Integrated Report

2021

Delivering the Value Needed in the Coming Era

MITSUBISHI ESTATE

MITSUBISHI ESTATE CO., LTD.

Otemachi Park Building, 1-1, Otemachi 1-chome, Chiyoda-ku, Tokyo 100-8133, Japan
https://www.mec.co.jp/index_e.html

Cover photograph taken in the reception area of the Mitsubishi Estate Head Office

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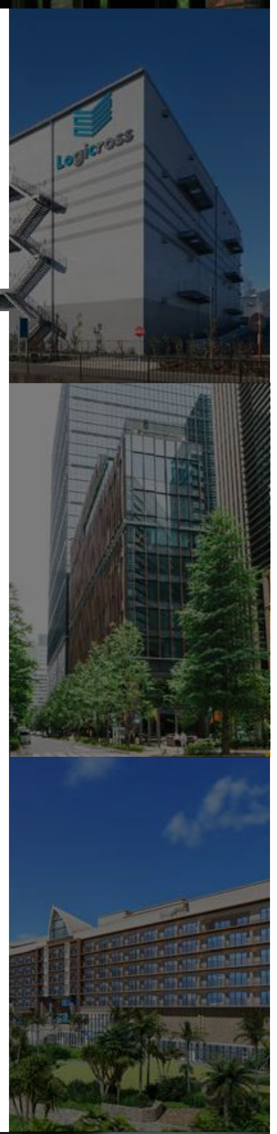
Printed in Japan

“A Love for People A Love for the City”

Forever Taking On New Challenges—The Mitsubishi Estate Group



The Spirit of Mitsubishi: Three Principles

“Shoki Hoko” 所期奉公	“Shoji Komei” 処事光明	“Ritsugyo Boeki” 立業貿易
Corporate Responsibility to Society Strive to enrich society, both materially and spiritually, while contributing toward the preservation of the global environment.	**Integrity and Fairness** Maintain principles of transparency and openness, conducting business with integrity and fairness.	**Global Understanding through Business** Expand business, based on an all-encompassing global perspective.

The Mission of the Mitsubishi Estate Group

We contribute to society through urban development.

By building attractive, environmentally sound communities where people can live, work, and relax with contentment, we contribute to the creation of a truly meaningful society.

The Mitsubishi Estate Group Code of Corporate Conduct

In order to carry out the Group’s Mission,
we pledge to observe the following Code of Conduct:

1	2	3
We will act with integrity.	We will strive to earn the trust of our clients.	We will strive to create a vibrant workplace.
We will base our conduct on laws and ethics and always reflect with humility upon our behavior, valuing our communication with society and placing priority in our corporate activities on earning trust through fairness and transparency.	We will approach all objectives from our clients’ point of view, providing safe and reliable products and services, and make information available as appropriate.	While aiming at personal growth, we will respect the human rights and diversity of opinions of others and increase our creativity and professionalism, while displaying our collective strengths as a team.

For details on the Mitsubishi Estate Group Guidelines for Conduct:

https://www.mec.co.jp/e/company/charter/index.html

(Formulated December 1, 1997; revised on August 1, 2002, January 1, 2006, and April 1, 2018)

Contents

A Word about *Integrated Report 2021*
We adopted this integrated report format starting from FY2019, having published annual reports through to FY2018. With this integrated report, we have expanded coverage of non-financial information, centering on environmental, social, and governance (ESG) topics, compared with prior annual reports. In doing so, we aim to increase readers’ awareness of our efforts to raise the corporate value of the Mitsubishi Estate Group from a medium- to long-term perspective. We hope that this report promotes a deeper understanding of the Group among all our stakeholders, including shareholders and investors.

Definition of Term
“FY2021” refers to the Group’s fiscal year ended March 31, 2021, and other fiscal years are referred to in a corresponding manner.

Caution Concerning Forward-Looking Statements
This integrated report contains forward-looking statements concerning Mitsubishi Estate Co., Ltd., and its future strategies and earnings outlook, including forecasts, plans, and decisions based on information available at the time of publication. As with any forecast, plan, or decision, forward-looking statements are inherently susceptible to potential risks, uncertainties, and assumptions. The Company’s actual results may therefore vary materially from those expressed or implied in its forward-looking statements.

The Mitsubishi Estate Group's

History and Achievements

The Mitsubishi Estate Group has overseen the development of the Marunouchi area over the last 120 years, evolving it into Japan's preeminent business center. In the process, we have accumulated unique knowledge and expertise in urban development. Looking ahead, we are expanding our business to a variety of domains by leveraging this knowledge and expertise.

Marunouchi Redevelopment

1890

Starting from Scratch

Purchase of Marunouchi land and vision of a major business center

The history of Mitsubishi Estate began when Yanosuke Iwasaki, the first president of Mitsubishi Company, purchased the Marunouchi area, which was an expanse of fields, at the request of the Meiji government based on his belief that the creation of a business center to rival those of the world's leading cities would help realize the modernization of Japan.

1890s–1950s

First Phase of Development

Dawning of a full-scale business center development

The construction of the area's first modern office building, Mitsubishi Ichigokan, was completed in 1894. Soon after, three-story redbrick office buildings began springing up, resulting in the area becoming known as the "London Block."

1960s–1980s

Second Phase of Development

An abundance of large-capacity office buildings in a period of rapid economic growth

As Japan entered an era of high economic growth, there was a sharp increase in demand for office space. Through the Marunouchi remodeling plan that began in 1959, the area was rebuilt with large-scale office buildings providing a considerable supply of highly integrated office space.

1995–2019

Marunouchi Bldg.

Third Phase of Development

Creating the world's most interaction-inspiring neighborhood

Following the announcement of the reconstruction of the former Marunouchi Building in 1995, the Company transformed the Marunouchi area—which had up until then been purely a business district—into a space with a vibrant and bustling atmosphere, based on the concept of creating the world's most interaction-inspiring neighborhood. Aiming to make redevelopment of the area broader and more comprehensive, we expanded that concept to Otemachi and Yurakucho from 2008. By establishing a financial business center and a greater amenity infrastructure, we promoted the strengthening of the international competitiveness of the area. In these ways, we worked to give the area a fresh appeal based on a new sense of values.

2020–

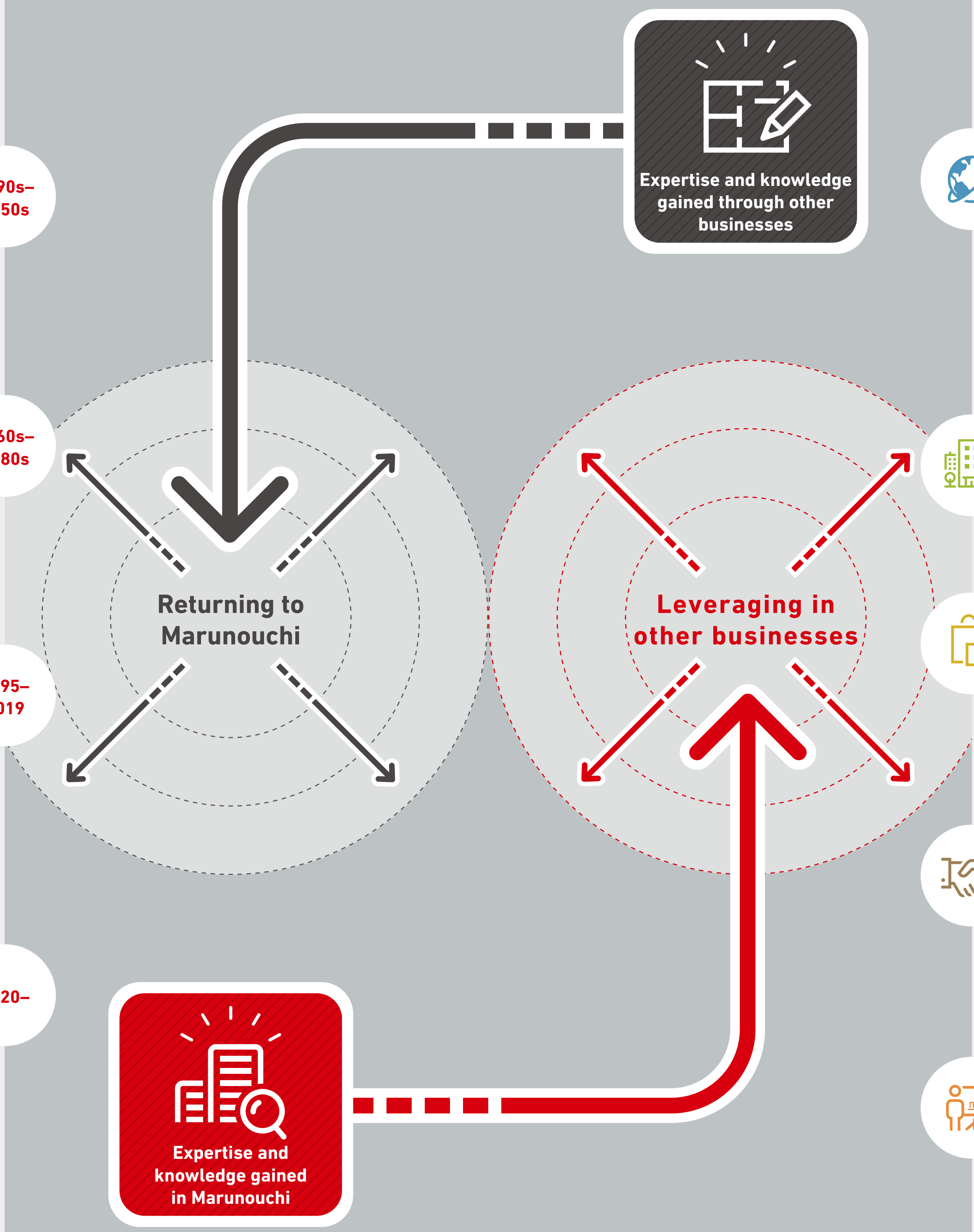
Tokiwabashi Tower

Photo by Kawasumi and Kenji Kobayashi Photo Studio

Marunouchi NEXT Stage

Transforming Marunouchi into an area that continuously creates new value

Positioning urban development from 2020 onward as part of the Marunouchi NEXT Stage, we will promote urban development that generates improvements in people's quality of life and spurs discovery of and solutions to social issues through the emergence of innovation and strengthening of our digital foundations. Based on the theme of "Marunouchi Re-Design," we will aim to establish the "Co-Creation Platform for Innovation through Companies, Employees, and Visitors."



A History of Business Expansion with Marunouchi as a Base

Residences

Akasaka Park House

1969 Akasaka Park House sold in lots, Started condominium business

2011 Mitsubishi Estate Residence Co., Ltd., established through the integration of the residential businesses of Mitsubishi Estate Co., Ltd., Mitsubishi Real Estate Services Co., Ltd., and Towa Real Estate Co., Ltd.

Provision of residential properties and services combining the comfort, safety, and other qualities cultivated through our operation and management of office buildings

International Business

1271 Avenue of the Americas

1972 Established Mitsubishi Estate New York Inc.

1986 Established MEC UK Limited

1990 Initiated capital investment in the Rockefeller Group International, Inc.

2008 Established Mitsubishi Estate Asia Pte. Ltd.

Establishment of a robust network through the expertise refined and accumulated in the development of Marunouchi as well as ample financial resources

Utilization of plot ratio transfer and other methods in the redevelopment of Marunouchi

Hotels

Royal Park Hotel

1989 Opened the Royal Park Hotel

Acquisition of hotel sites and operation of hotels by leveraging tenant relationships and operation and management expertise we have built up in Marunouchi

Outlet Malls

GOTEMBA PREMIUM OUTLETS®

2000 Opened GOTEMBA PREMIUM OUTLETS®

2009 Converted Chelsea Japan Co., Ltd., into consolidated subsidiary (renamed Mitsubishi Estate•Simon Co., Ltd., in February 2013)

Development of outlet malls boasting the top customer-drawing power in Japan by leveraging tenant relationships and information networks established through the operation of Marunouchi retail facilities

Start-Up Support

FINOLAB

2007 Established EGG JAPAN, a new business creation support hub, in the Shin-Marunouchi Building

2016 Established FINOLAB, a co-working office specializing in fintech start-ups

Establishment of a new Marunouchi brand as a hub for technology start-ups

Investment Management Business

2001 Japan Real Estate Investment Corporation became the first JREIT in Japan to be listed on the Tokyo Stock Exchange

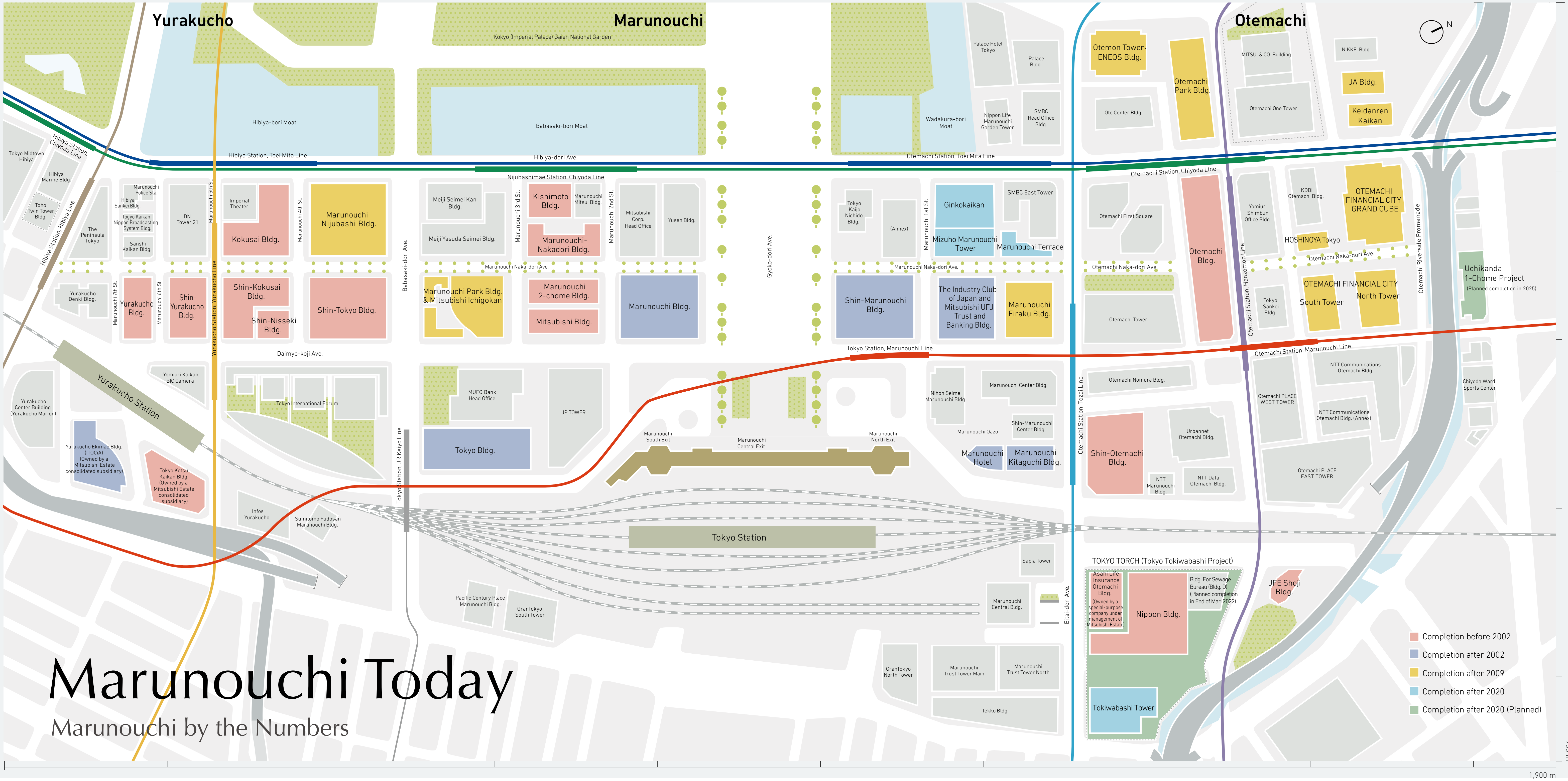
2015 Acquired the American investment management company TA Realty LLC

2017 Mitsubishi Estate Logistics REIT Investment Corporation was listed on the Tokyo Stock Exchange

Accumulation of expertise through a track record of operating abundant real estate assets

Marunouchi Today

Marunouchi by the Numbers



Number of Companies Listed on the First Section of the Tokyo Stock Exchange*1

117*2

Consolidated Net Sales of the 115 Companies in the Marunouchi Area

Equivalent to around 8.85% of GDP in Japan

Approx. ¥**122** trillion*2

Number of Office Workers

Approx. **280,000***2

Number of Buildings (Including Buildings under Construction)

101*2/Approx. **4,300***2

Building Floor Space
(Including Floor Space of Buildings under Construction)

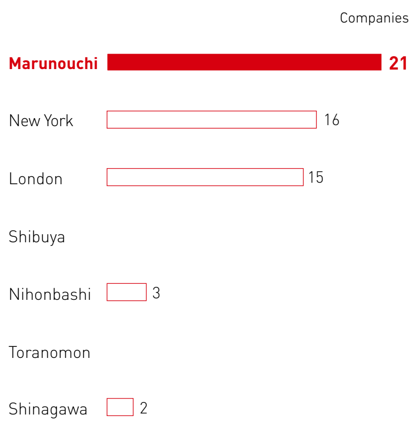
Approx. **860** hectares*2

Railway Lines Servicing the Area

28 lines, **13** stations*2

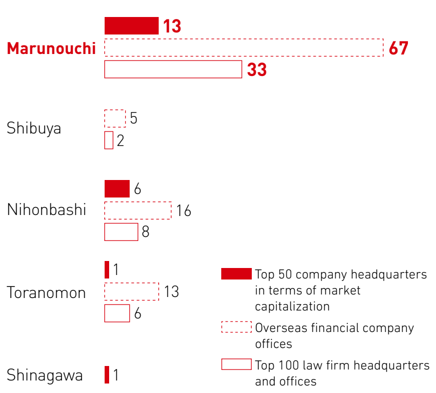
(Stations with the same name on different lines are counted in number of lines)

Fortune Global Top 500 Companies



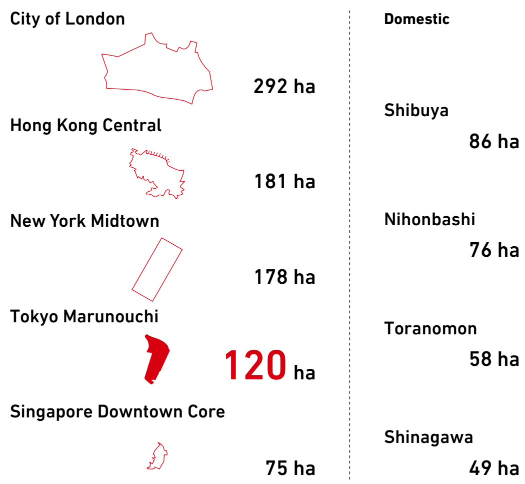
Source: Fortune Global Top 500, 2020, and Mitsubishi Estate Co., Ltd.

Number of Major Corporate Headquarters and Offices in Comparison with Other Main Tokyo City Areas

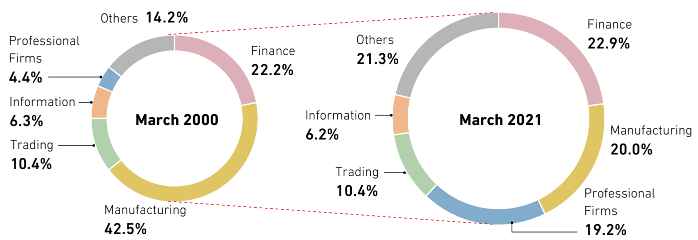


As of March 2021, Source: Mitsubishi Estate Co., Ltd.

Comparison of Area Sizes Source: Mitsubishi Estate Co., Ltd.



TOPIC **Contracted Area and Tenant Composition in the Marunouchi Area** (Mitsubishi Estate Only)



As of the end of March 2021, the contracted area in the Marunouchi area (Mitsubishi Estate only) has increased about 1.8 times compared with the end of March 2000. In terms of tenant composition, the ratio of professional firms has been rising.

Concentration of Professional Firms

As of May 2021, all of the four major law firms in Japan and three of the four leading audit companies have their offices in Marunouchi.

Law firms: Anderson Mori & Tomotsune, Nagashima Ohno & Tsunematsu, Nishimura & Asahi, and Mori Hamada & Matsumoto

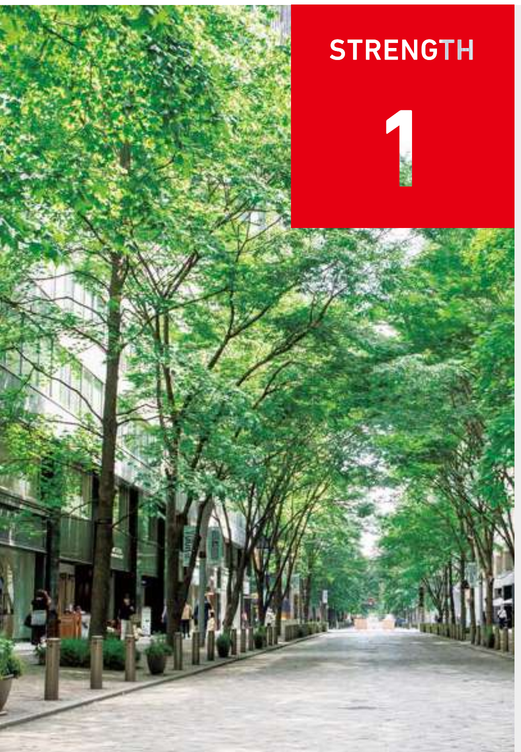
Audit companies: KPMG AZSA LLC, Deloitte Tohmatsu LLC, and Pricewaterhouse Coopers Aarata LLC

*1 Number of listed companies on the First and Second sections of the Tokyo Stock Exchange with head offices in the Otemachi, Marunouchi, and Yurakucho areas
*2 Otemachi-Marunouchi-Yurakucho (OMY) District Redevelopment Project Council, "The Council for Area Development and Management of Otemachi, Marunouchi, and Yurakucho 2021"
*3 As of March 2021, Source: Mitsubishi Estate Co., Ltd.

Mitsubishi Estate's

Strengths

The Mitsubishi Estate Group possesses unique strengths, which together form a distinctive driving force obtained through urban development over many years. Leveraging these strengths, we will continue to create attractive urban environments that enrich people's lives through the provision of new value that only we can provide.



STRENGTH 1

Our Long-Term View on Urban Development and Forward-Looking DNA

Mitsubishi Estate possesses urban development expertise based on a long-term view—one that evolved Marunouchi into a major business center over a period of 120 years—and a DNA for providing value that is constantly ahead of the times, as exemplified by its development of Japan's first outlet shopping mall and its early entry into the real estate investment trust (REIT) market.

Evolution of Marunouchi into a Major Business Center

Beginning of Development in 1890

↓

2021

Number of Companies Listed on the First Section of the Tokyo Stock Exchange **117**

Number of Office Workers in Marunouchi Approx. **280,000**

Please see pages 4 and 5 for details.

Establishment of Outlet Malls as Part of Japanese Culture

Opening of GOTEMBA PREMIUM OUTLETS® in 2000

↓

2021

Number of Outlet Malls Operated **9**

Please see page 36 for details.

Early Entrance into the REIT market

Establishment of Japan Real Estate Asset Management Co., Ltd., in 2000

↓

2021

Building of a Global Platform through Execution of M&A and Other Activities

Please see page 44 for details.

STRENGTH 2

Abundant Real Estate Asset Touchpoints

Please see pages 34 to 49 for details.

Mitsubishi Estate owns about 30 office buildings in the Marunouchi area alone. In addition, we have taken part in the development of a wide spectrum of real estate assets, from office buildings to residential properties, retail facilities, hotels, and logistics facilities. Based on the experience we have acquired through these activities, we will uncover latent social issues and create solutions to address them.

Number of Office Buildings under Management	197
Rental Apartment Buildings (Owned or under Development)	67
Number of Condominiums Sold a Year	3,476
Number of Condominiums under Management	350,682
Retail Facilities	24 (including 9 Outlet Malls)
Logistics Facilities (Total Number of Developed Facilities)	15
Number of Rooms in Hotels under Operation	4,020
Number of Airports Operated by Airport Operation Business	10

Note: All figures are correct as of FY2021 or as of March 31, 2021.

STRENGTH 3

Relationships

Please see pages 34 to 49 for details.

Among the key strengths of the Company are its abundant customer contact points and relationships of trust that it has accumulated through a host of real estate developments and operations, in addition to its partnerships with subcontractors and business partners. The Mitsubishi Estate Group intends to make new history through the cultivation of various relationships that uncover latent needs and lead to the development of solutions thereto.

Customer Contact Points

Number of Office Workers in Marunouchi	Approx. 280,000
Number of Patrons of Group-Affiliated Retail Facilities, Hotels, and Airports	Approx. 200 million per year
Number of Members Eligible to Join the Residence Club	Approx. 600,000 households
Number of Tenants (Nationwide, All Purposes)	Approx. 3,300 companies

STRENGTH 4

Human Resources Who Have Adopted Our DNA

Please see page 54 for details.

The power of our human resources—our most important management resource—underpins our ongoing creation of value. The Group possesses an array of outstanding human resources, all of whom are able to create "something" from "nothing" and have adopted its founding DNA. In addition, we are cultivating and strengthening our diverse human resources through the establishment of an environment conducive to stimulating creativity and the taking on of challenges.

Productivity per Employee—A Compact, Elite Group Honed by a Challenging Corporate Culture

(Reference) Productivity per Employee

FY2021 (Millions of yen)			FY2021 (People)	FY2021 (Millions of yen)		
Revenue from operations	Operating income	Profit attributable to owners of parent	Number of employees (Consolidated)	Revenue from operations per employee	Operating income per employee	Profit attributable to owners of parent per employee
1,207,594	224,394	135,655	9,982	120.9	22.4	13.5

STRENGTH 5

Establishment of a Leading-Edge Corporate Governance System

Please see pages 57 to 67 for details.

We are working to establish a leading-edge corporate governance system that contributes to improving our overall effectiveness and enhancing corporate value over the long term. We are also responding to social needs through measures that include transitioning to a "Company with Nominating Committee, etc.," and ensuring outside directors account for approximately one-half of the Board of Directors.

- A Total of 15 Directors, of Whom 7 Are Outside Directors
- Transition to a "Company with Nominating Committee, etc."
- An Executive Compensation Plan Aiming to Align Shareholders' and Executives' Interests
- Implementation of Third-Party Evaluations in Determining the Effectiveness of the Board of Directors

Mitsubishi Estate's
Value Creation Model

The Mitsubishi Estate Group's Strengths and Value Creation Cycle

Having grown as a comprehensive developer, Mitsubishi Estate will aim to realize ongoing corporate value improvement and achieve a sustainable society through its steadfast commitment to creating attractive urban developments that anticipate changes in the times and to enriching people's lifestyles, while leveraging and enhancing its various strengths.

The Mission of the Mitsubishi Estate Group

We contribute to society through urban development.

By building attractive, environmentally sound communities where people can live, work, and relax with contentment, we contribute to the creation of a truly meaningful society.

Value Created through Our Businesses (Outcomes)

Increasing social value

- Cities that conduct management of climate change, waste, and energy issues
- Cities conducive to realizing diversity and inclusion
- Innovative cities acting as wellsprings for open innovation
- Safe and peaceful cities of a sustainable and resilient nature

Increasing shareholder value

Transformational improvements to the Group's business portfolio's efficiency and market resilience aimed at achieving the KPIs set out in its Long-Term Management Plan 2030

To create a truly meaningful society, the Mitsubishi Estate Group offers a broad range of value to all its stakeholders through attractive urban development, leveraging its comprehensive capabilities and strengths.

Competitive Advantages (Strengths)

- Enterprising DNA
- Abundant Real Estate Asset Touchpoints
- Relationships
- Strong Financial Foundations
- Credible and Reputable Group Brand

Abundant contact points with customers, unique to the Group

Uncovering latent needs

Searching for solutions

Scaling as a business

Collaboration (open innovation) with external players possessing expertise and ideas

Commercial Property Business	Residential Business
International Business	Investment Management Business
Architectural Design & Engineering Business and Real Estate Services Business	Other

Driving force unique to the Mitsubishi Estate Group

Long-Term Management Plan 2030

Fundamental Approach

Aim for improvements in both social value and sustainable shareholder value that are highly resistant to market fluctuations through business that addresses social issues and the needs of the times

Increasing Social Value

Mitsubishi Estate Group 2030 Goals for the SDGs

To achieve a sustainable society, the Mitsubishi Estate Group will offer more profound value to a wider range of stakeholders on the four key themes to realize a sustainable society: the Environment, Diversity & Inclusion, Innovation, and Resilience.

Increasing Shareholder Value

2030 Targets (KPIs)

Transformational improvements to the Group's business portfolio's efficiency and market resilience

ROA	5%
ROE	10%
EPS	¥200

Note: Please see page 20 for more information.

Products and Services Offered through Businesses (Output)

Office Buildings
197 buildings under management / 5,991,000 m² in total operating floor space

Retail Facilities
24 facilities under operation (9 outlet malls)

Logistics Facilities
15 facilities (total number of developed facilities)

Hotel Rooms
4,020 hotel rooms under operation

Airports
10 airports under operation

Condominiums
3,476 units sold a year

Rental Apartment Buildings
67 rental apartment buildings under ownership (including those under development)

Number of Condominiums under Management
350,682 units

Brokerage Operations
932 transactions / ¥260,240 million in transaction volume

Investment Management
Combined assets under management of approximately ¥3.7 trillion

Others
Architectural Design & Engineering Business, new businesses, etc.

Note: All figures are correct as of FY2021 or as of March 31, 2021.

Foundation for Value Creation

- Human Resources Who Have Adopted Our DNA
- Establishment of a Leading-Edge Corporate Governance System
- Compliance
- Risk management
- IT / Digital transformation (DX)

Major Business Environment Trends / Material Issues Based on Social Issues

- Environment
- Globality
- Community
- Diversity
- Declining Birthrate and Aging Population
- Leveraging Existing Properties
- Digital Innovation

Note: Please see page 21 for information on the formulation process.

Junichi Yoshida

President & Chief Executive Officer
Mitsubishi Estate Co., Ltd.

Amid a drastically changing business environment, we will aim to achieve the targets in Long-Term Management Plan 2030 by carrying out truly meaningful urban development from a broader and longer-term perspective.

FY2021 Business Performance: Maintained Solid Performance Despite the Significant Impact of COVID-19

In January 2020, the Mitsubishi Estate Group unveiled its Long-Term Management Plan 2030 (hereinafter, the "Long-Term Management Plan"). However, immediately afterwords the COVID-19 pandemic began to spread and FY2021, the first year of the Long-Term Management Plan, was thereby marked by turbulence, including three state of emergency declarations.

In terms of business performance, we recorded revenue from operations of ¥1.2075 trillion (down 7% year on year) and operating income of ¥224.3 billion (also down 7% year on year). Although revenue from operations and operating income declined, we were able to minimize the impact of COVID-19 to a greater extent than anticipated, given that we had forecasted a decline of 23% in operating income at the beginning of FY2021.

Among the Group's businesses, the hotel and retail facility businesses were significantly impacted. Depending on the severity of COVID-19, we expect this impact to persist in FY2022. Accordingly, we will take all possible infection countermeasures and carry out operations in accordance with the COVID-19 situation and with the policies of the national government and local authorities while delivering safety and peace of mind to customers. On the other hand, among business-to-consumer-related businesses, market activity is being spurred with regard to the buying and selling of logistics facilities due to increasing needs for the development and leasing on the back of expansion in stay-at-home demand and of growth in the e-commerce market. Meanwhile, the Residential Business performed solidly. Amid continuing strong performance in urban areas, the number of locations with favorable conditions expanded as customers turned their attention to buying residential properties with large rooms in suburban areas.

Despite concerns over the impact of the spread of COVID-19 on office leasing, the Group's core business, the impact was ultimately slight, reaffirming the strength of our offices and business centers in prime locations, such as Otemachi, Marunouchi, and Yurakucho. Needs for workstyles that offer more freedom in terms of where and when people work, such as teleworking, are becoming even greater, and the Group views this trend as an opportunity to create new value. For example, we believe that it is our mission to identify new needs—including for improved air quality and sanitation, measures in response to demand for non-contact settings, and proposals for offices that are conducive to flexible team building—and to create a foundation for achieving further development.

Progress on the Long-Term Management Plan

Progress Made in Each Business

Domestic Asset Business

We completed the Mizuho Marunouchi Tower, Ginkokaikan, Marunouchi Terrace, and the ARGYLE aoyama office buildings and opened the expanded areas at GOTEMBA PREMIUM OUTLETS® and RINKU PREMIUM OUTLETS. In our capital-recycling business, we steadily advanced investments for profit growth by acquiring a significantly greater number of investment opportunities than we had anticipated while securing higher-than-projected capital gains set at the beginning of FY2021.

See Special Feature 1: Marunouchi Terrace on pages 24 and 25

International Asset Business

We entered the data center business in the United States as a new business opportunity. In addition to acquiring development opportunities in various European countries, we launched the large-scale renovation of Warwick Court, our office building in the United Kingdom, as a project for raising the value of our existing buildings. In Asia, going forward we will successively complete development projects that we have promoted thus far in the expectation that they will contribute to future revenues.

See Special Feature 2: Launching the Warwick Court Renovation Plan on pages 26 and 27

Non-Asset Business

In existing businesses, we expanded our assets under management in the Investment Management Business and announced several joint-venture projects that will lead to the creation of fee businesses. As new business domains, we established new "workation" facilities, a business that the Group has been working on, as well as promoting the TELECUBE, a workspace underpinning diverse workstyles, and spacemotion, our elevator media business. In addition, we carried out field trials for automated driving and next-generation mobility with the development districts of Otemachi, Marunouchi, and Yurakucho as venues for such social trials, and introduced NINJA SPACE, a work-space-matching support service.

See Special Feature 3: TELECUBE and NINJA SPACE on pages 28 and 29

Capital Policies and Key Performance Indicators

Taking a shareholder-oriented perspective and focusing on investment and asset efficiency, the Mitsubishi Estate Group has identified return on assets, return on equity, and earnings per share as key performance indicators (KPIs) in its Long-Term Management Plan.

Our results for these KPIs in FY2021 were lower than in the previous fiscal year owing to the impact of COVID-19. Nevertheless, we announced share buybacks of ¥30.0 billion in April 2021 as part of the capital policies set out in the plan while paying attention to the need to secure funding for growth investments.

Although there is a tendency to focus on finding solutions to matters of immediate concern due to COVID-19, I believe it is vital that we work to build a robust foundation now in order to achieve the KPIs in the Long-Term Management Plan. As a case in point, in fields where returning to growth will be difficult until inbound demand is restored, we are implementing thorough cost reductions and establishing frameworks realizing greater efficiency, in order to build a foundation that creates profits into the future.

The Group has shared its strong commitment to promote its businesses using a long-term perspective under the Long-Term Management Plan. As a result, I feel that a culture of thinking deeply about our ultimate goals and aiming for bold transformation with an eye on the future is becoming ingrained throughout the entire Mitsubishi Estate Group. Long time spans have always been a feature of the real estate business. Moreover, amid growing demand from society regarding environmental, social, and governance (ESG)-related issues, creating sustainable businesses that anticipate conditions several decades into the future is essential. With that in mind, it is my belief that making decisions from a longer-term perspective going forward will contribute to maximizing social and shareholder value.

FY2022 Initiatives: Acceleration of Growth Investments and Profit Expansion to Achieve the Long-Term Management Plan

Overview

While we focused on responding to COVID-19 in FY2021, the first year of the Long-Term Management Plan, from FY2022 we will aim to restore the rate of our growth in order to achieve the plan.

Domestic Asset Business

Offices

Thanks to our efforts to date in steadily advancing the project, we completed the construction of Tokiwabashi Tower and expect to record even higher capital gains in our capital-recycling business.

As the first step in the Tokiwabashi Project, we completed the Tokiwabashi Tower in June 2021. This property facilitates new workstyles, such as through the installation of contactless security, and offers ICT services for those working in the building, including for seat reservations, orders, and payments in the cafeteria and reservations of conference rooms. TOKYO TORCH, the name for the entire block, expresses our intention to brightly illuminate Japan as we aim to promote development that is not only appropriate for the times but also contributes to a bright future.

Retail Facilities, Outlet Malls, Hotels, and Logistics Facilities

While we expect retail facilities, including outlet malls, and hotels to continue to be affected by COVID-19 in FY2022, daily use-oriented retail facilities have been performing strongly, with certain outlet malls even having achieved sales on a par with pre-COVID-19 levels, depending on the severity of the situation surrounding the pandemic. With the aim of restoring sales, we will continue to take all possible infection countermeasures while improving facilities and implementing soft measures geared toward the coming new normal era. Looking at hotels, inbound consumption has plummeted and we anticipate that it will take time to recover. Nevertheless, we are carrying out sales promotions directed at customers in Japan and will begin to focus on reducing costs and streamlining and making management more efficient. As for logistics facilities, despite intensifying competition for acquiring land, we will focus on obtaining outstanding investment opportunities while leveraging the broad range of information possessed by the Group.

Residences

Condominiums and rental apartments have continued to perform strongly, even amid COVID-19. In FY2022, we will continue to focus on obtaining land acquisition and business opportunities.

International Asset Business

While I cannot make sweeping statements, given the regional disparities in the levels of progress being made in vaccination rollouts and the differing responses of governments around the world, I feel that conditions are improving, with vaccinations progressing well in New York. The Mitsubishi Estate Group will endeavor to expand its business domains by continuing to make investments in a broad spectrum of asset types.

Although market conditions in Europe appear to be gradually recovering, more time is likely to be required for them to settle down, due in part to the presence of COVID-19 variants. Regarding our business activities in Europe, renovation work and new construction projects have not been impacted significantly, and I am confident that we will be able to proceed as initially planned.

In Asia, the Group has increased the number of development projects in which it is the major stakeholder, even on projects in countries where it had hitherto operated on a minor scale. I feel that this increase demonstrates the gradual recognition of the Group's track record to date in Asia, while the acclaim for its area development in Otemachi, Marunouchi, and Yurakucho is also another major factor. In order to meet the trust and expectations we have long built up, we will steadily achieve results in our existing projects, centered on offices, retail facilities, and condominiums, and acquire further growth investment opportunities.

