is excluded from the table above. Bank deposits, "Notes and accounts receivable-trade", "Notes and accounts payable-trade" and "Commercial paper" are excluded from the table above as carrying amount approximates fair value due to their relatively short maturity. Equity investments in partnerships and other similar business entities accounted for under equity method is excluded from the table above in accordance with transitional treatment described in the Article 27 of "Implementation Guidance on Accounting Standard for Fair Value Measurement" (ASBJ Guidance No. 31, July 4, 2019).

*1 Securities and other financial instruments without market prices are excluded from the table above. The carrying amount of those securities are stated below:

	Millions of yen	Thousands of U.S. dollars (See Note 1)
	2022	
Equity investments in properties for sale	¥ 4,049	\$ 33,083
Other securities		
Unlisted stocks (excluding OTC securities)	20,077	164,041

*2 Carrying amount and estimated fair value of derivative instruments represent derivative assets netted against derivative liabilities for the year ended March 31, 2022.

The carrying amount, estimated fair value and the difference of financial instruments as of March 31, 2021 and 2020 are summarized in the following table.

	Millions of yen		
	2021		
	Carrying amount	Estimated fair value	Difference
Assets			
Marketable and investment securities	¥ 733,278	¥ 733,284	¥ 6
Liabilities			
Bank loans and long-term debt due within one year			
Non-recourse	97,344	97,345	1
Recourse	266,195	268,239	2,044
Long-term debt due after one year			
Non-recourse	445,260	452,553	7,293
Recourse	2,715,140	2,765,267	50,127
Derivative instruments *	6,577	6,577	-

	Millions of yen		
	2020		
	Carrying amount	Estimated fair value	Difference
Assets			
Marketable and investment securities	¥ 596,745	¥ 596,755	¥ 10
Liabilities			
Bank loans and long-term debt due within one year			
Non-recourse	68,916	68,918	2
Recourse	198,026	198,502	476
Long-term debt due after one year			
Non-recourse	534,759	534,987	228
Recourse	2,506,416	2,592,979	86,563
Derivative instruments *	1,230	1,230	-

* Carrying amount and estimated fair value of derivative instruments represent derivative assets netted against derivative liabilities for the year ended March 31, 2021 and derivative liabilities netted against derivative assets for the years ended March 31, 2020.
Cash is excluded from the table above. Bank deposits, "Notes and accounts receivable-trade," "Notes and accounts payable-trade" and "Commercial paper" are excluded from the table above as carrying amount approximates fair value due to their relatively short maturity.
Financial instruments for which the fair value is not reliably measurable:
For the following financial instruments, for which there were no quoted market prices, reasonable estimates of fair values could not be made without incurring excessive costs because of the difficulty in estimating future cash flows. Thus, information on those instruments is not presented in the table above.

	Millions of yen	
	2021	2020
Assets:		
Equity investments in properties for sale	¥ 10,013	¥ 6,683
Other securities		
Unlisted stocks (excluding OTC securities)	17,079	13,831
Other (TK investments, preferred securities and others)	25,435	24,815
Lease deposits *	160,944	145,414
Liabilities:		
Deposits from tenants *	435,930	436,595

* While fair value accounting is applied to some lease deposits and deposits from tenants, they are not separately disclosed since they are not material.

Redemption schedule:

The redemption schedule on cash and cash equivalents, receivables and securities with maturities as of March 31, 2022, 2021 and 2020 is as follows.

Refer to Note 13 for redemption schedule for long-term debt.

	Millions of yen			
	2022			
	Due within 1 year	Due after 1 year and within 5 years	Due after 5 years and within 10 years	Due after 10 years
Cash and bank deposits *	¥146,329	¥ -	¥ -	¥ -
Notes receivable-trade	859	-	-	-
Accounts receivable-trade	50,440	-	-	-
Other securities				
National and local government bonds and other	100	285	-	-
Corporate bonds	-	-	-	3,295
Total	¥197,728	¥285	¥ -	¥3,295

	Millions of yen			
	2021			
	Due within 1 year	Due after 1 year and within 5 years	Due after 5 years and within 10 years	Due after 10 years
Cash and bank deposits *	¥189,543	¥ -	¥ -	¥ -
Notes and accounts receivable-trade	41,368	-	-	-
Other securities				
National and local government bonds and other	88	391	-	-
Corporate bonds	-	404	-	1,855
Total	¥230,999	¥795	¥ -	¥1,855

	Millions of yen			
	2020			
	Due within 1 year	Due after 1 year and within 5 years	Due after 5 years and within 10 years	Due after 10 years
Cash and bank deposits *	¥183,413	¥ -	¥ -	¥ -
Notes and accounts receivable-trade	38,908	-	-	-
Other securities				
National and local government bonds and other	219	417	60	-
Corporate bonds	-	-	-	938
Total	¥222,540	¥417	¥60	¥938

	Thousands of U.S. dollars (See Note 1)			
	2022			
	Due within 1 year	Due after 1 year and within 5 years	Due after 5 years and within 10 years	Due after 10 years
Cash and bank deposits *	\$1,195,596	\$ -	\$ -	\$ -
Notes receivable-trade	7,019	-	-	-
Accounts receivable-trade	412,125	-	-	-
Other securities				
National and local government bonds and other	817	2,329	-	-
Corporate bonds	-	-	-	26,922
Total	\$1,615,557	\$2,329	\$ -	\$26,922

Lease deposits of ¥170,859 million (\$1,396,021 thousand) as of March 31, 2022 is excluded from the table above since the collection dates are not fixed.
* Carrying amount of cash and bank deposits consists of ¥142,682 million (\$1,165,798 thousand) of cash and cash equivalents and ¥3,647million (\$29,798 thousand) of bank deposits with maturities exceeding 3 months, which is included in other current assets in the accompanying consolidated balance sheets, as of March 31, 2022.
Carrying amount of cash and bank deposits consists of ¥ 187,724 million of cash and cash equivalents and ¥ 1,819 million of bank deposits with maturities exceeding 3 months, which is included in other current assets in the accompanying consolidated balance sheets, as of March 31, 2021.
Carrying amount of cash and bank deposits consists of ¥ 179,472 million of cash and cash equivalents and ¥ 3,941 million of bank deposits with maturities exceeding 3 months, which is included in other current assets in the accompanying consolidated balance sheets, as of March 31, 2020.

(3) Fair values of the financial instruments by fair value hierarchy level

The Company and its consolidated subsidiaries classify fair value measurement into the following three levels based on the observability and significance of the inputs used.

- Level 1: Fair value measurement based on quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: Fair value measurement based on inputs other than quoted prices included within Level 1 that are observable for the assets or liabilities, either directly or indirectly.
- Level 3: Fair value measurement based on significant unobservable inputs for the assets or liabilities.

If the inputs used to measure fair value are categorized into different levels of the fair value hierarchy, the fair value measurement is categorized in its entirety in the level of the lowest level input.

(a) Financial assets and liabilities measured at fair value

The fair values of financial assets and liabilities measured at fair value as of March 31, 2022 are summarized in the following table.

Millions of yen				
2022				
	Level 1	Level 2	Level 3	Total
Financial assets:				
Marketable and investment securities				
Other securities				
Stocks	¥750,850	¥ -	¥ -	¥750,850
Bonds	-	-	2,835	2,835
Derivative assets				
Interest	-	14,877	-	14,877
Total	¥750,850	¥14,877	¥2,835	¥768,562
Financial liabilities:				
Derivative liabilities				
Currency	¥ -	¥ 387	¥ -	¥ 387
Total	¥ -	¥ 387	¥ -	¥ 387

Thousands of U.S. dollars (See Note 1)				
2022				
	Level 1	Level 2	Level 3	Total
Financial assets:				
Marketable and investment securities				
Other securities				
Stocks	\$6,134,896	\$ -	\$ -	\$6,134,896
Bonds	-	-	23,164	23,164
Derivative assets				
Interest	-	121,554	-	121,554
Total	\$6,134,896	\$121,554	\$23,164	\$6,279,614
Financial liabilities:				
Derivative liabilities				
Currency	\$ -	\$ 3,162	\$ -	\$ 3,162
Total	\$ -	\$ 3,162	\$ -	\$ 3,162

(b) Financial assets and liabilities not measured at fair value

The fair values of financial assets and liabilities not measured at fair value as of March 31, 2022 are summarized in the following table.

Millions of yen				
2022				
	Level 1	Level 2	Level 3	Total
Financial assets:				
Marketable and investment securities				
Held-to-maturity securities				
National and local government bonds and other	¥385	¥ -	¥ -	¥ 385
Lease deposits	-	165,290	-	165,290
Total	¥385	¥ 165,290	¥ -	¥ 165,675
Financial liabilities:				
Bank loans and long-term debt due within one year				
Non-recourse	¥ -	¥ 219,874	¥ -	¥ 219,874
Recourse	-	386,575	-	386,575
Long-term debt due after one year				
Non-recourse	-	331,994	-	331,994
Recourse	-	2,712,843	-	2,712,843
Deposits from tenants	-	440,392	-	440,392
Total	¥ -	¥4,091,678	¥ -	¥4,091,678

Thousands of U.S. dollars (See Note 1)

2022				
	Level 1	Level 2	Level 3	Total
Financial assets:				
Marketable and investment securities				
Held-to-maturity securities				
National and local government bonds and other	\$3,146	\$ -	\$ -	\$3,146
Lease deposits	-	1,350,519	-	1,350,519
Total	\$3,146	\$1,350,519	\$ -	\$ 1,353,665
Financial liabilities:				
Bank loans and long-term debt due within one year				
Non-recourse	\$ -	\$ 1,796,503	\$ -	\$ 1,796,503
Recourse	-	3,158,551	-	3,158,551
Long-term debt due after one year				
Non-recourse	-	2,712,591	-	2,712,591
Recourse	-	22,165,561	-	22,165,561
Deposits from tenants	-	3,598,268	-	3,598,268
Total	\$ -	\$33,431,474	\$ -	\$33,431,474

The fair value of investment trusts is excluded from the table above in accordance with transitional treatment described in the Article 26 of "Implementation Guidance on Accounting Standard for Fair Value Measurement" (ASBJ Guidance No. 31, July 4, 2019). The carrying amount of the investment trusts is ¥86,996 million (\$710,810 thousand).

The methods and inputs for measuring the fair value of financial assets and liabilities are as follows:

Marketable and investment securities – Fair values of listed stocks and other are measured based on quoted market prices. Listed stocks and other are traded in an active market and therefore classified as Level 1. Fair values of bonds without market prices are calculated by discounting the future cash flows, using the credit risk-adjusted discount rate over the remaining life of the bonds and are classified as Level 3.

Derivative instruments – Fair values of derivative instruments are calculated by discounting the future cash flows, using observable inputs including interest rates and foreign exchange rates and are classified as Level 2. If interest rate swap contracts are used as hedge and meet certain hedging criteria, the net amount to be paid or received under the interest rate swap contract is added to or deducted from the interest on the assets or liabilities for which the swap contract was executed ("specified hedge accounting treatment"; refer to Note 2 (Q)). For such interest swap, its fair value is included in the fair value of the hedged long-term loan (including those due within one year).

Bank loans and long-term debt due within one year

(recourse) – Fair values of bank loans are measured at their carrying amount since they approximate fair value due to their relatively short maturity. Fair values of long-term debt due within one year (recourse) are calculated by discounting the future cash flows, using the borrowing interest rates expected to be currently available for the Company and its consolidated subsidiaries for debt with similar terms and remaining maturities as the discount rates. Those fair values are classified as Level 2.

Debt other than above including bonds payable, long-term

bank loans due after one year and non-recourse debt– Fair values of debt other than above are calculated by discounting the future cash flows, using the borrowing interest rates expected to be currently available for the Company and its consolidated subsidiaries for debt or bonds with similar terms and remaining maturities as the discount rates.

Lease deposits – Fair values of lease deposits are calculated by discounting the future cash flows, using the highly credited long-term bond yield adjusted for credit risk as a discount rate over the remaining life of the deposits, and are classified as Level 2.

Deposits from tenants – Fair values of deposits from tenants are calculated by discounting the future cash flows, using the credit risk-adjusted discount rate over the remaining life of the deposits, and are classified as Level 2.

Information about the fair values classified as Level 3 of financial assets and liabilities measured at fair value is not disclosed due to its immateriality.