Non-Asset Business

In addition to sustainably growing our assets under management in the Investment Management Business and expanding fee income through the Architectural Design & and Engineering Business and joint ventures, we have designated seven new business domains as our focus areas: 1) agriculture, 2) renewable energy, 3) infrastructure, public and private partnerships (PPPs), and private finance initiatives (PFIs), 4) real estate-related services, 5) content, entertainment, and sports, 6) tourism, inbound-related businesses, and regional revitalization, and 7) healthcare and food. In respect to renewable energy, we entered the biomass power business. We also plan to offer a variety of new value in other areas, including expanding our businesses into new domains by leveraging new technologies and delivering experience-based services integrating real and digital formats (online and offline).

Urban Development Going Forward: Mission to Offer New Added Value from a Long-Term Perspective Remains Unchanged

The Mitsubishi Estate Group's ongoing mission is to offer new added value to society by carrying out urban development from a long-term perspective. Changes required in the post-COVID-19 era include, for example, leveraging the Internet of Things (IoT) to improve work efficiency and reform workstyles, initiatives that society has long called for. I feel that COVID-19 has forced us to suddenly accelerate such initiatives. Therefore, I believe it is important to squarely engage in the provision of ideal offices for the future and spaces that facilitate flexible workstyles, rather than simply responding to COVID-19. We aim to engage in urban development not only through the provision of real estate, such as settings facilitating active communication among people that can only be realized in an office, but also from the perspective of creating mechanisms and services, including developing mechanisms that give rise to ideas, and proposing new lifestyles without boundaries between working and living environments.

In particular, we would like to use complex developments in the Otemachi, Marunouchi, and Yurakucho areas—our core business—as a platform to promote our capabilities globally by integrating the real and virtual worlds, creating new value, and sequentially establishing unprecedented businesses. COVID-19 has prompted grave conditions in the worlds of entertainment, culture, and the arts. Thus, we also aim to play a role in protecting traditional arts, including their history. As Japan's leading business centers, we are determined to globally communicate the appeal of Otemachi, Marunouchi, and Yurakucho by transforming them into must-visit areas when overseas businesspeople and tourists travel to Japan.

ESG-Based Management: Launch of Initiatives Tackling Global Issues Head On

Please see the Sustainability (ESG) Section on pages 50 to 70.

From the perspectives of creating a sustainable society and improving its corporate value over the medium to long term, the Mitsubishi Estate Group views ESG issues as the most important theme of its strategies for enhancing social value. In respect to the United Nations Sustainable Development Goals (SDGs), the Group has established and seeks to achieve Mitsubishi Estate Group 2030 Goals for the SDGs.

With regard to the environment, in terms of power generation we switched to renewable energy sources at 19 buildings, centered on Otemachi, Marunouchi, and Yurakucho. By doing so, in communal as well as exclusive areas, we are also contributing to the decarbonization efforts of tenant companies, as all power in said buildings will be generated by renewable energy sources. Since this initiative will help raise the percentage of power we source from renewable energy sources to 30%, we expect to bring forward significantly the achievement of our medium-term target of 25% by 2030.

Turning next to society, we are making efforts to minimize any adverse impacts on human rights that may occur through our business activities and are proactively advancing initiatives embracing diversity. Meanwhile, in 2020 we launched the OMY SDGs ACT5, a project that carries out a range of actions in the Otemachi, Marunouchi, and Yurakucho areas, with a focus on cooperation among companies regarding five themes related to the SDGs—sustainable food, climate change and resource recycling, well-being, diversity and inclusion, and communication.

The Group operates its businesses worldwide and recognizes that environmental problems and human rights violations are global issues. The earth serves as the foundation of our lifestyles and economies. As the earth is now faced with challenges on many fronts, I strongly feel that we must increase our "love for the planet" in addition to paying greater heed to "A Love for the People. A Love for the City," our brand slogan.

Lastly, in respect to governance, we have continuously strengthened our corporate governance system since transitioning to a "Company with Nominating Committee, etc.," in FY2016. Two examples of our strengthened corporate governance system include the increased representation of outside directors on certain committees—three committees are now chaired by outside directors and the Remuneration and Nominating committees are membered entirely by such directors—as well as the implementation of third-party evaluations when determining the effectiveness of the Board of Directors. We will continue striving to realize management transparency and objectivity and fulfill our obligation for accountability to all our stakeholders, including our shareholders.

"We will promote urban development that earns the understanding of people throughout the world by delivering the new value that will be needed in the coming era."

A Message to Our Stakeholders

For more than a century, the Mitsubishi Estate Group has worked to create business centers necessary for Japan to compete on the global stage. In doing so, we have not only focused on business expansion and profit growth but also grown in a sustainable manner in society and won acclaim for our efforts. I believe we have also worked earnestly to create environments and frameworks that allow our stakeholders, including tenant companies and visitors, to grow with us. Maintaining that conviction, we will promote urban development centered on Otemachi, Marunouchi, and Yurakucho that gains the understanding of people throughout the world. The creation of urban environments does not end with their initial development. It is my belief that inheriting and growing aspects of such environments, including their history, culture, distinctive features, and customs, serve to further enhance their value. Needless to say, it is vital that we create in cooperation with local communities and local companies globally, rather than trying to do everything by ourselves. As social interest in ESG-related issues grows, we will continue to maintain our belief that we are a company that tackles such issues with integrity over the long term while keeping our feet firmly planted on the ground as a responsible global citizen.

Real estate possesses unique qualities. It will not flourish or be embraced by people if it does not have meaningful value. We will offer such truly meaningful value by practicing the sentiment in "A Love for the People. A Love for the City," our brand slogan, simply and honestly. While we may not always enjoy smooth sailing due to various challenges and headwinds, we will push forward with a belief in the course we are on. We hope that all our stakeholders, including investors, will join us in looking forward to the steady growth that the Mitsubishi Estate Group is committed to achieving through urban development.

J. Yoshida

President & Chief Executive Officer
Mitsubishi Estate Co., Ltd.

Long-Term Management Plan 2030

In light of the rapidly changing market environment, the Mitsubishi Estate Group has formulated a 10-year plan, Long-Term Management Plan 2030, as it aims to continuously provide value sustainably to its stakeholders over the longer term.

To promote urban development, which forms the core of its business, the Company will raise the value of facilities and areas and boldly take on the challenge of achieving growth in new domains, which will involve initiatives to be carried out over the long term, by formulating management plans with more suitable periods.

Changes in the External Environment Affecting the Mitsubishi Estate Group

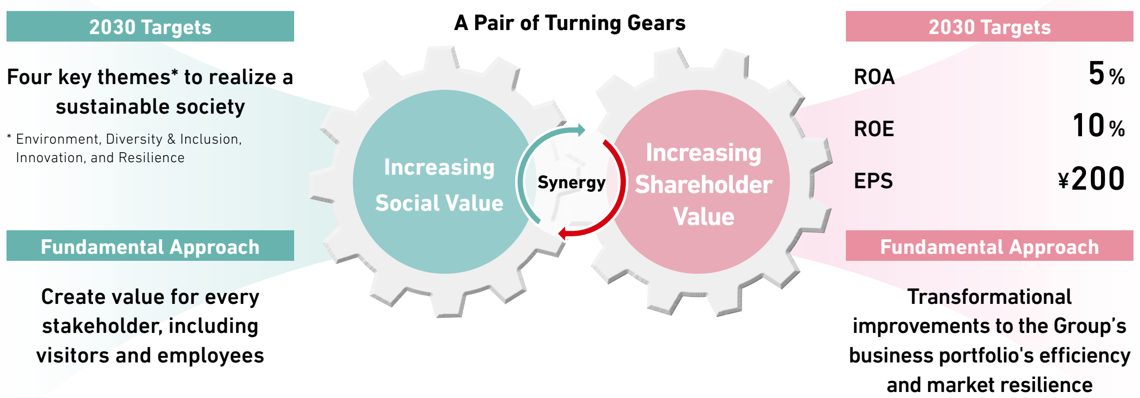
- Borderless and multiple-use real estate
- Emphasis on "experiential value" through services and content
- Aspirations toward increasing workers' productivity and innovation creation
- Demand for leveraging robotics and AI due to labor shortages
- Entry of players from other industries into the real estate industry
- Increase in inbound tourism and the economic development of emerging nations
- Expansion in needs for environmental impact reduction and resilience (disaster prevention and reduction)
- Rise of digital platforms
- Close scrutiny to a company's capital efficiency

Overview of Long-Term Management Plan 2030—Goals of the Plan

- To realize the Mitsubishi Estate Group's basic mission and ongoing growth, we will carry out management with a dual focus on strategies for increasing both social value and shareholder value.
- Under our strategies for increasing social value, we will provide higher value to all stakeholders, including visitors and employees, by implementing initiatives designed to realize a sustainable society.
- Under our strategies for increasing shareholder value, we will adopt ROA, ROE, and EPS as KPIs and aim to convert to a highly efficient business portfolio resilient to changes in market conditions.

The Mitsubishi Estate Group's Mission

Creation of a Truly Meaningful Society through Urban Development



Realize Our Mission and Sustainable Growth by Increasing Both Social Value and Shareholder Value

The Group's Strengths and Growth Strategies

Leveraging our long-term perspective on urban development and forward-looking DNA, in addition to our extensive user reach and abundant real estate asset touchpoints, strengths of the Group, we will seek to realize growth in the three domains of our domestic asset business, international asset business, and non-asset business.

Moreover, we will raise the level of ROA and ROE by combining revenue expansion resilient to real estate market fluctuations in our non-asset and other businesses and flexible capital policies.

Domestic Asset Business

- Advance Marunouchi NEXT Stage project
- Increase NOI* with long-term development projects
- Optimize capital-recycling business in line with market conditions

* Net operating income = rental income — rental costs (excluding depreciation)

International Asset Business

- Asia: Enhance development business
- Europe: Advance development business and enhance revenue base
- U.S.: Enhance and diversify capital-recycling business

Non-Asset Business

- Grow fee business
- Utilization of new technologies, e.g., AI and robotics
- New B2C and B2B2C businesses

Goal

Build a More Efficient and Market-Resilient Business Portfolio

- Improve ROA and ROE by expanding revenue via mainly market-resilient, non-asset and other businesses in combination with flexible capital policies

Flexible Capital Policies

Flexible Capital Policies in Response to Market Conditions (Value Creation through Balance Sheet Management)

- Optimize mix of investments, asset sales, shareholders returns, and financing in response to market growth projections

Aspects for Value Provision in Light of Changes in the Social Environment

Sustainability

Provision of solutions to current and emerging social issues

- Sustainable urban development that proactively addresses climate change and environmental issues
- Urban development that responds to lifestyle and human resources trends and facilitates active participation for all
- Innovative urban development that continuously renews society
- Dynamic, flexible urban development that builds disaster-resilient communities and prioritizes safety and security

Quality of Life

Provision of innovative services and experiences

- Realize urban development that provides inspiration and happiness to customers, allowing them to experience convenience, fun, well-being, and community involvement

Long-Term Management Plan 2030

Road Map for 2030

To achieve the targets set forth in the Mitsubishi Estate Group's basic mission and Long-Term Management Plan 2030, the Group will grow business profit and improve corporate value from the two major perspectives of realizing a sustainable society and proposing times and experiences that are ahead of the times.

Domestic Asset Business Growth Strategy

Early to Mid Stage → Mid to Late Stage

Leverage Existing Strengths

Advance Redevelopment Projects → Profit Contributions from Redevelopment Projects

	Early to Mid Stage	Mid to Late Stage
Rental	▪ Advance and commercialize redevelopment projects, including in Marunouchi	▪ Achieve sizable profit contributions from large-scale projects, including TOKYO TORCH
Capital Recycling	▪ Optimize the balance of new investments and capital returns in response to market conditions	
Residential	▪ Secure and commercialize redevelopment projects	▪ Increase the number of units sold and realize profits from redevelopment projects

<2030 Goal>

Approx. +¥50 billion (vs. FY2020)
FY2020 results: ¥201.0 billion

Investment and Return Plan (FY2021–FY2023)
(Billions of yen)

	Investment	Return	Net Investment
Marunouchi	1,500	0	1,500
Outlet malls, etc.	1,000	0	1,000
Condominiums	5,000	5,000	0
Others	4,500	3,000	1,500
Total	12,000	8,000	4,000

International Asset Business Growth Strategy

Early to Mid Stage → Mid to Late Stage

Grow International Business

Profits Scale with Asset Accumulation → Stabilize Profitability via Capital Recycling

	Early to Mid Stage	Mid to Late Stage
Asia	▪ Secure development opportunities and accumulate assets ▪ Realize profits (from residential and ongoing projects)	▪ Optimize investments and capital returns
Europe	▪ Enact approach to investments and returns: 1. Stabilize revenue 2. Enhance capital efficiency ▪ Advance large-scale development projects (8 Bishopsgate, 60–72 Upper Ground, etc.)	
U.S.	▪ Strengthen capital-recycling business with local resources ▪ Carry out joint project development with local partners	

<2030 Goal>

Approx. +¥50 billion (vs. FY2020)
FY2020 results: ¥46.0 billion

Investment and Return Plan (FY2021–FY2023)
(Billions of yen)

	Investment	Return	Net Investment
Asia	1,000	1,000	0
Europe/U.S.	2,000	2,000	0
Strategic allocation*	3,000–4,500	0	3,000–4,500
Total	6,000–7,500	3,000	3,000–4,500

* Aiming to invest ¥100–¥150 billion in addition to planned investments over the coming three years to expand the international business

Non-Asset Business Growth Strategy

Early to Mid Stage → Mid to Late Stage

Adapt to a Changing Future

Promote Commercialization in New Domains → Boost Profitability in New Domains

Existing	▪ Investment Management Business: AuM growth (aim for ¥5 trillion by the mid-2020s) ▪ Hotel management business: Expand number of hotel rooms (open 3–4 hotels per year)		
New	▪ Select new domains ▪ Identify business partners ▪ Implement field trials	▪ Business trials ▪ Achieve early profits	▪ Scale up businesses ▪ Achieve sizable profit contributions

<2030 Goal>

Approx. +¥50 billion (vs. FY2020)
FY2020 results: ¥16.0 billion

Investment Policy

▪ Aim for profit growth without affecting the balance sheet
▪ However, consider investments in M&A and capital alliances for driving rapid growth and acquiring external know-how

Overview of Sustainability (ESG) Initiatives

To realize a sustainable society, the Group has established Mitsubishi Estate Group Sustainability Vision 2050 as its vision to be achieved in that year. Based on this vision and materiality, the Group has also formulated Mitsubishi Estate Group 2030 Goals for the SDGs, in which it has established four key themes and KPIs for 2030. In addition, with the aim of resolving social issues and providing leading-edge services and experiences through its businesses, the Group has established "Sustainability" along with "Quality of Life" as its value propositions in its Long-Term Management Plan 2030.

Achievement of a Sustainable Society

Mitsubishi Estate Group Sustainability Vision 2050

Be the Ecosystem Engineers

We aspire to be a corporate group (engineers) that provides spaces and infrastructure (ecosystems) where all actors (individuals, corporations, and other players) are able to coexist sustainably and thrive together—economically, environmentally, and socially.

Backcasting

Mitsubishi Estate Group 2030 Goals for the SDGs

1 Environment

Sustainable urban development that proactively addresses climate change and environmental issues

- Reduce GHG emissions (Scope 1 + Scope 2 + Scope 3) by 35% by 2030 (compared with FY2018) (87% reduction by 2050) (certified by the SBT initiative in April 2019)
- Renewable energy ratio: 25% (100% by 2050) (joined RE100 in January 2020)
- Promote waste recycling and reduction of emissions focusing on food and plastic items
- Waste recycling rate: 90%
- Waste disposal: 20% reduction (compared with FY2020, per m²)
- Promote sustainable timber use

2 Diversity & Inclusion

Urban development that responds to lifestyle and human resource trends and facilitates active participation for all

- Strengthen hospitality and realize stress-free cities
- Respect different lifestyles, local customs, religions, and sexual orientation
- Establish traceability of timber to be used in business activities

3 Innovation

Innovative urban development that continuously renews society

- Innovate business models and maximize performance
- Support the creation of new ideas and businesses from the perspective of urban development and contribute to the growth of cities and industries

4 Resilience

Dynamic, flexible urban development that builds disaster-resilient communities and prioritizes safety and security

- Enhance disaster preparedness to minimize functional stagnation during disasters
- Enhance BCP function through hardware measures and strengthen neighborhood communication

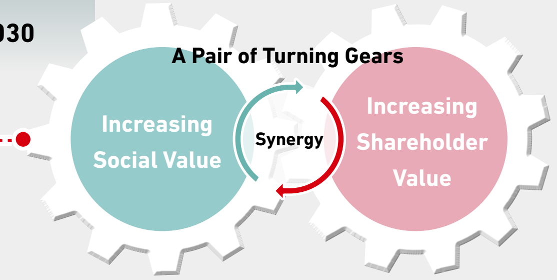
Note: Please see pages 22 and 23 for the risks and opportunities of each theme as well as KPIs and their progress status.

Formulation of key themes and KPIs based on our materiality

Material Issues (Key Areas to Pursue in Sustainable Management)

Environment | Globality | Community | Diversity | Declining Birthrate and Aging Population | Leveraging Existing Properties | Digital Innovation

Long-Term Management Plan 2030



Viewing "Sustainability" and "Quality of Life" as our value propositions, we will endeavor to achieve a sustainable society through our business activities.

Value Propositions

Sustainability	Quality of Life
Provision of solutions to contemporary social issues	Provision of innovative services and experiences

Process for Identifying Material Issues (Implemented in FY2019)

STEP 1 Set out strengths and characteristics of each business unit

- Review processes for each business
- Clarify our strengths and characteristics (source of our value creation)

STEP 2 Identified 55 changes in the business environment related to our business activities

- Identified social issues and trends, such as the SDGs
- Set out relationships between business processes and social issues and trends, such as the SDGs
- In addition to relationships with business processes, examined social and environmental trends from the perspectives of the Medium-Term Management Plan (FY2018 to FY2020) and the working group executive office

STEP 3 Identified 24 key social issues and trends we should focus on from the three perspectives of business unit operations, the Medium-Term Management Plan (FY2018 to FY2020), and external evaluations

- Identified business opportunities and risks for each social issue and trend
- Grouped material issues based on opportunities and risks
- Careful review conducted by the working group executive office

24 Social Issues and Trends

- Worsening of climate change
- Exhaustion of existing natural resources and resultant changes in energy configuration in society as a whole
- Increase in frequency of natural disasters (including earthquakes)
- Further penetration of the Internet of Things (IoT) (including virtualization and acceleration of the proliferation of information)
- Increase in e-commerce and omni-channel commerce, and diversification of payment methods
- Economic growth of emerging nations, principally in Asia
- Rise in interest in physical and mental health, medical care, and wellness
- Acceleration of the aging population and changing position of the elderly in society in Japan
- Progress of the social advancement of women and the diversification of society
- Growth in need for social integration and universal design
- Aging of public infrastructure and housing and increase in housing stock (including vacant housing)
- Changes in lifestyles and workstyles
- Deterioration of the natural environment and depletion of natural resources
- Increase in social unease due to terrorism and crime (including risks from the outbreak of infectious diseases)
- Risk of rise in associated expenses
- Improvements in artificial intelligence (AI) (including the spread of automated driving technology)
- Progress of globalization (including increases in inbound and outbound tourism and rise in immigration)
- Global population growth and shortage of food supplies
- Decline in the total population and working-age population of Japan
- Emergence of risks in the supply chain (including worsening of human rights issues)
- Increase in number of foreign workers in Japan
- Restructuring and revitalization of regional communities (including regional depopulation and population increases in major cities)
- Promotion of private sector vitality, as a result of the privatization of public facilities
- Diversification of consumption patterns, such as the sharing economy

STEP 4 Conducted dialogue with stakeholders to share awareness of material issues internally and externally

- Prepared drafts of material issues and conducted interviews with stakeholders
- Reported on progress to management
- Conducted interviews with three external experts to receive third-party opinions on the drafts of material issues

Targets and Results of the Key Themes and Major Initiatives Laid Out

in Mitsubishi Estate Group 2030 Goals for the SDGs

	Opportunities	Risks	Themes	Benchmarks	Numerical Targets	FY2020 Results	FY2021 / Major Initiatives	Initiatives Going Forward	Scope	Relevant SDGs
Environment	• Increasing need for acquiring and leasing real estate with low environmental impact • Reducing waste accompanying longer demolition/rebuilding time spans due to effective use of existing properties	• Rise in vacancy rates and decline in sales closing rates and sales prices in the event of a late response amid an increase in the need to acquire and lease real estate with low environmental impact • Increasing costs for new real estate development due to stronger environmental regulations and for countermeasures due to tightening of standards for repair work	Climate Change	Greenhouse gas emissions, such as CO_2	GHG emissions (Scope 1 + Scope 2 + Scope 3) for the entire Group compared with FY2018 • 35% reduction by 2030 • 87% reduction by 2050 (Certified by the Science Based Targets* (SBT) initiative in April 2019)	4,038,584 t-CO_2	CO_2 emissions: 3,533,468 t-CO_2 Percentage of power from renewable energy sources: 3.1% • Resolved to switch all electricity consumed at 19 buildings centered on the Otemachi, Marunouchi, and Yurakucho areas to electricity from renewable energy sources in FY2022 (Please see page 52 for details)	• Plan to introduce electricity from renewable energy sources at 19 buildings centered on the Otemachi, Marunouchi, and Yurakucho areas in FY2022 • Plan to introduce electricity from renewable energy sources at all buildings held in the Otemachi, Marunouchi, and Yurakucho areas in FY2023 • Actively examine the possibility of introducing power from renewable energy sources at facilities other than those in Otemachi, Marunouchi, and Yurakucho	Mitsubishi Estate Group*2	3, 7, 11, 13, 14, 15
				Percentage of power from renewable energy sources	• 25% by 2030 • 100% by 2050 (Joined RE100 in January 2020)	1.1%			Mitsubishi Estate Group*2	
			Waste	Waste disposal amount per m^2	20% reduction by 2030, compared with FY2020	7.1kg/m^2	Waste emissions: 5.0kg/m^2 Waste recycling rate: 60.5% • Began weighing the volume of garbage of each retail tenant by garbage type and strengthened calls for tenants to reduce and separate their garbage (please see page 52 for details) • Improved garbage separation at the Mitsubishi Estate Head Office (installed garbage stations with reciprocals able to hold 15 types of garbage in exclusive areas) and notified tenants in this regard (please see page 52 for details)	• Expand the number of buildings where the volume of garbage of each tenant is weighed • Continuously improve garbage separation at the Mitsubishi Estate Head Office and strengthen calls for tenants to also improve garbage separation • Participate in verification tests aimed at establishing a resource-recycling model through the recovery and development into products of plastic	Mitsubishi Estate Group*2	
				Waste recycling rate	90% by 2030	55.2%			Mitsubishi Estate Group*2	
Diversity & Inclusion	• Increasing demand for facilities and services to meet needs of global customers • Alleviation of labor shortages through acceptance of foreign workers into Japan • Rise in demand for facilities and services that respond to diverse lifestyles, workstyles, and consumption styles, such as the acceleration of teleworking and freelance working • Growth in demand for facilities and services tailored to new needs due to demographic changes • Increasing demand for facilities and services tailored to the concept of universal design, such as barrier-free layouts	• Increasing country-specific risks and compliance risks, including supply chain management • Declining demand for facilities and services with inadequate provision for diversified needs • Decreasing demand for facilities and services accompanying demographic changes (decline in working population, etc.) • Decreasing user numbers and rise in vacancy rates in the event of a late response amid an increase in demand for facilities and services tailored to the concept of universal design, such as barrier-free layouts	Diversity	Percentage of female managers	Higher than 10% by FY2031	5.8%	7.1% • Raised the percentage of female employees accounted for by assistant-manager-level employees who can be candidates for management positions	Continue to pursue the initiatives described on the left	Five Mitsubishi Estate Group companies*3	3, 5, 8, 10, 11, 17
				Percentage of female employees among new graduate hires	30% every fiscal year through FY2031	37.8%	37.8% Implemented the following initiatives to raise the percentage of women among new graduates at the application stage: • Held roundtable discussions with women • Organized seminars for women with female speakers	Beyond continuing to pursue the initiatives described above, continue to improve the disclosure of information on the active roles of and working environments for women	Mitsubishi Estate Co., Ltd.	
				Rate of use of male employees taking childcare leave of absence * Percentage of employees commencing childcare leave in the same year as the relevant fiscal year whose spouses have given birth (irrespective of the fiscal year of the birth)	100% by FY2031	17.1%	42.4% • Created and promoted awareness of a handbook on pre- and post-childbirth leave and childcare leave that summarizes childcare and other types of leave of absence and procedures for leave takers to follow	• Once a quarter, provide information on taking childcare leave to male employees with newborns • On an individual basis, the Human Resources Department to contact male employees who have not taken childcare leave more than a year after the birth of their child • Hold roundtable discussions by male employees with experience of taking childcare leave to share accounts of those experiences within the Company • Recommend personnel interviews for employees within six months of their reinstatement to work • Create and promote awareness of a handbook on pre- and post-childbirth leave and childcare leave summarizing childcare and other types of leave of absence and procedures for leave takers to follow	Five Mitsubishi Estate Group companies*3	
				Rate of female employees taking childcare leave of absence	100% every year through FY2031	98.7%	100.0% • Provided a handbook offering support regarding pregnancy, childbirth, and reinstatement to work • Carried out consultation sessions • Held platforms (such as roundtable discussions and lectures) offering information helpful to achieving a work-life balance and developing a career • Carried out interviews for employees with their department and with the Human Resources Department when they are reinstated to work following childcare leave	Continue to pursue the initiatives described on the left	Five Mitsubishi Estate Group companies*3	
				Rate of reinstatement to work after childcare/maternity leave	100% every year through FY2031	93.8%	94.8% • Held platforms (such as roundtable discussions and lectures) offering information helpful to achieving a work-life balance and developing a career • Carried out interviews for employees with their department and with the Human Resources Department when they are reinstated to work following childcare/maternity leave	Continue to pursue the initiatives described on the left	Five Mitsubishi Estate Group companies*3	
			Human Rights	Rate of use of wood equivalent to that in the Sustainable Sourcing Code*1 (Certified Wood and Domestically Produced Wood)	100% by FY2031	—	Please see page 54 for details.	• Examine the possibility of confirming with construction companies the implementation status of the standards and operational procedures described on the left • In addition to the Programme for the Endorsement of Forest Certification (PEFC)-approved wood, Mitsubishi Estate Residence to advance traceability, including obtaining Forest Stewardship Council (FSC) certification and introducing Japan-grown timber	Mitsubishi Estate Group	
			Health and Productivity Management	Percentage of employees in the high-risk group for metabolic syndrome* (those aged 40 or older) * Percentage of individuals whose results in their regular health checkup for any of the categories affecting the determination of lifestyle diseases reached or exceeded the level at which medical attention is recommended	• 25.6% by FY2026 • 14.6% by FY2031 (Approximately 60% improvement compared with the percentage in FY2020, equivalent to the national average)	36.4%	39.5% • Held an event to facilitate exercise habits (body improvement contest)	• Recommend that those in the high-risk group participate in a program to help prevent aggravation (guidance on lifestyle habits) offered by the Health Insurance Association • Create and promote awareness of a handbook summarizing health promotion programs	Mitsubishi Estate Co., Ltd.*4	
				Percentage of employees in the healthy group* (those aged 40 or older) * Percentage of individuals whose results in their regular health checkup for all of the categories affecting the determination of lifestyle diseases were within normal levels	20.85% by FY2026 32.8% by FY2031 (Approximately 370% improvement compared with the percentage in FY2020, equivalent to the national average)	8.9%	10.1% • Held an event to facilitate exercise habits (body improvement contest) • Recommended participation in a specific health guidance program implemented by the Health Insurance Association	• Recommend participation in a specific health guidance program (diet program) implemented by the Health Insurance Association • Create and promote awareness of a handbook summarizing health promotion programs	Mitsubishi Estate Co., Ltd.*4	
				Cancer screening rate	90% every year from FY2022 through FY2031	—	80.7% • Formulated Health Management 2030 and determined to add screening for the five major cancer types to the standard health checkup menu, in order to raise the percentage of employees undergoing such screening	• Add screening recommended by the Ministry of Health, Labour and Welfare for the five major cancer types to the standard health checkup menu • Offer company subsidies to cover a portion of the cost of such testing as PET and MRI scans for employees aged 50 or older to tackle illnesses other than the five major cancer types • Create and promote awareness of a handbook summarizing health promotion programs	Mitsubishi Estate Co., Ltd.*4	
				Employees with high levels of stress	Maintain at 10% or lower from FY2022 through FY2031 (Equivalent national average: 10%)	5.5%	4.7% • Carried out stress checks and recommended the implementation of interviews with specialists such as clinical psychologists for those with high levels of stress • Established a system for online counseling by a clinical psychologist as a measure to prevent the spread of COVID-19	• Implement regular educational activities for all managers through e-learning programs and other methods in addition to training for newly appointed managers • Carry out stress checks and recommend the implementation of interviews with specialists such as clinical psychologists for those with continuously high levels of stress • Create and promote awareness of a handbook summarizing health promotion programs	Mitsubishi Estate Co., Ltd.*5	
Innovation	• Decreasing cost of environmental countermeasures and investment with the advancement of technological innovation • Rise in the efficiency and convenience of operating facilities through utilization of IT and robots • Increasing need and opportunities for utilization in smart communities, residences, and offices	• Declining demand for brick-and-mortar stores and services accompanying the advance of online buying and selling, such as e-commerce • Decreasing demand for facilities and services due to late response to IT and digital innovation • Loss of opportunities because of a late response amid an expansion in development opportunities and demand for smart communities, houses, and offices	—	Maximize performance by innovating business models	—	—	Please see pages 47 to 49 for details.		—	7, 9, 11, 12
			—	Support the creation of new ideas and businesses from the perspective of urban development and contribute to the growth of cities and industries	—	—	Please see pages 47 to 49 for details.		—	
Resilience	• Increasing need to acquire and lease real estate highly resilient to disasters (including urban floods) accompanying climate change • Growing need to acquire and lease real estate highly resilient to disasters such as earthquakes	• Decreasing asset value and increasing expenses for maintenance and countermeasures due to intensifying and increasing disasters (such as urban floods) accompanying climate change • Fall in asset value and rise in expenses for maintenance and countermeasures due to disasters such as earthquakes • Increasing renovation expenses and disaster countermeasure costs accompanying aging buildings	Disaster Preparedness	Percentage of employees with first aid provider qualifications	100% every year through FY2031	61.0%	63.0%	Taking into account COVID-19 conditions, endeavor to raise the percentage of first aid provider qualification holders by encouraging employees to undergo training to the extent possible	Three Mitsubishi Estate Group companies*6	9, 11, 17
				Implementation of emergency drills	—	—	• Implemented emergency drills, taking into account COVID-19 infection risks • Carried out verification tests of Disaster Dashboard 4.0, a platform for communicating information to stranded commuters	Taking into account COVID-19 conditions, carry out emergency drills to the extent possible	—	
				Percentage of buildings designated as shelters for stranded commuters	—	92.3%	92.3%	—	New*7 and large-scale*8 retail facilities in Japan	

*1 Defines standards and operational procedures for ensuring procurement with consideration for sustainability with respect to international agreements and codes of conduct in fields relevant to sustainability
*2 Mitsubishi Estate Group: Group companies have been selected based on control criteria. Properties for which the Group's ownership or share of beneficial interests in trust is less than 50% have been excluded from the scope of calculations.
*3 Five Mitsubishi Estate Group companies: Mitsubishi Estate Co., Ltd., Mitsubishi Jisho Property Management Co., Ltd., Mitsubishi Estate Residence Co., Ltd., Mitsubishi Jisho Sekkei Inc., and Mitsubishi Real Estate Services Co., Ltd.
*4 Mitsubishi Estate: Applies to Head Office and branch office employees
*5 Mitsubishi Estate: Includes employees seconded to Group companies
6 Three Mitsubishi Estate Group companies: Mitsubishi Estate Co., Ltd., Mitsubishi Jisho Retail Property Management Co., Ltd., and Mitsubishi Jisho Property Management Co., Ltd.
 * Dissolved as of April 1, 2021, through an absorption-type merger in which Mitsubishi Jisho Property Management Co., Ltd., is the surviving company
*7 New: Completed from 2002 onward
*8 Large-scale: Floor area of 100,000 m^2 and above

Long-Term Management Plan **2030**

Domestic Asset Business

Developing a Platform for Diverse Lifestyles and New Interactions and Value Creation

The logo design expresses our hope that the building will be a place for communication where many office workers and visitors can converse freely (as represented by the Japanese-language quotation marks).

COMMENT

Message from the Employees in Charge of This Project

Kentaro Ouchi (left)
Deputy Manager
Office Leasing and Tenant Relations Department
Mitsubishi Estate Co., Ltd.

Yukiko Idei (right)
Marunouchi Development Office
Mixed Use Development Department
Mitsubishi Estate Co., Ltd.

Continuously Tackling Projects That Embody People's Hopes

In terms of the trajectory of its new urban development in the post-COVID-19 era, the Mitsubishi Estate Group seeks to evolve the Marunouchi area into a platform where one million diverse office workers assemble at optimum times to interact and create value. As a first step, we aim for Marunouchi Terrace to create a sense of excitement, stimulation, and the unexpected through a diverse lineup of facilities, most notably a rooftop restaurant, a first for the area, and a large-scale entertainment venue. Although COVID-19 caused disruption during the development stage, the building is suited to urban development going forward that takes into account the needs of the post-COVID-19 era, such as through the establishment of an outdoor terrace space. In an era that acknowledges new workstyles and diverse value systems, we must create buildings with functions that help enrich the lives of individuals. Amid the growing integration of work and personal lives, we have created facilities that embody our commitment to transforming the area itself into a platform for offering new lifestyle proposals in order to promote well-balanced lifestyles and urban diversity.

As was the case in this project, we expect co-creation with a wide spectrum of partners, led by joint venture partners and construction companies as well as designers and facility operators, to increase in future projects to enable us to meet diversifying needs. We look forward to utilizing the experience and know-how we have obtained by developing the Marunouchi Terrace as project managers in future development projects. As the first redevelopment project in the Marunouchi NEXT Stage plan, we strongly believe that this project has broadened the scope of the Group's business activities from a variety of angles.

In initiatives going forward, we will improve soft measures while carefully assessing our vision of urban development in the post-COVID-19 era. We are certain that holding events and other activities will encourage people to visit Marunouchi Terrace time and again and help make it their favorite spot, which will in turn increase the bustling atmosphere of the area and spread vitality.

We aim to transform Marunouchi into a place that people visit for business and a diverse range of other purposes, as well as an area whose workers not only go to for work but also take friends and family members to enjoy themselves in their leisure time. Urban environments are created by people. As such, we will continuously tackle projects that embody people's hopes by working with a myriad of players to create unique properties.

The Mitsubishi Estate Group is promoting new urban development by fully leveraging its long-cultivated experience, know-how, and brand power. Through the development of Marunouchi Terrace, we will evolve Marunouchi into a multipurpose area offering settings for not only work but also experiences and encounters enriching people's leisure time that only Marunouchi can deliver.

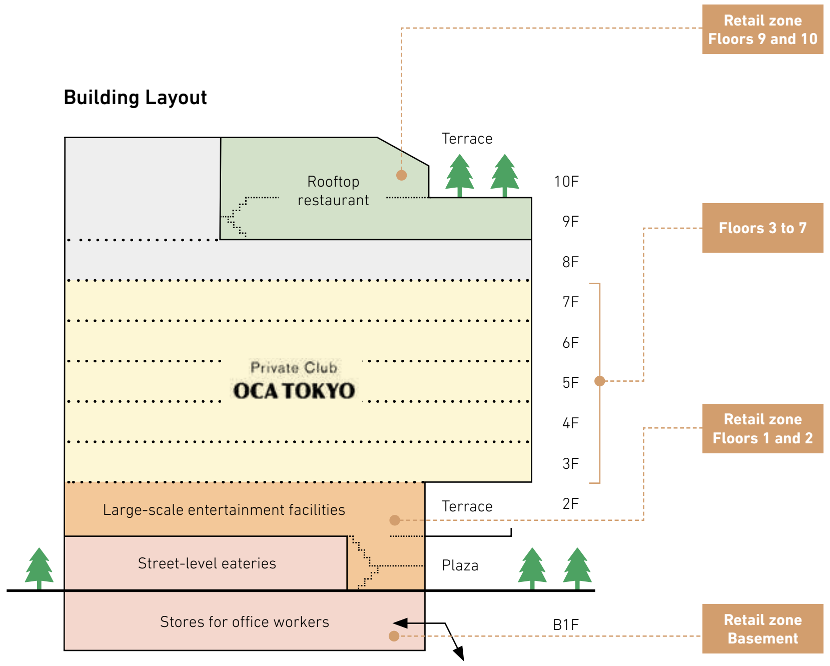
We advanced the development of the Mizuho Marunouchi Tower, Ginkokaikan, and Marunouchi Terrace (formerly known as the Marunouchi 1-3 Project) as a three-building project for reconstructing the Mizuho Bank Head Office Building, Ginkokaikan, and the Tokyo Ginko Kyoukai Building on a joint basis with Mizuho Financial Group, Inc., and the Japanese Bankers Association, completing the project in September 2020 as the first part of our Marunouchi NEXT Stage redevelopment plan.

Marunouchi Terrace, which Mitsubishi Estate maintains, will serve as a focal point of the Marunouchi and Otemachi areas. With this in mind, we created a distinctive building that allows the bustling atmosphere of its facilities to be felt from the outside by designing a structure that integrates Marunouchi Terrace with its external environment, in line with our determination to extend the vibrancy of Marunouchi and Yurakucho to Otemachi. Another major feature of the building is its low-rise structure, a rarity in the Marunouchi area. Making the most of this unique feature, the building as a whole offers functions that facilitate enriching times and lifestyles, including retail and entertainment facilities and a private club.

To help realize urban development going forward that takes into account the needs of the post-COVID-19 era, Marunouchi Terrace will aim to be a platform for new interactions and value creation, offering office workers and visitors experiences and encounters unique to the building by creating a new flow of people and generating new appeal for the Marunouchi area.

Through a broad range of projects centered on the Otemachi, Marunouchi, and Yurakucho areas, the Mitsubishi Estate Group will continue to raise the value of urban environments while leveraging its long-cultivated urban development know-how, credibility, and brand power.

Building Layout



Rooftop Restaurant—THE UPPER

The first large-scale rooftop restaurant in the Marunouchi area, where patrons can enjoy delicious meals prepared by Japan's leading chefs in an open and spacious setting.

Private Club—OCA TOKYO

A new type of private club based on the concept of creating a place where individuals with their own particular style can enjoy borderless and creative encounters.

Large-Scale Entertainment Facility—MARUNOUCHI BASE

A new-style American diner with a terrace and an entertainment area that includes state-of-the-art karaoke and darts.

Handy Stores for Office Workers

The basement contains service-based stores that meet the sophisticated needs of office workers, such as Chiba Special (shoe shine emporium) and HIROGINZA BARBERSHOP (barbers).

International Asset Business

Mitsubishi Estate's First Large-Scale Renovation Project in the United Kingdom

Launching the Warwick Court Renovation Plan

Warwick Court, an office building that means a great deal to Mitsubishi Estate, represents the cornerstone of the Company's business in the United Kingdom. Through its renovation, we will give Warwick Court a new lease on life as an office building for the new era that creates high asset value sustainably over the long term, by adding the value needed for the coming times, such as improving well-being, catering to diversity, and reducing environmental impact.

In December 2020, we launched the renovation project (scheduled for completion in FY2023) for Warwick Court in London, marking our first large-scale renovation project in the United Kingdom. Warwick Court is an office building forming part of Paternoster Square (completed in 2003), a mixed-use development situated in a remarkable location next to St Paul's Cathedral.

With the aim of improving the well-being of those working at the building, we will introduce facilities that include the construction of a new rooftop terrace with a view of St Paul's Cathedral, the development of bicycle parking and showers and lockers for bicycle commuters, as well as the establishment of LGBT-friendly, gender-neutral toilets. In addition, the creation of open and spacious offices and the improvement of amenities will allow us to make proposals for offices suited to the post-COVID-19 era and transform Warwick Court into the flagship office building of our International Business. Meanwhile, by opting to renovate the building, we are scheduled to cut our CO_2 emissions significantly in comparison with constructing a new building, thereby helping reduce our environmental impact.

Under this project, we plan to renovate Warwick Court to the same specifications as London's grade A-listed office buildings. By realizing such a plan and continuously exploring and embodying trailblazing initiatives for office buildings, the Group will further enhance its credibility and brand power in the development business in the United Kingdom.

COMMENT

Message from the Employee in Charge of This Project

Yutaro Hagiwara

Manager
Mitsubishi Estate London Limited

Pursuing Unique Value That Only Renovation Can Deliver

Paternoster Square, the mixed-use development property that includes Warwick Court, was an extremely challenging project that took a period of 13 years to complete from our participation in the development plan in 1990. However, our record in overcoming numerous challenges in the project enabled us to win the trust of the local market, which served as a major advantage when advancing subsequent development plans. In light of the deep attachment to Warwick Court of those who have been engaged in this project thus far, in addition to its status as the cornerstone of our International Business and potential to increase revenues, we decided to retain the building through renovation. By adding new value needed for the coming times, we will breathe new life into this building, which has become an established feature of the London landscape, and continue to establish it as the flagship of our business in the United Kingdom.

Since establishing a local subsidiary there in 1986, one of the roles of the United Kingdom has been to earn steady income gains as an operating base with a long history. In order to achieve further business expansion going forward, the Mitsubishi Estate Group will accelerate its capital-recycling business and work to expand asset-type areas (including mainland Europe) by leveraging the experience it has obtained to date and its comprehensive capabilities, a strength of the Group.

Speaking personally, I have gained a sense of the enjoyment of renovation work through the Warwick Court renovation plan. I believe that creating new value and features tailored to the needs of the times while utilizing the features of the original building is a highly rewarding business that will pave the way for our expansion into new business fields in the form of acquiring business opportunities through renovating our existing portfolio. We will continue working to create unique added value that only renovation can deliver and contribute to business expansion while cooperating with local partners and communities to enhance the presence of the United Kingdom in our International Business.

Providing Open and Spacious Offices

We will meet the needs of the post-COVID-19 era through the provision of open and spacious offices. In a world where non-location-dependent workstyles are increasingly recognized, we will offer office spaces facilitating face-to-face communication by providing a terrace with a view of nearby St Paul's Cathedral and specifications that enable layouts to be changed flexibly, in keeping with the significance of physically going to the office.

Improving Well-Being and Providing Support for Diversity

We will meet the high expectations of office workers, such as for environmental impact reduction and health awareness in commuting, by establishing bicycle parking for 280 bicycles and installing showers and lockers for bicycle commuters. In addition, we plan to create an LGBT-friendly building by having gender-neutral toilets. Through these measures, we aim to create an office building that supports the diverse workstyles of the future and improves well-being.

Addressing Sustainability and Environmental Impact Reduction

Compared with constructing a new building, renovating an existing one can significantly reduce environmental impact during construction. Moreover, leaving the existing exterior and structure promotes reuse initiatives aimed at achieving waste reduction. Along with promoting such initiatives for reducing our environmental impact, we plan to obtain BREEAM Excellent* certification, which rates a building's sustainability, after completing Warwick Court.

* Building Research Establishment Environmental Assessment Method (BREEAM) Excellent certification is an international benchmark measuring the sustainability of buildings and communities. Under this method, over 540,000 certifications for more than 24,000 projects have been issued while in excess of 2.2 million buildings and communities have been certified and registered.

Non-Asset Business

Akin to Having Offices Far and Wide

The meaning and value required of places and time continue to change amid the growing diversification of both workstyles and lifestyles. The Mitsubishi Estate Group, which boasts numerous contact points with many assets, office workers, and tenant companies, will offer services suited to the workstyles of the coming times that only it can realize by creating businesses based on new ideas without fixating on conventional business models.

COMMENT

Messages from the Employees in Charge of This Project

Keisuke Tamaki
(left)
Unit Leader
Client Strategy Planning Department
Mitsubishi Estate Co., Ltd.

Toshiyuki Nasui
(right)
Senior Manager
Business Creation Department
Mitsubishi Estate Co., Ltd.

Working to Resolve Social Issues and Maximize Shareholder Value through Co-Creation with Various Parties

In a world in which lifestyles are becoming ever-more diverse, the functions required of workplaces are also changing. In addition to maintaining core offices that invigorate employee communication, choosing where to work in accordance with needs is becoming increasingly important. Nevertheless, we should not simply follow trends. Rather, we should focus on profitable fields that contribute to raising customer satisfaction levels and improving shareholder value. To strike a balance between these two goals, we must hone functions by thoroughly investigating in a logical manner what functions are a source of added value for customers and are truly needed by them and whether a particular field leverages the Mitsubishi Estate Group's competitive advantages. A prime example of this approach is the TELECUBE, which pursues the idea of being able to work anywhere to the utmost limit. Our aim is to create synergies (a cycle of happiness) whereby we resolve social issues through careful thought, thereby delighting our customers, which in turn generates profits to satisfy our shareholders and investors, and in the process allows us to get a solid sense of our own growth. I hope to transform the Group into a company that can create such synergies and am convinced that it has the potential to do so. I aim to give full expression to that approach through the promotion of the TELECUBE. (Keisuke Tamaki)

Creating New Value with Speed That Only the Mitsubishi Estate Group Can Offer

COVID-19 has triggered the rapid development of remote working environments. Amid these circumstances, we began examining the full-fledged commercialization of NINJA SPACE in the summer of 2020, with the aim of offering working environments suited to the new era, in anticipation of hybrid workstyles combining offline (going to work and meeting face to face) and online (web-based meetings) methods becoming more widespread. The NINJA SPACE service is a platform-based business without facilities of its own. The key point to its viability is whether or not the business can capture two types of service users, namely, users as well as providers of facilities. Given that the Mitsubishi Estate Group is able to collect information on needs and makes approaches to various facilities thanks to its relationships with office workers and its network of tenants operating restaurants, we were confident that we could realize the worldview of working anywhere, in tandem with the TELECUBE. By promoting NINJA SPACE, we will deliver support for the provision of highly convenient work spaces to business people and the monetization of vacant spaces in locations including restaurants, meeting rooms, and hotels with the aim of enabling the entire city to function as a work space promoting flexible workstyles. Going forward, we also seek to play a part in revitalizing regions and invigorating Workations by building a platform that allows NINJA SPACE to be used anywhere throughout Japan. (Toshiyuki Nasui)

Working Anytime, Anywhere with the TELECUBE—Smart Work Booths Improving Work Efficiency

TELECUBE
https://telecube.jp/ (Japanese only)

The TELECUBE is a private booth that can be used at a variety of locations, such as office buildings, retail facilities, and train stations. We will offer work spaces where people can work anytime and anywhere with peace of mind with the aim of creating a piece of social infrastructure for underpinning new workstyles in the post-COVID-19 era. The work spaces are fully secure, highly sound insulated, and clean while also meeting various regulations required for enclosed private booths. In addition, they also cater to a burgeoning range of non-business purposes, including for making use of spare moments on a personal basis and for carrying out online new graduate recruitment interviews. Installing TELECUBE booths holds the potential to deliver added value to a variety of stakeholders, not only to end-users but also owners and tenants, through ways that include monetizing dead space and helping raise the value of properties. Going forward, we will identify new ways to leverage these work spaces while increasing the number of booths installed and raising their profile.

Easy Reservation via Smartphone

Users can simply choose a service area, booth, and available time on the dedicated reservation website. After reserving, users then press the room entrance button to unlock the door when entering the booth.

Comfortable and Clean Work Space

The TELECUBE realizes a secure environment through soundproofing that blocks out voices and other sounds. It also ensures peace of mind and safety, including through antibacterial coating of the entire booth and full ventilation every five minutes.

Also Installable in Offices

Our product lineup includes types that can be installed in offices, thereby addressing the issue of meeting room shortages that has emerged due to the increase in online meetings.

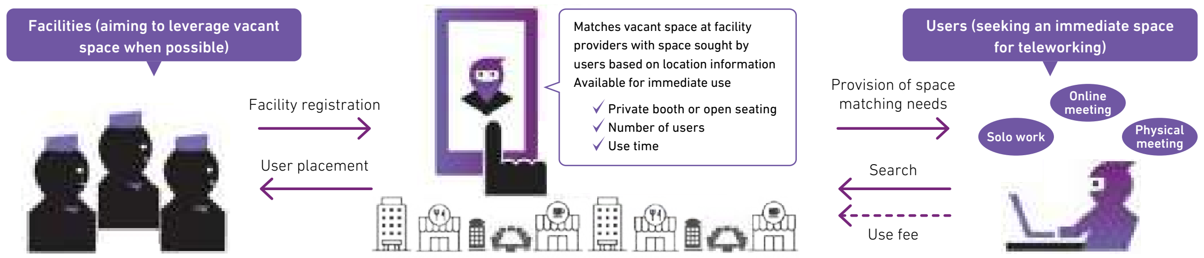
Making the Whole City Your Office. NINJA SPACE—A Work-Space-Matching Support Service

https://www.ninjaspace.jp/ (Japanese only)

NINJA SPACE

NINJA SPACE is a work-space-matching support service that enables users to find a space to work or have a meeting outside of their office. The service not only features spaces designed specifically for teleworking, such as conventional co-working offices and the TELECUBE, but also introduces work spaces at facilities including restaurants, meeting rooms, and hotels that are seeking new sources of earnings and ways to attract customers. This service benefits both users, who are able to use work spaces without worrying about time constraints by making reservations via NINJA SPACE, and tenants, who can deploy it to monetize periods of idle time and raise awareness of their facilities. While the growing prevalence of teleworking is prompting recognition of the advantages of online meetings, it is also serving to boost afresh the importance of offline forms of working. Amid the emergence of hybrid workstyles, we will create a future in which people can choose workplaces in accordance with their needs.

▲Startup screen ▲Refine parameters and search ▲Matching and payment ▲Route display



Message from the Corporate Officer in Charge of Finance & Accounting and Corporate Communications

"In order to achieve the KPIs established in our Long-Term Management Plan 2030, we will take steps toward steadily growing profits and implementing our capital policies while closely monitoring real estate market conditions, amid the challenging business environment due to the COVID-19 pandemic."

Hiroshi Katayama
Representative Corporate Executive Officer
Executive Vice President

FY2021 Business Performance: Maintained Solid Performance despite the Significant Impact of COVID-19

In FY2021, the first year of our Long-Term Management Plan 2030, the significant impact of the spread of COVID-19 on our retail facility and hotel businesses resulted in year-on-year decreases in revenue from operations and operating income.

Nevertheless, while we had projected a decline of 23% in operating income at the beginning of FY2021, we ultimately recorded a decline of 7%. Retail facilities, including outlet malls, and hotels were significantly impacted by COVID-19; however, factors behind this lower-than-expected decline included the strong performance of rental profits from office buildings and the positive boost provided by an expansion in demand for suburban properties in the condominium business in Japan. In addition, as the impact of COVID-19 on the market for buying and selling real estate was not as extensive as we were concerned at the beginning of FY2021, we recorded much higher capital gains than we had projected. As a result, we were ultimately able to surpass our forecast at the beginning of FY2021.

Progress on Our Long-Term Management Plan 2030: Acquisition of Investment Opportunities for Profit Growth

In our Long-Term Management Plan 2030, we have established key performance indicators (KPIs) with a focus on efficiency, such as return on assets (ROA), return on equity (ROE), and earnings per share (EPS), in order to transform our business portfolio into one that is resilient to changes in market conditions. Although our results for all three KPIs in FY2021 were lower than in the previous fiscal year due to the impact of COVID-19, we have not considered revising our targets and intend to take a variety of measures to achieve them.

We will focus on improving ROE by raising ROA, with the aim of achieving double-digit ROE. To raise ROA, we are working on a range of measures, such as increasing the revenues of our domestic asset and international asset businesses, expanding our non-asset business, and selling underperforming assets and stocks held for strategic purposes. In addition, we will achieve our three KPI targets while reducing the denominator in the equation by means of executing share buybacks as part of our capital policies.

As a specific measure, we will increase net operating income (NOI) by steadily promoting long-term large-scale redevelopment projects in our domestic asset business. Also, we will raise the level of our capital gains by steadily selling properties that will bring stable returns. As higher capital gains will serve as a growth driver over the next several years, we will steadily work to achieve increases while paying close attention to the market for buying and selling real estate. Meanwhile, by using funds generated from returns, we will proactively engage in growth investments that deliver improvements in efficiency. In our capital-recycling business in Japan in FY2021, we successfully acquired investment opportunities approximately 40% above the level in plans set at the beginning of the fiscal year. These opportunities will contribute to profit growth going forward.

As for our international asset business, we are carrying out initiatives designed to increase revenue in a variety of countries and regions. Such initiatives include participation in a data center development business in the United States, the acquisition of investment opportunities in London and continental Europe, and the promotion of development projects being successively completed in Asia.

Looking at our non-asset business, we are focusing on expanding our assets under management (AuM) in the Investment Management Business as a means to achieve profit growth in existing businesses. As of March 31, 2021, the Company's AuM stood at ¥3.7 trillion, registering a steady expansion in scale even amid the COVID-19 pandemic. In addition, we are proceeding with the acquisition of fee businesses by operating development businesses as joint ventures. The Company announced numerous joint venture projects in FY2021. Moreover, we aim to create new sources of revenue in new business domains that will contribute to profits in the second half of the Long-Term Management Plan 2030. These initiatives include participating in the biomass power generation business and making venture investments in real estate related services companies.

Capital Policies: Promotion of Flexible Capital Policies in Accordance with Market Conditions

When acquiring investment opportunities that deliver improvements in efficiency, we believe it is crucial to flexibly strike a balance in accordance with real estate market conditions. The Group's core business is super long-term redevelopments such as those in the Marunouchi area. Accordingly, the procurement of long-term funds at low cost is important for our financial strategy and we follow a policy of controlling our leverage ratio within a range that allows us to maintain our credit ratings. Our policy is to aim for a sustainable increase in corporate value by striking an optimal balance between growth investments and shareholder returns, in combination with advantageous financing while closely monitoring real estate market conditions. For example, a deterioration in said market conditions ordinarily exerts downward pressure on credit ratings. However, as we are seeing a buyer's market in which properties can be purchased cheaply, we are able to secure a buffer to a certain extent. We will therefore carry out investments in a proactive manner.

Although we have adopted a stance of flexibly executing share buybacks while monitoring factors including potential investment demand, financial soundness, and share prices, our announcement of ¥30.0 billion in share buybacks in April 2021 clearly showed our intention to steadily carry out policies aimed at achieving our targets, even amid the challenging business environment.

In FY2021, we registered increases in our cash flows and investment returns that were higher than we had anticipated at the beginning of the fiscal year, reflecting an improvement in profit margins and the accumulation of capital gains. Similarly, the number of investment opportunities we acquired in the capital-recycling business in Japan greatly exceeded our initial expectations. However, our efforts to acquire investment opportunities overseas did not progress as we had anticipated. Accordingly, our policy going forward will be to proactively work on acquiring such opportunities in overseas based on carefully selecting areas and asset types while paying close attention to market conditions. For FY2022, we have established a strategic allocation quota of between ¥100.0 billion and ¥150.0 billion. Using this quota, we aim to acquire investment opportunities primarily centered on Southeast Asia, which is experiencing dramatic economic growth, while paying close attention to the impact of COVID-19.

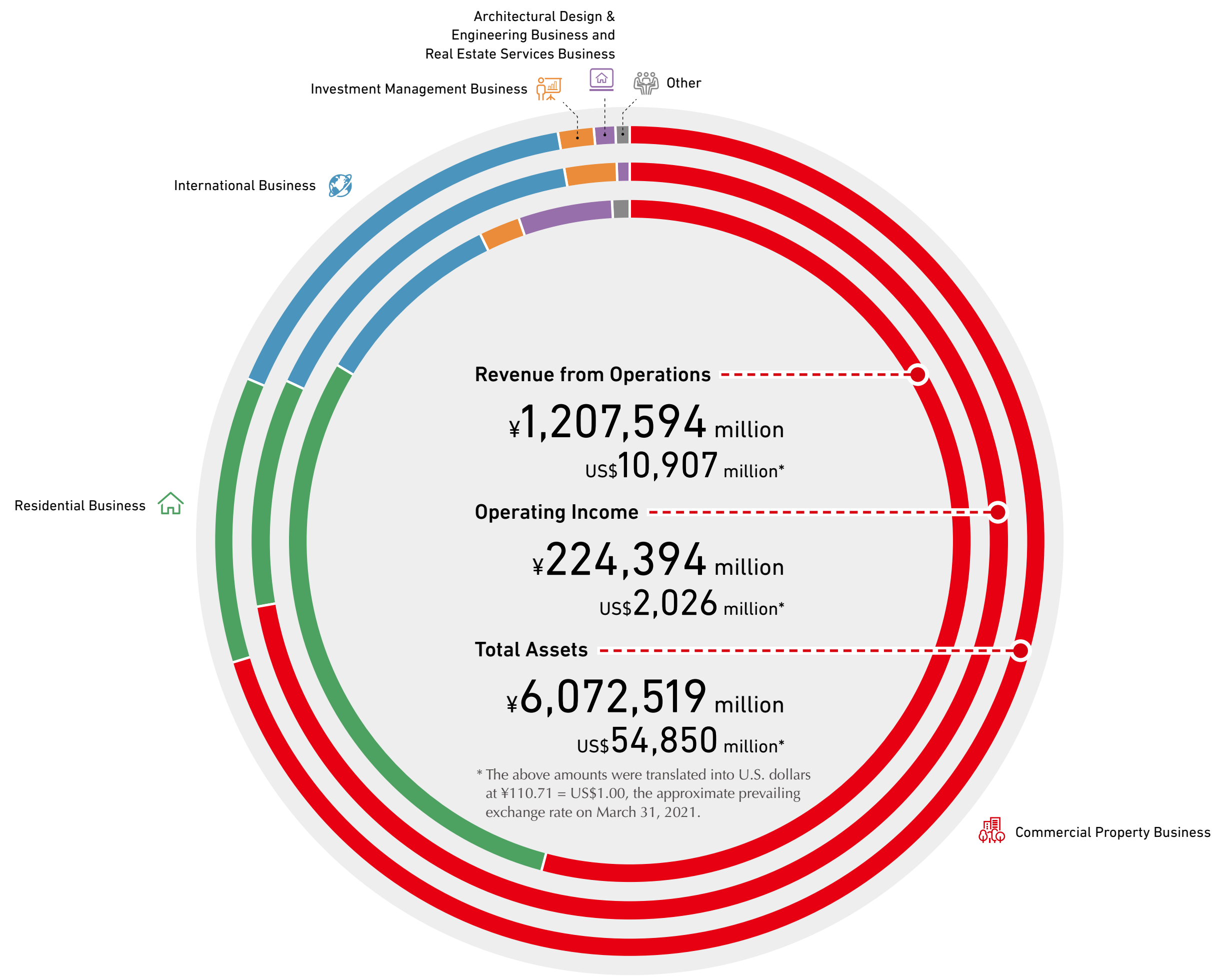
My Hope as Corporate Officer in Charge of Finance & Accounting and Corporate Communications: Move Forward Step by Step toward Achievement of Our KPIs

While conditions remain unpredictable given that the COVID-19 pandemic is still raging, we are beginning to see encouraging signs, such as the steady increase in vaccination rates in Japan. The Group operates a diverse range of businesses, which have been impacted in various ways depending on the business. By having our employees respond flexibly in accordance with ever-changing conditions, we were able to minimize the impact of COVID-19 to a greater extent than we had projected at the beginning of FY2021. As a result, the Company was able to announce share buybacks totaling ¥30.0 billion in April 2021. Moreover, we expect to pay a cash dividend per share of ¥33 for FY2022, a return to the pre-COVID-19 level seen in FY2020.

Although our Long-Term Management Plan 2030 has begun with decreases in revenue from operations and operating income, the KPIs we are targeting remain unchanged. By viewing our management strategies from the long-term and comprehensive perspective of a decade, we will take one step at a time toward achieving our targets by steadily advancing both growth investments in Japan and overseas for profit growth and capital policies including shareholder returns. Accordingly, we ask for your continued support in our endeavors.

Business Review

The Mitsubishi Estate Group operates the office building business and various other businesses in Japan and overseas. Under Long-Term Management Plan 2030, we will enhance our earnings power in each segment through business strategies that leverage our competitive advantages, as well as actively working to establish new businesses that pursue synergies with our established businesses.



Fiscal year ended March 31, 2021 (consolidated) — Millions of yen

	Revenue from Operations	Operating Income (Loss)	Total Assets
Commercial Property Business	672,441	180,775	4,167,287
Residential Business	362,755	24,068	673,344
International Business	114,457	37,932	929,869
Investment Management Business	22,199	5,966	77,586
Architectural Design & Engineering Business and Real Estate Services Business	56,064	959	56,067
Other	9,055	(1,089)	25,367
Eliminations or Corporate	(29,378)	(24,219)	142,995
Total	1,207,594	224,394	6,072,519

Business Segments

Commercial Property Business Group

Please see pages 34 to 39 for details.

Office Building Business

This is Mitsubishi Estate's core business, which engages in the development, leasing, and property management of office buildings, mainly in Tokyo and other major Japanese cities. We promote urban development that contributes to the increased appeal of cities while maintaining a balance between properties for lease and properties for sale in our asset portfolio.

Retail Facility Business

Promoting the development of various types of retail facilities tailored to the characteristics of locations across Japan, the Mitsubishi Estate Group operates this business using a comprehensive system whereby it remains continuously involved from facility planning, development, and tenant leasing through to operation after opening.

Outlet Mall Business

We conduct the nationwide development and operation of our PREMIUM OUTLETS®, which boast the top customer-drawing power in Japan.

Logistics Facility Business

Under the Logicross brand, Mitsubishi Estate is pursuing logistics facility business opportunities nationwide.
To take advantage of the rapid growth in the domestic logistics market on the back of the expansion of e-commerce and other factors, we are focusing on development projects at locations suited to logistics nearby major terminals, such as metropolitan areas, main roads, ports, and airports.

Hotel Business

Working together with hotel operators in Japan and overseas, we conduct a hotel development business across a wide range of categories matching location characteristics as well as practicing nationwide hotel business operations under the Royal Park Hotels brand and the Marunouchi Hotel.

Airport Operation Business

The airport operation business promotes the invigoration of airports and their localities through its involvement in the operation of 10 airports. The airports contribute to regional development by acting in unison with their local communities to increase the non-resident population and improve regional value.

Residential Business

Please see pages 40 and 41 for details.

We offer services to meet a variety of needs for condominiums, rental apartments, custom-built housing, purchase and sales, leasing, brokerage areas, renovations, and management. As the circulation of existing homes expands and people's lifestyles grow increasingly diverse, we are strengthening our reform and renovation business to seize upon such changes.

International Business

Please see pages 42 and 43 for details.

The Mitsubishi Estate Group has pursued business overseas since the 1970s, undertaking real estate leasing and development businesses in the United States and the United Kingdom. In recent years, we have also been actively developing our office building, residential, commercial facility, and other real estate businesses in rapidly expanding Asian markets and advancing into continental Europe.

Investment Management Business

Please see page 44 for details.

For investors seeking real estate asset management, we provide a wide range of services based on our specialized expertise, utilizing collaboration among our operating bases in Japan, the United States, Europe, and Asia excluding Japan. These services include real estate investment trusts (REITs) to meet management needs for long-term stability as well as private placement funds to meet the specific management needs of institutional investors.

Architectural Design & Engineering Business and Real Estate Services Business

Please see page 45 for details.

This full-service architectural design and engineering business meets social needs through construction, civil engineering, urban and regional development planning, and consulting. Meanwhile, the Real Estate Services Business provides one-stop, real estate problem-solving solutions, including real estate brokerage and condominium and office building leasing management support.

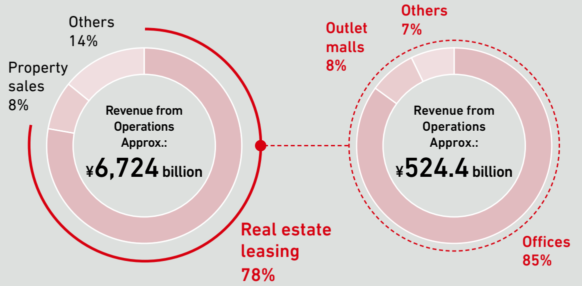
Commercial Property Business

Asset Types

- Office Buildings
- Retail Properties and Outlet Malls
- Logistics Facilities
- Hotels
- Airports

Commercial Property Business Group Breakdown

(Fiscal year ended March 31, 2021)



Office Building Business

Overview

The office building business, Mitsubishi Estate's core business, engages in the development, leasing, and property management of office buildings with state-of-the-art functions, mainly in major Japanese cities centering on the Marunouchi area. Our businesses involve three types of earnings models: our property development and leasing business, in which we ourselves develop office buildings and receive rental revenue from them; our capital-recycling business, in which we generate capital gains on the sale of properties we have developed; and our non-asset businesses, which center on office building operations and management. Through building development and operations, we are promoting urban development to increase the attractiveness of the entire surrounding area.

Business Concept	Office Buildings		Main Non-Asset Type Businesses	
	Marunouchi area (mainly the property development and leasing business)	Major business areas in Japan (mainly the capital-recycling business)	Property management	Master leases

Competitive Advantages

- Ownership of about 30 office buildings in the Marunouchi area, a leading business area in Japan with one of the world's greatest concentrations of companies.
- Redevelopment in Marunouchi not requiring new land acquisition is largely unaffected by fluctuations in the real estate investment market, thus enabling stable and continuous redevelopment.
- Development know-how and a track record cultivated through continuous urban development in the Marunouchi area for more than 120 years.
- Tenant relationships and information networks built through the Group's wide-ranging businesses, including development in the Marunouchi area.
- Relationships with the central and local governments built through public and private sector cooperation in urban development.
- Urban development and area management with advanced disaster-management functions centering on the Marunouchi area.

Business Strategies

Marunouchi Area

- Generally, redevelopment enables rental revenue to be increased by expanding building floor space and raising rents per square meter. In the Marunouchi area, we aim to promote continuous redevelopment that raises value through individual redevelopment projects as well as by realizing synergies across the whole area.
- Positioning urban development from 2020 onward as part of the Marunouchi NEXT Stage, we will establish a co-creation platform for innovation through companies, employees, and visitors.

Main Office Areas in Japan

- We aim to strengthen our development pipeline by using the know-how we have accumulated through redevelopment in the Marunouchi and other areas.

Non-Asset Businesses and Others

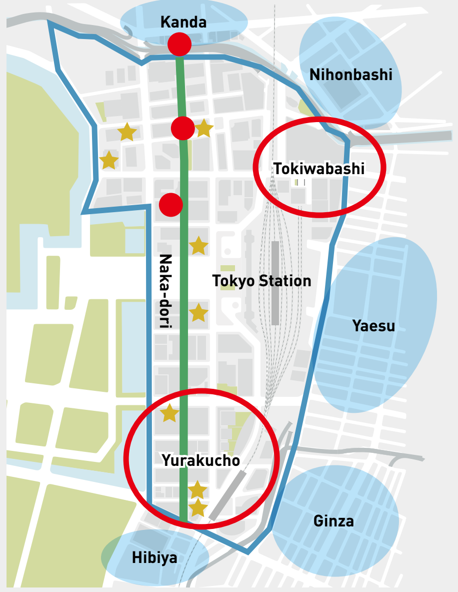
- We intend to expand and strengthen non-asset businesses, including property management and master leases, and businesses that utilize existing stock, such as through the renovation of aged buildings.

Long-Term Management Plan 2030 Priority Strategy— The Marunouchi NEXT Stage

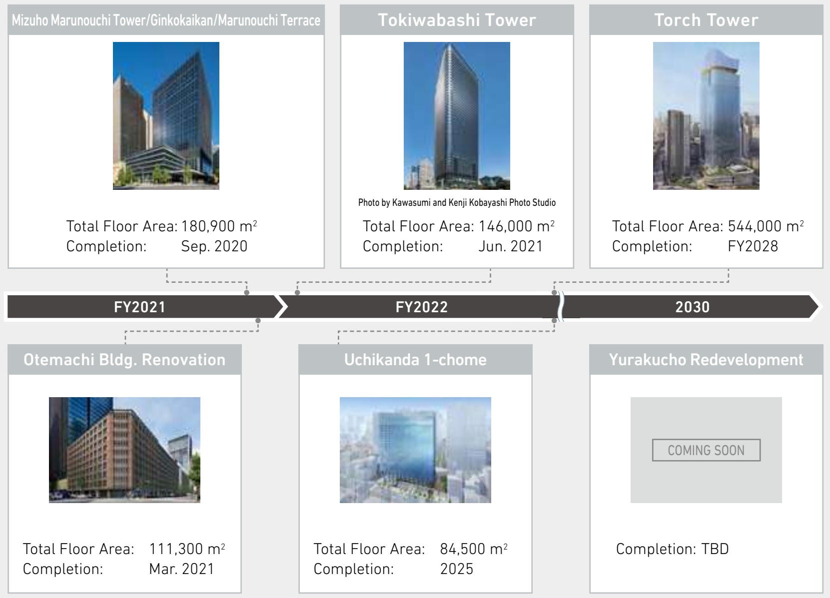
Key Areas and Pipelines

In the Marunouchi area, TOKYO TORCH (the Tokyo Tokiwabashi Project), a large-scale, mixed-use redevelopment boasting the largest site area in the vicinity of Tokyo Station, is well underway. In addition to completing the construction of the approximately 212-meter-tall Tokiwabashi Tower in June 2021, we are moving ahead diligently with the construction of Torch Tower, which stands at 390 meters and is set to become a new Tokyo landmark. Meanwhile, besides the Mizuho Marunouchi Tower, Ginkokaikan, Marunouchi Terrace, TOKYO TORCH (the Tokyo Tokiwabashi Project), and the Uchikanda 1-chome Project (tentative name), we are promoting the reconstruction and renovation of several aged buildings owned in the Yurakucho area.

Marunouchi Area Map



Pipeline



Progress on the Long-Term Management Plan 2030

Development and Promotion of CIRCLES, Our Compact Office Series

CIRCLES is a development leasing business for compact offices that we have been working to strengthen since January 2019. In an era in which workstyles unshackled by fixed places and times have become more widespread due to the promotion of teleworking and other practices, this series of enhanced offices helps improve the productivity and comfort associated with the workstyle of assembling to work in an office. Beginning with CIRCLES Shiodome, CIRCLES Ginza, and CIRCLES Nihonbashibakurocho, the first three properties in this series, we are targeting the development of about five buildings per year to achieve a total of 25 to 30 buildings over a five-year period and will continue to promote development in order to meet the diversifying office needs of tenant companies.


CIRCLES Shiodome roof terrace


CIRCLES Ginza

Sustainability Initiative

Acquisition of Environment-Related Certification for TOKYO TORCH Tokiwabashi Tower

TOKYO TORCH (the Tokyo Tokiwabashi Project) Tokiwabashi Tower (Building A), which we completed at the end of June 2021, has obtained preliminary certification under the SITES® framework, becoming the first urban mixed-use development project in Japan to receive SITES® Gold certification. This level of certification was acquired as a result of the Group's implementation of a suite of environmental impact reduction initiatives for Tokiwabashi Tower together with the planned development of the Nihonbashi riverside water area and of the approximately 3,000 m² plaza developed in advance in the center of the project site. With the aim of constructing people- and environment-friendly buildings, the Group has also acquired several environment-related certifications, including the DBJ (Development Bank of Japan) Green Building Certification (the Group applied for five stars in its self-evaluation, a ranking for buildings exhibiting the highest level of environmental and social awareness in Japan), Social and Environmental Green Evaluation System (SEGES) certification, and Association for Business Innovation in Harmony with Nature and Community (ABINC) certification. Furthermore, in procuring funds for developing Tokiwabashi Tower, we became the first comprehensive real estate company to issue green bonds.


Tokiwabashi Tower Plaza Path

* The Sustainable SITES Initiative® (SITES®) administered by Green Business Certification Inc.™ offers a quantitative benchmark when giving concrete form to green infrastructure and a certification system for comprehensively rating the sustainability of landscapes.

Commercial Property Business

Retail Facility Business / Outlet Mall Business

Overview

The retail facility and outlet mall businesses promote the development of various types of retail facilities tailored to the characteristics of locations across Japan. The Mitsubishi Estate Group operates these businesses using a comprehensive system whereby it remains continuously involved from facility planning, development, and tenant leasing through to operation after opening. These businesses are operated through three business formats: urban mixed-use facilities, stand-alone shopping centers, and PREMIUM OUTLETS®.

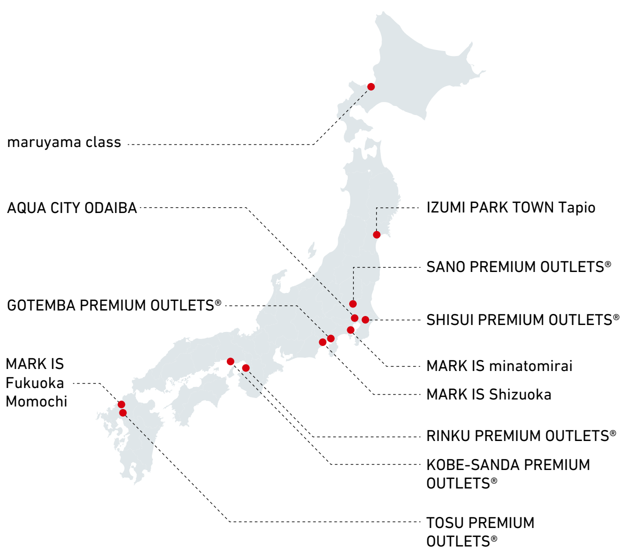
Competitive Advantages

- The top customer-drawing power in Japan of PREMIUM OUTLETS®.
- Information networks and tenant relationships built through wide-ranging Group businesses, including developments in the Marunouchi area.
- Extensive development and management know-how gained through a portfolio consisting of three different business formats, business coverage in Japan stretching beyond Tokyo, all the way from Hokkaido to Kyushu, and an extensive tenant network.

Business Strategies

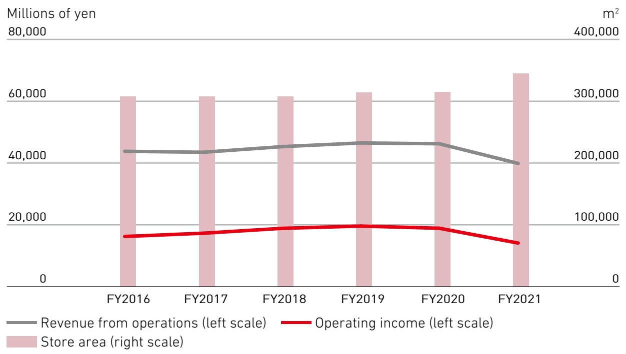
- With urban mixed-use facilities, we are aiming to deliver wide-ranging eating and drinking options and shops as well as various service providers to offer better amenities and convenience for office workers while also drawing in people for shopping and tourism.
- Regarding stand-alone shopping centers, we are developing distinctive facilities tailored to diverse demand based on detailed analyses of the location, local demand characteristics, tourism potential, and discussions with tenants.
- With outlet malls, we will continue to expand and refurbish existing facilities and develop new ones to offer visitors unique spaces and meet their needs for a fun, one-of-a-kind experience.

Area Map of Main Retail Facilities



Changes in Store Area, Revenue from Operations, and Operating Income of the Outlet Mall Business

There is a decrease in operating income compared with FY2020.
In the period since the lifting of facility closures imposed due to Japan's first state of emergency declaration, net sales at facilities have recovered to between 70% and 100% of their FY2020 levels, despite being impacted by factors including the COVID-19 situation and additional state of emergency declarations.