5. FAIR VALUE INFORMATION OF MARKETABLE SECURITIES, INVESTMENT SECURITIES AND OTHERS

(1) The following tables summarize historical cost, book value and fair value of securities as of March 31, 2022, 2021 and 2020:

(a) Held-to-maturity securities:

	Millions of yen								
	2022			2021			2020		
	Book Value	Fair Value	Difference	Book Value	Fair Value	Difference	Book Value	Fair Value	Difference
Securities whose fair value exceeds book value									
National and local government bonds and other	¥383	¥385	¥2	¥479	¥485	¥6	¥696	¥706	¥10
Securities whose fair value does not exceed book value									
National and local government bonds and other	-	-	-	-	-	-	-	-	-
Total	¥383	¥385	¥2	¥479	¥485	¥6	¥696	¥706	¥10

	Thousands of U.S. dollars (See Note 1)		
	2022		
	Book Value	Fair Value	Difference
Securities whose fair value exceeds book value			
National and local government bonds and other	\$3,129	\$3,146	\$17
Securities whose fair value does not exceed book value			
National and local government bonds and other	-	-	-
Total	\$3,129	\$3,146	\$17

(b) Other securities:

	Millions of yen								
	2022			2021			2020		
	Book Value (Fair Value)	Historical Cost	Difference	Book Value (Fair Value)	Historical Cost	Difference	Book Value (Fair Value)	Historical Cost	Difference
Securities whose book value (fair value) exceeds historical cost									
Stocks	¥735,890	¥ 92,259	¥643,631	¥615,995	¥ 79,862	¥536,133	¥488,580	¥ 53,058	¥435,522
Other	81,499	41,753	39,746	65,398	36,409	28,989	67,607	36,303	31,304
Subtotal	817,389	134,012	683,377	681,393	116,271	565,122	556,187	89,361	466,826
Securities whose book value (fair value) does not exceed historical cost									
Stocks	14,960	19,369	(4,409)	41,412	44,036	(2,624)	39,858	45,492	(5,634)
Bonds	2,835	3,295	(460)	404	404	-	-	-	-
Other	4	4	-	9,590	10,449	(859)	4	6	(2)
Subtotal	17,799	22,668	(4,869)	51,406	54,889	(3,483)	39,862	45,498	(5,636)
Total	¥835,188	¥156,680	¥678,508	¥732,799	¥171,160	¥561,639	¥596,049	¥134,859	¥461,190

	Thousands of U.S. dollars (See Note 1)		
	2022		
	Book Value (Fair Value)	Historical Cost	Difference
Securities whose book value (fair value) exceeds historical cost			
Stocks	\$6,012,664	\$ 753,812	\$5,258,852
Other	665,896	341,147	324,749
Subtotal	6,678,560	1,094,959	5,583,601
Securities whose book value (fair value) does not exceed historical cost			
Stocks	122,232	158,256	(36,024)
Bonds	23,164	26,922	(3,758)
Other	33	33	-
Subtotal	145,429	185,211	(39,782)
Total	\$6,823,989	\$1,280,170	\$5,543,819

(2) The following table summarizes other securities sold in the years ended March 31, 2022, 2021 and 2020:

	Millions of yen								
	2022			2021			2020		
	Sales amount	Gains	Losses	Sales amount	Gains	Losses	Sales amount	Gains	Losses
Stocks	¥65,911	¥51,726	¥ (8)	¥46,544	¥45,932	¥ -	¥20,358	¥16,711	¥(77)
Bonds	400	-	(3)	-	-	-	-	-	-
Other	-	-	-	1,070	-	(383)	-	-	-
Total	¥66,311	¥51,726	¥(11)	¥47,614	¥45,932	¥(383)	¥20,358	¥16,711	¥(77)

	Thousands of U.S. dollars (See Note 1)		
	2022		
	Sales amount	Gains	Losses
Stocks	\$538,533	\$422,633	\$(65)
Bonds	3,268	-	(25)
Other	-	-	-
Total	\$541,801	\$422,633	\$(90)

(3) The amounts of impairment loss the Company and its consolidated subsidiaries recognized for the years ended March 31, 2022 and 2021 are not disclosed due to its immateriality. The Company and its consolidated subsidiaries recognized ¥2,868 million of impairment loss on investment securities for the year ended March 31, 2020.

6. DERIVATIVE FINANCIAL INSTRUMENTS AND HEDGING TRANSACTIONS

The following summarizes derivative financial instruments for which hedge accounting is not applied as of March 31, 2022, 2021 and 2020:

		Millions of yen			
		2022			
		Nominal Amount		Fair value ^(*)	Gain (loss)
		Total	Due after 1 year		
Non-market transactions	Interest rate swap	¥ 3,104	¥ -	¥ (25)	¥ (25)
	Pay : fixed rate				
	Receive : floating rate				
	Interest rate and currency swap	28,363	23,217	(549)	(549)
	Interest rate cap	40,257	-	(27)	(27)
	Buy				
	Foreign exchange forward	7,098	7,098	16	16
	Buy				
	U.S. dollars				
Total		¥78,822	¥30,315	¥(585)	¥(585)

		Millions of yen			
		2021			
		Nominal Amount		Fair value ^(*)	Gain (loss)
		Total	Due after 1 year		
Non-market transactions	Interest rate and currency swap	¥21,163	¥11,313	¥ (933)	¥ (933)
	Interest rate cap				
	Buy	36,225	36,225	(53)	(53)
	Foreign exchange forward				
	Buy				
	U.S. dollars	751	-	(58)	(58)
Total		¥58,139	¥47,538	¥(1,044)	¥(1,044)

		Millions of yen			
		2020			
		Nominal Amount		Fair value ^(*)	Gain (loss)
		Total	Due after 1 year		
Non-market transactions	Interest rate and currency swap	¥25,121	¥ 6,413	¥(1,077)	¥(1,077)
	Interest rate cap				
	Buy	38,346	38,346	(79)	(79)
Total		¥63,467	¥44,759	¥(1,156)	¥(1,156)

		Thousands of U.S. dollars			
		2022			
		Nominal Amount		Fair value ^(*)	Gain (loss)
		Total	Due after 1 year		
Non-market transactions	Interest rate swap	\$ 25,361	\$ -	\$ (204)	\$ (204)
	Pay : fixed rate				
	Receive : floating rate				
	Interest rate and currency swap	231,743	189,697	(4,486)	(4,486)
	Interest rate cap	328,924	-	(221)	(221)
	Buy				
	Foreign exchange forward	57,995	57,995	131	131
	Buy				
	U.S.dollars				
Total		\$644,023	\$247,692	\$(4,780)	\$(4,780)

(*) Fair values are calculated mainly by discounting the future cash flows.

The following summarizes hedging derivative financial instruments accounted for under hedge accounting as of March 31, 2022, 2021 and 2020:

		Millions of yen		
		2022		
		Nominal Amount		Fair Value ^{*4}
Hedged items		Total	Due after 1 year	
Interest rate swap	Long-term debt	¥356,259	¥291,259	*1
Pay : fixed rate				
Receive : floating rate				
Interest rate swap ^{*2}	Long-term debt	157,987	157,987	¥14,929
Pay : fixed rate				
Receive : floating rate				
Foreign exchange forward ^{*3}				
Buy	Forecasted transactions denominated			
U.S. dollars	in foreign currencies	2,239	-	146
Total		¥516,485	¥449,246	¥15,075

		Millions of yen		
		2021		
		Nominal Amount		Fair Value ^{*4}
Hedged items		Total	Due after 1 year	
Interest rate swap	Long-term debt	¥408,972	¥358,472	*1
Pay : fixed rate				
Receive : floating rate				
Interest rate swap ^{*2}	Long-term debt	142,006	130,880	¥7,528
Pay : fixed rate				
Receive : floating rate				
Foreign exchange forward ^{*3}				
Buy	Forecasted transactions denominated			
U.S. dollars	in foreign currencies	1,836	-	93
Total		¥552,814	¥489,352	¥7,621

		Millions of yen		
		2020		
		Nominal Amount		Fair Value ^{*4}
Hedged items		Total	Due after 1 year	
Interest rate swap	Long-term debt	¥424,870	¥386,869	*1
Pay : fixed rate				
Receive : floating rate				
Interest rate swap ^{*2}	Long-term debt	11,778	11,778	¥ (70)
Pay : fixed rate				
Receive : floating rate				
Foreign exchange forward ^{*3}				
Buy	Forecasted transactions denominated			
U.S. dollars	in foreign currencies	932	-	(4)
Total		¥437,580	¥398,647	¥ (74)

		Thousands of U.S. dollars (See Note 1)		
		2022		
		Nominal Amount		Fair Value ^{*4}
Hedged items		Total	Due after 1 year	
Interest rate swap	Long-term debt	\$2,910,850	\$2,379,761	*1
Pay : fixed rate				
Receive : floating rate				
Interest rate swap ^{*2}	Long-term debt	1,290,849	1,290,849	\$121,979
Pay : fixed rate				
Receive : floating rate				
Foreign exchange forward ^{*3}				
Buy	Forecasted transactions denominated			
U.S. dollars	in foreign currencies	18,294	-	1,193
Total		\$4,219,993	\$3,670,610	\$123,172

*1: The net amount to be paid or received under the interest rate swap contract is added to or deducted from the interest on the assets or liabilities for which the swap contract was executed. Thus, the fair value of the interest rate swap is included in the fair value of long-term debt including those due within one year.

*2: Recognition of gains or losses resulting from changes in fair value of interest rate swap contracts and foreign currency swap contracts are deferred until the related losses or gains on the hedged items are recognized.

*3: Future transactions denominated in foreign currencies will be recorded using the contracted forward rate, and no gains and losses on the foreign exchange forward contract are recognized.

*4: Refer to Note 4 (3) for the methods and inputs for measuring the fair values.

7. INVESTMENT AND LEASING PROPERTIES

The Company and its consolidated subsidiaries have followed “Accounting Standard for Disclosures about Fair Value of Investment and Rental Property” (ASBJ Statement No.20; November 28, 2008) and its implementation guidance “Guidance on Accounting Standard for Disclosures about Fair Value of Investment and Rental Property” (ASBJ Guidance No.23, November 28, 2008) which require explanations on investment and leasing properties and disclosure of fair value of those properties. Investment and leasing properties are properties held to earn rentals or for capital appreciation, and include (1) properties classified as investment properties in the balance sheet, (2) idle properties and (3) leasing properties other than (1) and (2).

The Company and its certain subsidiaries own office buildings for rent, retail facilities and other properties in Tokyo and other areas. Net rent income, impairment loss and gain on disposal of property and equipment regarding those investments and leasing properties were ¥ 127,250 million (\$1,039,709 thousand), ¥ 8,048

million (\$65,757 thousand), and ¥ 6,682 million (\$54,596 thousand) for the year ended March 31, 2022, respectively. Net rent income, impairment loss and gain on disposal of property and equipment regarding those investments and leasing properties were ¥118,076 million, ¥29,795 million, and ¥20,668 million for the year ended March 31, 2021, respectively. Net rent income, impairment loss and loss on disposal of property and equipment regarding those investments and leasing properties were ¥137,952 million, ¥1,064 million, and ¥577 million for the year ended March 31, 2020, respectively.

Gross rent revenue is included in revenue from operations and gross cost for rent is included in cost of revenue from operations. Gain on disposal of property and equipment is included in interest, dividends and miscellaneous income (see Note 21). Impairment loss and loss on disposal of property and equipment are included in other costs and expenses (see Note 22).

The carrying amounts, net changes in the carrying amounts and the fair value of the investment and leasing properties as of and for the years ended March 31, 2022, 2021 and 2020 are stated below:

		Millions of yen									
		2022		2021				2020			
		Carrying amount	Fair value	Carrying amount	Fair value	Carrying amount	Fair value	Carrying amount	Fair value	Carrying amount	Fair value
Beginning of year	Net increase during the year	End of year	End of year	Beginning of year	Net decrease during the year	End of year	End of year	Beginning of year	Net increase during the year	End of year	End of year
¥3,029,628	¥76,921	¥3,106,549	¥6,136,880	¥3,171,133	¥(141,505)	¥3,029,628	¥5,856,125	¥3,024,029	¥147,104	¥3,171,133	¥6,089,553

Thousands of U.S. dollars (See Note 1)			
2022			
Carrying amount		Fair value	
Net increase during			
Beginning of year	the year	End of year	End of year
\$24,753,885	\$628,491	\$25,382,376	\$50,142,005

Carrying amount represents acquisition cost less accumulated depreciation and accumulated loss on impairment.

The net increase in the carrying amounts mainly consists of acquisitions of real estate which amounts to ¥183,903 million (\$1,502,598 thousand), transfers to real property for sale which amounts to ¥ 41,167 million (\$336,359 thousand) and sales of real estate which amounts to ¥ 37,627 million (\$307,435 thousand) for the year ended March 31, 2022.

The net decrease in the carrying amounts mainly consists of acquisitions of real estate which amounts to ¥207,677 million, sales of real estate which amounts to ¥198,636 million and transfers to real property for sale which amounts to ¥110,141 million for the year ended March 31, 2021.

The net increase in the carrying amounts mainly consists of acquisitions of real estate which amounts to ¥216,118 million and transfers to real property for sale which amounts to ¥15,043 million for the year ended March 31, 2020.

Estimated fair value was calculated internally based on Japanese Real Estate Appraisal Standards.

* It was extremely difficult to determine the impact of the outbreak of COVID-19 on the fair value of investment and leasing properties ("the impact") with high accuracy as of preparation date of the consolidated financial statements for the year ended March 31, 2020. The impact, calculated based on the assumptions on which revenues forecast is based, utilizing available information as possible, turned out to be immaterial. Thus, the impact was not reflected in determination of fair value of investment and leasing properties as of March 31, 2020.