Facility Name	Open	Store Area
Gotemba (Phase 4)	June 2020	Before expansion: approx. 44,600 m² ⇒ Currently: approx. 61,000 m² (+37%)
Rinku (Phase 5)	August 2020	Before expansion: approx. 39,400 m² ⇒ Currently: approx. 50,100 m² (+27%)
Fukaya Hanazono (New)	Fall 2022	Approx.: 25,000 m²
Kyoto Joyo (New)	Spring 2024	

Progress on the Long-Term Management Plan 2030

Major Expansion of Two PREMIUM OUTLETS® (Gotemba Phase 4 and Rinku Phase 5) to Make Them the Largest Outlet Malls in Japan

GOTEMBA PREMIUM OUTLETS®, the first of our PREMIUM OUTLETS®, evolved into the largest shopping resort in Japan* among outlet malls through the opening of a new area in July 2020 and the renovation of existing areas. Meanwhile, RINKU PREMIUM OUTLETS® became the largest outlet center in western Japan* following the opening of a new area in August 2020 that offers views of Osaka Bay. We will continue to pursue the creation of shopping resorts that earn customers' support while aiming to operate facilities that contribute to regional development.

* In terms of store floor area (Mitsubishi Estate data)


GOTEMBA PREMIUM OUTLETS®


RINKU PREMIUM OUTLETS®

Logistics Facility Business

Overview

The functions required of logistics facilities are changing as the domestic logistics market grows rapidly on the back of the expansion of e-commerce and other factors. In recent years, we have been planning development projects centered on locations that are easily accessible by public transportation and advantageous for recruitment, in addition to being ideally situated for logistics, and on locations in proximity to metropolitan areas and nearby major terminals, such as expressways, main roads, ports, and airports.

The Mitsubishi Estate Group will continue to conduct proactive investment, development, operational management, and asset management centered on the Tokyo metropolitan, Kansai, and Chukyo areas.

Competitive Advantages

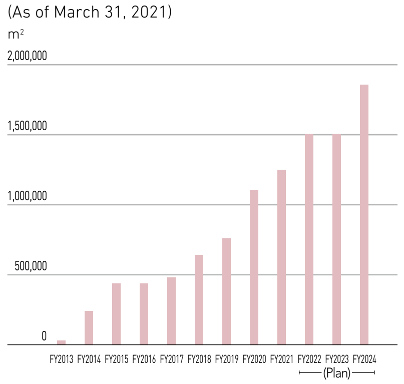
- A business platform with a broad range of functions related to logistics facilities, from land acquisition and development to building operations, ownership, and asset management.
- Tenant relationships and information networks through wide-ranging Group businesses, including developments in the Marunouchi area.
- Management know-how and experience gained through Tokyo Ryutsu Center Inc. (TRC) and its competitiveness underpinned by being based in Heiwajima, a location providing excellent access to central Tokyo and Haneda Airport.

Business Strategies

- We intend to make acquisitions of land and undertake leasing operations by making use of our multiple information networks and tenant relationships.
- We aim to generate stable capital gains by leveraging our logistics facility business platform to sell developed properties to Mitsubishi Estate Logistic REIT Investment Corporation, which is managed by Mitsubishi Jisho Investment Advisors, Inc., and other parties.
- We intend to generate synergies Groupwide by sharing the information networks and management know-how acquired by the Tokyo Ryutsu Center, which has been involved in logistics facility business operations for over 50 years.

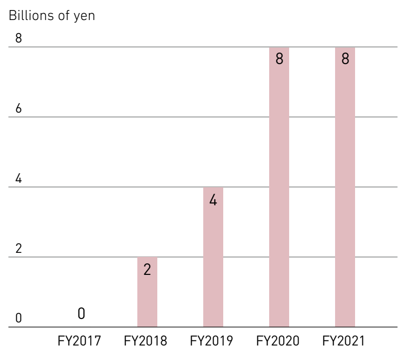
Changes in Aggregate Floor Area

(As of March 31, 2021)

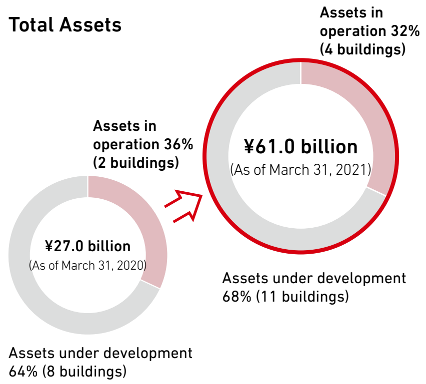


Note 1: Including joint ventures
Note 2: Excluding Tokyo Ryutsu Center

Trends in Gain on Sale



Total Assets



Note 1: Ratio by value
Note 2: Excluding Tokyo Ryutsu Center

Progress on the Long-Term Management Plan 2030

Expansion of the Logistics Facility Business's Total Assets

Thanks to the steady expansion of our logistics facility pipeline, most notably the joint venture Fuchinobe Project, total assets of the logistics facility business soared from ¥27.0 billion at the end of FY2020 to ¥61.0 billion at the end of FY2021. In FY2022, we are scheduled to complete the construction of five facilities—Logista•Logicross Ibaraki Saito (blocks A and B), Logicross Kasukabe, Logicross Funabashi, and Logicross Zama Komatsubara. We will continue working to acquire outstanding investment opportunities to meet the demand for logistics facilities brought about by the expansion of e-commerce.


Sagamihara-shi Chuo-ku Fuchinobe Project (tentative name)

Sustainability Initiative

Installation of Solar Power Generation Equipment at Logicross Ebina to Supply Power for Self-Consumption

At Logicross Ebina, a logistics facility we completed in November 2020, we began using solar power generation equipment installed on the facility's rooftop to generate power for self-consumption under a power purchase agreement (PPA)*1 as a new initiative in partnership with SymEnergy Inc. Under this agreement, all the power generated by the SymEnergy-owned equipment is consumed at Logicross Ebina. This facility has also acquired a five-star rating (the highest level) under the Building-Housing Energy-efficiency Labelling System (BELS),*2 which labels the energy-saving performance of buildings, and received nearly net-zero-energy building (Nearly ZEB)*3 certification as a building with annual primary energy consumption close to net zero. Going forward, our policy as a general rule will be to acquire BELS certification for the Logicross series of logistics facilities that we are developing.


Logicross Ebina

*1 Agreements involving third-party ownership of solar power generation systems
*2 A third-party certification system for rating and labeling energy-efficiency performance based on guidelines on the energy-efficiency performance labeling of buildings (Building-Housing Energy-efficiency Labelling System) stipulated by the Ministry of Land, Infrastructure, Transport and Tourism (MLIT)
*3 Buildings with annual primary energy consumption of net zero or less. Nearly net-zero-energy buildings are almost on a par with net-zero-energy buildings and satisfy both of the following two criteria in terms of energy consumption: (1) a reduction of more than 50% compared with standard primary energy consumption (excluding renewable energy) and (2) a reduction of more than 75% less than 100% more compared with standard primary energy consumption (including renewable energy)

Commercial Property Business

Hotel Business

Overview

The hotel management business operates 16 hotels nationwide* under the Royal Park Hotels brand and the Marunouchi Hotel in the Marunouchi area, aiming to improve brand value through the implementation of management focused on customer satisfaction. We will address diversifying customer needs by continuing to increase new hotel openings.

In addition, to meet the robust and diverse accommodation needs of late, the hotel development business engages in hotel development across a wide range of categories matching location characteristics, by working together with hotel operators in Japan and overseas, including Royal Park Hotels and Resorts Co., Ltd., of the Mitsubishi Estate Group.

* As of August 2021

Competitive Advantages

- We are leveraging our development expertise and the tenant relationships we have built by handling diverse real estate assets as a comprehensive developer in order to acquire sites for hotels and promote hotel development.
- Applying more than 30 years of hotel management experience with the Royal Park Hotels brand, we have been expanding our networks of full-service hotels and accommodation-oriented, limited-service hotels.

Business Strategies

- We focus on the development of hotels under the Royal Park Hotels brand on sites we have acquired ourselves while actively looking to lease properties to other operators and generate capital gains through the sale of properties after holding them for a certain period of time.
- With the Royal Park Hotels brand, we aim to steadily increase operating income by improving the operating income ratio at existing hotels while opening three to four new hotels on a yearly basis through the leasing of properties developed by other companies and the utilization of various schemes, including management contracts and franchise contracts.

Royal Park Hotel Locations

Royal Park Hotels

Location	Name	Number of Rooms
Hokkaido	The Royal Park Canvas Sapporo Odori Park (scheduled for completion in October 2021)	134
Miyagi	Sendai Royal Park Hotel	110
Tokyo	Royal Park Hotel	419
	The Royal Park Canvas Ginza 8	121
	The Royal Park Hotel Iconic Tokyo Shiodome	490
	The Royal Park Hotel Tokyo Haneda	313
Kanagawa	Yokohama Royal Park Hotel	603
Aichi	The Royal Park Canvas Nagoya	153
Osaka	The Royal Park Canvas Osaka Kitahama	238
	The Royal Park Hotel Iconic Osaka Midosuji	352
Kyoto	The Royal Park Hotel Kyoto Sanjo	172
	The Royal Park Hotel Kyoto Shijo	127
	The Royal Park Hotel Kyoto Umekoji	246
	The Royal Park Canvas Kyoto Nijo	180
	The Royal Park Hotel Iconic Kyoto (scheduled for completion in Spring 2022)	130
Hyogo	The Royal Park Canvas Kobe Sannomiya	170
Hiroshima	The Royal Park Hotel Hiroshima Riverside	127
Fukuoka	The Royal Park Hotel Fukuoka	174

Progress on the Long-Term Management Plan 2030

Promotion of a New Hotel Development Business in Miyakojima, Okinawa

On a joint basis with KAJIMA CORPORATION, we are advancing the development of the Hilton Okinawa Miyakojima Resort with the aim of a summer 2023 opening, marking Hilton's first foray into an outlying island in Okinawa.

We have also concluded a contract with Rosewood Hotels and Resorts, L.L.C., an operator of ultra-luxurious hotels and resorts, under which we will outsource the management of the Rosewood Miyakojima Hotel. Targeting an opening date in 2024, this hotel will be developed by Mitsubishi Estate and managed by Rosewood Hotels and Resorts.

In addition, we are proceeding with the tentatively named Naha-shi Nishi 1-chome Project, our first hotel development project in the city of Naha, which we aim to open in spring 2022. In this project, the hotel will be leased to and managed by Nest Hotel Japan Corporation, whose flagship brand is the Nest hotel.


Rendering of the Hilton Okinawa Miyakojima Resort

Sustainability Initiative

Use of Local Timber at The Royal Park Canvas Sapporo Odori Park

Scheduled to open in October 2021, the Royal Park Canvas Sapporo Odori Park, which actively utilizes Hokkaido-produced timber, is the first high-rise, hybrid-wooden hotel in Japan. This hybrid-wooden construction consolidates the Mitsubishi Estate Group's accomplishments to date in promoting the use of timber in buildings: the upper floors are made completely of wood; the low and middle floors have reinforced concrete ceilings using wood; and one of the middle floors has a hybrid of reinforced concrete and wood. Approximately 80% of the timber used in the hotel's structural materials was produced in Hokkaido (approximately 1,050 m³), thereby contributing to the development of local industry and the recycling of forest resources. In addition, the building was selected for inclusion in the Ministry of Land, Infrastructure, Transport and Tourism's (MLIT's) pilot projects for sustainable buildings (wooden structure) in the second round of invitations for candidate projects in FY2020.


Lounge using Hokkaido-produced timber in its interior

Airport Operation Business

Overview

The Mitsubishi Estate Group is involved in the operation of Takamatsu Airport, Miyako Shimojishima Airport Terminal, Mt. Fuji Shizuoka Airport, and seven airports in Hokkaido. Each airport will contribute to regional development by acting in unison with their local communities to increase the non-resident population and improve regional value while leveraging the distinctive characteristics of their respective regions.

Operation of Airports

4 Seven Airports in Hokkaido
Launch of airport building facility business for the seven Hokkaido airports in January 2020
Commencement of business operations at New Chitose Airport in June 2020
Beginning of business operations at Asahikawa Airport in October 2020
Launch of business operations at Wakkanai, Kushiro, Hakodate, Obihiro, and Memanbetsu airports in March 2021

New Chitose Airport

2 Miyako Shimojishima Airport Terminal
Opening of passenger terminal facilities and commencement of terminal operations at the end of March 2019

3 Mt. Fuji Shizuoka Airport
Operating since April 2019

1 Takamatsu Airport
Operating since April 2018

Competitive Advantages

- Mitsubishi Estate operates airports leveraging its track record of operating several airports, the expertise gained in businesses related to inbound tourism through outlet malls and hotels, and its cooperation with other businesses in the Mitsubishi Estate Group.

Business Strategies

- We ensure stable operation at each airport while aiming to achieve operational efficiency and sophistication through inter-airport cooperation.
- We will work to invigorate regions by leveraging our urban development expertise and to increase revenues for passenger terminal buildings by harnessing our expertise in the development and operation of retail facilities.

Progress on the Long-Term Management Plan 2030

Launch of Business Operations of Seven Airports in Hokkaido

In 2019, we established Hokkaido Airports Co., Ltd.,* in which we have an investment stake, and launched an airport operation business at all seven of our airports in Hokkaido (New Chitose, Wakkanai, Kushiro, Hakodate, Asahikawa, Obihiro, and Memanbetsu). The company will create a multi-tourism gateway by assigning clear roles to the seven airports and steadily increase tourism activities throughout Hokkaido by means of the promotion of digital marketing. By communicating the appeal of Hokkaido, we will contribute to the invigoration of the seven airports and their localities while advancing stable airport operations over the long term, with safety and reliability the top priority.

* Established through investment by 17 entities: Hokkaido Airport Terminal Co., Ltd., Mitsubishi Estate Co., Ltd., Tokyu Corporation, Development Bank of Japan Inc., North Pacific Bank, Ltd., The Hokkaido Bank, Ltd., Hokkaido Electric Power Co., Inc., The Sankei Building Co., Ltd., Japan Airlines Co., Ltd., ANA HOLDINGS INC., Mitsui Fudosan Co., Ltd., Mitsubishi Corporation, Iwata Chizaki Inc., Doshin Service Center, Dentsu Group Inc., Taisei Concession Co., Ltd., and Sompo Japan Insurance Inc.

Sustainability Initiative

CLT and ZEB Initiatives at Miyako Shimojishima Airport Terminal and Environmental Preservation Activities in Miyakojima City

Miyako Shimojishima Airport Terminal, which Mitsubishi Estate developed and subsequently opened in 2019, is the first airport terminal in Japan using cross laminated timber (CLT) in the structural materials for its roof and implementing net-zero-energy building (ZEB) initiatives (acquisition of ZEB Ready certification and receipt of a five-star rating under BELS). CLT is produced using timber from the region stipulated by Okinawa Prefecture (timber from Okinawa Prefecture or Kyushu that is distributed in Okinawa Prefecture), thereby contributing to the vitalization of the region's forests and forest industry. Meanwhile, working closely with local government and non-governmental organizations, the Mitsubishi Estate Group began efforts in 2019 that included beach cleanups and other activities to protect the gray-faced buzzard, a migratory bird of the hawk variety, which is designated as an endangered species. Through such measures, we are contributing to the development of the region's economy while helping preserve its rich natural environment.


Check-in area at Miyako Shimojishima Airport Terminal

Residential Business

Overview

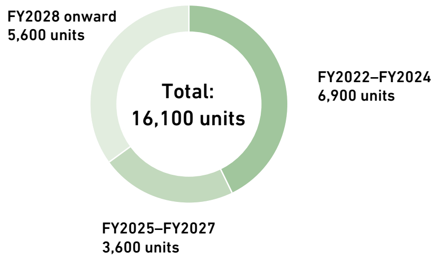
The Mitsubishi Estate Group has approximately 50 years of experience in the condominium business. We have established a value chain to meet housing-related needs spanning from new development in Japan and overseas and rebuilding and redevelopment projects to purchasing and sales, brokerage, and management. We are also developing a wide range of businesses to meet diversifying lifestyle needs. Such businesses include rental housing, renovation, and investment-purposed real estate.

Business Concept | Condominiums | Rental Apartments | Main Non-Asset Type Businesses: Management, Brokerage, Custom-built housing, Renovation

Condominium Business

Land Bank Breakdown in Reporting Term

(as of March 31, 2021)



Ranking by Condominium Seller and Owner Based on Number of Units Supplied (Tokyo Metropolitan Area)

(2020)

	Company	Units
1	Nomura Real Estate	2,698
2	Sumitomo Realty & Development	2,530
3	Mitsui Fudosan Residential	1,995
4	Mitsubishi Estate Residence	1,354
5	SHINNIHON CORPORATION	1,232
6	Nippon Steel Kowa Real Estate	1,120
7	Tokyu Land Corporation	1,023
8	Daiwa House Industry	973
9	MORIMOTO	708
10	Tyuou Jyutaku	616

Note 1: Source: "National condominium market trends," Real Estate Economic Institute Co., Ltd.
Note 2: Family-type condominiums in the Tokyo metropolitan area are included in the scope of the survey. Condominiums for investment purposes are not included.
Note 3: Fixed-term leasehold condominiums are not included in the scope of the survey.

Redevelopment Projects and Large-Scale Development Projects

Redevelopment Project / Large-Scale Development Project

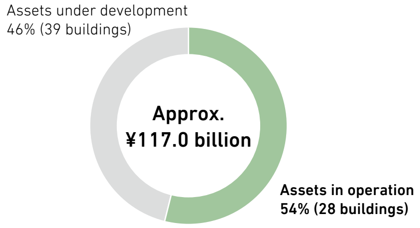
Scheduled Delivery	Location	Project Name	Total Units
FY2021	Atsugi, Kanagawa	The Parkhouse Hon-Atsugi Tower	163
FY2021	Chiba, Chiba	Makuhari Bay Park Sky Grand Tower	826
FY2023	Yokohama, Kanagawa	Land Readjustment Project (H block) in West District around Kawawa-cho Station	183
FY2023	Kita, Tokyo	Maintenance project of Kami-Jujo 1-chome 4-banchi Disaster prevention zone	43
After FY2025	Shinagawa, Tokyo	Togoshi 5-chome, 19 District Redevelopment Project	Approx. 240
	Yokosuka, Kanagawa	In Front of Oihama Station Type 1 Urban Zone Redevelopment Project	Approx. 300
	Minato, Tokyo	MitaKoyama-cho Nishi area Type 1 Urban Zone Redevelopment Project	Approx. 1,200
	Chuo, Tokyo	Toyomi area Type 1 Urban Zone Redevelopment Project	Approx. 1,700
	Chiyoda, Tokyo	Kanda Ogawa-cho 3-chome West-side South area Type 1 Urban Zone Redevelopment Project	Approx. 110

Note: Only major projects are listed.

Rental Apartment Business

Total Assets

(March 31, 2021)



Note: Ratio by value

Non-Asset Business

Ranking of Condominium Management Companies Based on Number of Units under Management

(2021)

	Company	Units
1	Nihon Housing	469,898
2	Daikyo Astage	431,656
3	Haseko Community	373,760
4	Tokyu Community	341,642
5	Mitsubishi Estate Community	334,074
6	Daiwa LifeNext	275,140
7	Gojinsha Keikaku Kenkyujo	223,043
8	Mitsui Fudosan Residential Service	202,606
9	Sumitomo Fudosan Tatemono Service	173,194
10	Nomura Real Estate Partners	166,976

Note: Source: "Ranking of condominium management companies based on number of units under management (2021)," Mansion Kanri Shimbun

Competitive Advantages

- The power of The Parkhouse and The Parkhabio brands backed by outstanding technologies, uncompromising product quality control, and a long and extensive track record.
- Quality control of The Parkhouse brand at all stages of the development process—from design and construction to completion—with "Check Eyes," our quality management and performance indication system, which reflects our dedication to all aspects of the properties we offer.
- Product-planning capabilities that ensure our buildings keep people safe through resilience in natural disasters and offer both comfort and cost performance and which respect the environment and the local region by paying careful attention to preserving biodiversity and helping realize a low-carbon society.
- The ability to provide services to meet all housing-related needs.

Business Strategies

Domestic Condominiums

- We aim to expand our customer base by strengthening our brand power through the enhancement of product appeal, reliability, and services and by leveraging said brand power to acquire loyal "fans."
- We intend to optimize material costs and construction costs by utilizing our leading business scale in residential condominium development in Japan.
- We are promoting redevelopment projects that make full use of our abundant know-how related to real estate development and of the comprehensive capabilities of the Mitsubishi Estate Group.

Rental Apartments

- We are aiming to stabilize segment profits through capital gains from rental apartments and other investment purposed properties in the Residential Business.

Non-Asset Type Businesses

- We aim to strengthen non-asset type businesses involving existing properties in such areas as residence management, brokerage, custom-built housing, and renovation.

Residential Business Value Chain

- We are providing one-stop services as a group making full use of all of the phases of the value chain, from land acquisition, development, sales, and management through to brokerage.

Progress on the Long-Term Management Plan 2030

Steady Promotion of the Condominium and Rental Apartment Businesses, Even amid COVID-19

In FY2021, despite being temporarily affected by closures of model rooms and other measures due to the spread of COVID-19, our condominium business saw an increase in the number of units sold compared with the previous fiscal year following a rise in interest in urban as well as suburban properties, resulting in low inventory levels at the end of the fiscal year. Although we are projecting a decline in the number of units sold in FY2022, we expect to maintain net sales on a par with FY2021 thanks to the completion of urban, high-end properties such as The Parkhouse Mita Garden Residence and Tower, The Parkhouse Takanawa Tower, and The Parkhouse Yokohama Shinkoyasu Front.

In our rental apartment business, we steadily secured investment opportunities, increasing the business's total assets to approximately ¥117.0 billion as of March 31, 2021, up approximately ¥29.0 billion compared with the previous fiscal year-end.

The Parkhouse Mita Garden Residence and Tower

Sustainability Initiative

Condominium Development Meeting Net-Zero-Energy House (ZEH-M Ready) Standards — A First for The Parkhouse Series

In cooperation with Kintetsu Real Estate Co., Ltd., Mitsubishi Estate Residence Co., Ltd., is advancing the development of The Parkhouse Shin-Urayasu Marine Villa,*1 which meets the net-zero-energy house (ZEH-M Ready),*2 standards for condominiums, a first for Mitsubishi Estate Residence's The Parkhouse condominium series. This property has been awarded a five-star rating (the highest evaluation) under BELS for raising the energy-efficiency performance of the building and creating its own energy using solar power generation and other systems as well as for realizing a 50% reduction in its primary energy*3 consumption.

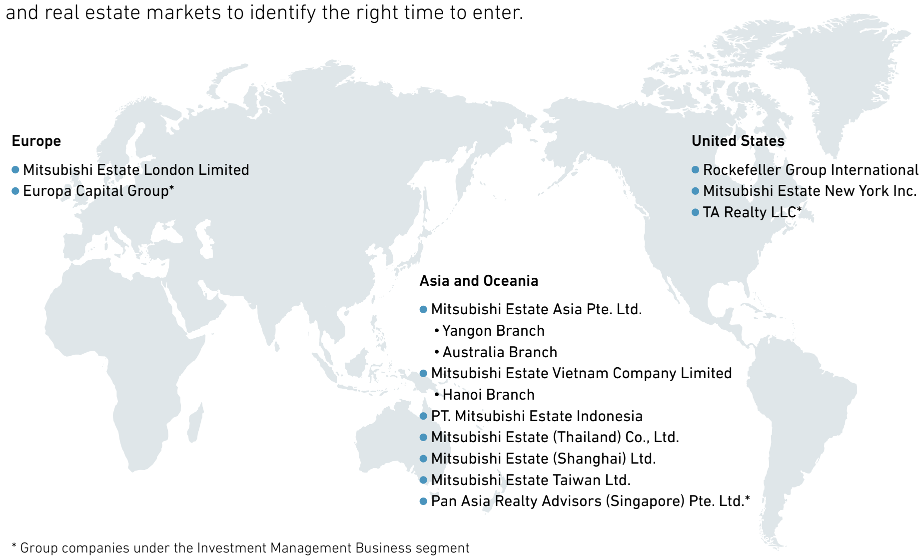
*1 Sections 1 and 2 are scheduled for completion in early October 2021 and early August 2022, respectively.
*2 Net-zero-energy house standards for condominiums refer to a type of residence that aims to offset its annual primary energy consumption, for which graded standards have been set for reducing primary energy consumption.
*3 Primary energy refers to petroleum, natural gas, sunlight, and other naturally derived energy sources. Primary energy consumption is calculated based on heating and cooling, ventilation, lighting, hot water supply, and five other categories.

The Parkhouse Shin-Urayasu Marine Villa

International Business

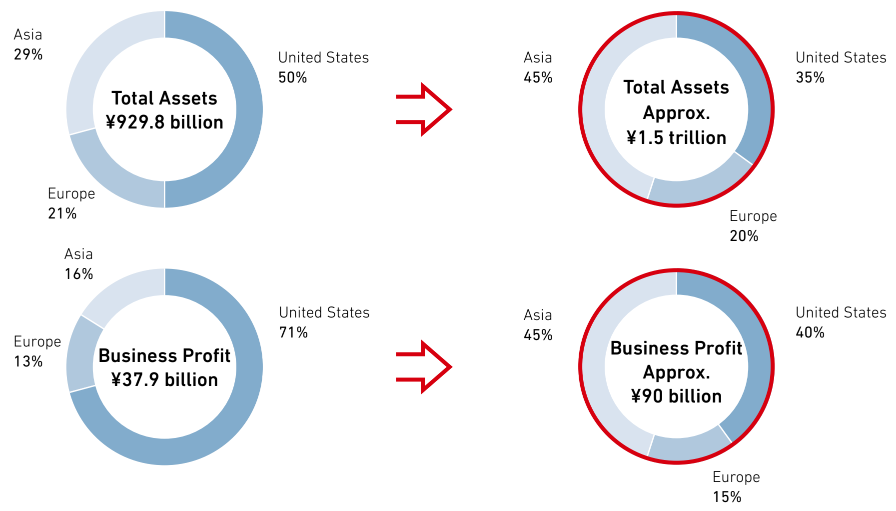
Overview

The Mitsubishi Estate Group's International Business began with the establishment of a company in the United States in the early 1970s. Its geographical coverage has since expanded to include the United Kingdom, mainland Europe, and Asia and Oceania. We have been strengthening our portfolio with both management properties predicated on returns from rental fees and properties for sale premised on raising their value under a capital-recycling business model. We are promoting business expansion with respect to the real estate trading rules and business customs of each country. Furthermore, we seek to apply optimal business models for each market based on macroeconomic data and analysis of capital and real estate markets to identify the right time to enter.



* Group companies under the Investment Management Business segment

Total Assets and Ratio of Business Profit by Region



Competitive Advantages

United States
- The sourcing power of Rockefeller Group International, Inc. (RGII), and its development know-how and track record, as well as the name recognition it brings.
- TA Realty LLC's networks and track record in raising the value of properties.

Europe
- Sourcing power based on business achievements over a long period.
- The establishment of development teams and operational effectiveness.
- Europa Capital LLP's networks and track record in raising the value of properties.

Asia and Oceania
- Development know-how gained in the business in Japan.
- Acclaim the Group has won for its track record in Japan among businesses in leading cities in Asia excluding those in Japan.
- Relationships with leading local partners.
- The networks Pan Asia Realty Advisors (Singapore) Pte. Ltd. (PA Realty) has established together with CLSA Real Estate Partners (CLSARE), which handles the real estate fund management business in Asia and Oceania.

Business Strategies

- Compared with current levels, we will increase business profit by around ¥50.0 billion and double our total assets in 2030. To that end, we will aim to secure opportunities to invest between ¥200.0 billion and ¥250.0 billion on an annual basis.

Basic Strategies for Each Area

The United States
- Reinforcement of capital-recycling business leveraging RGII's know-how
- Promotion of joint ventures with local partners
- Expected return from investment IRR: 8%–10%

Europe
- Implementation of investments and returns with a focus on balancing profit stability and capital efficiency
- Promotion of business development centered on large-scale projects* that have already been decided

* 8 Bishopsgate, London, and 60–72 Upper Ground, London

- Expected return from investment IRR: 8%–10%

Asia and Oceania
- Increase in investment balance and establishment of a capital recycling portfolio
- Business promotion based on the two approaches of business development in which we have a major share and of joint business with local partners
- Expected return from investment:
  IRR (developed countries): 8%–10%;
  IRR (emerging countries): Over 10%

Progress on the Long-Term Management Plan 2030

Participation in a Data Center Business in the United States

On May 7, 2021, we announced our first participation in a data center business in the United States. TA Realty LLC, a Group company, is promoting the development of this project at a total cost of ¥200.0 billion to construct a campus of seven data centers (two of which the Company plans to invest in on a joint basis) in northern Virginia, where data centers are concentrated. We anticipate that global demand for data centers will increase continuously and will proactively enter this kind of outstanding investment opportunity as we move forward.


Rendering of the completed data centers
Note: Actual buildings may differ from the above rendering as we are planning a build-to-suit development.

Acquisition of New Business Development Opportunities and Upcoming Completion of New Properties (Europe and Asia and Oceania)

In Europe, we are leveraging the know-how of Europa Capital LLP, a Group company, to promote a rental housing business in London and to acquire development opportunities in various locations in Europe, such as Barcelona and Stockholm.

We are also acquiring new development opportunities in Asia and Oceania, most notably a condominium business in Australia. Meanwhile, development projects that we have promoted in various locations are scheduled for completion one after another from FY2021 onward.

(Europe)


Morello (London, rental housing)


Fyrkanten 11 (tentative name) (Stockholm, office renovation)


Cristóbal de Moura 121-125 (tentative name) (Barcelona, office)

(Asia and Oceania)


Savya Financial Center North Tower (Manila)

One Sydney Harbour Residences One / Residences Two (Australia)


Weifengchuxiao (China)

Sustainability Initiative

Support for the Local Community through a Residential Development for People with Developmental Disabilities

At The Green at Florham Park, a large-scale, mixed-use project combining offices, residential housing, and a hotel that it is working on in cooperation with its joint venture partners in the city of Florham Park, New Jersey, Rockefeller Group International, Inc. (RGII), has developed 62 units (completed in October 2020) for people with developmental disabilities. As places where those with developmental disabilities can enjoy vibrant lives were lacking in this area, RGII developed these units to provide support for the creation of employment opportunities and the promotion of leisure activities. There is considerable social significance to providing living space and community-building opportunities for people with developmental disabilities in this kind of large-scale development project, which serves as a case study of a private developer shouldering a public role through urban development. As a result of these efforts, those in the supportive housing units are able to lead vibrant lives while enjoying their new living environment as members of the community.

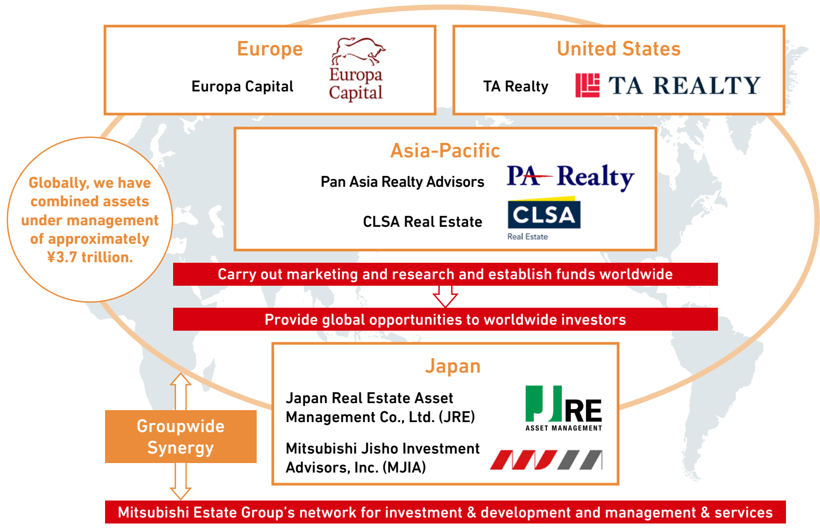

View of The Green at Florham Park

Investment Management Business

Investment Management Business

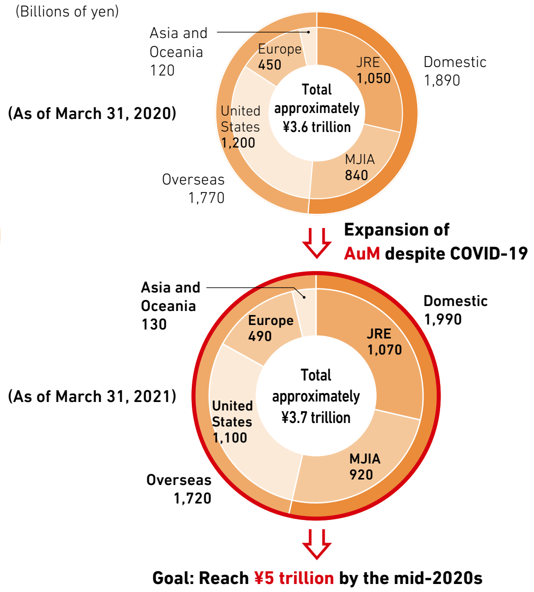
Overview

- Through the execution of M&A deals and other activities overseas, we have established a strategic global investment management platform. This enables us to provide global asset management services to clients by leveraging our expertise and achievements fostered in Japan, the United States, Europe, and Asia excluding Japan.
- In Japan, the Investment Management Business offers specialist services. Mitsubishi Jisho Investment Advisors, Inc., provides asset management services across a wide range of investment products, including the country's largest private real estate investment trust (REIT) and a listed logistics REIT, while Japan Real Estate Asset Management Co., Ltd., manages Japan's first publicly listed office REIT.



AuM (Assets under Management) Area Breakdown

(Billions of yen)



Business Strategies

- By utilizing our hybrid investment model strategy, through which we co-invest our principal investment capital alongside our clients' in funds that our Group companies manage, we seek to capture demand for cross-border property investments. Through this approach, we are simultaneously pursuing the expansion of our overseas portfolio while benefiting from enhanced investment diversification as well as expanding and strengthening our investment management businesses.
- In Japan, we meet the needs of domestic and overseas investors by providing a diverse lineup of products, including listed REITs, private REITs, and private funds, as well as dependable asset management services.

Progress on the Long-Term Management Plan 2030

Commencement of the Management of a Core Open-Ended Fund in Europe

In October 2020, Europa Capital put together and commenced the management of the Europa Diversified Income Fund (EDIF), an open-ended fund for investing in real estate in continental Europe. The launch of this fund marks the first time* that a real estate fund management company affiliated with a Japanese company has begun the management of such a fund.

With initial assets of €350.0 million (approximately ¥42.7 billion), EDIF will focus on investments in stable assets in operation, including logistics, housing, and offices in various European countries, such as Germany, France, and the Netherlands. While EDIF is an open-ended fund in Europe, it will further accelerate the growth of our Investment Management Business by offering yet more extensive products and services to institutional investors throughout the world, following such funds in Japan and the United States.

* Based on the findings of Mitsubishi Estate

Sustainability Initiative

Receipt of High Ratings in the GRESB Real Estate Assessment

Japan Real Estate Investment Corporation (JRE) and Mitsubishi Estate Logistics REIT Investment Corporation (MEL) received the following high ratings in the GRESB* Real Estate Assessment carried out in 2020.

JRE: Awarded five stars (the highest rating), selected as a sector leader (Asia) in the listed office sector, and ranked number one for the second consecutive year in the office sector for listed companies in Japan.

MEL: Awarded five stars and selected as a sector leader (global and Asia) in the listed real estate sector.

* GRESB is the name of the annual benchmark assessments measuring the environmental, social, and governance-related (ESG-related) performance of real estate companies and funds and of the organization that operates these assessments.

GRESB REAL ESTATE

Architectural Design & Engineering Business and Real Estate Services Business

Overview

Architectural Design & Engineering Business

- As a full-service architectural design and engineering firm, we have extensive experience in urban planning covering such areas as the design and management of buildings for various applications and proposal-based consulting, including large-scale complex developments in the Marunouchi area, and the design of underground spaces that take into account traffic conditions.
- We undertake design and management with an in-depth understanding of operation, maintenance, and management from the perspectives of business operators and clients based on experience cultivated as a comprehensive developer's in-house design office.
- We have access to a wealth of information on China and Southeast Asian countries through a network centered on local subsidiaries established in Shanghai and Singapore.

Real Estate Services Business

- The Real Estate Services Business boasts one-stop real estate solution provision capabilities leveraging a wide-ranging service menu (including support utilizing CRE* information and real estate brokerage) and the Mitsubishi Estate Group's comprehensive strengths.
- We provide solutions throughout Japan using our nationwide branch network backed by specialist expertise and knowledge.

* Corporate real estate (CRE): Real estate held or used by a business enterprise or organization for its own operational purposes. In recent years, there has been growing interest in using CRE strategically to contribute to increasing corporate value.

Business Strategies

Architectural Design & Engineering Business

- In addition to handling design project orders from within the Group and from long-established clients, the Architectural Design & Engineering Business is working closely with the Business Development, Client Relations & Solutions Group to win new orders.
- Besides construction management work involving the comprehensive management of projects such as construction schedules, budgets, and quality control, we are focusing on winning orders in renovation and other growth fields in order to expand our earnings base.
- We provide technological support to Group companies and seek to generate synergies therewith.

Real Estate Services Business

- We are aiming to be the leading company in CRE strategy support, real estate consulting, and recreational land and recreational facility management by providing services to enterprises and high-net-worth individuals as our core customers.
- We are strengthening our value chain, which combines a variety of service menus of the Business Development, Client Relations & Solutions Group and of each of the Group's businesses, while expanding the range of services we provide to existing customers.

Progress on the Long-Term Management Plan 2030

Integration of Mitsubishi Real Estate Services' Parking-Lot-Related Business into a Subsidiary

Effective April 1, 2020, Mitsubishi Real Estate Services Co., Ltd., executed a company split of its parking-lot-related business and integrated it into its subsidiary Parking Management Organization, Ltd. (PMO). Concurrent with the integration, we changed PMO's name to Mitsubishi Estate Parks Co., Ltd., merged the coin-parking business that had previously been operated by Mitsubishi Real Estate Services with PMO's facility parking-lot-related business, and began sales. Going forward, we will target net sales of ¥16.0 billion and management of parking lots with a capacity for 80,000 automobiles in 2025, five years after integration, as we aim to achieve further growth in the parking-lot-related business by expanding areas of operation centered on the bases of various Mitsubishi Estate Group companies and on the provision of efficient facility operation and management leveraging cutting-edge technologies.

Sustainability Initiative

Support for Acquisitions of ZEB and BELS Certifications by Examining the Possibility of Reducing CO_2 Emissions for an Entire Portfolio and Making Proposals

Mitsubishi Jisho Sekkei Inc. was commissioned by the Japan Real Estate Investment Corporation (JRE) to examine the possibility of reducing CO_2 emissions for its entire portfolio and to identify properties that could be converted to net-zero-energy buildings (ZEB)*1 while carrying out concrete examinations aimed at converting such properties to net-zero-energy buildings. Specifically, Mitsubishi Jisho Sekkei proposed methods for reducing CO_2 emissions by analyzing building age, building envelope performance, building scale, and air-conditioning and lighting systems. Based on the analysis results, JRE set a target of converting between five and 10 of its properties to net-zero-energy buildings by 2030. As a first step toward achieving this target, JRE acquired ZEB Ready*2 certification at the design stage and a five-star rating under the Building-Housing Energy-efficiency Labelling System (BELS) for its Higashi-Gotanda 1-Chome Building.


View of Higashi-Gotanda 1-Chome Building

*1 Buildings with annual primary energy consumption of net zero or less

*2 As advanced buildings in anticipation of ZEB certification, buildings awarded ZEB Ready certification are those with primary energy consumption that has been reduced more than 50% compared with standard primary energy consumption, excluding renewable energy.

Business Development, Client Relations & Solutions Group

Overview

- The Business Development, Client Relations & Solutions Group will deliver the most effective proposals to customers by centrally managing customer contact point information and aim to maximize the acquisition of business opportunities for the Group.
- Acting as a Companywide, general contact point for the Group, Business Development, Consulting & Solutions Departments 1 and 2 will propose solutions maximizing the Company's resources in response to all manner of customer real estate utilization needs.
- The Office Leasing and Tenant Relations Department will carry out extensive office leasing activities by leveraging the Group's diverse building assets and customer relationships.
- In addition to properties owned by the Group, the Retail Property Leasing Department will conduct leasing activities for retail facilities boasting diverse characteristics, from urban to suburban facilities, including properties owned by other companies.

Competitive Advantages

- A cross-segment, strategic sales organization.
- Firm understanding of various apparent and latent needs of customers.
- Provision of abundant solutions drawing on Companywide resources.
- Leveraging of medium- to long-term relationships with office tenants and other customers and brokerage companies.
- Leveraging of relationships with retail tenants through an abundant leasing track record stretching from urban to suburban facilities.

Integration of Sales and Customer Information and Leveraging of Information across the Group

Various apparent and latent needs of customers
Existing customers / new customers / collaboration partners

	Information acquisition through multi-tiered channels ↓	Firm understanding and analysis of customer trends and markets ↓	Proposal of optimal solutions from a Companywide perspective ↑
Customer Contact Point Functions	**Business Development, Consulting & Solutions Departments 1 and 2**	**Office Leasing and Tenant Relations Department**	**Retail Property Leasing Department**
	Integration and target selection of sales and customer contact point functions	Improvement of product planning and proposal capabilities by strengthening marketing functions	Establishment of systems and frameworks for harnessing integrated sales functions
Information Hub Function		**Client Strategy Planning Department**	
	↓ Creation of broader and deeper proposal and matching opportunities	↓ Development of products and services from the customer's perspective	↑ Consolidation of business menu and resource information

The Mitsubishi Estate Group's variety of business opportunities
Departments / Group companies / New services and business models

Progress on the Long-Term Management Plan 2030

Undertaking for a New Function Matching Customer Needs as a Section Featuring Direct Contact Points with Customers

Workation https://workxation.mec.co.jp/ (Japanese only)

This business operates new facilities supporting innovation creation by offering out-of-the-ordinary spaces to companies and, in doing so, it realizes regional revitalization. Coined in the West, "Workation" is a portmanteau of the words "work" and "vacation." In Japan, however, which has a different working culture, we define it more broadly, for example, as a place for realizing diverse workstyles, examples of which include changing location, fostering communication, and creating innovation. Following the opening of Workation x ation in Nanki Shirahama and Karuizawa, we opened WORK x ation Site Atami and WORK x ation Site Ito Shimoda in May and July 2021, respectively. We will continue developing new products tailored to a broad spectrum of workstyles by leveraging expertise and know-how that only the Mitsubishi Estate Group can offer while building new relationships between regional and urban areas that contribute to regional revitalization.

Workspace at WORK x ation Site Atami

Art Media Consulting Business https://www.magus-corp.jp/ (Japanese only)

The Mitsubishi Estate Group, which has long spurred innovation through urban development, has incorporated art in urban settings as well as its offices and other properties over a period of many years. We established MAGUS Co. as a joint venture with companies including Warehouse TERRADA, TSI HOLDINGS CO., LTD., and Tokyu Corporation. MAGUS will carry out a business offering consulting services to corporations and various services to individual entities (such as schools and for event planning and advisory services) through the operation of art-related informational media (such as art news and web magazines) connecting artists, ordinary citizens, corporations, and the world. Going forward, we will continue to build an enriched society by incorporating art into our creation of urban environments and development efforts as well as into our relationships with customers.

MAGUS

Innovation and Business Transformation Group

Overview

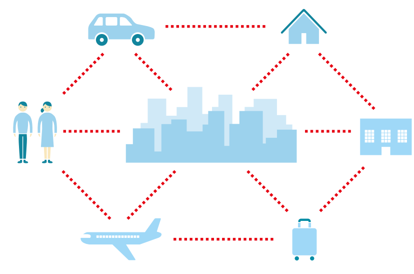
- The Business Creation Department will (1) create new businesses unique to the Company while (2) leading efforts to create frameworks and promote open innovation initiatives aimed at creating new businesses for the Mitsubishi Estate Group.
- The DX Promotion Department will (1) secure new sources of earnings and (2) increase earnings and enhance productivity by refining existing business models and work processes through the leveraging of digital technologies while (3) leading the establishment of a Groupwide IT platform and promotion of Group IT governance.

Innovation and Business Transformation Group

- **Business Creation Department**
  1. Creation of new businesses
  2. Creation of frameworks and promotion of open innovation initiatives aimed at the creation of new businesses
- **DX Promotion Department**
  1. Securement of new sources of earnings
  2. Heightening of earnings by refining existing business models and work processes
  3. Establishment of a Groupwide IT platform

Competitive Advantages

- Our wide-ranging business portfolio in the real estate domain as a comprehensive developer.
- Our B2C contact points with workers and visitors in area development districts such as Otemachi, Marunouchi, and Yurakucho, with visitors to retail facilities and airports, and with residents and other parties based on our position among the leading companies in Japan in terms of number of condominiums supplied and assets under management.
- Relationships established with diverse tenants and corporate business partners, from leading major companies from various industries to start-up companies that have become tenants at our innovation hubs, including Inspired. Lab., FINOLAB, and EGG JAPAN.



A world where people and places are connected better online

Business Strategies

- In response to latent social needs, we will seek new earnings opportunities by accumulating and analyzing available data online and offline, with a focus on B2B and B2B2C contact points.
- Leveraging our knowledge cultivated in the real estate business, we will expand our business domains* by proactively cooperating with external partners. As a field for verifying the business structures born of such cooperation, the Group will utilize diverse real estate stock that it owns and manages.

* including agricultural facilities, meditation studios, and a biomass power generation business.

- We will drive automation and laborsaving processes by using IT and digital tools, such as robotic process automation (RPA) and business chat tools, as means of increasing productivity with the power to propagate effects cross-organizationally and across the entire Group.
- We will promote the increased efficiency and sophistication of real estate-related processes by leveraging technologies while creating new value and functions for real estate.
- We will proactively conduct investments and accelerators to promote open innovation while leveraging our New Business Proposal System to uncover new business seeds from within the Company, thereby driving new business creation both internally and externally.

Message from the Executive Officer in Charge of the Business Creation and DX Promotion Departments

Senior Executive Officer
Ikuo Ono

In a bid to play a major role in increasing earnings and profits in the non-asset business domain and service content provision domain under Long-Term Management Plan 2030, the Innovation and Business Transformation Group aims to offer seamless services by expanding "touchpoints" with customers online, in addition to customer contact points at physical locations through the development, sale, and operation of real estate, which the Company specializes in.

By analyzing the information that we acquire and accumulate from diverse customer contact points in a cross-sectional manner, we will accurately identify customer needs and use the findings for the early discovery and resolution of issues in our existing business domains, for the uncovering of new business opportunities, and, in particular, for the provision of B2C and B2B2C service content, as set forth in Long Term Management Plan 2030.

Based on our extensive user reach and abundant real estate asset touchpoints, we will further extend our business domains by leveraging technologies and working closely with external stakeholders while expanding our revenue base through the provision of new services and service content.

Among these efforts, we will increase IT utilization speed and literacy for the Group as a whole by focusing in a well-balanced manner on the development of a Groupwide IT platform and on the strengthening of Group IT governance, with the goal of smoothly promoting the utilization of the digital technologies and IT that will be indispensable to our growth strategies.

Innovation and Business Transformation Group

Business Creation Department

1 Creation of New Businesses

As of July 2021, our investments in start-ups and venture companies in Japan and overseas, conducted mainly by our Business Creation Department, stood at ¥20.0 billion (including commitments). As part of our efforts to create new businesses, we have established seven focus areas: 1) agriculture; 2) renewable energy; 3) infrastructure, public and private partnerships (PPPs), and private finance initiatives (PFIs); 4) real estate-related services; 5) content, entertainment, and sports; 6) tourism, inbound-related businesses, and regional revitalization; and 7) healthcare and food, with the aim of creating new sources of earnings.

Focus Areas	Investment Targets	Mitsubishi Estate's New Businesses
Agriculture	SARA	MECアグリ
Renewable energy	clean planet	
Infrastructure, public and private partnerships (PPPs), and private finance initiatives (PFIs)	Hokkaido Airports	富士山静岡空港 / 高松空港 TAKAMATSU AIRPORT / みやこ下地島空港ターミナル
Real estate-related services	CITY FARM / Spacee / Linough / b8ta / サマリーポケット / SEQSENSE	spacemotion / MEC Industry / NINJA SPACE / hmlet
Content, entertainment, and sports	JAPAN CYCLE LEAGUE / JCG / ぴあ	GYM / 1 TICKET FITNESS / ぷらごろ
Tourism, inbound-related businesses, and regional revitalization	上川大雪酒造	膝栗毛 HIZAKURIGE
Healthcare and food	FiNC / 羽田市場	Medicha

2 Creation of Frameworks Aimed at the Creation of New Businesses and Open Innovation Initiatives

New Business Proposal System—Mitsubishi Estate Group Innovation Challenge (MEIC)

Through the New Business Proposal System, launched in 2009, we have extensively sought business proposals and ideas from employees. In FY2022, in light of a rapidly changing business environment due to factors including the emergence of new lifestyles and values triggered by the COVID-19 pandemic and the digital shift in all kinds of industries, we have expanded the scope of this system to encompass Group companies and launched a new program, the Mitsubishi Estate Group Innovation Challenge (MEIC), in order to further promote this system. The secretariat for the proposal system will provide support for everything from refining to commercializing ideas as well as offering encouragement to employees in their endeavors. By doing so, the Group aims to create new businesses that help diversify its sources of earnings and strengthen its core business as well as spur Groupwide innovation using more flexible ideas, unshackled by conventional limitations. Thus far in FY2022, we have received a record 89 applications, which we are examining with a view to commercialization.

Accelerator Program

Since 2017, we have been implementing our Accelerator Program, which aims to create new businesses through open innovation with start-up companies in order to innovate business models and spur innovation.

In 2020, taking into account the conditions required by drastic social transformations and changes in behavioral patterns, we invited applications from start-up companies to be our partners in jointly addressing issues and offering new value to society on the theme of realizing a business model based on continuous business development. We selected eight start-up companies from the 110 business plans we received and are promoting efforts toward commercialization.

Progress on the Long-Term Management Plan 2030 / Sustainability Initiative

Entry into the Biomass Power Generation Business

In May 2021, Mitsubishi Estate, SHIZUOKA GAS AND POWER K.K., and PROSPEC AZ Inc. established Higashi Matsuyama Biomass Power Generation, LLC, a joint venture company, marking the Company's first foray into the biomass power generation business. The joint venture company will develop a biomass power generation plant with a power generation capacity of 1,990 kW in Higashi Matsuyama, Saitama Prefecture, at which it plans to commence operations in FY2023. This business is a local closed-loop renewable energy power generation business that reuses wood materials from pruning urban waste matter, including roadside trees and trees in parks, as fuel. We expect the plant to generate approximately 15.0 GWh annually (equivalent to power for 4,800 households) and achieve CO_2 emission reductions of approximately 6,900 tons per year.

In light of the calls for achieving a decarbonized society and the rapidly rising interest in renewable energy in Japan and overseas, we plan to continue developing biomass power generation businesses throughout Japan at a rate of two or three per year. Through these efforts, we aim to realize a sustainable society by contributing to the popularization of renewable energy.

DX Promotion Department

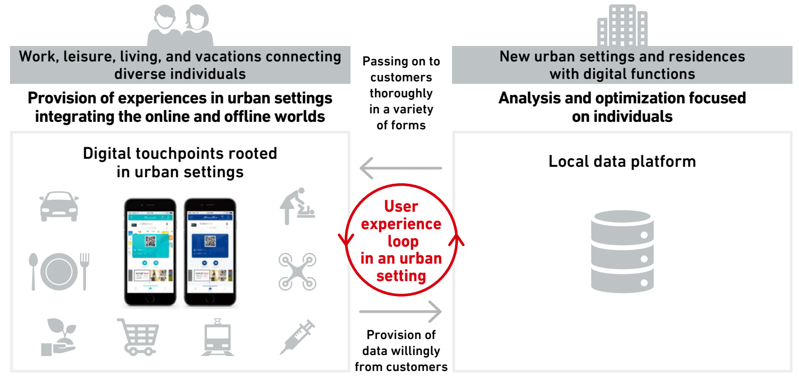
1 Securement of New Sources of Earnings and 2 Expansion of Earnings by Refining Existing Businesses

New Urban Development through the Integration of Real and Digital Aspects

Digital Vision

In June 2021, we formulated the Mitsubishi Estate Digital Vision, which aims to create more livable urban environments for ordinary citizens through digital transformation. Under this vision, the Group will develop environments that allow users to have enjoyable experiences in urban settings while moving back and forth freely between the online and offline worlds, by extending the physical contact points with customers that it has built up in its real assets and diverse business portfolio. In addition, we will pass on the data accumulated through these experiences to users in the form of various optimized services and new service offerings. Mitsubishi Estate will evolve urban environments into platforms for new discoveries and inspirations by promoting the creation of settings where people and companies can assemble, meet, and interact both online and offline with other people and other companies.

As part of our efforts to realize this vision, we have built Machi Pass, a common authentication ID. Via this single common authentication ID and a password, users can take advantage of a variety of services offered in an urban setting as well as receive optimized information and services based on such data as their user history and location information, if they so wish. This initiative will help evolve the urban setting into a place that provides enriched user experiences by accumulating and optimizing the experiences of individual customers as data and passing it on to them to facilitate yet better experiences.



Utilization of Robotics Technology

Next-Generation Urban Development Utilizing Robots and Digital Twins

Security robot SQ-2

We are working on next-generation urban development utilizing advanced technologies in cooperation with the national and Tokyo metropolitan governments and other agencies. In facility management, we are already achieving tangible results, including work efficiency improvements and cost reductions, at offices as well as at retail facilities, hotels, airports, and logistics facilities, by coordinating autonomous robots, elevators, IoT sensors, 3D data, and other technologies to automate work processes that are seeing increasing labor shortages, such as security, cleaning, and transportation. We are also utilizing the 3D City Model promoted by the Ministry of Land, Infrastructure, Transport and Tourism to examine a wide range of new ways to use technology in the urban development field, including autonomous driving, disaster preparedness simulations, and the utilization of sensors, by linking unified data from inside and outside facilities.

Participation in the Elevator Media Business

Participation in the elecinema Business

In November 2019, we established spacemotion, Inc., jointly with Tokyo, Inc. The newly established company is promoting an elevator media business (business name: elecinema) that delivers video content inside elevators. Combining the Group's real estate expertise with digital technology, elecinema is a digital transformation business that aims to create new value and functions for real estate and realize previously unavailable monetization by utilizing idle space to fill idle time.

Meanwhile, spacemotion is advancing the introduction of its video content centered on offices and condominiums in the Tokyo metropolitan area while making efforts to enhance customer experiences by upgrading content and improving product quality with a view to achieving further business expansion.

3 Establishment of a Groupwide IT Platform

Digital Transformation of Work Processes

At the Mitsubishi Estate Group, the IT Management Unit of the DX Promotion Department and MEC Business System Solutions Co., Ltd., a Group company, work closely to establish an IT environment underpinning the improvement of the Group's competitiveness as a whole through the construction, maintenance, and operation of applications and IT infrastructure used internally. In this process in particular, we aim to achieve overall, optimal Group IT operations, from principal upstream processes with a focus on conception planning of system development to downstream processes such as actual implementation and operational management, while working to introduce new technologies with the objective of increasing automation and improving productivity.

Sustainability (ESG) Section

The basic mission of the Mitsubishi Estate Group is "to contribute to society through urban development." Adopting a long-term view, the Group believes that it is of great importance to pursue business activities in harmony with society. In light of the growing momentum in Japan and overseas behind ESG investment, as well as initiatives for SDGs, we will aim to realize the ongoing improvement of corporate value and achieve a sustainable society by conducting corporate governance more rigorously than ever before while pursuing initiatives that pay close attention to society and the environment.

Sustainability-Related Policies and KPIs

Please refer to pages 20 and 21 for an overview of the Mitsubishi Estate Group's sustainability initiatives and to pages 22 and 23 for information on sustainability-related KPIs and progress toward the accomplishment of the associated targets.

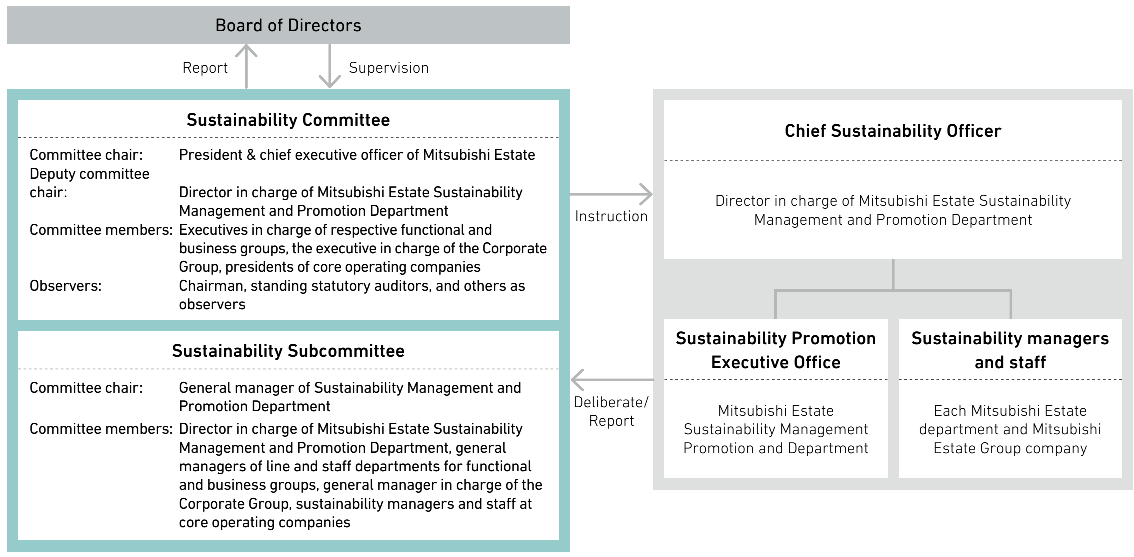
Sustainability Frameworks

Mitsubishi Estate takes a Groupwide approach to sustainability. Chaired by the president & chief executive officer of Mitsubishi Estate and with the director responsible for sustainability (the executive officer in charge of the Sustainability Management and Promotion Department at Mitsubishi Estate) as the deputy chair, the Group's Sustainability Committee comprises executives in charge of respective functional and business groups and the executive in charge of the Corporate Group, as well as presidents of major Group companies, and it ensures effective Groupwide promotion of sustainability. The Sustainability Subcommittee serves as a forum for detailed discussions to prepare for Sustainability Committee meetings.

The Sustainability Committee typically meets twice a year to deliberate on important matters and report on topics related to sustainability. Prior to the meetings of the Sustainability Committee, the Sustainability Subcommittee conducts preliminary discussions and topic reporting while compiling information on efforts to promote sustainability made by business groups.

Reports on important matters discussed or reported at meetings of the Sustainability Committee are reported at the following meeting of the Board of Directors by the individual responsible for overseeing sustainability initiatives. This arrangement allows for oversight by the Board of Directors.

In implementing sustainability-related measures, the director responsible for sustainability oversees the process, while the sustainability managers and staff of each department at Mitsubishi Estate and each Mitsubishi Estate Group company and of the Sustainability Promotion Executive Office (Sustainability Management and Promotion Department at Mitsubishi Estate) together head the execution of specific activities and studies.



Monitoring Frameworks

In FY2021, the Mitsubishi Estate Group implemented a framework for monitoring progress toward the accomplishment of its targets for the key themes and key performance indicators (KPIs) described in Mitsubishi Estate Group 2030 Goals for the SDGs (see pages 22 and 23). Under this framework, single-year targets and initiatives will be defined in the annual plans for each business group and functional group, and these targets and initiatives will be monitored. Information on the status of target accomplishment and details of initiatives are compiled by the Mitsubishi Estate Sustainability Management and Promotion Department, which functions as the secretariat for sustainability initiatives. This information is then reported to the Sustainability Committee and the Sustainability Subcommittee. After meetings of the Sustainability Committee, the executive officer in charge of the Mitsubishi Estate Sustainability Management and Promotion Department, who is responsible for overseeing sustainability initiatives, reports on the deliberations of the meeting in question at the following meeting of the Board of Directors.

Moreover, the accomplishment of annual plan targets is used as one of the qualitative evaluation items for determining the remuneration paid to officers.

History of Sustainability Committee Meetings (Over past three fiscal years)

	Date	Major topics
FY2021	February 8, 2021	• Introduction of renewable energy in Daimaruyu area • Initiatives for achieving traceability for concrete form panels at Mitsubishi Estate Residence Co., Ltd. • Report on OMY SDGs ACT5 project • Internal communication measures related to sustainability, etc.
	July 30, 2020	• Road map for accomplishing Mitsubishi Estate Group 2030 Goals for the SDGs and issue analysis • Conclusion of sustainability-linked loans, etc.
FY2020	February 10, 2020	• Discussions on an implementation plan and checking system aimed at advancing action plans in the Mitsubishi Estate Group 2030 Goals for the SDGs and a specific action plan for human rights • Report on joining RE100 and endorsement of recommendations of Task Force on Climate-related Financial Disclosures, etc.
	December 11, 2019	• Establishment of the long-term vision and the medium-term goals in relation to sustainability management • Status of response to ESG investment and various benchmarks (selection, issues, etc.), etc.
FY2019	March 12, 2019	• SDGs working group implementation report • Establishment of medium- to long-term CO_2 emissions reduction targets (SBTs), etc.
	July 31, 2018	• Report on proposal of medium- to long-term CO_2 emissions reduction targets (SBTs) • Internal SDGs working group (including examination of materiality) • Human rights due diligence procedures • Green bond issuance, etc.

Methods for Dialogue with Stakeholders

Stakeholders	Definition	Opportunities for dialogue	Primary themes
Customers	Users of tenant buildings, parties to housing and condominium contracts, various subcontractors, etc.	• Customer satisfaction surveys, questionnaires, etc. • Communication through marketing activities	Urban development to create safety and security Quality and safety management for products and services Urban development to support declining birth rates and aging populations
Community and Society	Local communities and local residents involved in the Mitsubishi Estate Group's business	• Meetings with influential stakeholders • Dialogue through cooperation with administrations, local government, and NPOs • Social contribution initiatives	Economic contributions to the community Promotion of smart communities Sustainable use of forest resources
Employees	Mitsubishi Estate Group employees	• Communication via personnel evaluations • Dialogue via compliance survey and other internal platforms	Development of employees' capabilities, utilization of diverse human resources, and provision of equal opportunities Maintenance of safety as well as physical and mental health
Business Partners	Construction subcontractors, cooperating companies, suppliers, etc.	• Communication during operations • Subcontractor evaluation systems, training sessions for registered construction firms, quality and safety promotion conferences, etc. • Communication during procurement activities • Notification of CSR procurement guidelines	Supply chain management Green procurement Urban development to create safety and security
Shareholders and Investors	Individual and institutional investors	• Financial results briefings (twice a year) • Small group meetings and property tours for analysts • Meetings with Japanese and foreign institutional investors • Communication using IR tools	Economic performance Healthy corporate management

Target and Initiative Policies

Sustainability is included as part of the Mitsubishi Estate Group Guidelines for Conduct based on the recognition that the global environment is an important concern needing to be considered in business activities alongside customers, shareholders, and other stakeholders. As a specific provision, these guidelines state that we actively work to address climate change and other global environmental issues. The Group develops, holds, and operates a diverse portfolio of assets, and we realize that eliminating carbon emissions from real estate assets and managing waste production from facilities are important tasks to be addressed. Based on these policies and issues as well as on the opportunities and risks described on pages 22 and 23, we have established the following KPIs and are acting based thereon.

KPIs

	Targets
CO_2 emissions (Scope 1, Scope 2, and Scope 3)	35% reduction by 2030 and 87% reduction by 2050, compared with FY2018 (certification from Science Based Targets acquired in April 2019)
Renewable energy (%)	25% by 2030, 100% by 2050 (RE100 joined in January 2020)
Waste recycling rate (%)	90% by 2030
Waste disposal (kg/m^2)	20% reduction per m^2 by 2030, compared with FY2019

Please refer to pages 22 and 23 for information on the accomplishment of KPI targets and an overview of related initiatives.

Please refer to the Mitsubishi Estate Group's sustainability website for information on other KPIs and data.
https://www.mec.co.jp/e/sustainability/activities/esg-data/

Acceleration of Renewable Energy Adoption

Mitsubishi Estate has defined its target of sourcing 100% of the electricity used at 18 buildings in the Marunouchi area and at Yokohama Landmark Tower from renewable energy compliant with RE100 standards beginning in FY2022. This initiative is meant to further us toward the accomplishment of our CO_2 emissions reduction and renewable energy rate targets. The aforementioned shift at the 18 Marunouchi area buildings is projected to result in a reduction in CO_2 emissions of approximately 160,000 t-CO_2 (approximately 80% of CO_2 emissions from all Mitsubishi Estate buildings in the Marunouchi area), while bringing the renewable energy rate to around 30% on a Groupwide basis, thereby enabling us to accomplish our medium-term target of raising this rate to 25% by 2030 ahead of schedule.

Moreover, as renewable energy will be used for all of the electricity consumed in the applicable buildings, tenants of these businesses will be free to state that they are using renewable energy without the need for memorandums or other special agreements.

Furthermore, we will look to adopt renewable energy at all Mitsubishi Estate buildings in the Marunouchi area during FY2023, and we also intend to actively introduce renewable energy in other areas going forward.

Promotion of Recycling at Head Office and in Tenant Exclusive Areas

In February 2021, Mitsubishi Estate launched a campaign to promote full-fledged recycling, entailing sorting trash based on 15 categories, on all work floors of its Head Office. In addition, we are requesting that tenants also practice such recycling. These requests are backed by proposals of garbage stations in which garbage reciprocals allowing trash to be sorted into 15 categories can be stored in a compact manner. The reciprocals were developed through collaboration with an office fixture manufacturer. These reciprocals can be integrated into cabinets, with lidless slots to ensure that the reciprocals remain sanitary. By setting up these stations in tenant exclusive areas, we are contributing to improved recycling rates by encouraging the appropriate sorting of recyclable materials that had been previously thrown away as combustible waste.

Garbage station at Mitsubishi Estate Head Office

Waste Reduction and Recycling Promotion Together with Retail Tenants

In FY2021, we began measuring waste by tenant and by type for retail tenants at the Marunouchi Building. The goal of this initiative is to encourage tenants to curb waste volumes and practice appropriate recycling. In addition, we prepared easy-to-understand garbage-sorting manuals and videos to be used in awareness-raising activities targeting tenants. Through these efforts, we achieved a year-on-year reduction in the volume of food scraps and paper waste submitted for disposal via combustion along with a 4.5% increase in the rate of recycled food scraps over the three-month period from October to December 2020. Similar initiatives are underway at the Shin-Marunouchi Building and the Marunouchi Park Building, and we are examining the possibility of expanding the scope of these efforts.

Garbage-sorting manual for tenants (excerpt)

Regarding the TCFD's Recommendations

In accordance with the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD), we formulated two future scenarios, including the below 2°C scenario, and analyzed the future impact of climate change on the Mitsubishi Estate Group's primary businesses (offices, retail facilities, and housing). As follows, we have disclosed an overview of the four themes of corporate governance, strategy, risk management, and metrics and targets set out under said recommendations, taking into consideration the analysis results. See below for details.

Please refer to the Mitsubishi Estate Group website for information on the TCFD.
Information Disclosure Based on TCFD Recommendations:
https://www.mec.co.jp/e/sustainability/activities/environment/tcfd/pdf/TCFD_Recommendations.pdf

Corporate Governance

Important matters pertaining to sustainability, including climate change, are deliberated and reported on at meetings of the Sustainability Committee, chaired by the president & chief executive officer of Mitsubishi Estate, with the chief sustainability officer (the executive officer in charge of the Sustainability Management and Promotion Department at Mitsubishi Estate) as the deputy chair. Important matters discussed or reported at Sustainability Committee meetings are also reported to and supervised by the Board of Directors.

Strategy

In regard to climate change-related strategy, we have formulated two scenarios in accordance with the extent of the following global response to climate change. We have established a strategy in light of analysis of the impact on our businesses and identification of major risks and opportunities in each scenario.

Overview of Scenario Analysis Result / Major Impact / Approach and Strategy Going Forward

① 1.5°C–2°C Scenario (scenario in which the response to climate change makes progress due to the strengthening of government regulations and other policies)

[Scenario overview] • Climate change measures make progress as government environmental regulations are strengthened.

[Major impact] • Likelihood of a rise in the cost of construction materials, which are carbon intensive, associated with the introduction of a carbon tax.
• Likelihood of a decline in rents as vacancy rates rise for buildings without advanced environmental performance and leasing periods are extended.
On the other hand, it is assumed that there would be an opportunity to maintain and increase competitiveness in the market by introducing electricity sourced from renewable energy and implementing other environmental initiatives.

② 4°C Scenario (scenario in which the response to climate change makes insufficient progress, global warming worsens, and natural disasters intensify and increase)

[Scenario overview] • Natural disasters intensify and increase as the response to climate change makes insufficient progress.

[Major impact] • Although there is a likelihood that costs due to temporary flood damage and other disasters would increase, the damage is not expected to be serious given the prior implementation of industry-leading measures at Company properties.

[Approach and strategy going forward]
In addition to switching existing electricity contracts, we are examining a variety of methods for procuring all kinds of renewable energy, including corporate power purchase agreements (PPAs) and green power certificates (including overseas power certificates). Moreover, we are looking to leverage new technologies as we aim for further reductions in CO_2 emissions.

Risk Management

To achieve the targets set out in Mitsubishi Estate Group 2030 Goals for the SDGs, in managing climate change risks, we incorporate action plans into annual plans for each business group and functional group and have commenced monitoring and management of the status of their progress since FY2021 at meetings of the Sustainability Committee and at subsequent meetings of the Board of Directors on a biannual basis.

Metrics and Targets

CO_2 Emissions (Mitsubishi Estate Group, Scope 1, Scope 2, and Scope 3)

[Targets] 35% reduction by 2030 and 87% reduction by 2050, compared with FY2018 (certification from Science Based Targets acquired in April 2019)

FY2021 result: 3,533,468 t-CO_2

Renewable Energy Rate (Mitsubishi Estate Group)

[Targets] 2030: 25%
2050: 100%
(RE100 joined in January 2020)

FY2021 result: 3.1%

2 Diversity & Inclusion

Target and Initiative Policies

The Mitsubishi Estate Group recognizes that respect for human rights and accommodation of diverse human resources and workstyles are crucial to management and business activities. Accordingly, the Mitsubishi Estate Group Guidelines for Conduct include provisions related to respect for human rights and diversity and empowerment of individuals, and the Mitsubishi Estate Group Human Rights Policy has been established to direct steadfast efforts based on these guidelines. Based on this human rights policy, and for the purpose of empowering female employees, the Company has formulated an action plan in accordance with Japan's Act on the Promotion of Female Participation and Career Advancement in the Workplace and with other plans for specific human rights themes. We have established the following KPIs and are acting based thereon in line with these plans and the opportunities and risks described on pages 22 and 23.

Action plan based on Japan's Act on the Promotion of Female Participation and Career Advancement in the Workplace
https://www.mec.co.jp/e/sustainability/activities/social/work-life-balance/
Mitsubishi Estate Group Human Rights Policy
https://www.mec.co.jp/e/sustainability/activities/social/human-right/pdf/human_rights_policy_20180401.pdf

KPIs

	Targets
Ratio of female managers	Above 10% by FY2031
Ratio of female employees in assistant manager positions and thereby candidates for management positions	Approx. 30% by FY2026
Ratio of male employees taking childcare leave of absence	100% by FY2031
Ratio of female employees taking childcare leave of absence	100% each year until FY2031
Use rate of lumber that complies with the Sustainable Sourcing Code*1 or an equivalent in office buildings and housing constructed using concrete form panels*2	100% by FY2031

*1 Defines standards and operational procedures for ensuring procurement with consideration for sustainability with respect to international agreements and codes of conduct in fields relevant to sustainability
*2 Framework composite boards made by putting ready-mixed concrete into frameworks and used in construction of concrete buildings

Please refer to pages 22 and 23 for information on the accomplishment of KPI targets and an overview of related initiatives.

Please refer to the following website for information on other KPIs and data.
https://www.mec.co.jp/e/sustainability/activities/esg-data/

Initiatives for Promoting Respect for Human Rights

The Mitsubishi Estate Group has set a target of achieving a 100% use rate of lumber that complies with the Sustainable Sourcing Code (Certified Wood and Domestically Produced Wood) or an equivalent for concrete form panels by FY2031. With this goal, we look to combat human rights violations (child labor, seizing of land of indigenous people, etc.) that could occur during the process of manufacturing the timber used to produce the concrete form panels utilized for constructing office buildings and housing.

As part of our efforts to accomplish this target, requirements for suppliers to use timber that meets the aforementioned criteria have been included in requests for quotes distributed to construction companies when contracting new construction projects since April 2020. In addition, timber meeting these criteria is used for concrete form panels in Mitsubishi Estate Residence's The Parkhouse series of condominiums, and steps are taken to ensure traceability*1 with regard to this timber. For example, we began receiving third-party verification for the traceability of the timber certified under the Programme for the Endorsement of Forest Certification*2 used in The Parkhouse Komazawa Residence, while The Parkhouse Takanawamatsugaoka became the first condominium building in the world to receive certification under the Forest Stewardship Council®.*3

In addition, Mitsubishi Estate is working to address the labor environment and other issues faced by overseas technical interns taking part in the Technical Intern Training Program in Japan. Requests for quotes contain provisions about providing information and instruction to partners related to the compensation and lifestyles of said technical interns, and investigations are conducted to confirm conditions with this regard. Furthermore, in Asia, a region where human rights violations are common, we have prepared checklists (containing items related to land seizure, etc.) for use when performing human rights due diligence at the stage of examining possible business ventures, and the decision of whether to engage in a given business is made based on due diligence investigations.


Formwork concrete panel use

*1 Ability to track the distribution process of products and raw materials back to the point of production
*2 A mutual certification program that assesses the timber certification systems established in individual countries
*3 Source: Mitsubishi Estate Co., Ltd.

Recognition under 2021 Certified Health & Productivity Management Outstanding Organizations Recognition Program (Large Enterprise Category, White 500)

Mitsubishi Estate was recognized as an outstanding organization in health management under the large enterprise category and listed among the top-ranking White 500 companies in the 2021 Certified Health & Productivity Management Organizations Recognition Program* run by the Ministry of Economy, Trade and Industry and Nippon Kenko Kaigi.

Factors leading to this recognition are thought to include the Company's positioning of lifestyle diseases, cancer, and mental health issues as priority health issues and its working to address and prevent these issues in accordance with the Mitsubishi Estate Health Management Declaration established in October 2016. Other potential factors were the inclusion of KPIs related to priority health issues in Health Management 2030, a set of targets formulated in October 2020, and the success of our enhancing our employee health promotion initiatives based on these KPIs. Going forward, we will continue to advance initiatives aimed at accomplishing the KPI targets of Health Management 2030. Such initiatives include encouraging certain employees to participate in a specific health guidance program in order to prevent lifestyle diseases, having employees of a certain age undergo mandatory cancer screening, and offering counseling by clinical psychologists and other specialists.

*** Please refer to the following website for information on the Certified Health & Productivity Management Organizations Recognition Program.**
https://www.meti.go.jp/english/press/2021/0304_003.html
Please refer to the following website for more information on the Mitsubishi Estate Health Management Declaration and Health Management 2030.
https://www.mec.co.jp/e/sustainability/activities/social/health-safety/

2021
健康経営優良法人
Health and productivity
ホワイト500

3 Innovation

Target and Initiative Policies

Under Long-Term Management Plan 2030, the Mitsubishi Estate Group positions new businesses, such as those utilizing artificial intelligence, robotics, and other new technologies, as new fields for non-asset businesses. Going forward, we will work to create new business models and opportunities in these fields while coordinating with outside partners. Such coordination with outside partners boasting new and advanced technologies will be imperative to the realization of a sustainable society. For this reason, we plan to pursue initiatives that go beyond the boundaries of companies.

OMY SDGs ACT5 Project for Contributions to the SDGs Going Beyond the Boundaries of Companies

OMY SDGs ACT5 is a project based in the Otemachi, Marunouchi, and Yurakucho areas (Daimaruyu area) through which various activities for contributing to the accomplishment of the United Nations Sustainable Development Goals (SDGs) are advanced via coordination among project committee member companies and partner companies and organizations. These activities are based on the five SDG themes (Acts) of food sustainability, climate change and resource recycling, well-being, diversity and inclusion, and communication.

In FY2021, the first year of the project, the aggregate number of participants surpassed 8,000, fostering connections and a sense of community that extend beyond the boundaries of companies.