8. INVENTORIES

Inventories at March 31, 2022, 2021 and 2020 comprise the following:

	Millions of yen			Thousands of U.S. dollars (See Note 1)
	2022	2021	2020	2022
Real property for sale				
Completed	¥1,188,686	¥1,080,340	¥1,043,889	\$ 9,712,280
In progress	540,649	536,767	516,997	4,417,428
Land held for development	300,080	297,577	318,411	2,451,834
Expenditure on contracts in progress	8,157	17,711	17,149	66,648
Other	10,419	6,204	5,310	85,130
Total	¥2,047,991	¥1,938,599	¥1,901,756	\$16,733,320

9. ADVANCES PAID FOR PURCHASES

Advances paid for purchases comprise primarily advance payments for purchasing real estate for sale.

10. LEASE DEPOSITS

The Company and its consolidated subsidiaries lease certain office buildings and retail facilities from the owners thereof and sublease them to subtenants. In these transactions, the Company and its consolidated subsidiaries pay lease deposits to the owners and receive deposits from subtenants (See Note 15).

11. INCOME TAXES

Significant components of deferred tax assets and liabilities as of March 31, 2022, 2021 and 2020 are as follows:

	Millions of yen			Thousands of U.S. dollars (See Note 1)
	2022	2021	2020	2022
Deferred tax assets:				
Loss on impairment of fixed assets	¥ 25,532	¥ 23,442	¥ 21,467	\$ 208,612
Net operating loss carryforwards	18,560	13,576	4,251	151,646
Net defined benefit liability	14,506	13,897	13,527	118,523
Unrealized inter-company transactions	10,259	10,112	11,922	83,822
Accrued employees' bonuses	7,282	6,871	6,621	59,498
Excess depreciation expense	5,851	5,795	5,518	47,806
Allowance for loss on devaluation of real property held for sale	5,387	5,956	4,968	44,015
Accrued enterprise tax	5,266	4,965	4,162	43,026
Unrealized loss on valuation of lease deposits	3,627	3,617	3,606	29,635
Other	55,332	48,560	35,399	452,097
Subtotal	151,602	136,791	111,441	1,238,680
Valuation allowances *	(30,215)	(28,472)	(11,395)	(246,875)
Total	¥ 121,387	¥ 108,319	¥ 100,046	\$ 991,805
Deferred tax liabilities:				
Unrealized gain on valuation of securities	(211,457)	(178,547)	(142,170)	(1,727,731)
Consolidation difference in real property	(51,450)	(52,406)	(4,237)	(420,377)
Deferred gain on sale of land and buildings for tax purposes	(46,363)	(49,336)	(11,929)	(378,814)
Unrealized gain on valuation of lease deposits	(3,606)	(3,585)	(3,564)	(29,463)
Other	(82,335)	(67,092)	(59,988)	(672,727)
Total	¥(395,211)	¥(350,966)	¥(221,888)	\$(3,229,112)
Net deferred tax assets (liabilities)	¥(273,824)	¥(242,647)	¥(121,842)	\$(2,237,307)

* Valuation allowances increased by ¥17,077 million in the year ended March 31, 2021 due to acquisition of TOKYO DOME CORPORATION, a newly consolidated subsidiary.

Significant differences between the statutory tax rate and the Company's effective tax rate for the year ended March 31, 2022 and 2021 are as follows:

	2022	2021
Statutory tax rate	30.6 %	30.6 %
(Adjustments)		
Change in valuation allowances	1.8	1.4
Higher (lower) tax rates on foreign subsidiaries	0.2	(1.4)
Entertainment expenses and other (permanent differences)	0.5	0.3
Equity in net income of affiliated companies	(0.3)	1.0
Other	0.2	0.5
Effective tax rate	33.0	32.4

Differences between the statutory tax rate and the Company's effective tax rate for the years ended March 31, 2020 was immaterial, and therefore are not disclosed.

12. EMPLOYEES' RETIREMENT BENEFITS

(1) Outline of retirement benefit plan

The Company and its consolidated subsidiaries have adopted funded and unfunded defined benefit plans and defined contribution plans for employees' retirement benefits.

The Company and its consolidated subsidiaries have adopted a corporate pension plan and lump-sum pension plans as defined benefit plans, under which employees are entitled to lump-sum or annuity payments based on their respective salaries and service periods. The Company has established a retirement benefit trust

for its corporate pension plan. The Company's certain consolidated subsidiaries have calculated net defined benefit liability and retirement benefit expenses using the simplified method, under which actuarial calculation is not adopted. The Company and its consolidated subsidiaries, upon employees' retirement and other cases, may pay supplemental benefits that are not subject to retirement benefit obligation actuarially calculated in compliance with accounting standard for retirement benefits.

(2) Defined benefit plans

(a) Change in benefit obligation, excluding plans accounted for under the simplified method, for the years ended March 31, 2022, 2021 and 2020:

	Millions of yen			Thousands of U.S. dollars (See Note 1)
	2022	2021	2020	2022
Benefit obligation at beginning of year	¥180,394	¥163,409	¥160,180	\$1,473,928
Service cost	7,760	7,407	7,299	63,404
Interest cost	1,598	1,485	1,458	13,057
Actuarial differences	1,171	1,340	(612)	9,567
Prior service costs	(49)	(1,741)	(255)	(401)
Benefits paid	(5,581)	(4,762)	(4,661)	(45,600)
Increase due to acquisition of consolidated subsidiaries	-	13,256	-	-
Other	-	-	-	-
Benefit obligation at end of year	¥185,293	¥180,394	¥163,409	\$1,513,955

(b) Change in plan assets, excluding plans accounted for under the simplified method, for the years ended March 31, 2022, 2021 and 2020:

	Millions of yen			Thousands of U.S. dollars (See Note 1)
	2022	2021	2020	2022
Fair value of plan assets at beginning of year	¥187,445	¥149,976	¥151,690	\$1,531,539
Expected return on plan assets	3,828	3,028	3,113	31,277
Actuarial differences	13,424	23,210	(5,451)	109,682
Employer contribution	3,974	3,600	3,732	32,470
Benefits paid	(3,559)	(3,360)	(3,209)	(29,079)
Increase due to acquisition of consolidated subsidiaries	-	10,884	-	-
Other	104	107	101	849
Fair value of plan assets at end of year	¥205,216	¥187,445	¥149,976	\$1,676,738

(c) Change in net defined benefit liability under simplified method for the years ended March 31, 2022, 2021 and 2020:

	Millions of yen			Thousands of U.S. dollars (See Note 1)
	2022	2021	2020	2022
Net defined benefit liability at beginning of year	¥4,441	¥3,769	¥3,719	\$36,286
Retirement benefit expenses	816	593	548	6,667
Benefits paid	(484)	(289)	(449)	(3,955)
Contribution to the plan	(67)	(67)	(57)	(547)
Increase due to acquisition of consolidated subsidiaries	-	454	-	-
Other	1	(19)	8	8
Net defined benefit liability at end of year	¥4,707	¥4,441	¥3,769	\$38,459

(d) Amount recognized in the consolidated balance sheets, including plans accounted for under the simplified method, at March 31, 2022, 2021 and 2020:

	Millions of yen			Thousands of U.S. dollars (See Note 1)
	2022	2021	2020	2022
Benefit obligation for funded plan	¥154,174	¥150,403	¥139,132	\$1,259,694
Plan assets	(205,837)	(188,025)	(150,429)	(1,681,812)
	¥ (51,663)	¥ (37,622)	¥ (11,297)	\$ (422,118)
Benefit obligation for unfunded plan	36,447	35,012	28,499	297,794
Net amount recognized on the consolidated balance sheets	¥ (15,216)	¥ (2,610)	¥ 17,202	\$ (124,324)
Net defined benefit liability	49,866	48,067	46,196	407,435
Net defined benefit asset	(65,082)	(50,677)	(28,994)	(531,759)
Net amount recognized on the consolidated balance sheets	¥ (15,216)	¥ (2,610)	¥ 17,202	\$ (124,324)

Includes plans under simplified method.

(e) Details of retirement benefit expenses for the years ended March 31, 2022, 2021 and 2020:

	Millions of yen			Thousands of U.S. dollars (See Note 1)
	2022	2021	2020	2022
Service cost	¥7,760	¥7,407	¥7,299	\$63,404
Interest cost	1,598	1,485	1,458	13,057
Expected return on plan assets	(3,828)	(3,028)	(3,113)	(31,277)
Actuarial differences recognized in earnings	(2,102)	399	(429)	(17,175)
Prior service costs recognized in earnings	(996)	(851)	(726)	(8,138)
Retirement benefit expenses under simplified method	816	593	548	6,667
Defined benefit expenses	¥3,248	¥6,005	¥5,037	\$26,538

Premium benefits payments other than the above defined benefit expenses of ¥97 million (\$793 thousand), ¥138 million and ¥60 million are recognized for the years ended on March 31, 2022, 2021 and 2020, respectively.

(f) Amount recognized in other comprehensive income (pretax) at March 31, 2022, 2021 and 2020:

	Millions of yen			Thousands of U.S. dollars (See Note 1)
	2022	2021	2020	2022
Prior service costs	¥ 947	¥ (890)	¥ 470	\$ 7,738
Actuarial differences	(10,172)	(22,268)	5,279	(83,112)
Total	¥ (9,225)	¥ (23,158)	¥ 5,749	\$ (75,374)

(g) Amount recognized in accumulated other comprehensive income (pretax) at March 31, 2022, 2021 and 2020:

	Millions of yen			Thousands of U.S. dollars (See Note 1)
	2022	2021	2020	2022
Unrecognized prior service costs	¥ (7,157)	¥ (7,850)	¥ (6,960)	\$ (58,477)
Unrecognized actuarial differences	(33,188)	(23,634)	(1,366)	(271,166)
Total	¥ (40,345)	¥ (31,484)	¥ (8,326)	\$ (329,643)

(h) The asset allocation for the plans, excluding plans accounted for under the simplified method, at March 31, 2022, 2021 and 2020:

	2022	2021	2020
Domestic stocks	32.1%	29.1%	27.8%
Domestic bonds	24.8	24.3	26.8
Foreign stocks	13.1	14.6	12.5
Foreign bonds	8.3	7.9	7.8
Life insurance company general accounts	8.2	9.4	9.7
Cash and bank deposits	1.4	1.4	2.0
Other	12.1	13.3	13.4
Total	100.0%	100.0%	100.0%

* The plan assets include retirement benefit trust established for corporate pension plan which accounts for 20.3%, 15.8% and 16.4% of the total plan assets as of March 31, 2022, 2021 and 2020, respectively.

The expected long-term rate of return on plan assets is determined based on the actual return on the plan asset portfolios and the expected rate of return on those portfolios.

(i) Basis for actuarial calculation:

	2022	2021	2020
Discount rates	0.5 – 1.2%	0.5 – 1.2%	0.5 – 1.2%
Expected long-term rates of return on plan assets	1.0 – 2.5%	1.0 – 2.5%	1.0 – 2.5%

(3) Defined contribution plans

Contribution made to the defined contribution plans by the Company's certain consolidated subsidiaries amounted to ¥882 million (\$7,206 thousand), ¥691 million and ¥594 million for the years ended March 31, 2022, 2021 and 2020, respectively.

13. BANK LOANS, COMMERCIAL PAPER AND LONG-TERM DEBT

(1) Bank loans and commercial paper

Bank loans consist mainly of short-term notes and short-term borrowings under the loan agreements. The Company and its consolidated subsidiaries have had no difficulty in renewing such notes and borrowings, when they considered it appropriate to do so.