A new dimension was added to this project in May 2021 with the launch of an app that allows users to accrue ACT5 member points by taking action to contribute to the accomplishment of the SDGs at the individual level. Through this project, Mitsubishi Estate looks to consistently encourage changes in the behavior of individuals in order to create a framework that stimulates SDG-based action throughout the Daimaruyu area and which leads to future action.

Please refer to pages 48 and 49 for information on other digital transformation and new business activities.

ACT5 member point app promotional image

Download ACT5 member point app

App Store

Google Play

4 Resilience

Target and Initiative Policies

Improving the natural disaster resilience of real estate properties is crucial to ensuring the safety of visitors and workers as well as for guaranteeing the safety of the surrounding areas and the business continuity of tenants. In addition to earthquakes, we must prepare for potential increases in the frequency and intensity of urban flooding as a result of climate change. The resilience of buildings will thus become even more important going forward. Accordingly, Mitsubishi Estate is implementing earthquake and water damage countermeasures and developing systems for stable power supply on an individual-building basis. We are also instituting non-infrastructure measures for providing environments that facilitate business continuity even during times of disaster and for establishing schemes for temporarily housing people who cannot return home because of a disaster. Furthermore, the Company is enhancing systems for the comprehensive operation of multiple buildings and for intra-area coordination. In this manner, we aim to contribute to safer and more secure cities.

Disaster Response Drills and Verification Tests

The Mitsubishi Estate Group conducts disaster response drills and takes various steps to ensure preparedness for disasters and other emergency circumstances. For example, comprehensive emergency drills are conducted through public and private sector cooperation every September with the participation of all Mitsubishi Estate executives and employees, Group companies, and relevant external entities. Through these drills, we aim to ensure swift responses to disasters and to minimize the damage caused thereby.

In addition, a verification test of our Disaster Dashboard 4.0 platform was performed together with Chiyoda Ward, Tokyo, railroad operators, bus companies, and building operators over the period from January to February 2021. The Disaster Dashboard 4.0 platform allows for the sharing of information between disaster response institutions and the provision of information to individuals unable to return home because of a disaster. The verification test specifically examined features for using information communication technologies to respond more effectively to disasters. Examples of these features included contact-free QR code processing designed to improve the efficiency of accepting individuals unable to return home and to help prevent the spread of COVID-19, real-time tracking of the number of individuals unable to return home accepted by given facilities via Disaster Dashboard 4.0 digital signage and the internet, and monitoring of congestion surrounding facilities accepting such individuals.


Disaster Dashboard 4.0 digital signage

Information Disclosure Based on SASB Standards

Notes

- We are classified in the Real Estate industry under the infrastructure sector according to SICS®, so we disclose the following information based on the standards for this industry.
- The property subsectors are aligned with the 2018 GRESB Real Estate Assessment Reference Guide as stipulated in the SASB standards.
- The scope of the following information covers properties for which Mitsubishi Estate owns an equity stake of 20% or more, which is different from the coverage of the scope used for reporting under Science Based Targets and RE100.
- Third-party verification* is acquired for environmental performance figures related to properties included in the scope used for reporting under Science Based Targets and RE100, but verification has not been acquired for the following figures.

*** Please refer to the following website for information on third-party verification.**
https://www.mec.co.jp/e/sustainability/table-of-contents/independent-assurance/

Sustainability Disclosure Topics & Accounting Metrics (FY2020)

<Energy Management>

	Unit of Measure	Code	Offices	Retail, Shopping Centers	Lodging, Leisure & Recreation	Healthcare	Parking	Other
Energy consumption data coverage as a percentage of total floor area, by property subsector	Percentage (%) by floor area	IF-RE-130a.1	100	100	100	100	100	100
Total energy consumed by portfolio area with data coverage	Mwh	IF-RE-130a.2	1,067,519	158,152	2,473	21,477	2,134	634
Percentage grid electricity	Mwh	IF-RE-130a.2	0	0	0	0	0	0
Percentage renewable	%	IF-RE-130a.2	1.09	0	0	0	0	0
Like-for-like percentage change in energy consumption for the portfolio area with data coverage	%	IF-RE-130a.3	(9.80)	51.41	—	664.29	(7.03)	3.32
Percentage of eligible portfolio that has an energy rating	Percentage (%) by floor area	IF-RE-130a.4	1.85	0	0	0	0	0
Percentage of qualified portfolio with real estate environmental certification	Percentage (%) by floor area	IF-RE-130a.4	18.51	5.88	0	0	0	0

	Unit of Measure	Code	Contents
Description of how building energy management considerations are integrated into property investment analysis and operational strategy	n/a	IF-RE-130a.5	In April 2019, Mitsubishi Estate acquired certification from Science Based Targets with regard to its Groupwide CO_2 emissions reduction targets (35% reduction by 2030 and 87% reduction by 2050, compared with FY2018). In addition, the Company joined RE100 in January 2020 and declared its goal of sourcing 100% of the electricity it uses from renewable energy by 2050. To accomplish these goals, the Company will proactively introduce renewable energy at the facilities it owns and operates and install renewable energy generation systems on facility premises. We will also proactively acquire environmental real estate certifications. Scenario analyses* based on the TCFD-recommended framework have identified the risk of rises in vacancy rates or declines in rent levels for buildings that have low environmental performance or that have not introduced renewable energy. Accordingly, the swift implementation of the aforementioned initiatives will be imperative for maintaining and improving market competitiveness. (* https://www.mec.co.jp/e/sustainability/activities/environment/tcfd/pdf/TCFD_Recommendations.pdf)

<Water Management>

	Unit of Measure	Code	Offices	Retail, Shopping Centers	Lodging, Leisure & Recreation	Healthcare	Parking	Other
Water withdrawal data coverage as a percentage of total floor area	Percentage (%) by floor area	IF-RE-140a.1	100	100	100	100	100	100
Water withdrawal data coverage as a percentage of floor area in regions with High or Extremely High Baseline Water Stress	Percentage (%) by floor area	IF-RE-140a.1	0	0	0	0	0	0
Total water withdrawn by portfolio area with data coverage	Thousand m^2	IF-RE-140a.2	2,918	611	15	16	8	3
Percentage in regions with High or Extremely High Baseline Water Stress	%	IF-RE-140a.2	0	0	0	0	0	0
Like-for-like percentage change in water withdrawn for the portfolio area with data coverage	%	IF-RE-140a.3	14.34	14.63	—	(2.49)	2.25	(8.57)

	Unit of Measure	Code	Contents
Description of water management risks and discussion of strategies and practices to mitigate those risks	n/a	IF-RE-140a.4	We purify wastewater in a recycling system, after which the treated recycled water* is used to flush toilets inside the building. The use of recycled water is being promoted to help mitigate future water risks. Accordingly, we have set a target for raising the recycled water use rate to 100% by 2030, and actions for reaching this target are being advanced steadily. * Water reclaimed from used tap water and treated for recycling. It is used for flushing toilets, watering greenery, air-conditioning systems, and other such facility water needs, as well as for cleaning, before being discharged into the sewage system.

<Management of Tenant Sustainability Impacts>

	Unit of Measure	Code	Offices	Retail, Shopping Centers	Lodging, Leisure & Recreation	Healthcare	Parking	Other
Percentage of new leases that contain a cost recovery clause for resource efficiency-related capital improvements	Percentage (%) by floor area	IF-RE-410a.1	43.16*					
Associated leased floor area, by property subsector	m^2	IF-RE-410a.1	1,373,812*					
Percentage of tenants that are separately metered or submetered for grid electricity consumption	Percentage (%) by floor area	IF-RE-410a.2	0	0	0	0	0	0
Percentage of tenants that are separately metered or submetered for water withdrawals	Percentage (%) by floor area	IF-RE-410a.2	Not disclosed					

	Unit of Measure	Code	Contents
Discussion of approach to measuring, incentivizing, and improving sustainability impacts of tenants	n/a	IF-RE-410a.3	To drive energy-saving actions with our tenants, we created a guidebook that introduces examples of energy-saving methods to them, and we introduced green leases into the template of our contracts. Also, we hold yearly Global Warming Prevention Council meetings collaborating with the tenants of each of our ISO 14001-certified buildings in the Tokyo metropolitan area to explain GHG emission reduction, energy-saving actions, and to provide updates on the progress in these efforts, and so on.

* Ratio to the nationwide leasable area

<Climate Change Adaptation>

	Unit of Measure	Code	Offices	Retail, Shopping Centers	Lodging, Leisure & Recreation	Healthcare	Parking	Other
Area of properties located in 100-year flood zones, by property subsector	m^2	IF-RE-450a.1	Not disclosed					

	Unit of Measure	Code	Contents
Description of climate change risk exposure analysis, degree of systematic portfolio exposure, and strategies for mitigating risks	n/a	IF-RE-450a.2	Please refer to "(2) Strategy" in our "Information Disclosure Based on TCFD Recommendations" on our website. (https: //www.mec.co.jp/e/sustainability/activities/environment/tcfd/pdf/TCFD_Recommendations.pdf)

■ Activity Metrics

	Unit of Measure	Code	Offices	Retail, Shopping Centers	Lodging, Leisure & Recreation	Healthcare	Parking	Other
Number of assets, by property subsector	Number	IF-RE-000.A	54	17	4	2	1	2
Leasable floor area, by property subsector	m^2	IF-RE-000.B	4,717,870	678,995	471,559	11,657	21,430	4,973
Percentage of indirectly managed assets, by property subsector	Percentage (%) by floor area	IF-RE-000.C	0.0	35.3	100.0	100.0	100.0	50.0
Average occupancy rate, by property subsector	%	IF-RE-000.D	96.5	100.0	100.0	100.0	—	100.0

Message from the Chairman of the Board

Hirotaka Sugiyama
Chairman of the Board
Mitsubishi Estate Co., Ltd.

Mitsubishi Estate has positioned the development and promotion of its corporate governance system as one of the most important management issues for realizing its basic mission of contributing to the creation of a truly meaningful society by building attractive, environmentally sound communities where people can live, work, and relax with contentment.

Mitsubishi Estate has adopted the "Company with Nominating Committee, etc.," structure, and the role of the Board of Directors under such a structure is to decide the Company's basic management policies and supervise overall management. To that end, the Company is working to ensure the transparency and objectivity of management so that it can fulfill its accountability to its shareholders and other stakeholders. To date, Mitsubishi Estate has implemented a broad range of initiatives on an ongoing basis, such as introducing performance-based director remuneration, increasing the ratios of outside directors on the Board of Directors and other important committees, ensuring that independent outside directors serve as the chairpersons of all committees, and deciding not to renew its countermeasure program regarding possible hostile takeover attempts. In FY2021, the Company implemented for the first time a third-party evaluation of the effectiveness of the Board of Directors. Furthermore, continuing on from the share buybacks executed in FY2020 totaling approximately ¥100.0 billion, the Company decided to carry out additional share buybacks of roughly ¥30.0 billion in April 2021. Going forward, Mitsubishi Estate will strive to enhance capital efficiency and shareholder returns in an effort to achieve the capital policies adopted under Long-Term Management Plan 2030.

Our Long-Term Management Plan 2030, which began in April 2020, was formulated over a year of thorough discussions by the Board of Directors. In addition to a strategy that targets increasing shareholder value, the plan focuses on a strategy for social value improvement that involves making efforts toward realizing a sustainable society. By generating synergies between these two strategies, the plan aims to realize the Company's basic mission and achieve sustainable growth. Our Long-Term Management Plan 2030 got off to a rough start in its initial year due to the impact of the COVID-19 pandemic. In these times of dramatic changes in the external environment, it is more important than ever for the Board of Directors to secure members who offer a diverse range of knowledge and experience and engage in active discussions. I am a non-executive chairman of the Board, experienced in business execution. My role in such a position is to encourage more active exchanges of opinions, including greater involvement of the outside directors, and lead lively discussions at Board meetings while also understanding the perspectives of the officers in charge of business execution. By fulfilling this role, I will help the Board establish a management supervision structure from a long-term perspective with a view to achieving the goals of the Long-Term Management Plan 2030 over the next 10 years.

Guided by the Company's basic mission, the Board of Directors will remain committed to meeting the expectations of shareholders and investors by doing all it can to guide the Company in a way that takes into account future changes in society and the business environment.

August 2021

Hirotaka Sugiyama

Directors

(As of June 29, 2021)

Hirotaka Sugiyama
Chairman of the Board
2007
56,591 shares

Junichi Yoshida
Director
2016
64,166 shares

Junichi Tanisawa
Director
2014
44,481 shares

Tetsuji Arimori
Director
2018
33,938 shares

Hiroshi Katayama
Director
2016
31,879 shares

Hitoshi Kubo
Director
2021
3,200 shares

Jo Kato
Director
2011
58,139 shares

Noboru Nishigai
Director
2021
28,254 shares

Tsuyoshi Okamoto
Outside Director
2019
400 shares

Shin Ebihara
Outside Director
2015
– shares

Tetsuo Narukawa
Outside Director
2018
400 shares

Masaaki Shirakawa
Outside Director
2016
– shares

Shin Nagase
Outside Director
2016
100 shares

Setsuko Egami
Outside Director
2015
1,200 shares

Iwao Taka
Outside Director
2016
400 shares

Name
Position
Appointment year
Number of shares held
(As reported in *FY2021 Financial Report*, available only in Japanese)

Corporate Executive Officers, Executive Officers, and Group Executive Officers

(As of June 29, 2021)

Junichi Yoshida
Representative Corporate Executive Officer
President & Chief Executive Officer

Junichi Tanisawa
Representative Corporate Executive Officer
Deputy President

Tetsuji Arimori
Representative Corporate Executive Officer
Executive Vice President

Hidemi Waki
Representative Corporate Executive Officer
Executive Vice President

Futoshi Chiba
Representative Corporate Executive Officer
Executive Vice President

Hiroshi Katayama
Representative Corporate Executive Officer
Executive Vice President

Kenji Hosokane
Representative Corporate Executive Officer
Executive Vice President

Keiji Takano
Senior Executive Officer

Atsushi Nakajima
Senior Executive Officer

Yuji Fujioka
Senior Executive Officer

Bunroku Naganuma
Senior Executive Officer

Toru Kimura
Senior Executive Officer

Yutaro Yotsuzuka
Senior Executive Officer

Ikuo Ono
Senior Executive Officer

Tetsuo Yuasa
Group Executive Officer

Hisashi Komada
Group Executive Officer

Masaki Yamagishi
Group Executive Officer

Masaharu Miyajima
Group Executive Officer

Corporate Executive Officer
Hitoshi Kubo

Executive Officers
Takashi Kobari
Toshiyuki Inoue
Seijin Chino
Shuichi Shimizu

Group Executive Officers
Tetsuo Yuasa
Hisashi Komada
Masaki Yamagishi
Masaharu Miyajima
Tetsuya Okusa
Nobuhiro Okumoto
Naoki Umeda
Ryozo Kawabata
Shinya Mizumura
Haruhiko Araki
Masato Aikawa
Hirofumi Kato
Masanori Iwase

Corporate Governance System

Basic Policy

The Company aims to realize the enhancement of corporate value through a harmonious balance between corporate growth and the interests of its various stakeholders by following its brand slogan, "A Love for People. A Love for the City," based on its basic mission of "contributing to society through urban development." The Company shall position the development and promotion of its corporate governance system as one of the most important management issues in realizing this goal.

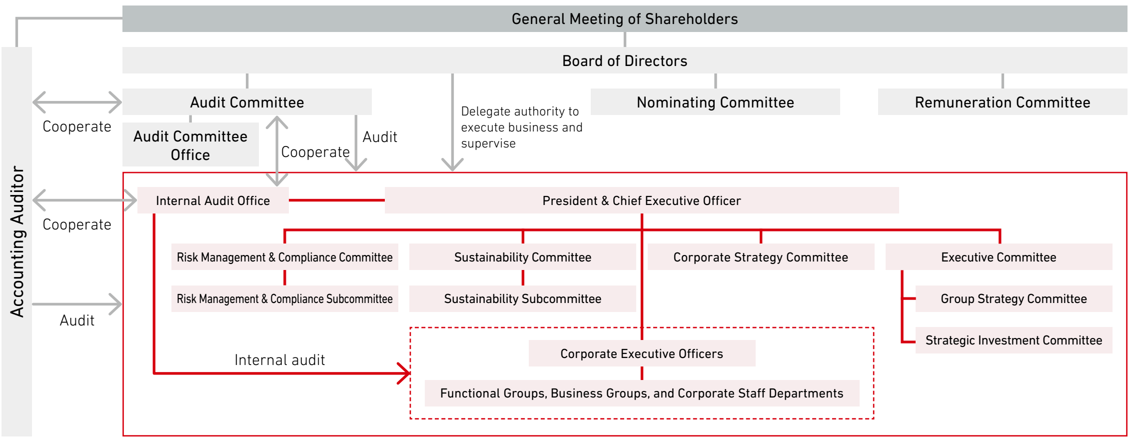
In developing and promoting our corporate governance system, to bring about greater clarity with regard to roles and the strengthening of functions in both the supervision of management and the execution of business while also fulfilling accountability to our shareholders and other stakeholders, the basic policy shall work to ensure the transparency and objectivity of management.

Evolution of Corporate Governance System

	Organizational structure, outside directors	Officer remuneration	Other aspects of corporate governance
2015	• Change in outside directors (improvement of independence and gender diversity)		
2016	• Transition to "Company with Nominating Committee, etc.," structure • Increase in ratio of outside directors (7 of 15)	• Introduction of Restricted Stock Compensation System	
2017			• Commencement of evaluations of the effectiveness of the Board of Directors • Establishment of the "Mitsubishi Estate Co., Ltd., Corporate Governance Guidelines"
2018	• Making of all committee members into non-executive directors • Membership of Remuneration Committee comprising exclusively outside directors	• Introduction of performance-based incentive system	
2019	• Change of chairperson of Audit Committee to outside director • Membership of Nominating Committee composed completely of outside directors		• Introduction of flexible capital policies based on market conditions (execution of share buybacks totaling approximately ¥100.0 billion) • Decision not to renew the countermeasure program regarding possible hostile takeover attempts
2020			• Implementation of third-party evaluations in determining the effectiveness of the Board of Directors

System Structure

As a "Company with Nominating Committee, etc.," Mitsubishi Estate has established the Nominating Committee, the Audit Committee, and the Remuneration Committee, which are positioned under the Board of Directors and are membered by a majority of outside directors. These committees help promote high standards and ensure transparency in the decision-making process.

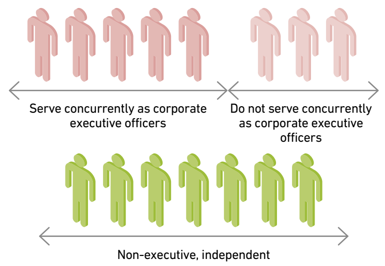


Board of Directors

The Board of Directors decides the basic policy of the Company's management, and it also carries out supervision of the execution of duties by directors and corporate executive officers. As of June 29, 2021, the Board of Directors consists of 15 directors, of whom seven are outside directors. The role of chairman of the Board of Directors is held by the chairman of the Board of the Company, who does not concurrently serve as a corporate executive officer.

The membership of the Board of Directors is appropriately balanced with members from a diverse range of backgrounds.

Composition of the Board of Directors



Nominating Committee, Audit Committee, and Remuneration Committee

	Nominating Committee	Audit Committee	Remuneration Committee
Committee Duties	• Decision-making on the details of the proposals to the general meeting of shareholders related to the appoint-ment and dismissal of directors	• Auditing and compilation of audit reports pertaining to the performance of duties by corporate executive officers and directors • Decision-making on the details of the proposals to the general meeting of shareholders related to the appoint-ment, dismissal, and non-reappoint-ment of the accounting auditor	• Formulation of remuneration policies for corporate executive officers and directors • Decision-making on remuneration amounts for individual corporate executive officers and directors
Committee Activities	• Five meetings in FY2021 • Determination of the details of director nomination proposals based on standards for nominating director candidates formulated by the Nominating Committee • Reports and deliberations with regard to the nomination of corporate executive officers prior to the resolution by the Board of Directors	• Fifteen meetings in FY2021 • Performance of audits through coordination with the accounting auditor and internal audit divisions based on audit standards and plans • Attendance at important meetings, review of important documents, and visits to internal divisions, branches, and subsidiaries by full-time members of the Audit Committee	• Six meetings in FY2021 • Decision-making on individual remuneration amounts based on remuneration systems
Membership*	**4 (4 outside)**	**5 (2 inside, 3 outside)**	**4 (4 outside)**
Chairperson	**Tsuyoshi Okamoto (Outside Director)**	**Tetsuo Narukawa (Outside Director)**	**Shin Ebihara (Outside Director)**

* All three committees are composed solely of non-executive directors.

Attendance Rates of Outside Directors in FY2021 and Contributions Made

Name	Attendance at Meetings of the Board of Directors and Committees	Overview of Contributions Made and Work Performed to Fulfill Expectations of Role
Tsuyoshi Okamoto	Board of Directors 9/9 Nominating Committee 5/5 Remuneration Committee 6/6	Tsuyoshi Okamoto poses pertinent questions and offers valuable advice from an objective viewpoint independent of management executives in charge of business affairs, by leveraging his management experience at a comprehensive energy company. In this way, he fulfills supervisory and monitoring functions of the Company's management.
Shin Ebihara	Board of Directors 9/9 Nominating Committee 5/5 Remuneration Committee 6/6	Shin Ebihara poses pertinent questions and offers valuable advice from an objective viewpoint independent of management executives in charge of business affairs, by leveraging his wealth of international experience and knowledge gained through his extensive years as a diplomat. In this way, he fulfills supervisory and monitoring functions of the Company's management.
Tetsuo Narukawa	Board of Directors 9/9 Audit Committee 15/15	Tetsuo Narukawa poses pertinent questions and offers valuable advice from an objective viewpoint independent of management executives in charge of business affairs, by leveraging his international experience as well as management experience at financial institutions and real estate companies. In this way, he fulfills supervisory and monitoring functions of the Company's management.
Masaaki Shirakawa	Board of Directors 9/9 Nominating Committee 5/5 Remuneration Committee 6/6	Masaaki Shirakawa poses pertinent questions and offers valuable advice from an objective viewpoint independent of management executives in charge of business affairs, by leveraging his knowledge in finance and economics, among other fields, gained through his experience working at a central bank. In this way, he fulfills supervisory and monitoring functions of the Company's management.
Shin Nagase	Board of Directors 9/9 Audit Committee 15/15	Shin Nagase poses pertinent questions and offers valuable advice from an objective viewpoint independent of management executives in charge of business affairs, by leveraging his management experience at an airline company. In this way, he fulfills supervisory and monitoring functions of the Company's management.
Setsuko Egami	Board of Directors 9/9 Nominating Committee 5/5 Remuneration Committee 6/6	Setsuko Egami poses pertinent questions and offers valuable advice from an objective viewpoint independent of management executives in charge of business affairs, by leveraging her abundant knowledge of corporate strategy, marketing strategy, and human resource development. In this way, she fulfills supervisory and monitoring functions of the Company's management.
Iwao Taka	Board of Directors 9/9 Audit Committee 15/15	Iwao Taka poses pertinent questions and offers valuable advice from an objective viewpoint independent of management executives in charge of business affairs, by leveraging his extensive knowledge regarding business ethics and compliance, among other fields. In this way, he fulfills supervisory and monitoring functions of the Company's management.

Independence Standards for Independent Outside Directors

Candidates for the outside director position shall fulfill a duty of care as a prudent manager toward the Company; understand the Group's basic mission of contributing to the creation of a truly meaningful society by building attractive, environmentally sound communities where people can live, work, and relax with contentment; apply their qualities and capabilities to contribute to enhancing medium- to long-term sustainable corporate value, as well as their experience and knowledge in specialized fields such as global business, finance, and risk management, in view of the Group's business characteristics, such as supporting urban development in the Marunouchi area; and have personality and knowledge enabling objective and fair judgments, based on the perspective that they shall contribute to the common interests of shareholders without bias toward the interest of any particular party of interest. However, as a general principle, candidates are not elected if the Tokyo Stock Exchange's standards for independence and the following independence standards for outside directors apply to them.

(1) A shareholder or executive member of an entity holding voting rights exceeding 10% of total voting rights of the Company.

(2) A transaction party or executive member of an entity whose transactional amounts in the most recent fiscal year have exceeded 2% of consolidated revenue from operations of the Company.

(3) A representative employee, employee, or member of staff of the Company's accounting auditor.

(4) An attorney, certified public accountant, tax accountant, consultant, or other party who has received compensation from the Company exceeding ¥10 million in the most recent fiscal year.

Evaluation of the Effectiveness of the Board of Directors

With the aim of confirming that the Board of Directors is functioning effectively through its oversight function to improve corporate value on a medium- to long-term basis and to enhance corporate governance, each director is required to conduct a self-evaluation on a regular basis and report the results of this evaluation to the Board of Directors. Based on these evaluations, the Board of Directors then conducts an analysis and evaluation of the effectiveness of the Board of Directors as a whole.

Based on the Long-Term Management Plan 2030, in addition to the existing evaluation items, the Company added items in FY2021 regarding initiatives to be improved going forward from the perspective of appropriately monitoring management to increase shareholder value and social value over the long term. Furthermore, the Company implemented a third-party evaluation for each phase of this evaluation process, including the creation of questionnaires, the analysis of responses, and the sharing of issues. An overview of the evaluation process and results of the third-party evaluation carried out on the effectiveness of the Board of Directors in FY2021 are as follows.

1. Process of Evaluation

(1) Method of Evaluation

All directors conducted self-evaluations in the form of a response to a questionnaire relating to the composition, operation, effectiveness, etc., of the Board of Directors and each of the Nominating, Audit, and Remuneration committees, and taking these results into consideration, they discussed the issues with each other and examined proposed corrective measures at Board of Directors' meetings.

(2) Items of Evaluation

In terms of evaluation items based on the Long-Term Management Plan 2030, the Company added "the required skills and diversity for the Board of Directors three to five years in the future" as part of the evaluation of the Board's composition and "topics to be fleshed out in future discussions for monitoring and the nature of reports on the status of business execution from corporate executive officers" as part of the evaluation of the Board's effectiveness and operation.

Composition of the Board of Directors	Proportion of outside directors, size in numbers, skills, and diversity
Effectiveness of the Board of Directors	Management plan, monitoring of execution of business and risk management systems, dialogue with shareholders and investors, operation of the Nominating, Audit, and Remuneration committees, etc.
Operation of the Board of Directors	Frequency, required time, report on status of business execution of corporate executive officers, provision of information outside of Board of Directors' meetings, questions and answers, training, etc.
Others	Method of the evaluation of the effectiveness of the Board of Directors, etc.

2. Results of Evaluation and Future Initiatives

(Results of Evaluation) The Board of Directors deemed that it was functioning effectively.

(Analysis of Results) In the questionnaire on the evaluation of effectiveness completed by each director, a significant number of items received a high ratio of "appropriate" as the response. Furthermore, a constructive exchange of opinions took place for each evaluation item, including issues pointed out by directors and their suggestions for the future. In particular, with respect to appropriate monitoring of the Long-Term Management Plan 2030, a high level of awareness was observed regarding such matters as the contents of reporting by the corporate executive officers on business execution and the balance between the time used for briefings and the time used for discussions.

(1) Main Items Improved Since the Previous Evaluation

In the previous fiscal year's evaluation of effectiveness, "appropriate monitoring of the progress status of the Long-Term Management Plan 2030" and "continued implementation of initiatives aimed at further improving the diversity of the Board of Directors, with efforts mainly by the Nominating Committee" were identified as main issues and future initiatives for further improvements in effectiveness of the Board of Directors. As for the status of improvement for these issues during the fiscal year under review, the following points were identified based on examinations and discussions conducted by the Board of Directors.

- In regard to the Long-Term Management Plan 2030 that began in FY2021, having continuously implemented briefings on the Company's businesses for outside directors and exchanged opinions with them, the Board of Directors dedicated sufficient time to monitoring the state of business execution.
- At meetings of the Nominating Committee, discussions were held and opinions were exchanged regarding the level of diversity that the Board of Directors should maintain to achieve the Long-Term Management Plan 2030.

(2) Main Issues and Future Initiatives Aimed at Further Improvements in Effectiveness

Through a process of examination and discussion at Board of Directors' meetings, the following points were identified.

- The management environment has changed significantly due to the spread of COVID-19 and other factors. Accordingly, to deepen discussions on progress evaluations of and strategy revisions to the Long-Term Management Plan 2030, the Board of Directors must expand and enhance its monitoring to ensure supervision with an awareness of Companywide issues, including changes in the management environment, capital policies, and business portfolio strategy, as well as sustainability.
- Examinations of the composition and diversity of the Board of Directors must be implemented on an ongoing basis to further improve the Board's effectiveness.

Appointment Standards for Director Candidates

1. Purpose

These standards shall establish standards for the nomination of directors by the Nominating Committee.

2. Director Candidates

Director candidates shall fulfill a duty of care of a prudent manager toward the Company, understand the Group's basic mission of contributing to the creation of a truly meaningful society by building attractive, environmentally sound communities where people can live, work, and relax with contentment, and have the qualities and capabilities to contribute to enhancing medium- to long-term corporate value in a sustainable manner in consideration of the characteristics of the Company's business, such as supporting urban development in the Marunouchi area.

(1) Inside Director Candidates

For directors from within the Company, in addition to displaying the abovementioned qualities and capabilities of being especially outstanding in integrity, leadership, and foresight, candidates to be nominated shall be corporate officers in charge of one of Company's business groups or corporate officers in charge of corporate staff who have extensive knowledge and experience related to the Group's business, who can perform oversight roles with a Companywide perspective, and who are highly trained, or, alternatively, personnel with such experience or personnel with translatable experience.

(2) Outside Director Candidates

For outside directors, in addition to the abovementioned qualities and capabilities, candidates shall be nominated for their operational and management experience, for their application of their experience and knowledge in specialized fields such as global business, finance, and risk management, for having the personality and knowledge enabling objective and fair judgments based on the perspective that they would contribute to the common interests of shareholders without bias toward the interest of any particular party of interest, and for satisfying the "Independence Standards for Independent Outside Directors."

3. The revision or abolishment of these standards shall require a resolution of the Nominating Committee.

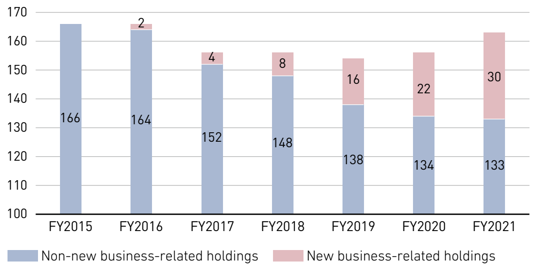
Shares Held for Strategic Purposes

The Company acquires and holds shares for other than purely investment purposes if it deems such shareholdings to be useful in facilitating the Group's business activities smoothly in cases such as when seeking to maintain or reinforce medium- to long-term transactional relationships or in procuring funds on a stable basis.

In regard to the holding of listed shares as investment shares for other than purely investment purposes, we examine the rationality of such holdings from the perspective of whether they are useful or not in facilitating the Group's business activities smoothly, focusing on such aspects as the background of the acquisition, record of transactions, status of cooperative and collaborative relationships, and level of dividend payouts. The findings of these examinations, as well as the number of reductions of such shares and the policy on reductions going forward, are reported to the Board of Directors at least once a year, and we are proceeding with sales in an appropriate manner.

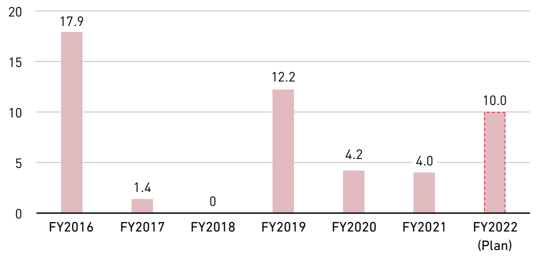
In addition, the Company has been conducting ongoing investments in venture businesses since FY2016. Centered on the Innovation and Business Transformation Group, these efforts are aimed at heightening the value of existing businesses and expanding the Company's business domains through the utilization of technologies and coordination with external partners.

Holdings of Shares Held for Strategic Purposes (Total for Listed and Non-Listed Companies)



Change in Disposal of Shares Held for Strategic Purposes

Billions of yen



Please refer to our Corporate Governance Report for more information on our corporate governance system.
https://www.mec.co.jp/e/investor/governance/materials/pdf/corp210709e.pdf

Remuneration

The decision policy concerning details of remuneration for each director and corporate executive officer of the Company is deliberated at meetings of the Remuneration Committee. The Remuneration Committee also confirms that the method for deciding the details of remuneration paid to each director and corporate executive officer for each fiscal year as well as the details of each decided amount of remuneration are consistent with said decision policy. For the fiscal year under review, the Remuneration Committee deemed that the remuneration paid to each director and corporate executive officer was in line with the decision policy.

Total Remuneration Paid to Directors, Corporate Executive Officers, and Statutory Auditors in FY2021

Category	Total remuneration (Millions of yen)	Fixed remuneration (Millions of yen)	Performance-based remuneration (Millions of yen)	Recipients
Inside directors	257	257	—	3
Corporate executive officers	1,166	620	545	15
Outside directors	108	108	—	7

Note: Remuneration for the Company's directors who concurrently serve as corporate executive officers is included in the remuneration for corporate executive officers.

Board Policies and Procedures in Determining the Remuneration of Senior Management and Directors

(i) Procedures for Deciding Remuneration Paid to Officers

The policy concerning decisions on the details of remuneration paid to directors and corporate executive officers of the Company and the details of remuneration for each person shall be decided upon by a resolution of the Remuneration Committee, which comprises solely outside directors.

(ii) The Basic Policy for Deciding Remuneration for Officers

The basic policy for deciding remuneration for directors and corporate executive officers of the Company is as follows.

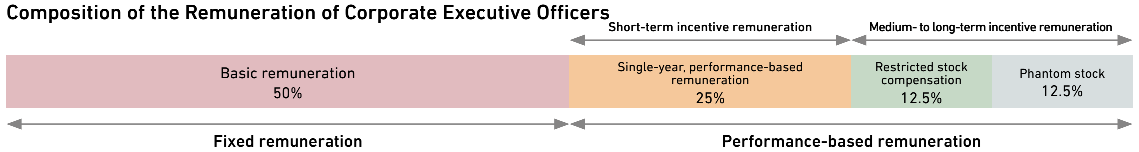
- The remuneration system shall be linked with our medium- to long-term performance targets, etc., aimed at in management strategies and medium-term management plans and realize sustained corporate value improvement and the sharing of value with our shareholders.
- The remuneration system shall allow for the giving of incentives to management executives to encourage them to take on challenges and conduct appropriate risk-taking in line with the above strategies' targets and expectations of shareholders and other stakeholders.
- The remuneration system shall make it possible to fulfill high accountability for the benefit of our shareholders and other stakeholders through objective deliberations and judgments by the Remuneration Committee.

(iii) Remuneration Systems for Officers

The remuneration systems for directors and corporate executive officers shall be separately established in consideration of respective functions and roles to be fulfilled for the purpose of achieving sustained corporate value improvement. In addition, directors who concurrently serve as corporate executive officers shall be paid remuneration as corporate executive officers.

- Directors (excluding directors who concurrently serve as corporate executive officers)
  In consideration of their function and role of supervising the performance of duties by corporate executive officers and directors, they shall receive, in principle, only basic remuneration in the form of cash, and the standards shall be decided upon individually taking into account factors such as their position and responsibilities as directors and whether they are full-time or part-time.
- Corporate executive officers
  In consideration of their function and role of taking charge of business execution of the Company, their remuneration shall, in principle, comprise basic remuneration and variable remuneration. Variable remuneration comprises monetary compensation that is paid based on short-term performance, etc., and stock compensation, etc., (including monetary compensation paid based on indicators such as stock price) that is paid with a view to realizing the medium- to long-term sharing of value with shareholders. The standards and ratio of basic remuneration and variable remuneration, valuation indicators for variable remuneration, and other matters shall be decided upon taking into account medium- to long-term performance targets, etc., aimed at in management strategies and the current management plan and factors such as position and responsibilities as corporate executive officers.

Composition of the Remuneration of Corporate Executive Officers



Overview of Performance-Based Remuneration

(i) Single-Year, Performance-Based Remuneration

① Form of remuneration: Cash
② Performance evaluation and method for determining remuneration

With the aim of achieving further corporate growth and greater efficiency while guaranteeing financial soundness, the amount of remuneration varies depending on consolidated operating income, EBITDA, ROA, ROE, and the target level of operating income in the divisions for which the individual officers are responsible.

When determining remuneration, the amount is calculated using the actual indicators, etc., for the previous fiscal year, to which is added an evaluation of qualitative aspects, established during interviews with the president,* including the degree of contribution to performance over the medium to long term and the status of ESG-related initiatives, with the final remuneration amount being decided by the Remuneration Committee.

Companywide performance and the performance of the officer's division impact remuneration amounts at a ratio of 50:50. The fluctuation range for remuneration is 0% to 200% of the base amount. The results for performance in the previous fiscal year were 112.6% for Companywide performance and, on average, 80.0% for divisional performance.

* The president is only evaluated based on Companywide performance.

Indicators and Process for Calculating the Evaluation Index

Companywide performance: 50*1	Achievement ratio compared with performance over the last five fiscal years: 30	• Use the four indicators of consolidated operating income, EBITDA, ROA, and ROE (1:1:1:1) • Use standard deviation to calculate the level of difficulty for achieving the performance of the relevant fiscal year compared with performance over the last five fiscal years • Fluctuation range of 200%–0%
	Achievement ratio compared with annual business plan targets: 20	• Use the four indicators of consolidated operating income, EBITDA, ROA, and ROE (1:1:1:1) • Level of payment determined through comparisons with figures for the four above indicators under annual business plans (payment level of 100% if in line with the plan's targets, but can fluctuate between 200% and 0% depending on the level of achievement)
Performance of responsible division: 50*1	**Corporate executive officers and executive officers** • ① Level of achievement toward the business group budget: Use consolidated operating income as a general rule ② Medium-term initiatives: Approximately five years ahead, includes ESG initiatives ③ Initiatives to establish new business models: New business creation, non-asset businesses, service and content provision, etc. ④ Initiatives to realize earnings for the entire Mitsubishi Estate Group: Use the four indexes at a ratio of 10:10:10:20 for initiatives that go beyond the business group, etc. (initiatives that go beyond the individual role in the case of Group executive officers) • Employees are interviewed by the president & CEO, who assesses each item using three levels (200%, 100%, and 0%*2). **Group executive officers** • Use the four indicators of "level of achievement toward the individual company's budget," "medium-term initiatives," "initiatives to establish new business models," and "initiatives to realize earnings for the entire Mitsubishi Estate Group" at a ratio of 20:10:10:10. • Evaluation method is the same as that for corporate executive officers and executive officers.	

*1 Accounts for 12.5% of total remuneration
*2 Targets for each item listed in annual business plans, and evaluations conducted using the details of these targets as the base score of 100%

(ii) Medium- to Long-Term Performance-Based Remuneration (Remuneration by Shares with Restriction on Transfer)

① Form of remuneration: Shares
② Restricted stock period: Approximately three years
③ Performance evaluation and method for determining remuneration

With the objectives of creating an incentive to work for sustainable growth and of promoting the further sharing of value with shareholders, the Company adopted stock-based remuneration with a restricted transfer period of approximately three years. The amount of monetary compensation that can be claimed when allocating stock is determined by the Remuneration Committee.

(iii) Medium- to Long-Term Performance-Based Remuneration (Phantom Stock)

① Form of remuneration: Cash
② Performance evaluation period: Approximately three years
③ Performance evaluation and method for determining remuneration

With the objectives of creating an incentive to work for sustainable growth and of promoting the further sharing of value with shareholders, the amount of phantom stock remuneration varies depending on the share price and on an indicator based on the Company's total shareholder return (TSR) ranking relative to five peer companies.*1 The base amount by position as well as the final remuneration amount is determined by the Remuneration Committee.

*1 Five peer companies: Nomura Real Estate Holdings, Inc., Tokyu Fudosan Holdings Corporation, Mitsui Fudosan Co., Ltd., Tokyo Tatemono Co., Ltd., and Sumitomo Realty & Development Co., Ltd.

④ Calculation method for individual amount paid

$$\text{Remuneration amount} = \text{Remuneration base amount}^{*2} \times \frac{\text{Share price in final month of performance evaluation period}}{\text{Issue price}} \times \text{Vesting ratio}^{*3}$$

*2 Remuneration base amount
The remuneration base amount corresponds to the rank of the officer eligible for payment, as listed below.

President and chief executive officer	Deputy president	Executive vice president	Senior executive officer	Corporate executive officer
¥19,647,000	¥12,675,000	¥10,413,000	¥8,352,000	¥6,288,000

*3 Vesting ratio
A rank is given to the TSR of the Company and its peers. The percentages in the table below correspond to the Company's TSR rank, with 100% being the upper limit.

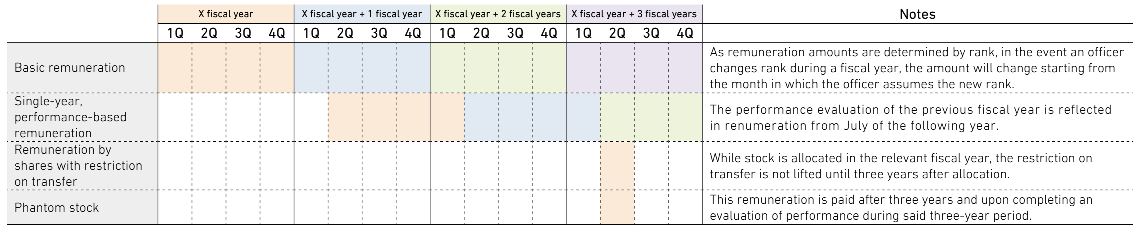
TSR rank	1st	2nd	3rd	4th	5th	6th
Vesting ratio	100%	80%	60%	40%	20%	0%

TSR is calculated using the formula below.

$$\text{TSR} = \frac{\text{(Share price for the final month of the performance evaluation period – Share price for the first month of the performance evaluation period) + Total dividends per share for dividend distributions with a record date within the performance evaluation period (excluding the final month of the performance evaluation period)}}{\text{Share price for the first month of the performance evaluation period}}$$

(IV) Remuneration Payment Period

Payment periods for remuneration other than basic remuneration, which is fixed, will begin from the upcoming fiscal year. The payment schedule is as follows.



Message from an Outside Director

Management Emphasizing Governance

Over the years, the corporate governance system of the Mitsubishi Estate Group has continued to evolve at a pace that has always been a step ahead of social demands. The Company operated under the "Company with Board of Company Auditors" structure described in Japan's Companies Act when I became a statutory auditor in 2015, but it transitioned to the "Company with Nominating Committee, etc.," structure described in the act in the following year. Mitsubishi Estate then went on to introduce new officer remuneration systems and frameworks for evaluating the effectiveness of the Board of Directors, to transition to an all-outside director membership for the Nominating Committee and the Remuneration Committee, and to appoint outside directors to chair these two committees as well as the Audit Committee. As an outside director, I have immense praise for the type of swift action the Company has taken over the past five years to reinforce its corporate governance system. Furthermore, these reforms were proposed by the executive team. The fact that these proposals came from inside the Company is indicative of the high degree of emphasis that Mitsubishi Estate places on governance in its management. The Audit Committee, of which I am a member, also places such degree of emphasis on governance. Chaired by Outside Director Tetsuo Narukawa, this committee is operated in a flexible, unbiased manner.

As a member of the Audit Committee, I try to be constantly mindful of both financial risk and operational risk as I oversee the Company's management. In regard to financial risk, I take a cautious approach, always considering whether the explanations of the Company's accounting auditor make sense and if the accounting treatments applied when extraordinary items arise are convincing. As for operational risk, I focus particularly on the risks at Group companies and in overseas businesses. I believe that Mitsubishi Estate is facilitating effective monitoring without sacrificing audit quality, even amid the COVID-19 pandemic, by providing swifter and more detailed explanations through full-time members of the Audit Committee and members of internal control departments.

Transformation of Hardships into Business Opportunities by Taking a Long-Term Management Perspective

Since announcing Long-Term Management Plan 2030, the Board of Directors has been engaging in discussions based on long-term perspectives. I believe that setting a long-term period of 10 years for the plan was the logical time frame in terms of promoting business from the perspective of overall optimization and in consideration of the Group's business model. When you look back on Mitsubishi Estate's history, you can see how the Company has continued to realize robust growth by overcoming various hardships. Such an achievement gives me great confidence that the Company is equipped to turn the hardships presented by the COVID-19 pandemic into significant business opportunities, and thereby secure an even more powerful growth driver, by evaluating it from a long-term management perspective. For this reason, it is important for the Group to act with resolve, plotting a clear course for the future and committing to this course as it proposes new ways of living and working in the post-COVID-19 era, rather than placing itself at the mercy of the tides of the times. I believe that the Group has such a resolve and I therefore look forward to seeing this resolve guide improvements to the business models of each of its businesses.

Sustainability as the Driving Force for Growth

The Mitsubishi Estate Group established its Sustainable Development Goals 2030 to function as a central pillar of its strategies for increasing social value in Long-Term Management Plan 2030. Initiatives for accomplishing these goals are being advanced based on the four key themes of "Environment," "Diversity & Inclusion," "Innovation," and "Resilience." Regarding the key theme of "Environment," I commend the Group on its quick adoption of the recommendations of the Task Force on Climate-Related Financial Disclosures (TCFD) in its disclosure activities and consequently in its high level of information disclosure. More recently, the Group has been engaging in a biomass power generation project that uses branches pruned from roadside trees, among other initiatives, raising my anticipation for its future endeavors.

A key theme I pay particular attention to is "Diversity & Inclusion." Diversity creates substantial opportunities for transformation. By recruiting and training individuals who offer ways of thinking and core values that are completely new, the Group has the potential to breed "Innovation," another key theme, for refining existing business models and cultivating new businesses.

Moreover, the Group develops its businesses in collaboration with a wide range of suppliers, and therefore respecting human rights is of utmost importance. For this reason, the Group established the Mitsubishi Estate Group Human Rights Policy, and substantial effort is dedicated to implementing frameworks to ensure compliance with this policy. For example, the Group takes precautions to ensure that it only uses wood designated as acceptable under the Sustainable Sourcing Code (Certified Wood and Domestically Produced Wood) in formwork concrete panels (plywood panels used to make the concrete formwork employed in the construction of buildings). This approach is taken to address human rights risks, such as those associated with land seizure and child labor in areas producing tropical forest wood, and to help preserve forests. In the past, I have served as the chairman of a subcommittee of the Tokyo Organizing Committee of the Olympic and Paralympic Games tasked with establishing a procurement code. I am proud to say that the Group's initiatives inherit the spirit of the code I helped establish on this subcommittee and are taking it a step further.

Importance of Promoting Businesses That Offer Value for Consumers

I have experience heading up the Consumer Commission of Japan's Cabinet Office, and I therefore understand how important consumer perspectives are when it comes to business. I believe that Long-Term Management Plan 2030 represents a strategy that places a strong emphasis on business-to-consumer and consumer perspectives, and this strategy thus has the potential to take the Group to a new stage in its evolution. A clear awareness of who the Group is ultimately providing value to will drive the creation of new businesses and subsequently the sustainable evolution of the Group.

The Group's brand is highly trusted among consumers and customers. However, this trust also presents the risk of the Group becoming complacent and losing its edge. It is therefore crucial for the Group to develop frameworks that surpass those of the average company and to ensure their functioning, in order to secure even greater levels of trust. The reinforcement of corporate governance should be at the center of these efforts. Furthermore, it is important for the Group to make sure that its employees—who are responsible for developing the Group's brand—are assigned work in appropriate quantities, are positioned in an optimal manner, and are provided with the training and tools to ensure that they can handle the work they are given in the time provided. Such initiatives are another imperative part of maintaining and strengthening the trust that the Group enjoys from its stakeholders.

I have accumulated a great deal of experience through my time with various government committees and other organizations outside the Company. If there is anything to be found in this experience that can benefit the Group, I hope to share it through discussions with the junior employees who will shape the future of the Group. Meanwhile, the Group is pressed to address a wide range of issues and new business domains, including those related to AI utilization and digital transformation. Going forward, I will strive to build upon my own capabilities so that I can effectively provide advice regarding such issues and domains in order to contribute to the continued growth of the Mitsubishi Estate Group.

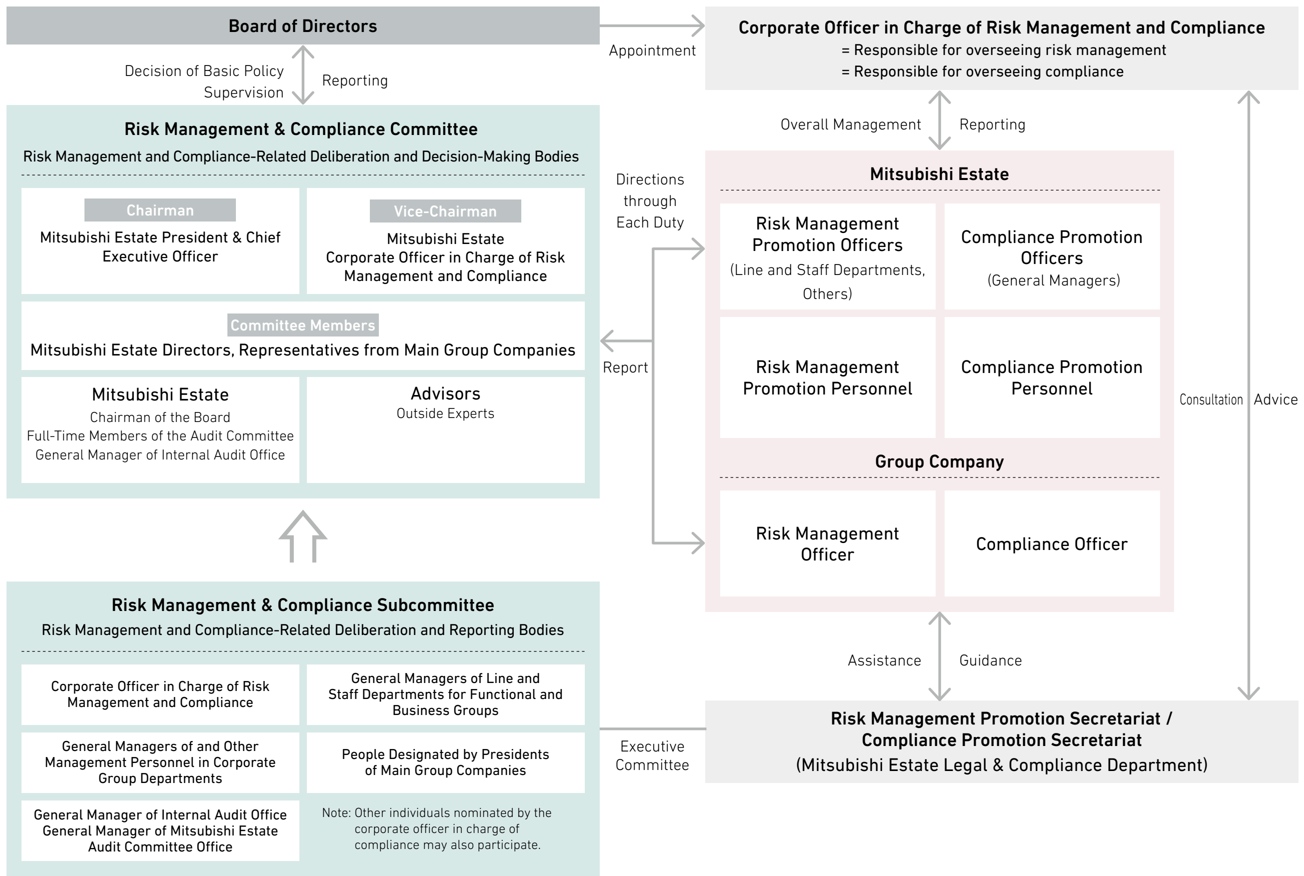
Risk Management

The Mitsubishi Estate Group has established the Mitsubishi Estate Group Risk Management rules and has set up a risk management system to manage risks in all of its business activities. Mitsubishi Estate has also established the Risk Management & Compliance Committee to oversee the Group's risk management and formed the Risk Management & Compliance Subcommittee as a working-level consulting body responsible for such matters as the collection of risk management-related information. The corporate officer in charge of risk management is appointed by resolution of the Board of Directors to take responsibility for overseeing risk management, and general managers of business groups and general managers from Group departments have been designated as risk management officers. We promote risk management activities through the Mitsubishi Estate Legal & Compliance Department, which serves as the secretariat.

We have also established and implemented action guidelines, contact and initial response systems, and business continuity planning for use in times of crisis.

Risk Management and Compliance System

(As of April 2021)



Risk Management Activities

1

Risk Management Activities of Each Individual Business and Functional Group and Group Company

Individual Group companies and functional and business groups identify important risks based on a risk analysis and carry out activities throughout the year to reduce the risks identified. In addition, the general managers of each functional and business group ascertain the status of risk management activities of different business companies under the jurisdiction of each business and functional group and provide coordination and support.

2

Identification and Monitoring of Key Risks That Need Particular Attention from the Group

To accurately grasp the risks facing the Group as a whole, and by selecting and mapping key risks that require measures to be taken, the risks that must be addressed and their level of priority are brought to light. While monitoring risks throughout the year, particularly key risks, support is provided as necessary.

Risk Map

Status of Control / Risk Impact	Moderate	Large
Risks that necessitate the improvement of existing measures or introduction of new measures	Candidates for risks needing countermeasures in the future	Key risks requiring countermeasures during fiscal year
Risks that are appropriately dealt with by continuing existing measures	Ongoing risks requiring countermeasures (currently having impact)	Ongoing risks requiring countermeasures (large impact)

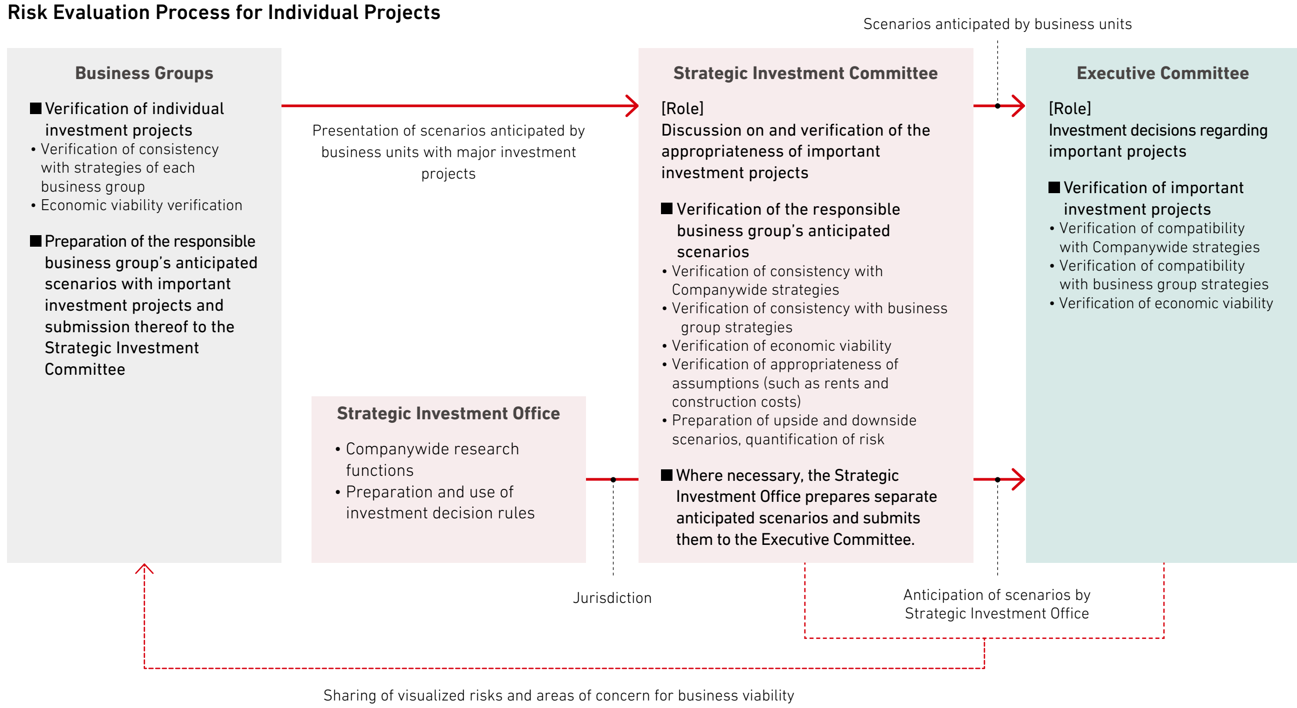
Risk Management Related to Investment Projects

Among the various risks recognized by the Mitsubishi Estate Group, risks related to investment projects are based on the assessment of business viability by Companywide research functions and under investment decision rules of the Strategic Investment Office. Prior to the deliberation of important investment projects by the Executive Committee, which is chaired by the president & CEO and is responsible for strategic planning for the entire Group and monitors the progress of each business toward realizing this strategy, the Strategic Investment Committee deliberates and evaluates profitability, the nature of risks and related countermeasures, and other matters. At each phase, risk assessments are also conducted from legal and financial aspects in order to grasp an overall picture of the risks.

Strategic Investment Committee

In its deliberations, in addition to assessing the economic viability of a given project using multiple indicators, the Strategic Investment Committee verifies the appropriateness of various aspect of premises, such as rents, unit selling prices, and construction costs. For risks, in particular, simulations of upside and downside scenarios are incorporated into investment decision rules. The difference between the scenario set by the responsible business group in charge of the project and the downside scenario is recognized as risk. The Strategic Investment Committee holds discussions on the acceptable limits of that risk.

Risk Evaluation Process for Individual Projects



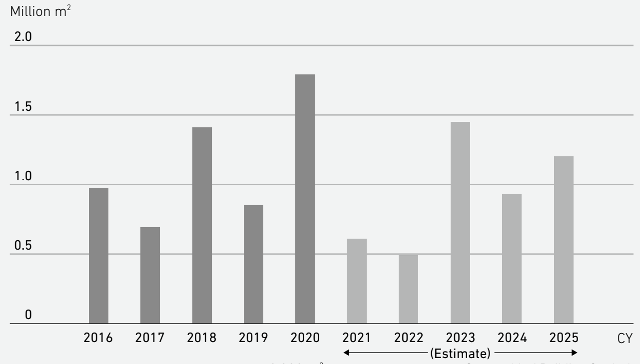
Dealing with Major Risks

Below are some examples of risks that have come to light in the Mitsubishi Estate Group through risk management activities and various business activities and countermeasures that have been taken.

Risks Related to the COVID-19 Pandemic	In FY2021, the COVID-19 pandemic had a particularly adverse impact on the Group's hotel, retail facility, and airport operation businesses. In FY2022, the pandemic has the potential to continue to adversely impact the Group's business promotion and performance, primarily in the aforementioned businesses.
Risks of Natural and Man-Made Disasters, etc.	The occurrence of such natural disasters as earthquakes, floods, or climate change or man-made disasters including accidents, fires, or the spread of infectious diseases may impact the performance, financial position, or other aspects of the Group's business. The Group is redeveloping its properties to install advanced disaster-management functions and has established disaster-response measures through area management.
Risks of Fluctuations in the Real Estate Market	The real estate market is closely correlated with movement in the economy. Deterioration in the economy has a strong impact on declines in real estate prices and rental fees and the increase in vacancy rates. In view of this correlation, the basic policy of the Group is to conclude relatively long-term lease contracts with customers in its office building leasing business. The prospects of stable lease revenue mitigate to a certain degree the risk of sharp movements in the economy.
Risks of Fluctuations in Exchange Rates	In addition to those held in Japan, the Group is developing and holding assets in the United States, Europe, and Asia, for which the book values and income are accounted for in local currencies. Consequently, any fluctuation in exchange rates would affect the yen conversion rate used for foreign currency-denominated assets and liabilities and business transactions. The Group minimizes these risks of fluctuations in interest rates using such methods as borrowing funds in local currencies when procuring assets overseas.
Risks of Increases in Interest Rates	The Group acquires funding for its operations by borrowing from financial institutions or issuing corporate bonds. The Bank of Japan (BOJ) has implemented a policy of quantitative and qualitative monetary easing in response to the credit crunch in financial markets and the slowdown in the global economy. Should interest rates rise, however, because of a change in the BOJ's policy or a deterioration in the demand–supply balance for Japanese government bonds (JGBs) caused by growth in the issuance of JGBs, it may negatively affect the performance, financial position, or other aspects of the Group's business. The Group hedges interest rate risk on a certain portion of its variable interest rate financing through interest rate swaps to convert its interest rate payments into fixed payments. In the future, the Group plans to manage its interest rate risk by procuring funds based on a consideration of its fixed and variable interest rate borrowings and its outstanding corporate bond balances.
Risks of Information Security	In light of society's growing concerns over the appropriate protection of personal information and information management, the Mitsubishi Estate Group will establish rules related to information management and thoroughly reinforce its information management structure. At the same time, the Group will take steps to ensure appropriate responses in accordance with laws and regulations, such as the Act on the Protection of Personal Information. Moreover, in order to raise the IT security level of the entire Group, we have positioned our DX Promotion Department at the center of efforts to standardize the Group's IT systems and make them more secure. We are also enhancing collaboration among DX Promotion Department personnel and between the department and external security companies, thereby providing Groupwide support.

Japan's Real Estate Market

Supply of New Large-Scale Office Buildings* in the 23 Wards of Tokyo

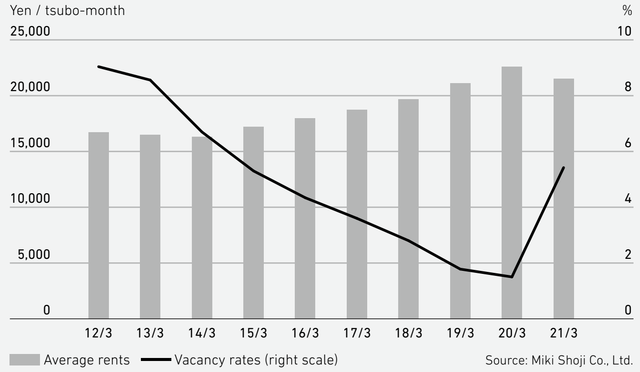


* Buildings with a standard floor area of 10,000 m² and above

Source: Mori Building Co., Ltd.

In 2020, the supply of new large-scale office buildings in Tokyo's 23 wards by floor area more than doubled year on year, to 1,790,000 m², the third largest supply volume recorded since surveys began. However, supply volume is expected to decrease in 2021 and 2022 and the average such volume for the next five years (2021 to 2025) is forecast to fall below past performance levels.

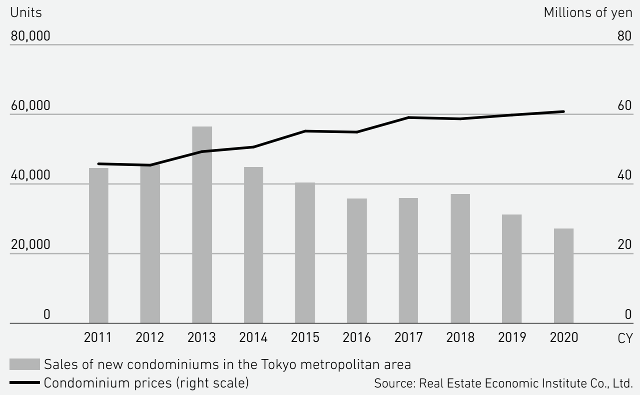
Office Building Market (Average Rents / Vacancy Rates in Five Central Tokyo Metropolitan Wards)



Source: Miki Shoji Co., Ltd.

In the office building market, vacancy rates as of March 2021 in the five central Tokyo metropolitan wards (Minato-ku, Chiyoda-ku, Chuo-ku, Shinjuku-ku, and Shibuya-ku) stood at 5.42%, exceeding 5.0% for the first time since March 2015, partly reflecting the impact of office consolidations and contract cancellations due to the spread of COVID-19. Average rents came to ¥21,541 per tsubo, down ¥1,053 year on year.

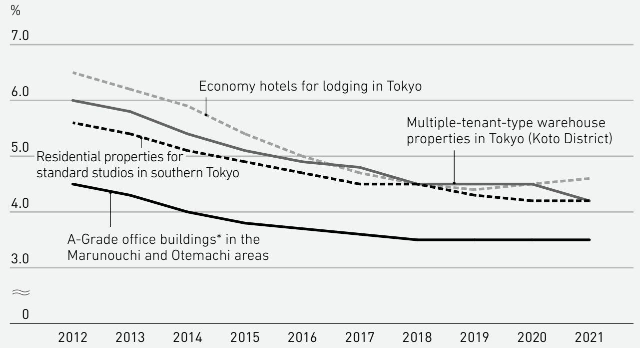
Supply of New Condominiums in the Tokyo Metropolitan Area / Average Condominium Prices



Source: Real Estate Economic Institute Co., Ltd.

In the housing market, the supply of condominiums in the Tokyo metropolitan area declined 12% year on year, to 27,228 units. Meanwhile, the average price of condominiums in the Tokyo metropolitan area rose 1.7% year on year, to ¥60.83 million, owing to an increase in the supply of high-end condominiums.

Expected Cap Rate by Type of Property in the Tokyo Area



As of April 1 each year

* Covers properties within five minutes' walk from the nearest station and with floor areas of at least 50,000 m²

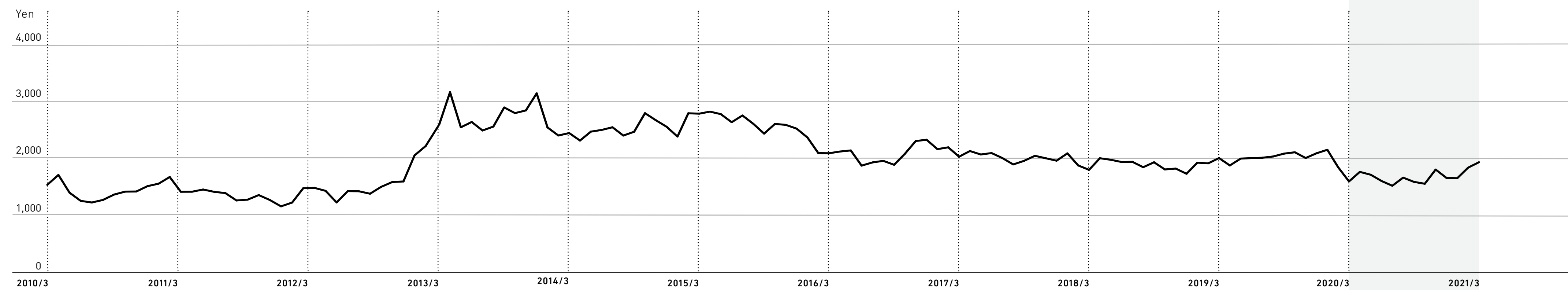
Source: Japan Real Estate Institute

Although the real estate market remained brisk due to such factors as the Bank of Japan's ongoing policy of monetary easing, an excessive decline in investment returns has led to concerns in some quarters that the real estate market may be overheating. The expected return (cap rate) was unchanged from the previous year for many classes of real estate and in many areas, with the cap rate for A-grade office buildings in the Marunouchi and Otemachi areas standing at 3.5% as of April 2021.

Eleven-Year Summary of Selected Financial Data (Consolidated)

	2011/3	2012/3	2013/3	2014/3	2015/3	2016/3	2017/3	2018/3	2019/3	2020/3	**2021/3**
Financial Results (Millions of yen)											
Revenue from operations	988,447	1,013,069	927,157	1,075,285	1,110,259	1,009,408	1,125,405	1,194,049	1,263,283	1,302,196	1,207,594
Operating income	158,258	146,299	118,349	161,271	156,332	166,199	192,495	213,047	229,178	240,768	224,394
Ordinary income	130,830	120,665	92,381	139,638	133,113	144,851	169,851	190,506	206,587	219,572	210,965
Profit attributable to owners of parent	64,219	56,512	45,507	64,297	73,338	83,426	102,681	120,443	134,608	148,451	135,655
Financial Position (Millions of yen)											
Total assets	4,245,209	4,387,015	4,711,521	4,765,368	4,901,526	5,311,840	5,484,115	5,801,450	5,774,193	5,858,236	6,072,519
Total equity*1	1,202,270	1,256,791	1,239,547	1,329,057	1,495,838	1,509,680	1,592,777	1,698,348	1,770,643	1,734,462	1,851,899
Interest-bearing debt	1,639,050	1,716,890	2,085,417	1,973,042	1,929,355	2,291,038	2,396,994	2,481,675	2,319,597	2,429,883	2,526,142
Capital expenditures	76,332	282,171	208,135	159,677	177,331	275,316	275,372	289,570	285,089	331,857	319,841
Depreciation and amortization	70,628	67,465	73,364	74,805	72,696	74,245	75,974	77,545	80,336	84,941	89,107
Cash Flows (Millions of yen)											
Cash flows from operating activities	259,263	203,243	122,286	336,489	200,078	135,821	168,527	293,338	345,954	341,766	207,414
Cash flows from investing activities	(67,223)	(272,009)	(217,992)	(133,537)	(46,568)	(231,003)	(327,292)	(286,841)	(271,083)	(277,440)	(297,303)
Cash flows from financing activities	(140,269)	57,189	27,150	(177,514)	(189,109)	309,237	(4,921)	37,203	(192,473)	(28,886)	50,425
Cash and cash equivalents at the end of year	229,062	215,771	191,837	224,739	198,489	412,392	243,341	286,859	179,308	213,008	172,307
Per-Share Amounts (Yen)											
Earnings	¥46.27	¥40.72	¥32.79	¥46.34	¥52.85	¥60.13	¥74.00	¥86.78	¥96.97	¥108.64	¥101.34
Cash dividends	¥ 12	¥ 12	¥ 12	¥ 12	¥ 14	¥ 16	¥ 20	¥ 26	¥ 30	¥ 33	¥ 31
Principal Financial Indicators											
Business profit*2 (Millions of yen)										240,998	224,701
EBITDA*3 (Millions of yen)	237,109	222,885	200,587	246,332	239,934	252,034	279,718	302,424	320,641	336,784	331,821
ROA*4	3.7%	3.4%	2.6%	3.4%	3.2%	3.3%	3.6%	3.8%	4.0%	4.1%	3.8%
Interest coverage ratio*5 (Times)	6.6	6.5	5.0	7.5	7.7	8.5	8.7	9.5	10.1	11.3	11.2
ROE	5.4%	4.6%	3.6%	5.0%	5.2%	5.6%	6.6%	7.3%	7.8%	8.5%	7.6%
Payout ratio	25.9%	29.5%	36.6%	25.9%	26.5%	26.6%	27.0%	30.0%	30.9%	30.4%	30.6%
Stock Information											
Stock price*6 (Yen)	¥1,407	¥1,476	¥2,596	¥2,446	¥2,787	¥2,090.5	¥2,030	¥1,798.5	¥2,005.5	¥1,595	¥1,932.5
Number of shares issued and outstanding (Thousands of shares)	1,390,397	1,390,397	1,390,397	1,390,397	1,390,397	1,390,397	1,390,685	1,390,908	1,391,038	1,391,174	1,391,328

Mitsubishi Estate's Stock Price Changes on the Tokyo Stock Exchange



*1 Total equity is calculated by deducting non-controlling interests and stock acquisition rights from total net assets.
*2 Business profit is calculated as operating income + equity in earnings of unconsolidated subsidiaries and affiliates.
*3 EBITDA is calculated as the sum total of operating income, interest and dividend income, equity in earnings of unconsolidated subsidiaries and affiliates, depreciation and amortization, and goodwill.
*4 ROA was calculated as operating income ÷ total assets (average of the amount at the beginning and end of the fiscal period) until FY2019. However, from FY2020 ROA is calculated as business profit ÷ total assets (average of the amount at the beginning and end of the fiscal period).
*5 The interest coverage ratio (ICR) is calculated by dividing the sum total of operating income, interest and dividend income, and equity in earnings of unconsolidated subsidiaries and affiliates by the sum total of interest expenses and commercial paper interest.
*6 As of the last trading day in March

Matters Related to Rental Properties

Mitsubishi Estate and some of its consolidated subsidiaries own office buildings and retail facilities in Tokyo and other major cities in Japan as well as overseas, with the aim of obtaining rental revenue from these buildings and facilities. Because certain leased office buildings among these in Japan are used by the Company or some of its consolidated subsidiaries, the Company has classified such buildings as rental properties containing self-use space.

The following table shows the year-end amounts, changes in these amounts during the period under review, and the market value and unrealized gains of investment and rental properties and other real estate that includes rental properties and rental properties containing self-use space.

Millions of yen

	Fiscal Year Ended March 31, 2021 (April 1, 2020, to March 31, 2021)	Fiscal Year Ended March 31, 2020 (April 1, 2019, to March 31, 2020)
Rental Properties		
Amounts recorded on the consolidated balance sheets		
Balance as of the beginning of the period	3,502,759	3,408,738
Increase (decrease) during the period	62,830	94,021
Balance as of the end of the period	3,565,590	3,502,759
Market value as of the end of the period	7,441,369	7,356,741
Unrealized gain	3,875,779	3,853,982
Rental Properties Containing Self-Use Space		
Amounts recorded on the consolidated balance sheets		
Balance as of the beginning of the period	545,580	633,983
Increase (decrease) during the period	(176)	(88,403)
Balance as of the end of the period	545,404	545,580
Market value as of the end of the period	919,848	914,103
Unrealized gain	374,444	368,523

Notes: 1. The amounts included on the consolidated balance sheets presented in the table above are equal to the total acquisition prices for applicable properties or real estate less the aggregate amounts of depreciation and impairment loss for these properties or real estate.
2. Fair values as of the end of each consolidated fiscal year are as follows:
(1) The fair values of domestic properties and real estate have been calculated by Mitsubishi Estate, based mainly on the Japanese Real Estate Appraisal Standards.
(2) The fair values of overseas properties and real estate have been calculated mostly by local appraisers.

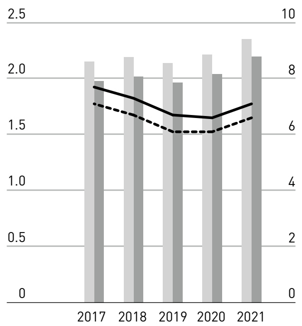
The following table shows the profit and loss from rental properties and other real estate that includes portions used as investment and rental properties.

Millions of yen

	Fiscal Year Ended March 31, 2021 (April 1, 2020, to March 31, 2021)	Fiscal Year Ended March 31, 2020 (April 1, 2019, to March 31, 2020)
Rental Properties		
Rental revenue	475,309	472,275
Rental costs	304,405	303,281
Difference	170,903	168,994
Other income (loss)	5,622	(21,246)
Rental Properties Containing Self-Use Space		
Rental revenue	43,639	43,903
Rental costs	34,289	32,369
Difference	9,349	11,534
Other income (loss)	(2,026)	4,012

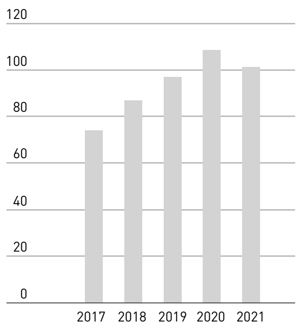
Note: Real estate that includes portions used as investment and rental properties has portions that are used by Mitsubishi Estate and some of its consolidated subsidiaries for the purpose of providing related services and conducting operation management. Accordingly, rental revenue associated with these portions has been excluded. Costs associated with applicable properties and real estate, such as depreciation costs, building management costs, and taxes, have been included in rental costs.

Net Interest-Bearing Debt / EBITDA

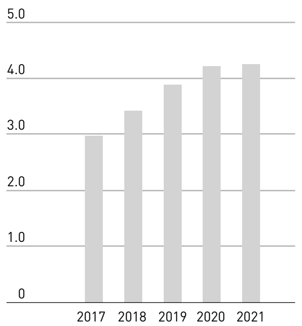


Net interest-bearing debt
Net interest-bearing debt (after hybrid debt deductions)*
Net interest-bearing debt / EBITDA (right scale)
Net interest-bearing debt / EBITDA (after hybrid debt deductions)* (right scale)
* The subordinated bonds and subordinated loans subject to equity credit from a credit rating agency (50% equity treatment) are shown after deductions.

Earnings per Share



Unrealized Gain on Rental Properties



Years ended March 31

Status of Shareholdings

Stocks held for purposes other than pure investment, the number of shares, and their total value as of March 31, 2021, recorded on the balance sheet are as follows.