The amounts and the weighted average interest rates of bank loans and commercial paper at March 31, 2022, 2021 and 2020 are as follows:

	Millions of yen			Thousands of U.S. dollars (See Note 1)
	2022	2021	2020	2022
Bank loans				
Recourse, with the weighted average interest rates of 0.59% in 2022, 0.86% in 2021 and 1.82% in 2020	¥125,045	¥39,213	¥46,309	\$1,021,693
Commercial paper, with the weighted average interest rates of -0.01% in 2022, -0.01% in 2021 and 0.00% in 2020	36,000	99,500	173,000	294,142

(2) Long-term debt

Long-term debt at March 31, 2022, 2021 and 2020 comprise the following:

	Millions of yen			Thousands of U.S. dollars (See Note 1)
	2022	2021	2020	2022
Long-term loans, principally from banks and insurance companies:				
Loans secured by collateral or bank guarantees	¥ 478,300	¥ 531,270	¥ 474,239	\$ 3,907,999
Unsecured loans	2,217,171	2,099,730	1,990,530	18,115,622
Total long-term loans, principally from banks and insurance companies	2,695,471	2,631,000	2,464,769	22,023,621
Bonds and debentures				
1.19%yen notes due 2020	-	-	10,000	-
1.06%yen notes due 2020	-	-	10,000	-
1.32%yen notes due 2020	-	-	10,000	-
2.30%yen notes due 2030	10,000	10,000	10,000	81,706
1.27%yen notes due 2021	-	10,000	10,000	-
1.17%yen notes due 2021	-	10,000	10,000	-
1.00%yen notes due 2022	10,000	10,000	10,000	81,706
0.96%yen notes due 2022	10,000	10,000	10,000	81,706
1.95%yen notes due 2032	10,000	10,000	10,000	81,706
2.05%yen notes due 2033	10,000	10,000	10,000	81,706
1.33%yen notes due 2046	10,000	10,000	10,000	81,706
1.00%yen notes due 2046	10,000	10,000	10,000	81,706
0.71%yen notes due 2036	7,000	7,000	7,000	57,194
1.18%yen notes due 2056	6,000	6,000	6,000	49,024
0.00%yen notes due 2020	-	-	25,000	-
0.93%yen notes due 2037	10,000	10,000	10,000	81,706
0.20%yen notes due 2024	10,000	10,000	10,000	81,706
0.24%yen notes due 2027	10,000	10,000	10,000	81,706
0.10%yen notes due 2023	10,000	10,000	10,000	81,706
0.22%yen notes due 2025	10,000	10,000	10,000	81,706
0.31%yen notes due 2028	10,000	10,000	10,000	81,706
0.09%yen notes due 2023	10,000	10,000	10,000	81,706
0.20%yen notes due 2025	10,000	10,000	10,000	81,706
0.37%yen notes due 2028	20,000	20,000	20,000	163,412
0.08%yen notes due 2022	20,000	20,000	20,000	163,412
0.16%yen notes due 2024	30,000	30,000	30,000	245,118
0.28%yen notes due 2026	20,000	20,000	20,000	163,412
0.38%yen notes due 2029	20,000	20,000	20,000	163,412
0.09%yen notes due 2024	50,000	50,000	50,000	408,530
0.22%yen notes due 2029	30,000	30,000	30,000	245,118
0.53%yen notes due 2039	20,000	20,000	20,000	163,412
0.31%yen notes due 2030	30,000	30,000	30,000	245,118
0.62%yen notes due 2039	20,000	20,000	20,000	163,412
0.52%yen notes due 2035	30,000	30,000	30,000	245,118
0.82%yen notes due 2050	10,000	10,000	10,000	81,706
1.03%yen notes due 2070	10,000	10,000	10,000	81,706
0.21%yen notes due 2023	60,000	60,000	-	490,236
0.48%yen notes due 2030	25,000	25,000	-	204,265
0.81%yen notes due 2040	10,000	10,000	-	81,706
3.65%U.S. dollar notes due 2027	61,171	55,329	54,386	499,804
2.95%U.S. dollar notes due 2023	36,708	33,195	32,621	299,927
3.95%U.S. dollar notes due 2029	36,672	33,167	32,597	299,633
2.57%U.S. dollar notes due 2032 (Green bond)	36,717	-	-	300,000
0.06% - 1.25% notes due 2021 – 2028 (*1)	-	59,050	-	-
0.16% - 0.53% notes due 2022 - 2027 (*2)	71,450	84,985	129,435	583,790
Total bonds and debentures	810,718	853,726	797,039	6,624,055
Less amount due within one year	(480,554)	(324,326)	(220,633)	(3,926,416)
Long-term debt due after one year	¥3,025,635	¥3,160,400	¥3,041,175	\$24,721,260

(*1) Represents the total balance of unsecured corporate bonds issued by TOKYO DOME CORPORATION.

(*2) Represents the total balance of asset backed securities issued by the Company's consolidated special purpose entities. The interest rates include both fixed rates and floating rates.

Long-term loans, principally from banks and insurance companies consist of the following:

	Millions of yen			Thousands of U.S. dollars (See Note 1)
	2022	2021	2020	2022
Due within one year				
Non-recourse, with the weighted average interest rate of 1.78% in 2022, 1.59% in 2021 and 1.99% in 2020	¥ 198,172	¥ 75,708	¥ 21,416	\$ 1,619,185
Recourse, with the weighted average interest rate of 1.19% in 2022, 1.38% in 2021 and 1.42% in 2020	173,974	191,939	96,717	1,421,472
Subtotal	372,146	267,647	118,133	3,040,657
Due after one year				
Non-recourse, with the weighted average interest rate of 2.26% in 2022, 2.02% in 2021 and 2.58% in 2020	280,127	381,909	452,823	2,288,806
Recourse, with the weighted average interest rate of 1.09% in 2022, 0.97% in 2021 and 1.08% in 2020	2,043,198	1,981,444	1,893,813	16,694,158
Subtotal	2,323,325	2,363,353	2,346,636	18,982,964
Total	¥2,695,471	¥2,631,000	¥2,464,769	\$22,023,621

Bonds and debentures consist of the following:

	Millions of yen			Thousands of U.S. dollars (See Note 1)
	2022	2021	2020	2022
Due within one year				
Non-recourse	¥ 21,700	¥ 21,635	¥ 47,500	\$ 177,302
Recourse	86,708	35,043	55,000	708,457
Subtotal	108,408	56,678	102,500	885,759
Due after one year				
Non-recourse	49,751	63,351	81,936	406,496
Recourse	652,559	733,697	612,603	5,331,800
Subtotal	702,310	797,048	694,539	5,738,296
Total	¥810,718	¥853,726	¥797,039	\$6,624,055

Long-term debt and other liabilities secured by collateral or bank guarantees consist of the following:

	Millions of yen			Thousands of U.S. dollars (See Note 1)
	2022	2021	2020	2022
Secured loans				
Long-term loans, principally from banks and insurance companies				
Non-recourse	¥478,300	¥457,617	¥474,239	\$3,907,999
Recourse	-	73,653	-	-
Subtotal	478,300	531,270	474,239	3,907,999
Bonds and debentures				
Non-recourse	71,450	84,985	129,435	583,790
Subtotal	71,450	84,985	129,435	583,790
Total	¥549,750	¥616,255	¥603,674	\$4,491,789
Other liabilities secured				
Other current liabilities	¥ -	¥ 291	¥ -	\$ -
Deposits from tenants	-	36	-	-

The following assets are pledged as collateral for secured loans:

	Millions of yen						Thousands of U.S. dollars (See Note 1)	
	2022		2021		2020		2022	
	Total	Non-recourse *	Total	Non-recourse *	Total	Non-recourse *	Total	Non-recourse *
Real property for sale	¥293,255	¥293,255	¥ 249,471	¥249,471	¥377,137	¥377,137	\$2,396,070	\$2,396,070
Buildings and structures	210,582	207,466	152,829	94,169	101,925	98,618	1,720,582	1,695,122
Land	271,036	262,857	367,751	245,827	256,427	248,502	2,214,527	2,147,700
Other	196,055	182,403	292,411	259,007	178,888	172,700	1,601,887	1,490,342
Total	¥970,928	¥945,981	¥1,062,462	¥848,474	¥914,377	¥896,957	\$7,933,066	\$7,729,234

* Represents assets pledged as collateral for non-recourse loans.

As is customary in Japan, collateral must be given if requested, under certain circumstances, by a lending bank and such bank has the right to offset cash deposited with it against any debt or obligation that becomes due and, in case of default and certain

other specified events, against all debt payable to the bank. The Company and its consolidated subsidiaries have never received any such requests nor do they expect that any such request will be made.

The annual maturities of long-term debt at March 31, 2022, 2021 and 2020 are as follows:

	Millions of yen								
	2022			2021			2020		
	Non-recourse	Recourse	Total	Non-recourse	Recourse	Total	Non-recourse	Recourse	Total
Due within 1 year	¥219,872	¥ 260,682	¥ 480,554	¥ 97,344	¥ 226,982	¥ 324,326	¥ 68,916	¥ 151,717	¥ 220,633
Due after 1 to 2 years	24,085	346,032	370,117	189,074	273,248	462,322	96,877	192,333	289,210
Due after 2 to 3 years	59,443	308,839	368,282	10,595	328,224	338,819	201,438	232,057	433,495
Due after 3 to 4 years	62,587	269,864	332,451	32,876	316,486	349,362	38,300	222,477	260,777
Due after 4 to 5 years	21,618	289,807	311,425	59,644	252,853	312,497	32,200	267,535	299,735
Thereafter	162,145	1,481,215	1,643,360	153,070	1,544,330	1,697,400	165,944	1,592,014	1,757,958
Total	¥549,750	¥2,956,439	¥3,506,189	¥542,603	¥2,942,123	¥3,484,726	¥603,675	¥2,658,133	¥3,261,808

	Thousands of U.S. dollars (See Note 1)		
	2022		
	Non-recourse	Recourse	Total
Due within 1 year	\$1,796,487	\$ 2,129,929	\$ 3,926,416
Due after 1 to 2 years	196,789	2,827,290	3,024,079
Due after 2 to 3 years	485,685	2,523,401	3,009,086
Due after 3 to 4 years	511,373	2,204,951	2,716,324
Due after 4 to 5 years	176,632	2,367,898	2,544,530
Thereafter	1,324,823	12,102,418	13,427,241
Total	\$4,491,789	\$24,155,887	\$28,647,676

14. ASSET RETIREMENT OBLIGATIONS

(1) Asset retirement obligations recognized in the consolidated balance sheets as of March 31, 2022, 2021 and 2020

The Company and its consolidated subsidiaries, in connection with operating retail facilities and parking business (Mitsui Repark), have entered into real estate lease contracts with terms ranging from several months to 49 years. Asset retirement obligations have been recognized in respect of the obligation of the Company and its consolidated subsidiaries to the landlords to

remove the facilities from leased real estate at the end of those contracts. The liability has been calculated with expected useful lives ranging from several months to 49 years and discount rates ranging from 0 to 2.5%.

Asset retirement obligations are included in other current liabilities and other long-term liabilities on the consolidated balance sheets.

The following table summarizes the changes in the aggregate carrying amount of asset retirement obligations for the years ended March 31, 2022, 2021 and 2020:

	Millions of yen			Thousands of U.S. dollars (See Note 1)
	2022	2021	2020	2022
Beginning of year	¥6,630	¥5,537	¥5,126	\$54,171
Increase due to acquisition of consolidated subsidiaries	-	114	-	-
Increase due to acquisition of fixed assets	160	1,016	827	1,307
Net increase due to revisions to original estimate *	396	280	83	3,236
Decrease due to settlement	(525)	(340)	(518)	(4,290)
Other	33	23	19	270
End of year	¥6,694	¥6,630	¥5,537	\$54,694

* Increase for the years ended March 31, 2022, 2021 and 2020 was mainly due to additions of decommissioning costs that have become measurable in a more accurate manner.

(2) Asset retirement obligations not recognized in the consolidated balance sheets as of March 31, 2022, 2021 and 2020

The Company and its consolidated subsidiaries own properties containing asbestos material and are obligated to remove those materials upon disposition of the properties. However, since sufficient information is not available to reasonably estimate the obligation amount due to uncertainty about the method and timing of settlement, asset retirement obligation is not recognized for the obligations to remove asbestos materials.

The Company and its consolidated subsidiaries, in connection with some retail facilities, hotels and retail premises, have entered into real estate lease contracts and are obligated to the landlords to dismantle the facilities upon exit. However, sufficient information is not available to reasonably estimate the scope, the amount and other factors related to asset retirement obligations. Thus asset retirement obligation regarding reestablishing the previous state is not recognized except for those mentioned in (1) above.

15. DEPOSITS FROM TENANTS

Deposits from tenants at March 31, 2022, 2021 and 2020 comprise the following:

	Millions of yen			Thousands of U.S. dollars (See Note 1)
	2022	2021	2020	2022
Non-interest-bearing	¥443,796	¥435,526	¥435,916	\$3,626,081
Interest-bearing	124	404	679	1,013
Total	¥443,920	¥435,930	¥436,595	\$3,627,094
Average interest rate	0.97%	0.99%	0.99%	

The Company and its consolidated subsidiaries generally make lease agreements with tenants under which they receive both interest-bearing deposits and non-interest-bearing deposits from tenants. The non-interest-bearing deposits and some of the interest-bearing deposits are not refundable during the life of the

lease. The rest of the interest-bearing deposits are generally refundable to the tenant in equal annual or monthly payments with interest over certain periods of time commencing after the grace periods, depending on the terms of the contracts.

16. NET ASSETS

Net assets comprises four subsections, which are shareholders’ equity, accumulated other comprehensive income, subscription rights to shares and non-controlling interests, as applicable.

Under the Japanese Company Law (the “Law”), the entire amount paid for new shares is required to be designated as common stock. However, a company may, by resolution of the Board of Directors, designate an amount not exceeding one-half of the prices of the new shares as additional paid-in capital, which is included in capital surplus.

Under the Law, in cases where a dividend distribution of surplus is made, the smaller of an amount equal to 10% of the dividend or the excess, if any, of 25% of common stock over the total of additional paid-in-capital and legal earnings reserve must be set aside as additional paid-in-capital or legal earnings reserve.

Legal earnings reserve is included in retained earnings in the accompanying consolidated balance sheets.

Under the Law, legal earnings reserve and additional paid-in capital may be used to eliminate or reduce a deficit, or may be capitalized by resolution of the shareholders’ meeting. Additional paid-in capital and legal earnings reserve may not be distributed as dividends. However, all additional paid-in capital and all legal earnings reserve may be transferred to other capital surplus and retained earnings, respectively, which are potentially available for dividends.

The maximum amount that the Company can distribute as dividends is calculated based on the non-consolidated financial statements of the Company in accordance with Japanese laws and regulations.

17. SUPPLEMENTAL INFORMATION ON THE CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS

(1) Changes in number of shares issued and outstanding during the years ended March 31, 2022, 2021 and 2020 are as follows:

	(Thousands)	
	Issued Common stock	Treasury stock Common stock
Numbers of shares as of March 31, 2019	991,425	9,187
Numbers of shares increased ^(*1)	-	11,166
Numbers of shares decreased ^(*2)	(12,175)	(12,205)
Numbers of shares as of March 31, 2020	979,250	8,148
Numbers of shares increased ^(*3)	138	9,139
Numbers of shares decreased ^(*4)	(14,106)	(14,159)
Numbers of shares as of March 31, 2021	965,282	3,128
Numbers of shares increased ^(*5)	200	11,896
Numbers of shares decreased ^(*6)	(6,008)	(6,051)
Numbers of shares as of March 31, 2022	959,474	8,973

(*1) Treasury stock increased due to purchase of 11,160 thousand shares through resolution of the Board of Directors’ meeting and purchase of 6 thousand odd shares.
(*2) Common stock issued decreased due to retirement of 12,175 thousand shares of treasury stock through resolution of the Board of Directors’ meeting. Treasury stock decreased due to retirement of 12,175 thousand shares of treasury stock through resolution of the Board of Directors’ meeting, sale of 1 thousand odd shares and exercise of 29 thousand shares of subscription rights.
(*3) Common stock issued increased due to issuance of 138 thousand shares of restricted stock as a compensation through resolution of the Board of Directors’ meeting. Treasury stock increased due to purchase of 9,134 thousand shares through resolution of the Board of Directors’ meeting and purchase of 5 thousand odd shares.
(*4) Common stock issued decreased due to retirement of 14,106 thousand shares of treasury stock through resolution of the Board of Directors’ meeting. Treasury stock decreased due to retirement of 14,106 thousand shares of treasury stock through resolution of the Board of Directors’ meeting, sale of 1 thousand odd shares and exercise of 52 thousand shares of subscription rights.
(*5) Common stock issued increased due to issuance of 200 thousand shares of restricted stock as a compensation through resolution of the Board of Directors’ meeting. Treasury stock increased due to purchase of 11,890 thousand shares through resolution of the Board of Directors’ meeting and purchase of 6 thousand odd shares.
(*6) Common stock issued decreased due to retirement of 6,008 thousand shares of treasury stock through resolution of the Board of Directors’ meeting. Treasury stock decreased due to retirement of 6,008 thousand shares of treasury stock through resolution of the Board of Directors’ meeting, sale of 1 thousand odd shares and exercise of 42 thousand shares of subscription rights.

(2) Information of subscription rights to shares is summarized as follows:

	Millions of yen			Thousands of U.S. dollars (See Note 1)		
	Company	Consolidated subsidiaries	Total	Company	Consolidated subsidiaries	Total
Type of subscription rights to shares	Stock option					
Balance as of March 31, 2020	¥1,454	-	¥1,454			
Balance as of March 31, 2021	¥1,423	-	¥1,423			
Balance as of March 31, 2022	¥1,340	-	¥1,340	\$10,949	-	\$10,949

Number of shares regarding stock options as of March 31, 2022, 2021 and 2020 and number of such shares increased and decreased during the years then ended are not presented as they are insignificant.

(3) Information of dividends is summarized as follows:

(a) Dividends paid
The following resolution was approved by the ordinary general shareholders’ meeting held on June 29, 2021, June 26, 2020 and June 27, 2019:

Date of shareholders’ meeting	June 29, 2021	June 26, 2020	June 27, 2019
Type of stock	Common stock	Common stock	Common stock
Total amount	¥ 21,167 million (\$172,947 thousand)	¥ 21,364 million	¥ 23,574 million
Per share amount	¥ 22 (\$ 0.180)	¥ 22	¥ 24
Record date	March 31, 2021	March 31, 2020	March 31, 2019
Effective date	June 30, 2021	June 29, 2020	June 28, 2019

The following resolution was approved by the Board of Directors’ meeting held on November 5, 2021, November 5, 2020 and November 7, 2019:

Date of board of directors’ meeting	November 5, 2021	November 5, 2020	November 7, 2019
Type of stock	Common stock	Common stock	Common stock
Total amount	¥ 21,172 million (\$172,988 thousand)	¥ 21,168 million	¥ 21,473 million
Per share amount	¥ 22 (\$0.180)	¥ 22	¥ 22
Record date	September 30, 2021	September 30, 2020	September 30, 2019
Effective date	December 2, 2021	December 2, 2020	December 3, 2019

(b) Dividend whose record date falls within the current fiscal year but to be effective in the following fiscal year
The following resolution was approved by the ordinary general shareholders’ meeting held on June 29, 2022, June 29, 2021 and June 26, 2020:

Date of shareholders’ meeting	June 29, 2022	June 29, 2021	June 26, 2020
Type of stock	Common stock	Common stock	Common stock
Total amount	¥31,367 million (\$256,287 thousand)	¥ 21,167 million	¥ 21,364 million
Source	Retained earnings	Retained earnings	Retained earnings
Per share amount	¥ 33 (\$ 0.270)	¥ 22	¥ 22
Record date	March 31, 2022	March 31, 2021	March 31, 2020
Effective date	June 30, 2022	June 30, 2021	June 29, 2020

18. STOCK OPTION PLANS

The following table summarizes the stock option plans introduced by the Company.
Stock option expenses charged to income for the years ended March 31, 2022, 2021 and 2020 are as follows:

	Millions of yen			Thousands of U.S. dollars (See Note 1)
	2022	2021	2020	2022
Cost of revenue from operations	¥234	¥121	¥113	\$1,912
Selling, general and administrative expenses	230	128	100	1,879
Total	¥464	¥249	¥213	\$3,791

The following table summarizes the contents and activity of stock options as of March 31, 2022 and for the year then ended:

	2019 plan	2018 plan	2017 plan	2016 plan	2015 plan	2014 plan
Grantees	Directors, corporate officers and group managing officers; 36 in total (*1)	Directors, corporate officers and group managing officers; 31 in total (*1)	Directors, corporate officers and group managing officers; 28 in total (*1)	Directors, corporate officers and group managing officers; 27 in total (*1)	Directors, corporate officers and group managing officers; 27 in total (*1)	Directors, corporate officers and group managing officers; 27 in total (*1)
Type of stock and number of shares granted	108,980 shares of common stock	95,920 shares of common stock	80,440 shares of common stock	77,720 shares of common stock	50,460 shares of common stock	52,450 shares of common stock
Grant date	July 16, 2019	July 17, 2018	July 14, 2017	August 19, 2016	August 21, 2015	August 22, 2014
Vesting conditions	(*2)	(*2)	(*2)	(*2)	(*2)	(*2)
Requisite service period	Not specified	Not specified	Not specified	Not specified	Not specified	Not specified
Exercise period (*2)	July 17, 2019 - July 16, 2049	July 18, 2018 - July 17, 2048	July 15, 2017 - July 14, 2047	August 20, 2016 - August 19, 2046	August 22, 2015 - August 21, 2045	August 23, 2014 - August 22, 2044
Non-vested options (number of shares):						
Outstanding at beginning of year	105,440	90,140	72,680	59,730	38,310	32,980
Granted	-	-	-	-	-	-
Forfeited	-	-	-	-	-	-
Vested	(5,560)	(5,560)	(4,060)	(4,060)	(2,620)	(2,680)
Outstanding at end of year	99,880	84,580	68,620	55,670	35,690	30,300
Vested options (number of shares):						
Outstanding at beginning of year	3,540	3,540	5,730	8,750	6,490	5,890
Vested	5,560	5,560	4,060	4,060	2,620	2,680
Exercised	(2,780)	(2,780)	(2,030)	(5,740)	(2,690)	(4,330)
Expired	-	-	-	-	-	-
Outstanding at end of year	6,320	6,320	7,760	7,070	6,420	4,240
	Yen	Yen	Yen	Yen	Yen	Yen
Exercise price	¥ 1	¥ 1	¥ 1	¥ 1	¥ 1	¥ 1
Average stock price on exercise date	¥2,576	¥2,576	¥2,576	¥2,576	¥2,598	¥2,625
Grant-date fair value	¥1,960	¥2,188	¥2,093	¥1,670	¥3,218	¥3,067

	2013 plan	2012 plan	2011 plan	2010 plan	2009 plan	2008 plan	2007 plan
Grantees	Directors, corporate officers and group managing officers; 27 in total (*1)	Directors, corporate officers and group managing officers; 25 in total (*1)	Directors, corporate officers and group managing officers; 25 in total (*1)	Directors, corporate officers and group managing officers; 25 in total (*1)	Directors, corporate officers and group managing officers; 25 in total (*1)	Directors, corporate officers and group managing officers; 26 in total (*1)	Directors, corporate officers and group managing officers; 27 in total (*1)
Type of stock and number of shares granted	66,650 shares of common stock	134,640 shares of common stock	143,040 shares of common stock	140,420 shares of common stock	109,650 shares of common stock	71,250 shares of common stock	48,880 shares of common stock
Grant date	August 23, 2013	August 17, 2012	August 12, 2011	August 13, 2010	August 14, 2009	August 15, 2008	September 18, 2007
Vesting conditions	(*2)	(*2)	(*2)	(*2)	(*2)	(*2)	(*2)
Requisite service period	Not specified	Not specified	Not specified	Not specified	Not specified	Not specified	Not specified
Exercise period (*2)	August 24, 2013 - August 23, 2043	August 18, 2012 - August 17, 2042	August 13, 2011 - August 12, 2041	August 14, 2010 - August 13, 2040	August 15, 2009 - August 14, 2039	August 16, 2008 - August 15, 2038	September 19, 2007 - September 18, 2037
Non-vested options (number of shares):							
Outstanding at beginning of year	41,900	68,790	73,580	34,220	25,760	12,100	7,590
Granted	-	-	-	-	-	-	-
Forfeited	-	-	-	-	-	-	-
Vested	(3,400)	(3,760)	(4,020)	-	-	-	-
Outstanding at end of year	38,500	65,030	69,560	34,220	25,760	12,100	7,590
Vested options (number of shares):							
Outstanding at beginning of year	6,870	15,290	16,360	10,720	6,910	-	-
Vested	3,400	3,760	4,020	-	-	-	-
Exercised	(5,740)	(3,760)	(4,020)	(4,850)	(3,830)	-	-
Expired	-	-	-	-	-	-	-
Outstanding at end of year	4,530	15,290	16,360	5,870	3,080	-	-
	Yen	Yen	Yen	Yen	Yen	Yen	Yen
Exercise price	¥ 1	¥ 1	¥ 1	¥ 1	¥ 1	¥ 1	¥ 1
Average stock price on exercise date	¥2,638	¥2,641	¥2,641	¥2,576	¥2,641	-	-
Grant-date fair value	¥2,796	¥1,265	¥919	¥1,029	¥1,493	¥1,967	¥2,357

(*1) Grantees consist of 8 directors (excluding outside directors), 17 corporate officers (non-directors) and 11 group managing officers for 2019 plan, 8 directors (excluding outside directors), 16 corporate officers (non-directors) and 7 group managing officers for 2018 plan, 8 directors (excluding outside directors), 13 corporate officers (non-directors) and 7 group managing officers for 2017 plan, 8 directors (excluding outside directors), 13 corporate officers (non-directors) and 6 group managing officers for 2016 plan, 8 directors (excluding outside directors), 14 corporate officers (non-directors) and 5 group managing officers for 2015 plan, 2014 plan and 2013 plan, 9 directors (excluding outside directors), 9 corporate officers (non-directors) and 7 group managing officers for 2012 plan, 9 directors (excluding outside directors), 8 corporate officers (non-directors) and 8 group managing officers for 2011 plan, 8 directors (excluding outside directors), 9 corporate officers (non-directors) and 8 group managing officers for 2010 plan and 2009 plan, 6 directors (excluding outside directors), 12 corporate officers (non-directors) and 8 group managing officers for 2008 plan, and 6 directors (excluding outside directors), 13 corporate officers (non-directors) and 8 group managing officers for the 2007 plan.

(*2) Vesting conditions and exercise period:
Stock options granted are exercisable on the day following grantees leaving the positions of director, statutory auditor, corporate officer or group managing officer, and for 5 years commencing on that date.

The fair value of options was estimated using the Black-Scholes option pricing-model under the following assumptions:

	2019 plan
Expected volatility (*1)	35%
Expected life (*2)	15 years
Expected dividend (*3)	¥44 per share
Risk-free rate (*4)	0.09%

(*1) Expected volatility is calculated based on the historical stock price for the 15-year period ending on the grant date.
(*2) Options are assumed to be exercised at the midpoint of the exercise period because of the difficulty to reasonably estimate expected life due to insufficient historical data.
(*3) Expected dividend is the expected dividend amount for the fiscal year in which the options are granted, estimated as of the grant date.
(*4) Risk-free rate represents the interest rate of Japanese government bonds whose life corresponds to the expected life of stock options.
Number of vesting options is estimated based on actual forfeitures due to difficulty in reasonably estimating future forfeitures.

19. REVENUE FROM OPERATIONS

- (1) Disaggregation of revenue from contracts with customers
Refer to Note 25 for information about disaggregation of revenue from contracts with customer. Revenue information in Note 25 includes information based on “Accounting Standard for Lease Transactions” (ASBJ Statement No.13, March 30, 2007) in addition to information related to revenue from contracts with customers.
- (2) Information about the nature of revenue from contracts with customers
Refer to Note 2 (G) for information about the nature of revenue from contracts with customers.
- (3) Information about relationship between satisfaction of performance obligations based on contracts with customers and cash flows arising from the contracts, and amount and timing of revenue expected to be recognized on and after April 1, 2022 based on the contracts existing on March 31, 2022
- a. Balances of receivables arising from contracts with customers, contract assets and contract liabilities
Balances of receivables arising from contracts with customers, contract assets and contract liabilities at March 31, 2022 are as follows:

	Millions of yen		Thousands of U.S. dollars (See Note 1)	
	2022			
	Beginning of year	End of year	Beginning of year	End of year
Receivables arising from contracts with customers	40,459	51,298	330,574	419,136
Contract assets	6,826	10,167	55,773	83,070
Contract liabilities	111,691	141,892	912,583	1,159,343

Contract asset represents the right to consideration in exchange for goods or services that has been transferred to a customer, when that right is conditioned on something other than the passage of time, mainly in new construction business. Considerations are generally collected, based on the payment terms, within approximately one year after satisfaction of performance obligations. Contract liability is related to advances received from a customer under the payment terms based on contract with a customer, mainly in property sales business. Contract liability is transferred to revenue upon revenue recognition.
Revenue recognized in the year ended March 31, 2022 that was included in the contract liabilities balance at April 1, 2021 is ¥95,430 million (\$779,721 thousand).
Revenue recognized in the year ended March 31, 2022 from the performance obligations satisfied or partially satisfied before April 1 2021 is immaterial.

- b. Transaction price allocated to remaining performance obligations
The total amount of the transaction prices allocated to remaining performance obligations and revenue expected to be recognized on and after April 1, 2022 are presented in the table below.
Applying a practical expedient, the contracts with original expected duration of one year or less and the contracts for which revenues by satisfaction of the performance obligations are recognized in accordance with Article 19 of “Implementation Guidance on Accounting Standard for Revenue Recognition” (ASBJ Guidance No. 30, March 26, 2021), are not disclosed.

	Millions of yen	Thousands of U.S. dollars (See Note 1)
	2022	
Within 1 year	189,853	1,551,213
After 1 to 2 years	100,504	821,178
After 2 to 3 years	104,757	855,928
Thereafter	12,745	104,135
Total	407,859	3,332,454

20. IMPAIRMENT LOSS ON FIXED ASSETS

During the year ended March 31, 2022, the Company and certain consolidated subsidiaries recognized impairment losses for the following groups of assets.

Primary use	Type of assets	Location
Leasing properties and other	Buildings, land and other	New York, U.S.A. and other

For the purpose of identifying fixed assets that are impaired, the Company and certain consolidated subsidiaries grouped their fixed assets at the lowest level for which identifiable cash flows are largely independent of the cash flows of other assets or groups of assets. The corporate headquarters’ facilities are treated as common assets.
The Company reduced the book values of leasing properties and other to their recoverable amounts and recognized impairment loss on an asset group with a significant decrease in the projected recoverable amount due to its decision to sell the leasing properties early, and an asset group with a significant deterioration of profitability due to adverse changes in market conditions and other factors.
Impairment losses totaling ¥ 9,478 million (\$77,441 thousand) are comprised of ¥ 3,665 million (\$29,945 thousand) of land, ¥ 5,469 million (\$44,685 thousand) of buildings and structures and ¥ 344 million (\$2,811 thousand) of others.
Recoverable amounts are measured by net realizable values or values in current use. Net realizable values are determined mainly based upon appraisal values calculated by real-estate appraisers. Values in current use are measured at zero since the present values calculated based on future cash flows resulted in negative values.

During the year ended March 31, 2021, the Company and certain consolidated subsidiaries recognized impairment losses for the following groups of assets.

Primary use	Type of assets	Location
Leasing properties and other	Buildings, land and other	Shinjuku Ward, Tokyo, Japan and other
Leasing properties and other	Software and other	Chuo Ward, Tokyo, Japan and other

For the purpose of identifying fixed assets that are impaired, the Company and certain consolidated subsidiaries grouped their fixed assets at the lowest level for which identifiable cash flows are largely independent of the cash flows of other assets or groups of assets. The corporate headquarters’ facilities are treated as common assets.
The Company reduced the book values of leasing properties and other to their recoverable amounts and recognized impairment loss on an asset group with a significant decrease in the projected recoverable amount due to its decision to sell the leasing properties early, and an asset group of which future use is no longer expected due to a change in the IT investment plan.
Impairment losses totaling ¥39,648 million are comprised of ¥19,228 million of land, ¥15,034 million of buildings and structures, ¥4,099 million of software and ¥1,287 million of others.
Recoverable amounts are measured by net realizable values or values in current use. Net realizable values are determined mainly based upon appraisal values calculated by real-estate appraisers. Values in current use are measured at zero since the present values calculated based on future cash flows resulted in negative values.

During the year ended March 31, 2020, the Company and certain consolidated subsidiaries recognized impairment losses for the following groups of assets.

Primary use	Type of assets	Location
Leasing properties and other	Buildings and other	Kashiwa City, Chiba, Japan and other

For the purpose of identifying fixed assets that are impaired, the Company and certain consolidated subsidiaries grouped their fixed assets at the lowest level for which identifiable cash flows are largely independent of the cash flows of other assets or groups of assets. The corporate headquarters’ facilities are treated as common assets.
Considering significant deterioration of profitability due to adverse changes in market conditions and other factors, the Company reduced the book values of leasing properties and other to their recoverable amounts and recognized impairment losses.
Impairment losses totaling ¥1,513 million are comprised of ¥1,231 million of buildings and structures and ¥282 million of others.
Recoverable amounts are measured by values in current use. Values in current use are measured at zero since the present values calculated based on future cash flows resulted in negative values.

21. MAJOR COMPONENTS OF INTEREST, DIVIDENDS AND MISCELLANEOUS INCOME

Years ended March 31,	Millions of yen			Thousands of U.S. dollars (See Note 1)
	2022	2021	2020	2022
Interest income	¥ 1,185	¥ 1,303	¥ 1,373	\$ 9,682
Dividend income	6,224	5,574	6,378	50,854
Government grants income	5,486	2,319	1,002	44,824
Gain on sale of property and equipment	6,886	20,704	-	56,263
Gain on sale of investment securities	51,726	45,932	16,711	422,633
Gain on sales of investments in unconsolidated subsidiaries and affiliated companies	-	10,701	-	-
Other	3,712	2,228	1,958	30,329
Total	¥75,219	¥88,761	¥27,422	\$614,585

22. MAJOR COMPONENTS OF OTHER EXPENSES

Years ended March 31,	Millions of yen			Thousands of U.S. dollars (See Note 1)
	2022	2021	2020	2022
Loss on disposal of property and equipment	¥ 7,448	¥ -	¥ 4,258	\$ 60,855
Impairment loss on fixed assets	9,478	39,648	1,513	77,441
Impairment loss on investment securities	-	-	2,868	-
Loss on business transfer	-	-	2,963	-
Loss related to COVID-19 *	4,224	14,734	2,402	34,513
Other	7,199	12,392	9,151	58,820
Total	¥28,349	¥66,774	¥23,155	\$231,629

* Loss related to COVID-19 mainly includes fixed costs such as rent and depreciation expenses incurred while the retail facilities, hotels and other facilities were closed.

23. COMPREHENSIVE INCOME

An analysis of each component of other comprehensive income (loss) and related tax effects for the years ended March 31, 2022, 2021 and 2020 is presented as follows.

	Millions of yen			Thousands of U.S. dollars (See Note 1)
	2022	2021	2020	2022
Net unrealized holding gains (losses) on securities				
Unrealized holding gains (losses) arising during the year	¥160,613	¥152,841	¥ (7,116)	\$1,312,305
Reclassification to income for the year	(50,500)	(45,409)	(13,942)	(412,615)
Pretax amount	110,113	107,432	(21,058)	899,690
Tax benefit (expense)	(32,924)	(32,579)	6,508	(269,009)
Net-of-tax amount	77,189	74,853	(14,550)	630,681
Deferred gains (losses) on hedging instruments				
Deferred gains (losses) arising during the year	7,452	7,696	(188)	60,887
Pretax amount	7,452	7,696	(188)	60,887
Tax expense	(2,254)	(2,346)	35	(18,416)
Net-of-tax amount	5,198	5,350	(153)	42,471
Foreign currency translation adjustments				
Aggregated adjustment during the year resulting from foreign currency translation	33,908	(13,929)	(712)	277,049
Reclassification to income for the year	(39)	(1,251)	-	(319)
Net amount	33,869	(15,180)	(712)	276,730
Adjustments for retirement benefit				
Adjustments for retirement benefit arising during the year	12,317	23,523	(4,594)	100,637
Reclassification to income for the year	(3,092)	(365)	(1,155)	(25,263)
Pretax amount	9,225	23,158	(5,749)	75,374
Tax expense	(2,805)	(7,087)	1,766	(22,919)
Net-of-tax amount	6,420	16,071	(3,983)	52,455
Equity in other comprehensive income (loss) of affiliated companies				
Unrealized gains (losses) arising during the year	13,752	(4,495)	1,990	112,362
Reclassification to income for the year	(1,518)	(318)	(283)	(12,403)
Net amount	12,234	(4,813)	1,707	99,959
Total other comprehensive income (loss)	¥134,910	¥ 76,281	¥(17,691)	\$1,102,296

24. LEASES

As lessee:

(A) Finance leases

Assets leased under finance leases that do not transfer ownership to the lessee consist mainly of buildings and structures used in leasing business. Such assets are capitalized as assets and depreciated using the straight-line method over their lease term assuming no residual value.

As described in Note 2 (O), finance leases that do not transfer ownership to the lessee whose commencement day falls on or before March 31, 2008 are accounted for as operating lease. Information on such leases is summarized as follows:

(1) Assumed amounts of acquisition cost, accumulated depreciation and net book value at March 31, 2022, 2021 and 2020:

	2022		2021		2020	
	Buildings and structures	Total	Buildings and structures	Total	Buildings and structures	Total
Acquisition cost	¥119	¥119	¥519	¥519	¥519	¥519
Accumulated depreciation	110	110	486	486	450	450
Net book value	¥ 9	¥ 9	¥ 33	¥ 33	¥ 69	¥ 69

Thousands of U.S. dollars (See Note 1)		
2022		
	Buildings and structures	Total
Acquisition cost	\$972	\$972
Accumulated depreciation	898	898
Net book value	\$ 74	\$ 74

(2) Future lease payment inclusive of interest at March 31, 2022, 2021 and 2020:

	Millions of yen			Thousands of U.S. dollars (See Note 1)
	2022	2021	2020	2022
Amount due within one year	¥7	¥24	¥35	\$57
Amount due after one year	2	9	34	17
Total	¥9	¥33	¥69	\$74

(3) Lease expense and the assumed amount of depreciation expense for the years ended March 31, 2022, 2021 and 2020:

	Millions of yen			Thousands of U.S. dollars (See Note 1)
	2022	2021	2020	2022
Lease expense	¥8	¥35	¥35	\$65
Depreciation expense	8	35	35	65

(4) Calculation of the assumed amount of depreciation expense:

Assumed depreciation amounts are computed using the straight-line method over the lease terms assuming no residual value.

(B) Operating leases

Future lease payments under non-cancellable operating leases at March 31, 2022, 2021 and 2020:

	Millions of yen			Thousands of U.S. dollars (See Note 1)
	2022	2021	2020	2022
Amount due within one year	¥125,069	¥114,922	¥ 91,529	\$1,021,889
Amount due after one year	509,642	504,416	359,225	4,164,082
Total	¥634,711	¥619,338	¥450,754	\$5,185,971

As lessor:

Operating leases

Future lease revenue under non-cancellable operating leases at March 31, 2022, 2021 and 2020:

	Millions of yen			Thousands of U.S. dollars (See Note 1)
	2022	2021	2020	2022
Amount due within one year	¥ 112,461	¥105,712	¥101,167	\$ 918,874
Amount due after one year	930,141	772,310	891,009	7,599,812
Total	¥1,042,602	¥878,022	¥992,176	\$8,518,686

25. SEGMENT INFORMATION

Reportable Segment Information:

The reportable segments of the Company represent its components for which operating results are regularly reviewed, utilizing separately available financial information, by the management in deciding how to allocate resources and assessing segment performance.

The Company's Head Office organizes its business units based on products and services, with each unit controlling subsidiaries with related business, mainly consisting of leasing, property sales and management.

The Company employs a matrix form of segment categorized by business unit organized by Head Office and by services provided. The Company's segments have been aggregated based on the nature of products and services into the 4 reportable segments of "Leasing," "Property Sales," "Management" and "Other."

Descriptions of reportable segments are stated below.

- (1) Leasing
Leasing of office buildings and retail facilities and other
- (2) Property Sales
Sales of condominiums and detached housing to individuals, and sales of rental housing and office buildings and other to investors.
- (3) Management
Property management and brokerage and asset management and other
- (4) Other
New construction, facility operations, and Tokyo Dome operations and other

Financial information about reportable segments for the years ended March 31, 2022, 2021 and 2020 is summarized in the following tables. The segment information is prepared in accordance with the accounting policies adopted to prepare the consolidated financial statements. 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.

Year ended March 31, 2022	Millions of yen					Consolidated
	(1)	(2)	(3)	(4)	Adjustments ^(*)	
Revenue from operations:						
Outside customers	¥ 668,168	¥ 643,852	¥429,351	¥359,499	¥ -	¥2,100,870
Inter-segment	21,850	85	77,532	13,931	(113,398)	-
Total revenue from operations	¥ 690,018	¥ 643,937	¥506,883	¥373,430	¥(113,398)	¥2,100,870
Segment operating income (loss)	¥ 129,984	¥ 138,343	¥ 57,205	¥ (29,640)	¥ (50,913)	¥ 244,979
Segment assets	4,022,566	2,278,466	644,599	680,448	581,933	8,208,012
Depreciation	71,107	544	10,821	23,990	5,039	111,501
Loss on impairment of fixed assets	8,027	-	542	909	-	9,478
Additions to property and equipment and intangible assets	222,499	1,931	9,698	33,545	4,716	272,389

Year ended March 31, 2021	Millions of yen					Consolidated
	(1)	(2)	(3)	(4)	Adjustments ^(*)	
Revenue from operations:						
Outside customers	¥ 623,073	¥ 714,739	¥ 402,929	¥ 266,814	¥ -	¥2,007,555
Inter-segment	21,246	217	75,220	17,506	(114,189)	-
Total revenue from operations	¥ 644,319	¥ 714,956	¥ 478,149	¥ 284,320	¥(114,189)	¥2,007,555
Segment operating income (loss)	¥ 120,778	¥ 118,213	¥ 39,970	¥ (27,215)	¥ (47,975)	¥ 203,771
Segment assets	3,854,932	2,151,039	480,535	699,208	556,259	7,741,973
Depreciation	69,427	618	10,732	12,460	4,959	98,196
Loss on impairment of fixed assets	37,997	1,198	453	-	-	39,648
Additions to property and equipment and intangible assets	230,444	5,326	12,290	313,658	3,548	565,266

	Millions of yen					
Year ended March 31, 2020	(1)	(2)	(3)	(4)	Adjustments ^(**3)	Consolidated
Revenue from operations:						
Outside customers	¥ 636,056	¥ 524,095	¥421,490	¥324,002	¥ -	¥1,905,643
Inter-segment	21,856	-	77,112	16,254	(115,222)	-
Total revenue from operations	¥ 657,912	¥ 524,095	¥498,602	¥340,256	¥(115,222)	¥1,905,643
Segment operating income	¥ 145,893	¥ 123,745	¥ 55,671	¥ 2,291	¥ (46,982)	¥ 280,618
Segment assets	4,055,972	2,155,135	363,775	337,201	483,276	7,395,359
Depreciation	66,731	846	9,574	10,439	3,844	91,434
Loss on impairment of fixed assets	1,063	3	447	-	-	1,513
Additions to property and equipment and intangible assets	301,854	4,941	16,586	60,225	(4,327)	379,279

	Thousands of U.S. dollars (See Note 1)					
Year ended March 31, 2022	(1)	(2)	(3)	(4)	Adjustments ^(**1)	Consolidated
Revenue from operations:						
Outside customers	\$ 5,459,335	\$ 5,260,659	\$3,508,056	\$2,937,323	\$ -	\$17,165,373
Inter-segment	178,528	695	633,483	113,824	(926,530)	-
Total revenue from operations	\$ 5,637,863	\$ 5,261,354	\$4,141,539	\$3,051,147	\$(926,530)	\$17,165,373
Segment operating income (loss)	\$ 1,062,048	\$ 1,130,346	\$ 467,399	\$ (242,177)	\$(415,990)	\$ 2,001,626
Segment assets	32,866,787	18,616,439	5,266,762	5,559,670	4,754,743	67,064,401
Depreciation	580,987	4,445	88,414	196,012	41,172	911,030
Loss on impairment of fixed assets	65,585	-	4,428	7,428	-	77,441
Additions to property and equipment and intangible assets	1,817,951	15,777	79,238	274,083	38,533	2,225,582

(**1) Adjustments to segment operating income of ¥(50,913) million (\$ (415,990) thousand) consists of ¥(363) million (\$ (2,966) thousand) of inter-segment elimination and ¥(50,550) million (\$ (413,024) thousand) of corporate expenses, which mainly represent the Company's general and administrative expenses that are not allocable to any of the reportable segments. Adjustments to segment assets of ¥581,933 million (\$4,754,743 thousand) consists of ¥(1,417,102) million (\$ (11,578,577) thousand) of inter-segment elimination, ¥1,664,104 million (\$13,596,732 thousand) of corporate assets and investments in affiliated companies of ¥334,931 million (\$2,736,588 thousand).

(**2) Adjustments to segment operating income of ¥(47,975) million consists of ¥(960) million of inter-segment elimination and ¥(47,015) million of corporate expenses, which mainly represent the Company's general and administrative expenses that are not allocable to any of the reportable segments. Adjustments to segment assets of ¥556,259 million consists of ¥(1,234,858) million of inter-segment elimination, ¥1,518,236 million of corporate assets and investments in affiliated companies of ¥272,881 million.

(**3) Adjustments to segment operating income of ¥ (46,982) million consists of ¥(366) million of inter-segment elimination and ¥ (46,616) million of corporate expenses, which mainly represent the Company's general and administrative expenses that are not allocable to any of the reportable segments. Adjustments to segment assets of ¥483,276 million consists of ¥(1,138,241) million of inter-segment elimination, ¥1,368,781 million of corporate assets and investments in affiliated companies of ¥252,736 million.

Reportable segment information regarding carrying amount and amortization of goodwill and income recognized from negative goodwill has been omitted due to their immateriality.

Products and Services Information:

Refer to reportable segment information.

Geographic Area Information:

(1) Revenue from operations

Geographic area information has been omitted since revenue from outside customers in the Japan area accounted for more than 90% of revenue from operations on the consolidated income statements.

(2) Property and equipment

Property and equipment classified by the location at March 31, 2022, 2021 and 2020 are as follows:

	Millions of yen			Thousands of U.S. dollars (See Note 1)
	2022	2021	2020	2022
Japan	¥3,128,400	¥3,158,295	¥3,178,590	\$25,560,912
U.S.A.	561,314	471,294	422,946	4,586,273
Other *	186,227	128,530	117,067	1,521,587
Total	¥3,875,941	¥3,758,119	¥3,718,603	\$31,668,772

* “U.K.” which was disclosed as a separate component in the prior year’s table is included in “Other” due to decrease in materiality. As a result, ¥55,637 million and ¥58,365 million of property and equipment classified to “U.K.” as of March 31, 2021 and 2020, respectively, are included in “Other” to conform to the current presentation.

Customer Information:

Customer information has been omitted since revenue from no single customer exceeded 10% of revenue from operations on the consolidated statements of income.

26. RELATED PARTIES

Significant related party transaction for the year ended March 31, 2022 is summarized as follows:

Transaction with the Company's directors and major individual shareholders

					Millions of yen	Thousands of U.S. dollars (See Note 1)		
					2022			
Type	Name	Occupation	Ownership ratio of voting shares	Nature of transaction	Transaction amount	Balance outstanding at year end	Transaction amount	Balance outstanding at year end
Director	Hiromichi Iwasa	Representative Director, Chairman of the Board	Directly owns 0.01 %	Renovation of residence	¥51	¥ -	\$417	\$ -
Director	Yoshikazu Kitahara	Representative Director	Directly owns 0.00%	Construction of residence	41	-	335	-

Policies for terms and conditions of the transaction:

The transaction price is determined in reference to market prices.

There were no significant related party transactions for the years ended March 31, 2021 and 2020.

27. CONTINGENT LIABILITIES

Contingent liabilities at March 31, 2022, 2021 and 2020 are as follows:

	Millions of yen			Thousands of U.S. dollars (See Note 1)
	2022	2021	2020	2022
Loans guaranteed	¥22,046	¥15,126	¥25,069	\$180,129

It had been presumed that some of the foundation piles, part of a building’s substructure, were faulty on a condominium complex (the “Condominiums”) located in the City of Yokohama that were sold by Mitsui Fudosan Residential Co., Ltd. (“MFR”), one of the Company’s consolidated subsidiaries. On April 11, 2016, MFR received a report of an investigation of current conditions confirming that a portion of the piles used in the construction failed to reach the required bearing layer from the building contractor, Sumitomo Mitsui Construction Co., Ltd. (“SMC”). In addition, on August 26, 2016, MFR received a notice from the City of Yokohama stating that the Condominiums were in violation of the Building Standards Law and requesting that MFR consult with the unit owners of the Condominiums and take all responsible steps to resolve the situation.

On May 8, 2016, MFR executed an agreement (the “Agreement”) with the condominium association (the “Condominium Association”), establishing a basic framework to remedy the defects in the installation of the foundation piles, including the possibility of reconstructing the Condominiums, as well as compensation and providing that MFR would bear the expenses arising out of such defects. On September 19, 2016, the Condominium Association resolved in accordance with the Act on Building Unit Ownership, etc. and determined that it would seek the complete reconstruction of the entire Condominiums as the corrective measure. The reconstruction was completed on Febru-

ary 25, 2021.

With regard to the Condominiums, MFR received the report from the building contractor, SMC, which noted that construction records had been diverted and modified at the time of the installation of the foundation piles, and it was revealed that certain foundation piles failed to reach the required bearing layer and the Condominiums violated the Building Standards Law. Accordingly, MFR determined to seek all damages incurred including reconstruction costs and expenses relating to the temporary housing of unit owners of the Condominiums during the period of reconstruction against the building contractor, SMC, as well as Hitachi High-Technologies Corporation (presently, Hitachi High-Tech Corporation) and Asahi Kasei Construction Materials Corporation, which installed the foundation piles, based on their tort liabilities and defect liabilities. On November 28, 2017, MFR filed a lawsuit to seek damages incurred against the above 3 companies. The claim amount is approximately ¥50.9 billion (\$415.9 million) as of March 31, 2022. All related temporary payments undertaken by MFR up to March 31, 2022 are recorded as current assets on the consolidated balance sheet.

Depending on the outcome of future events, the matters referred to above may impact the consolidated results of operations of the Company and its consolidated subsidiaries. At this stage, however, it is difficult to estimate reasonably the amount of any such impact.

28. SUBSEQUENT EVENTS

There were no applicable items under this category.



Independent auditor’s report

To the Board of Directors of Mitsui Fudosan Co., Ltd.:

Opinion

We have audited the accompanying consolidated financial statements of Mitsui Fudosan Co., Ltd. (“the Company”) and its consolidated subsidiaries (collectively referred to as “the Group”), which comprise the consolidated balance sheets as at March 31, 2022, 2021 and 2020, the consolidated statements of income and comprehensive income, changes in net assets and cash flows for the years then ended and notes, comprising a summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at March 31, 2022, 2021 and 2020, and its consolidated financial performance and its consolidated cash flows for the years 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 our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

The appropriateness of the determination as to whether to recognize impairment losses on the Properties within fixed assets	
The key audit matter	How the matter was addressed in our audit
<p>In the consolidated balance sheet of Mitsui Fudosan Co., Ltd. (the “Company”) and its consolidated subsidiaries for the current fiscal year, property and equipment (including leasehold rights) of ¥3,875,941 million held primarily as leasing and operating properties, were recognized, and the amount of these property and equipment and other assets (collectively, the “Properties”) accounted for approximately 47% of total assets in the consolidated financial statements. Of the Properties, the determination as to whether to recognize impairment losses mainly concerned certain of the Properties whose profitability had declined such as those experiencing deviations from the initial business plan due to the impact of the spread of COVID-19 infection or otherwise.</p> <p>The Company describes its determination as to whether to recognize impairment losses on the Properties within fixed assets in Note 2. “Significant Accounting Policies,” under (Y) “Significant Accounting Estimates, 1. Impairment of fixed assets” to the consolidated financial statements. While the Properties within fixed assets are depreciated or amortized in a systematic manner, upon identifying any indication of impairment, the Company is required to determine whether an impairment loss should be recognized. The impairment indicators include recurring operating losses, a significant decline in market prices, a significant deterioration in the business environment, a change in usage and other factors. If the recognition of an impairment loss is deemed necessary, the carrying amount is reduced to the recoverable amount, and the resulting decrease in the carrying amount is recognized as an impairment loss.</p> <p>In particular, the estimates of future cash flows and discount rates used to calculate the market prices of respective Properties may be significantly affected by changes in economic</p>	<p>The primary procedures we performed to evaluate whether the Company’s judgment with respect to the determination as to whether to recognize impairment losses on the Properties within fixed assets was appropriate included the following:</p> <p>(1) Internal control testing</p> <p>We tested the design and operating effectiveness of certain of the Company’s internal controls relevant to the determination as to whether to recognize impairment losses on the Properties.</p> <p>(2) Evaluation of the appropriateness of the Company’s judgment in identifying indications of impairment</p> <ul style="list-style-type: none"> ● We examined the accuracy of the actual profit and loss data for respective Properties on which the determination of recurring operating losses was based by comparing them with the relevant supporting materials and analyzing the trend of profit and loss. ● With respect to the future cash flows and discount rates used for calculating the market prices of respective Properties, with the assistance of our own real-estate valuation specialists, as necessary, we: <ul style="list-style-type: none"> - evaluated the appropriateness of the valuation method selected to calculate the market prices in light of applicable requirements including those in the accounting standards; - evaluated the reasonableness of the estimate of future cash flows used to calculate the market prices, taking into consideration future economic conditions reflecting the impact of the spread of COVID-19 infection, by comparing them against the actual cash flows and other information relevant to the cash flows published by external sources; and - evaluated the appropriateness of the discount rates used to calculate the market prices by comparing them against information published by external sources. ● We inspected the materials relevant to the progress toward and probability of achieving the business plan for respective Properties, to

<p>conditions and interest rates, competition in the real-estate markets and external factors affecting property development, climate change and natural disasters, as well as the impact from the spread of COVID-19 infection and any other factors. Accordingly, these estimates involved a high degree of uncertainty, as well as significant subjectivity in the Company’s judgments. The same applies to the estimates of future cash flows and discount rates used in the judgment of recognizing impairment losses.</p> <p>We, therefore, determined that the appropriateness of the Company’s determination as to whether to recognize impairment losses on the Properties within fixed assets was one of the most significant matters in our audit of the consolidated financial statements for the current fiscal year, and accordingly, a key audit matter.</p>	<p>assess whether there was any significant deterioration in the business environment or a change in usage, and inquired of management about risk factors that could affect the feasibility of the business plan. In addition, we evaluated the reasonableness of the estimates of development costs and profitability underlying the business plan by comparing them against information published by external sources.</p> <p>(3) Evaluation of the appropriateness of the Company’s judgment in recognizing impairment losses</p> <ul style="list-style-type: none"> ● With respect to the future cash flows and discount rates, with the assistance of our own real-estate valuation specialists, as necessary, we: <ul style="list-style-type: none"> - evaluated the reasonableness of the estimate of future cash flows, taking into consideration future economic conditions reflecting the impact of the spread of COVID-19 infection, by comparing them against the actual cash flows and other information relevant to the cash flows published by external sources; and - evaluated the appropriateness of the discount rates by comparing them against information published by external sources.
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The reasonableness of the valuation of the Real Property for Sale related to the Property Sales business	
The key audit matter	How the matter was addressed in our audit
<p>In Note 8. “Inventories” to the consolidated financial statements for the current fiscal year, real property for sale completed of ¥1,188,686 million, real property for sale in progress of ¥540,649 million and land held for development of ¥300,080 million related to the Property Sales business were recognized, and their total amount (collectively, the “Real Property for Sale”) accounted for approximately 25% of total assets in the consolidated financial statements. Of the Real Property for Sale, the valuation of the Real Property for Sale related to the Property Sales business mainly concerned those that were slow-moving and those affected by the spread of COVID-19 infection or otherwise experiencing a decline in profitability. In addition, as described in Note 2. “Significant Accounting Policies,” under (Y) “Significant Accounting Estimates, 2. Evaluation of real property for sale,” loss on devaluation of real property for sale of ¥2,278 million were recognized in the consolidated statement of income.</p> <p>The Company describes the valuation of the Real Property for Sale in Note 2. “Significant Accounting Policies,” under (G) “Inventories, Revenue and Related Costs” and (Y) “Significant Accounting Estimates, 2. Evaluation of real property for sale” to the consolidated financial statements.</p> <p>The sales price and estimated additional cost including estimated development cost that are used to calculate the net realizable value of the Real Property for Sale are estimated for each property. However, during the course of long-term property development and sales activities, these estimates may be significantly affected by changes in economic conditions and interest rates, competition in the real-estate markets and external factors affecting property development, climate change and natural disasters, as well as any impact from the spread of COVID-19 infection and any other factors. Accordingly, these estimates involved a high degree of</p>	<p>The primary procedures we performed to evaluate whether the valuation of the Real Property for Sale related to the Property Sales business was reasonable included the following:</p> <p>(1) Internal control testing</p> <p>We tested the design and operating effectiveness of certain of the Company’s internal controls relevant to the valuation of the Real Property for Sale.</p> <p>(2) Evaluation of the reasonableness of the estimate of the net realizable value</p> <ul style="list-style-type: none"> ● With respect to the estimate of the selling price of respective Real Property for Sale, with the assistance of our own real-estate valuation specialists, as necessary, we: <ul style="list-style-type: none"> - evaluated the appropriateness of the valuation method selected to calculate a selling price in light of applicable requirements including those in the accounting standards; - evaluated the reasonableness of the estimate of future cash flows used to calculate a selling price, taking into consideration future economic conditions reflecting the spread of COVID-19 infection, by comparing them against the actual cash flows and other information relevant to the cash flows published by external sources; and - evaluated the appropriateness of the discount rates used to calculate a selling price by comparing them against information published by external sources. ● With respect to the Real Property for Sale under development, we inspected the materials relevant to the status and probability of achieving the respective development plans, and inquired of management about the feasibility of these development plans. In addition, we evaluated the reasonableness of the estimate of development costs and profitability underlying the development plans by comparing them against information published by external sources.

<p>uncertainty, as well as significant subjectivity in the Company’s judgments.</p> <p>We, therefore, determined that the reasonableness of the valuation of the Real Property for Sale related to the Property Sales business was one of the most significant matters in our audit of the consolidated financial statements for the current fiscal year, and accordingly, a key audit matter.</p>	
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The appropriateness of the accounting treatment and disclosures relating to the Condominiums located in the City of Yokohama	
The key audit matter	How the matter was addressed in our audit
<p>The Company describes its accounting treatment and disclosures for a condominium complex (the “Condominiums”) located in the City of Yokohama in Note 27. “Contingent Liabilities” to the consolidated financial statements.</p> <p>In this situation, Mitsui Fudosan Residential Co., Ltd. (“MFR”) filed a lawsuit to seek reimbursement of all costs incurred including reconstruction costs and expenses against the construction companies. Of the costs incurred, the amount of payments made by MFR to date are recorded as part of current assets on the consolidated balance sheets. While this matter may have an impact on the consolidated results of operations of the Company depending on the outcome of the pending lawsuit, at this stage it is difficult to reliably estimate a reasonable amount of any such impact. Accordingly, such estimate involved a high degree of uncertainty, as well as significant subjectivity in the Company’s judgments.</p> <p>We, therefore, determined that the appropriateness of the accounting treatment and disclosures relating to the Condominiums located in the City of Yokohama was one of the most significant matters in our audit of the consolidated financial statements for the current fiscal year, and accordingly, a key audit matter.</p>	<p>The primary procedures we performed on the costs incurred at MFR as well as the status and prospect of the pending lawsuit in order to evaluate whether the accounting treatment and disclosures relating to the Condominiums located in the City of Yokohama were appropriate, included the following:</p> <ul style="list-style-type: none"> ● We inquired of management and the personnel of MFR responsible for the matter and management of the Company about the costs incurred by MFR as well as the status and prospect of the pending lawsuit. In addition, we evaluated the reasonableness of the estimate by assessing the consistency between the relevant litigation materials and their responses to our inquiries; and ● We circularized, through a written legal confirmation, with MFR’s legal counsel handing the matter to confirm the status and prospect of the pending lawsuit.

The appropriateness of revenue recognized for transactions for property sales to investors	
The key audit matter	How the matter was addressed in our audit
<p>As described in Note 25. “Segment Information” to the consolidated financial statements, revenue from operations of ¥2,100,870 million recognized in the Company’s consolidated statement of income for the current fiscal year included revenue from operations of ¥643,852million in the Property Sales segment, which accounted for approximately 31% of the consolidated revenue from operations. In addition, as described in Note 21. “Major components of interest, dividends and miscellaneous income,” gain on sale of property and equipment of ¥6,886 million were recognized in the consolidated statement of income. Of revenue from operations in the Property Sales segment, the revenue recognized for transactions for property sales to investors was related to sale transactions using a complex scheme, or transactions for property sales to investors with which the Company and its consolidated subsidiaries have recurring sale transactions.</p> <p>Transactions for property sales to investors varies widely from transaction to transaction, and the amount of each transaction tends to be relatively large. In particular, for transactions involving special purpose entities using a complex scheme or to investors with which the Company has recurring sale transactions, significant judgments regarding, for example, the economic reasonableness of the sale terms and conditions, the appropriateness of the selling price and the reasonableness of an overall transaction, are involved in determining whether substantially all of the risks and rewards of the property were transferred, which must be satisfied for a sale treatment.</p> <p>We, therefore, determined that the appropriateness of revenue recognized for transactions for property sales to investors was one of the most significant matters in our audit of the consolidated financial statements for the current fiscal year, and accordingly, a key audit matter.</p>	<p>The primary procedures we performed to evaluate whether revenue recognized for transactions for property sales to investors was appropriate included the following:</p> <p>(1) Internal control testing</p> <p>We tested the design and operating effectiveness of certain of the Company’s internal controls relevant to the revenue recognized for transactions for property sales to investors.</p> <p>(2) Evaluation of the appropriateness of the determination on the transfer of risks and rewards</p> <ul style="list-style-type: none"> ● We inspected the final approval document, agreed the evidence including the real-estate sale agreement and confirmation of property transfer to the accounting records, as well as evaluated the economic reasonableness of property sale terms and conditions based on our understanding of an overall scheme including the buyer; ● We evaluated the appropriateness of the selling price by inspecting the real-estate sale agreement and comparing the future cash flows and discount rates reflected in the selling price against the actual cash flows and other relevant information published by external sources; and ● We obtained an understanding of the contractual terms and conditions concerning repurchase by inspecting the final approval document and the real-estate sale agreement, and evaluated the reasonableness of the sale transaction, giving consideration to the extent of continuing involvement in the property after the sale.

Other Information
<p>The other information comprises the information included in the Audited Financial Statements that contain or accompany the audited consolidated financial statements, but does not include the consolidated financial statements and our auditor’s report thereon.</p> <p>We do not perform any work on the other information as we determine such information does not exist.</p>
Responsibilities of Management and Corporate Auditors and the Board of Corporate Auditors for the Consolidated Financial Statements
<p>Management is responsible for the preparation and fair presentation of the 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.</p> <p>In preparing the consolidated financial statements, management is responsible for assessing the Group’s ability to continue as a going concern, disclosing, as applicable, matters related to going concern in accordance with accounting principles generally accepted in Japan.</p> <p>Corporate auditors and the board of corporate auditors are responsible for overseeing the directors’ performance of their duties with regard to the design, implementation and maintenance of the Group’s financial reporting process.</p>
Auditor’s Responsibilities for the Audit of the Consolidated Financial Statements
<p>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. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with auditing standards generally accepted in Japan will always detect a material misstatement when it exists. 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.</p> <p>As part of our audit in accordance with auditing standards generally accepted in Japan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:</p> <ul style="list-style-type: none"> • 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. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. • Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, while the objective of the audit is not to express 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 whether the presentation and disclosures in the consolidated financial statements are in accordance with accounting standards generally accepted in Japan, 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.

- 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 corporate auditors and the board of corporate auditors regarding, among other matters, the planned scope and timing of the audit, significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide corporate auditors and the board of corporate auditors with a statement that we have complied with relevant ethical requirements regarding independence, and 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 corporate auditors and the board of corporate auditors, 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.

Convenience Translation

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2022 are presented solely for convenience. Our audit also included the translation of yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 1 to the consolidated financial statements.

Interest required to be disclosed by the Certified Public Accountants Act of Japan

We 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.

/S/Hiroyuki Yamada
Designated Engagement Partner
Certified Public Accountant

/S/Hiroyuki Itoh
Designated Engagement Partner
Certified Public Accountant

/S/Hironori Hashizume
Designated Engagement Partner
Certified Public Accountant

KPMG AZSA LLC
Tokyo Office, Japan
June 29, 2022

Notes to the Reader of Independent Auditor's Report:

This is a copy of the Independent Auditor's Report and the original copies are kept separately by the Company and KPMG AZSA LLC.