	Number of stocks	Total amount booked on balance sheet (¥ million)
Unlisted Shares	98	8,737
Shares Other Than Unlisted Shares	65	228,570

Information on the number of shares for each company and amounts shown on the balance sheet for specific investment shares and deemed holdings of equity shares are as follows.

Specific Investment Shares

Company	Number of shares	Amount booked on balance sheet (¥ million)	Purpose of holding shares
Mitsubishi Corporation	13,088,457	40,966	1*
AGC Inc.	4,414,706	20,440	1*
Japan Airport Terminal Co., Ltd.	3,111,400	16,926	1*
Mitsubishi UFJ Financial Group, Inc.	27,821,042	16,461	2*
HEIWA REAL ESTATE CO., LTD.	4,274,100	14,767	5*
Mitsubishi Logistics Corporation	3,665,554	12,407	4*
Taisei Corporation	2,426,690	10,361	3*
Mitsubishi Electric Corporation	5,577,294	9,406	1*
Mitsubishi Heavy Industries, Ltd.	2,346,997	8,094	1*
East Japan Railway Company	857,300	6,720	3*
Central Japan Railway Company	367,900	6,088	3*
Shin-Etsu Chemical Co., Ltd.	308,212	5,735	1*
Kirin Holdings Company, Limited	2,690,438	5,705	1*
TOYOTA MOTOR CORPORATION	598,462	5,156	1*
Mitsubishi Materials Corporation	1,739,700	4,495	1*
NIKON CORPORATION	3,510,000	3,632	4*
TOHO CO., LTD.	794,100	3,565	3*
Odakyu Electric Railway Co., Ltd.	901,000	2,725	3*
Mitsubishi UFJ Lease & Finance Company Limited*	3,760,000	2,511	1*
Mitsubishi Research Institute, Inc.	598,500	2,465	4*
SHIMIZU CORPORATION	2,738,650	2,453	3*
Obayashi Corporation	2,404,961	2,441	3*
Mitsubishi Chemical Holdings Corporation	2,823,000	2,342	1*
Seino Holdings Co., Ltd.	1,275,900	1,967	5*
Uzabase, Inc.	657,400	1,820	5*
Nippon Suisan Kaisha, Ltd.	2,789,900	1,484	1*
THE HACHIJUNI BANK, LTD.	3,441,500	1,386	7*
Chiba Bank, Ltd.	1,852,000	1,342	7*
Fukuoka Financial Group, Inc.	621,600	1,304	7*
Mitsubishi Gas Chemical Company, Inc.	431,405	1,170	1*
T&D Holdings, Inc.	746,900	1,065	7*
TOKAI CARBON CO., LTD.	588,250	1,051	1*
SHIMADZU CORPORATION	233,476	935	1*
KUBOTA Corporation	359,000	904	4*
THE SHIZUOKA BANK, LTD.	886,750	771	7*
RENAISSANCE INCORPORATED	637,500	747	6*
NOHMI BOSAI LTD.	345,000	741	1*
NIPPON EXPRESS CO., LTD.	89,483	737	4*
Mebuki Financial Group, Inc.	2,340,000	610	7*
JFE Holdings, Inc.	399,800	544	1*
THE HYAKUGO BANK, LTD.	1,509,000	504	7*
Matsuya Co., Ltd.	545,300	500	3*
SHINAGAWA REFRACTORIES CO., LTD.	138,150	398	1*
Tokyo Kaikan Co., Ltd.	131,140	397	3*
P.S. Mitsubishi Construction Co., Ltd.	496,000	333	1*
Nippon Yusen Kabushiki Kaisha	86,121	325	1*
Kodensha Co., Ltd.	58,500	298	1*
GS Yuasa Corporation	73,670	221	1*
Mitsubishi Kakoki Kaisha, Ltd.	66,586	188	4*
Concordia Financial Group, Ltd.	320,000	143	7*
Kyushu Financial Group, Inc.	256,410	121	7*
The 77 Bank, Ltd.	70,687	110	7*
NANTO BANK, LTD.	50,440	99	7*
Mitsubishi Steel Mfg. Co., Ltd.	112,472	98	4*
HOTEL NEWGRAND CO., LTD.	24,200	89	4*
Gooddays Holdings Inc.	57,000	65	5*

1* To contribute to raising corporate value by maintaining and strengthening good relationships with tenants, principally in the Commercial Property Business
2* To contribute to raising corporate value by maintaining and strengthening good relationships, principally for financing and in the Commercial Property Business
3* To contribute to raising corporate value by maintaining and strengthening collaborative relationships, principally in the Commercial Property Business
4* To contribute to raising corporate value by maintaining and strengthening good relationships in businesses across the entire Group
5* To contribute to raising corporate value through business partnerships and joint businesses
6* To contribute to raising corporate value by maintaining and strengthening collaborative relationships, principally in the Residential Business
7* Principally to contribute to stable financing

Deemed Holdings of Equity Securities

Company	Number of shares	Amount booked on balance sheet (¥ million)	Purpose of holding shares
Tokio Marine Holdings, Inc.	6,929,500	36,483	8*
Mitsubishi Electric Corporation	10,656,000	17,971	8*
Mitsubishi UFJ Financial Group, Inc.	4,306,400	2,548	8*
MITSUBISHI MOTORS CORPORATION	700,000	220	8*

8* To maintain authority to exercise voting rights
Note: With regard to the largest stocks in terms of the amounts recorded on the balance sheet, specific investment shares and deemed holdings of equity securities for investment purposes are not included in aggregate totals.
* Renamed Mitsubishi HC Capital Inc. on April 1, 2021

Consolidated Balance Sheets

Mitsubishi Estate Co., Ltd. and Consolidated Subsidiaries
March 31, 2021 and 2020

	Millions of yen 2021	Millions of yen 2020	Thousands of U.S. dollars (Note 2) 2021
Assets			
Current assets:			
Cash on hand and in banks (Notes 13 and 15)	¥ 170,040	¥ 207,896	$ 1,535,905
Notes and accounts receivable–trade (Note 13)	52,031	50,340	469,981
Marketable securities (Notes 13 and 14)	4,626	7,657	41,791
Allowance for doubtful receivables	(553)	(294)	(5,001)
Inventories (Note 3)	364,834	329,305	3,295,406
Equity investments (Notes 13 and 14)	496,182	450,520	4,481,822
Other current assets	76,875	70,208	694,386
Total current assets	1,164,037	1,115,634	10,514,293
Investments and other assets:			
Investments in and advances to unconsolidated subsidiaries and affiliates (Note 13)	41,836	50,024	377,894
Investment securities (Notes 13 and 14)	240,810	187,596	2,175,150
Asset for retirement benefits (Note 6)	34,370	21,336	310,453
Deferred income taxes (Note 7)	16,536	16,266	149,369
Other investments (Notes 4 and 13)	293,938	263,358	2,655,035
Total investments and other assets	627,493	538,582	5,667,903
Property and equipment (Note 5):			
Land	2,237,934	2,152,812	20,214,382
Land in trust	578,446	608,331	5,224,881
Buildings and structures	2,815,474	2,763,937	25,431,077
Machinery and equipment and other	160,608	152,076	1,450,714
Construction in progress	136,273	126,311	1,230,904
	5,928,737	5,803,470	53,551,960
Less accumulated depreciation	(1,748,844)	(1,696,217)	(15,796,626)
Property and equipment, net	4,179,893	4,107,252	37,755,334
Intangible	101,095	96,767	913,151
Total assets	¥ 6,072,519	¥ 5,858,236	$ 54,850,682

	Millions of yen 2021	Millions of yen 2020	Thousands of U.S. dollars (Note 2) 2021
Liabilities and net assets			
Current liabilities:			
Short-term borrowings and current portion of long-term debt (Notes 5 and 13)	¥ 384,428	¥ 373,635	$ 3,472,395
Notes and accounts payable–trade (Note 13)	60,507	66,368	546,540
Accrued income taxes (Note 7)	24,457	29,773	220,918
Advances and deposits	121,996	112,727	1,101,944
Accrued expenses and other current liabilities	71,046	81,497	641,739
Total current liabilities	662,437	664,001	5,983,537
Long-term liabilities:			
Long-term debt (Notes 5 and 13)	2,139,618	2,054,263	19,326,332
Lease deposits received (Note 13)	466,891	459,177	4,217,248
Liability for retirement benefits (Note 6)	27,123	26,919	244,999
Deferred income taxes (Note 7)	507,901	479,915	4,587,674
Negative goodwill	83,604	80,251	755,166
Other non-current liabilities	123,494	152,501	1,115,479
Total long-term liabilities	3,348,634	3,253,028	30,246,900
Total liabilities	4,011,071	3,917,030	36,230,438
Net assets:			
Shareholders' equity (Note 8):			
Common stock, without par value:			
Authorized—1,980,000,000 shares;			
Issued—1,391,328,316 shares in 2021 and 1,391,174,263 shares in 2020	142,279	142,147	1,285,150
Capital surplus	164,367	164,041	1,484,666
Retained earnings	1,058,457	962,840	9,560,630
Less treasury stock, at cost	(105,216)	(105,282)	(950,374)
Total shareholders' equity	1,259,887	1,163,746	11,380,073
Accumulated other comprehensive income:			
Unrealized holding gain on securities	118,088	79,527	1,066,646
Deferred gain (loss) on hedging instruments	(1,916)	(1,948)	(17,314)
Land revaluation reserve	526,417	526,623	4,754,919
Foreign currency translation adjustments	(53,740)	(29,321)	(485,418)
Retirement benefits liability adjustments (Note 6)	3,163	(4,163)	28,572
Total accumulated other comprehensive income	592,011	570,716	5,347,405
Stock acquisition rights	231	288	2,093
Non-controlling interests	209,316	206,454	1,890,671
Contingent liabilities (Note 11)			
Total net assets	2,061,447	1,941,206	18,620,244
Total liabilities and net assets	¥6,072,519	¥5,858,236	$54,850,682

See accompanying notes to consolidated financial statements.

Consolidated Statements of Income

Mitsubishi Estate Co., Ltd. and Consolidated Subsidiaries
Years ended March 31, 2021 and 2020

	Millions of yen		Thousands of U.S. dollars (Note 2)
	2021	2020	2021
Revenue from operations	¥1,207,594	¥1,302,196	$10,907,731
Cost of revenue from operations (Note 3)	(889,830)	(967,036)	(8,037,488)
Selling, general and administrative expenses	(93,370)	(94,391)	(843,377)
Operating income	224,394	240,768	2,026,866
Other income (expenses):			
Interest and dividend income	16,966	8,178	153,254
Interest expenses	(21,623)	(22,100)	(195,317)
Equity in earnings of affiliates	307	229	2,773
Other, net (Note 12)	(18,779)	(3,127)	(169,624)
	(23,128)	(16,819)	(208,914)
Profit before income taxes	201,265	223,949	1,817,952
Income taxes (Note 7):			
Current	(44,647)	(54,626)	(403,282)
Deferred	(9,548)	(3,907)	(86,248)
	(54,195)	(58,533)	(489,530)
Profit	147,069	165,415	1,328,422
Profit attributable to:			
Non-controlling interests	(11,414)	(16,963)	(103,100)
Shareholders of Mitsubishi Estate Co., Ltd.	¥ 135,655	¥ 148,451	$ 1,225,322

See accompanying notes to consolidated financial statements.

Consolidated Statements of Comprehensive Income

Mitsubishi Estate Co., Ltd. and Consolidated Subsidiaries
Years ended March 31, 2021 and 2020

	Millions of yen		Thousands of U.S. dollars (Note 2)
	2021	2020	2021
Profit	¥147,069	¥165,415	$1,328,422
Other comprehensive income (Note 21):			
Unrealized holding gain (loss) on securities	38,566	(35,924)	348,352
Deferred gain (loss) on hedging instruments	352	(2,039)	3,181
Land revaluation reserve	(44)	—	(400)
Foreign currency translation adjustments	(26,143)	1,054	(236,145)
Retirement benefits liability adjustments	7,309	(5,103)	66,023
Share of other comprehensive income of affiliates accounted for by the equity method	57	(382)	520
Total other comprehensive income (loss)	20,097	(42,400)	181,531
Comprehensive income (Note 21)	¥167,166	¥123,014	$1,509,953
Total comprehensive income attributable to:			
Shareholders of Mitsubishi Estate Co., Ltd.	¥157,093	¥106,349	$1,418,961
Non-controlling interests	¥ 10,073	¥ 16,665	$ 90,992

See accompanying notes to consolidated financial statements.

Consolidated Statements of Changes in Net Assets

Mitsubishi Estate Co., Ltd. and Consolidated Subsidiaries
Years ended March 31, 2021 and 2020

Millions of yen

	Shareholders' equity					Accumulated other comprehensive income	
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity	Unrealized holding gain (loss) on securities	Deferred gain (loss) on hedging instruments
Balance at April 1, 2019	¥142,023	¥162,498	¥ 858,581	¥ (5,278)	¥1,157,824	¥115,452	¥ (64)
Changes in the year:							
Issuance of new shares	124	124			249		
Cash dividends paid			(44,112)		(44,112)		
Profit attributable to owners of parent			148,451		148,451		
Purchase of treasury stock				(100,020)	(100,020)		
Disposal of treasury stock			(2)	16	13		
Land revaluation reserve (Note 1-h)							
Changes in the scope of consolidation			(78)		(78)		
Changes in equity related to transactions with non-controlling shareholders		1,418			1,418		
Net change in items other than those in shareholders' equity						(35,925)	(1,883)
Total of changes in the year	124	1,543	104,258	(100,004)	5,922	(35,925)	(1,883)
Balance at April 1, 2020	142,147	164,041	962,840	(105,282)	1,163,746	79,527	(1,948)
Changes in the year:							
Issuance of new shares	131	130			262		
Cash dividends paid			(40,155)		(40,155)		
Profit attributable to owners of parent			135,655		135,655		
Purchase of treasury stock				(17)	(17)		
Disposal of treasury stock			(25)	83	58		
Land revaluation reserve (Note 1-h)			142		142		
Changes in the scope of consolidation							
Changes in equity related to transactions with non-controlling shareholders		195			195		
Net change in items other than those in shareholders' equity						38,560	31
Total of changes in the year	131	326	95,617	66	96,141	38,560	31
Balance at March 31, 2021	¥142,279	¥164,367	¥1,058,457	¥(105,216)	¥1,259,887	¥118,088	¥(1,916)

Millions of yen

	Accumulated other comprehensive income						
	Land revaluation reserve	Foreign currency translation adjustments	Retirement benefits liability adjustments (Note 6)	Total accumulated other comprehensive income	Stock acquisition rights	Non-controlling interests	Total net assets
Balance at April 1, 2019	¥526,623	¥(30,144)	¥ 952	¥612,819	¥302	¥186,159	¥1,957,105
Changes in the year:							
Issuance of new shares							249
Cash dividends paid							(44,112)
Profit attributable to owners of parent							148,451
Purchase of treasury stock							(100,020)
Disposal of treasury stock							13
Land revaluation reserve (Note 1-h)							
Changes in the scope of consolidation							(78)
Changes in equity related to transactions with non-controlling shareholders							1,418
Net change in items other than those in shareholders' equity		822	(5,116)	(42,102)	(13)	20,294	(21,821)
Total of changes in the year	—	822	(5,116)	(42,102)	(13)	20,294	(15,898)
Balance at April 1, 2020	526,623	(29,321)	(4,163)	570,716	288	206,454	1,941,206
Changes in the year:							
Issuance of new shares							262
Cash dividends paid							(40,155)
Profit attributable to owners of parent							135,655
Purchase of treasury stock							(17)
Disposal of treasury stock							58
Land revaluation reserve (Note 1-h)							142
Changes in the scope of consolidation							—
Changes in equity related to transactions with non-controlling shareholders							195
Net change in items other than those in shareholders' equity	(206)	(24,418)	7,327	21,294	(56)	2,861	24,099
Total of changes in the year	(206)	(24,418)	7,327	21,294	(56)	2,861	120,241
Balance at March 31, 2021	¥526,417	¥(53,740)	¥3,163	¥592,011	¥231	¥209,316	¥2,061,447

See accompanying notes to consolidated financial statements.

Consolidated Statements of Changes in Net Assets (Continued)

Mitsubishi Estate Co., Ltd. and Consolidated Subsidiaries
Years ended March 31, 2021 and 2020

Thousands of U.S.dollars (Note 2)

	Shareholders' equity					Accumulated other comprehensive income	
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity	Unrealized holding gain (loss) on securities	Deferred gain (loss) on hedging instruments
Balance at April 1, 2019	$1,282,839	$1,467,781	$7,755,228	$ (47,676)	$10,458,172	$1,042,838	$ (585)
Changes in the year:							
Issuance of new shares	1,127	1,126			2,253		
Cash dividends paid			(398,452)		(398,452)		
Profit attributable to owners of parent			1,340,908		1,340,908		
Purchase of treasury stock				(903,447)	(903,447)		
Disposal of treasury stock			(19)	144	124		
Land revaluation reserve (Note 1-h)							
Changes in the scope of consolidation			(706)		(706)		
Changes in equity related to transactions with non-controlling shareholders		12,813			12,813		
Net change in items other than those in shareholders' equity						(324,497)	(17,017)
Total of changes in the year	1,127	13,939	941,729	(903,302)	53,493	(324,497)	(17,017)
Balance at April 1, 2020	1,283,966	1,481,721	8,696,957	(950,979)	10,511,666	718,341	(17,602)
Changes in the year:							
Issuance of new shares	1,184	1,182			2,366		
Cash dividends paid			(362,711)		(362,711)		
Profit attributable to owners of parent			1,225,322		1,225,322		
Purchase of treasury stock				(153)	(153)		
Disposal of treasury stock			(228)	758	529		
Land revaluation reserve (Note 1-h)			1,291		1,291		
Changes in the scope of consolidation							
Changes in equity related to transactions with non-controlling shareholders		1,762			1,762		
Net change in items other than those in shareholders' equity						348,305	288
Total of changes in the year	1,184	2,945	863,673	604	868,407	348,305	288
Balance at March 31, 2021	$1,285,150	$1,484,666	$9,560,630	$(950,374)	$11,380,073	$1,066,646	$(17,314)

Thousands of U.S.dollars (Note 2)

		Accumulated other comprehensive income					
	Land revaluation reserve	Foreign currency translation adjustments	Retirement benefits liability adjustments (Note 6)	Total accumulated other comprehensive income	Stock acquisition rights	Non-controlling interests	Total net assets
Balance at April 1, 2019	$4,756,783	$(272,283)	$ 8,601	$5,535,354	$2,728	$1,681,506	$17,677,762
Changes in the year:							
Issuance of new shares							2,253
Cash dividends paid							(398,452)
Profit attributable to owners of parent							1,340,908
Purchase of treasury stock							(903,447)
Disposal of treasury stock							124
Land revaluation reserve (Note 1-h)							
Changes in the scope of consolidation							(706)
Changes in equity related to transactions with non-controlling shareholders							12,813
Net change in items other than those in shareholders' equity		7,430	(46,212)	(380,296)	(121)	183,315	(197,101)
Total of changes in the year	—	7,430	(46,212)	(380,296)	(121)	183,315	(143,608)
Balance at April 1, 2020	4,756,783	(264,853)	(37,610)	5,155,057	2,607	1,864,822	17,534,154
Changes in the year:							
Issuance of new shares							2,366
Cash dividends paid							(362,711)
Profit attributable to owners of parent							1,225,322
Purchase of treasury stock							(153)
Disposal of treasury stock							529
Land revaluation reserve (Note 1-h)							1,291
Changes in the scope of consolidation							—
Changes in equity related to transactions with non-controlling shareholders							1,762
Net change in items other than those in shareholders' equity	(1,863)	(220,565)	66,182	192,347	(513)	25,848	217,682
Total of changes in the year	(1,863)	(220,565)	66,182	192,347	(513)	25,848	1,086,090
Balance at March 31, 2021	$4,754,919	$(485,418)	$ 28,572	$5,347,405	$2,093	$1,890,671	$18,620,244

See accompanying notes to consolidated financial statements.

Consolidated Statements of Cash Flows

Mitsubishi Estate Co., Ltd. and Consolidated Subsidiaries
Years ended March 31, 2021 and 2020

	Millions of yen		Thousands of U.S. dollars (Note 2)
	2021	2020	2021
Cash flows from operating activities			
Profit before income taxes	¥ 201,265	¥ 223,949	$ 1,817,952
Depreciation and amortization	89,107	84,941	804,870
(Gain) loss on sales or disposal of property and equipment	(7,263)	4,064	(65,610)
(Gain) loss on sales of securities	(3,021)	(1,690)	(27,290)
Valuation loss on equity investments	—	2,344	—
Impairment loss	4,679	10,844	42,269
Equity in earnings of affiliates	(307)	(229)	(2,773)
Increase (decrease) in allowances	(322)	12	(2,915)
Increase (decrease) in liability for retirement benefits	(1,553)	(4,334)	(14,031)
Interest and dividend income	(16,966)	(8,178)	(153,254)
Interest expense	21,602	22,100	195,128
(Increase) decrease in notes and accounts receivable	(3,157)	15,166	(28,523)
(Increase) decrease in inventories	56,443	148,161	509,829
(Increase) decrease in equity investments	(21,048)	(43,217)	(190,118)
Increase (decrease) in notes and accounts payable	(3,821)	11,006	(34,517)
Increase (decrease) in lease deposits received	7,837	19,200	70,790
Other	(53,726)	(82,687)	(485,286)
Subtotal	269,747	401,453	2,436,520
Interest and dividends received	16,673	8,189	150,607
Interest paid	(21,605)	(22,239)	(195,156)
Income taxes paid	(57,400)	(45,636)	(518,479)
Net cash provided by operating activities	207,414	341,766	1,873,491
Cash flows from investing activities			
Proceeds from sales of marketable securities	2,688	5,749	24,284
Purchases of marketable securities	(3,294)	(4,076)	(29,754)
Proceeds from sales of property and equipment	30,403	105,810	274,620
Purchases of property and equipment	(315,784)	(331,722)	(2,852,360)
Proceeds from sales of investment securities	14,186	5,275	128,140
Purchases of investment securities	(16,712)	(36,565)	(150,961)
Other	(8,789)	(21,910)	(79,392)
Net cash used in investing activities	(297,303)	(277,440)	(2,685,424)
Cash flows from financing activities			
Net increase (decrease) in short-term borrowings	27,400	29,196	247,499
Net increase (decrease) in commercial paper	—	50,000	—
Increase in long-term borrowings	252,874	249,967	2,284,115
Repayment of long-term borrowings	(163,891)	(230,736)	(1,480,364)
Proceeds from issuance of corporate bonds	184,281	92,815	1,664,538
Repayment of corporate bonds	(201,550)	(75,000)	(1,820,522)
Purchase of investments in subsidiaries that do not result in change in scope of consolidation	(113)	(350)	(1,029)
Net (increase) decrease in treasury stock	(23)	(100,024)	(211)
Cash dividends paid	(40,117)	(44,103)	(362,367)
Other	(8,434)	(651)	(76,184)
Net cash used in financing activities	50,425	(28,886)	455,473
Effect of exchange rate changes on cash and cash equivalents	(1,237)	(1,626)	(11,177)
Net increase (decrease) in cash and cash equivalents	(40,701)	33,813	(367,637)
Cash and cash equivalents at beginning of year	213,008	179,308	1,924,019
Cash and cash equivalents of subsidiaries excluded from consolidation	—	(113)	—
Cash and cash equivalents at end of year (Note 15)	¥ 172,307	¥ 213,008	$ 1,556,382

See accompanying notes to consolidated financial statements.

Notes to Consolidated Financial Statements

Mitsubishi Estate Co., Ltd. and Consolidated Subsidiaries
Years ended March 31, 2021 and 2020

1 Significant Accounting Policies

a. Basis of preparation

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

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

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

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

b. Principles of consolidation

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

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

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

c. Use of estimates

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

d. Foreign currency translation

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

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

e. Cash equivalents

The Group considers all highly liquid investments that are readily convertible into cash and have an original maturity of three months or less to be cash equivalents. Reconciliation between cash in the consolidated balance sheet and cash equivalents at March 31, 2021 and 2020 is presented in Note 15.

f. Marketable securities and investment securities

Securities other than those of subsidiaries and affiliates are classified into three categories: trading, held-to-maturity or other securities. Trading securities are carried at fair value and held-to-maturity securities are carried at amortized cost. Marketable securities classified as other securities are carried at fair value with any changes in unrealized holding gain or loss, net of the applicable income taxes, included directly in shareholders' equity. Non-marketable securities classified as other securities are carried at cost. Cost of securities sold is determined by the moving average method.

g. Inventories

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

h. Property and equipment, depreciation and impairment

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

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

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

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

Buildings and structures	2 to 75 years

i. Intangible

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

j. Retirement benefits

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

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

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

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

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

k. Income taxes

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

l. Derivative financial instruments

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

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

m. Revenue recognition

The consolidated statement of income reflect revenue from operations in the following manner:

(a) Revenue from the leasing of office space is recognized as rent accrued over the leasing period.

(b) Revenue from sales of condominiums, residential houses and land is recognized when the units are delivered and accepted by the customers. Revenue from consignment commissions for residential sales earned by the real estate service business segment is recognized at the time of contract conclusion for services provided up to the conclusion and at the time of ownership transfer for services provided up to the transfer.

(c) Revenue from real estate brokerage is recognized when an underlying lease agreement goes into force or the underlying units are delivered.

(d) Revenue of construction contracts, of which the percentage of completion can be reliably estimated, is recognized by the percentage-of-completion method. The percentage-of-completion method is calculated at the cost incurred by the end of the consolidated fiscal year as a percentage of estimated total cost. The completed-contract method continues to be applied for other contracts for which the percentage of completion cannot be reliably estimated.

(e) Revenue from finance lease transactions and related costs are recognized upon receipt of lease payments.

(f) Other operating revenue is recognized on an accrual basis.

n. Appropriation of retained earnings

Under the Companies Act of Japan, the appropriation of retained earnings with respect to a given fiscal year is made by resolution of the shareholders at a general meeting held subsequent to the close of such fiscal year. The accounts for that year do not, therefore, reflect such appropriations. See Note 8 for more information.

o. Significant accounting estimates

1. Valuation of property and equipment

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

	Millions of yen	Thousands of U.S. dollars
Property and equipment, net	¥4,179,893	$37,755,334
Impairment loss	4,679	42,269

(2) Other information

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

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

Asset grouping in order to determine whether to recognize impairment or to measure impairment losses is a minimum unit that generates cash flows, which is substantially independent from cash flows of other assets or asset groups. The recoverable amount is the higher of net realizable value or value in use. While the net realizable value is calculated based on the real estate appraised value or estimated sales price, the value in use is calculated by discounting future cash flows."

2) Major assumptions

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

The major assumptions used in estimation in the current fiscal year are as follows.

• Offices

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

• Commercial facilities and outlet malls

Rents for commercial facilities and outlet malls are related to tenant sales at commercial facilities and outlet malls, as they include variable rents linked to tenant sales. In the current fiscal year, tenant sales have decreased from the previous fiscal year due to the impact of COVID-19. However, as it has been on an improving trend recently, the Group expects the impact to be limited from the following fiscal year onwards.

• Hotels

Occupancy rates have been at low level due to the impact of COVID-19 and it is expected to take a certain period of time for occupancy rates to recover to the level the Group had before being affected by COVID-19. The Group assumed that hotel demand would recover to the pre-COVID-19 levels in around 2024, the same timing as for the recovery in global air passenger demand.

• Logistics facilities
Logistics facilities have not been affected by COVID-19, and the market has been favorable.
Therefore, the Group assumes that performance of logistics facilities will continue to be steady in the next fiscal year and beyond as is expected for the market trend.
• Redevelopment projects
The Group is engaged in multiple redevelopment projects. Compared with other development projects, redevelopment projects are associated with potential risk of having lower profitability than originally expected because of delay in development or subsequent modification of a development plan. Potential risk includes risks such as being unable to obtain agreement from other landowners in the area planned for redevelopment, and being unable to obtain necessary governmental permission.
The Group comprehensively assesses these various risks for redevelopment projects. However, the redevelopment projects currently underway are not in any situation that would decrease their profitability from the initial estimates. The Group therefore assumes that these redevelopment projects will progress while maintaining their profitability.

3) Impact on the consolidated financial statements for the next fiscal year
Impairment losses are estimated based on the descriptions of 2) Major assumptions.
Therefore, if major assumptions used for estimating impairment losses worsen, additional impairment losses may be recognized in the next fiscal year.

2. Valuation of inventories
(1) Amount recorded in the consolidated financial statements for the current fiscal year

	Millions of yen	Thousands of U.S. dollars
Real estate for sale	¥ 88,116	$ 795,918
Land and housing projects in progress	267,563	2,416,797
Write-down of inventories	561	5,070

(2) Other information
1) Calculation method for the amount recorded in the consolidated financial statements for the current fiscal year
The Group values inventories at net realizable value when it is lower than cost due to decline in profitability, and recognizes such reduction as write-down of inventories in accordance with the Accounting Standard for Measurement of Inventories. The net realizable value is calculated by deducting the estimated additional construction costs and estimated sales expenses from the estimated sales amount.
2) Major assumptions
The major assumptions used in the estimation of net realizable value for the fiscal year are as follows.
Considering factors such as the latest distribution of sales by agreement date, contract prices and number of model units visitors, the net realizable values of projects that are generally progressing in line with or better the initial business plan are estimated based on the initial business plan. Meanwhile, the net realizable values of projects that have deteriorated from the initial business plan are estimated based on a revised business plan, taking into consideration the conditions unique to each project such as the status of progress, market prices in the neighboring areas and incurrence of additional costs. With regard to the impact of COVID-19, the Group assumes that the impact will be limited because current market demand is steady, and inventory is decreasing.
In addition, the land held for future development of residential condominiums is associated with potential risk of having lower profitability than originally expected because of delay in development or subsequent modification of a development plan which may happen in a period before sales commence. Potential risk includes risks such as a decline in sales price in the future, excessive supply of residential condominiums due to increases in supply caused by competitors in neighboring areas, being unable to obtain necessary governmental permission, delay in construction due to continuing negotiation with existing residents in neighboring areas.
The Group comprehensively assesses these various risks for the land held for future development.
However, the development projects currently underway are not in any situation that would decrease their profitability from the initial estimates. The Group therefore assumes that such development projects will progress while maintaining their profitability.
3) Impact on the consolidated financial statements for the next fiscal year
The valuation of inventories is estimated based on the descriptions of 2) Major Assumptions by the lower of cost or market (LCM) method. Therefore, if there are changes in these major assumptions, it may result in additional write-down of inventories in the next fiscal year.

3. Valuation of equity investments
(1) Amount recorded in the consolidated financial statements for the current fiscal year

	Millions of yen	Thousands of U.S. dollars
Equity investments	¥496,182	$4,481,822

(2) Other information
1) Calculation method for the amount recorded in the consolidated financial statements for the current fiscal year
The Group reduces the book value of equity investments without market price by a reasonable amount when the effective market value of those equity investments declines significantly, and recognizes such reduction as an impairment loss on equity investments in accordance with the Accounting Standard for Financial Instruments.
When calculating the effective market value, the Group values assets held by investees for each purpose of holding.
2) Major assumptions
The major assumptions are determined for assets held by investees according to the purpose of holding. For the details of assumptions made for the relevant assets, please refer to 1. Valuation of property and equipment and 2. Valuation of inventories.
3) Impact on the consolidated financial statements for the next fiscal year
The estimation for impairment loss on equity investments is made based on assumptions described in 2) Major assumptions.
Therefore, if there are changes in these major assumptions, it may result in additional impairment losses on equity investments in the next fiscal year.

p. Accounting standards issued but not yet effective
Accounting Standard and Implementation Guidance on Revenue Recognition
• On March 31, 2020, the ASBJ issued "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29)
• On March 26, 2021, the ASBJ issued "Implementation Guidance on Accounting Standard for Revenue Recognition" (ASBJ Guidance No. 30)
• On March 31, 2020, the ASBJ issued "Implementation Guidance on Disclosures about Fair Value of Financial Instruments" (ASBJ guidance No.19)
(1) Overview
This is a comprehensive accounting standard for revenue recognition. Specifically, the accounting standard establishes the following five-step model that will apply to revenue from customers:
1. Identify the contract(s) with a customer
2. Identify the performance obligations in the contract
3. Determine the transaction price
4. Allocate the transaction price to the performance obligations in the contract
5. Recognize revenue when (or as) the entity satisfies a performance obligation
(2) Scheduled date of adoption
The Company expects to adopt the accounting standard and implementation guidance from the beginning of the fiscal year ending March 31, 2022.
(3) Impact of the adoption of accounting standard and implementation guidance
The information is not provided due to its immaterial impact on the consolidated financial statements.

Accounting Standard and Implementation Guidance on Fair Value Measurement
• On July 4, 2019, the ASBJ issued "Accounting Standard for Fair Value Measurement" (ASBJ Statement No. 30)
• On July 4, 2019, the ASBJ issued "Accounting Standard for Measurement of Inventories" (ASBJ Statement No. 9)
• On July 4, 2019, the ASBJ issued "Accounting Standard for Financial Instruments" (ASBJ Statement No. 10)
• On July 4, 2019, the ASBJ issued "Implementation Guidance on Accounting Standard for Fair Value Measurement" (ASBJ Guidance No. 31)
• On March 31, 2020, the ASBJ issued "Implementation Guidance on Disclosures about Fair Value of Financial Instruments" (ASBJ Guidance No. 19)

(1) Overview
The International Accounting Standards Board (IASB) and the Financial Accounting Standards Board (FASB) each provides detailed guidance on fair value measurement, "IFRS13 Fair Value Measurement" and "Accounting Standards Codification Fair Value Measurement (Topic 820)", with approximately identical content. Under the circumstances, the ASBJ has issued "Accounting Standard and Implementation Guidance on Fair Value Measurement" so that Japanese Accounting Standards ensure international consistency mainly in guidance and disclosure of fair value of financial instruments.
It has fundamentally incorporated every prescription of IFRS13 to enhance the international comparability of financial statements by adopting globally accepted standards of the measurement, but for domestically agreed practice it has also set exceptions for certain items without impairing the comparability.
(2) Scheduled date of adoption
The Company expects to adopt the accounting standard and implementation guidance from the beginning of the fiscal year ending March 31, 2022.
(3) Impact of the adoption of accounting standard and implementation guidance
Impact of the adoption of the accounting standard and implementation guidance on fair value measurement to consolidated financial statements is to be determined.

q. Change in presentation
Changes due to the Application of the "Accounting Standard for Disclosure of Accounting Estimates"
The "Accounting Standard for Disclosure of Accounting Estimates" (ASBJ Statement No. 31, March 31, 2020) has been applied from the fiscal year under review, and "o. Significant Accounting Estimates" are provided in these Notes to the Consolidated Financial Statements.
However, comparative information for the previous fiscal year is not presented in accordance with the transitional treatment stipulated in the proviso of paragraph 11 of the accounting standard.

2 U.S. Dollar Amounts

Translation of yen amounts into U.S. dollar amounts is included solely for convenience, as a matter of arithmetic computation only, at the rate of ¥110.71 = US$1.00, the approximate rate of exchange prevailing on March 31, 2021. The inclusion of such amounts is not intended to imply that yen amounts have been or could be readily converted, realized or settled in U.S. dollars at the above or any other rate.

3 Inventories

Inventories at March 31, 2021 and 2020 are summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2021	2020	2021
Real estate for sale	¥ 88,116	¥ 72,256	$ 795,918
Land and housing projects in progress	267,563	247,677	2,416,797
Land held for development	975	975	8,811
Other	8,179	8,395	73,878
Total	¥364,834	¥329,305	$3,295,406

Write-downs of inventories as a result of a decrease in profitability for the years ended March 31, 2021 and 2020 were ¥561 million ($5,070 thousand) and ¥1,765 million, respectively, and recognized in cost of revenue from operations.

4 Other Investments

Other investments at March 31, 2021 and 2020 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2021	2020	2021
Lease deposits	¥136,478	¥126,092	$1,232,759
Long-term prepaid expenses	122,798	104,482	1,109,192
Other	34,661	32,783	313,083
Total	¥293,938	¥263,358	$2,655,035

5 Short-Term Borrowings and Long-Term Debt

At March 31, 2021 and 2020, short-term borrowings and the current portion of long-term debt consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2021	2020	2021
Loans, principally from banks	¥141,785	¥115,306	$1,280,694
Commercial paper	50,000	50,000	451,630
Current portion of long-term debt	192,643	208,328	1,740,070
Total	¥384,428	¥373,635	$3,472,395

The weighted-average interest rates per annum on short-term borrowings outstanding at March 31, 2021 and 2020 were 0.51% and 0.44%, respectively. Short-term borrowings are principally unsecured.

At March 31, 2021 and 2020, long-term debt consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2021	2020	2021
2.5% unsecured bonds due 2020	—	¥10,000	—
1.165% unsecured bonds due 2020	—	10,000	—
0.577% unsecured bonds due 2020	—	15,000	—
0.54% unsecured bonds due 2021	—	15,000	—
1.262% unsecured bonds due 2021	¥15,000	15,000	$135,489
1.103% unsecured bonds due 2021	20,000	20,000	180,652
1.095% unsecured bonds due 2021	10,000	10,000	90,326
1.178% unsecured bonds due 2022	20,000	20,000	180,652
1.087% unsecured bonds due 2022	20,000	20,000	180,652
1.026% unsecured bonds due 2022	30,000	30,000	270,978
2.42% unsecured bonds due 2022	10,000	10,000	90,326
0.929% unsecured bonds due 2022	10,000	10,000	90,326
1.5% unsecured bonds due 2022	10,000	10,000	90,326
2.075% unsecured bonds due 2023	10,000	10,000	90,326
0.09% unsecured bonds due 2023	20,000	20,000	180,652
0.643% unsecured bonds due 2024	20,000	20,000	180,652
2.28% unsecured bonds due 2024	10,000	10,000	90,326
1.067% unsecured bonds due 2024	10,000	10,000	90,326
0.19% unsecured bonds due 2025	10,000	10,000	90,326
0.175% unsecured bonds due 2025	10,000	10,000	90,326
0.17% unsecured bonds due 2026	10,000	10,000	90,326
0.27% unsecured bonds due 2026	10,000	10,000	90,326
2.305% unsecured bonds due 2027	10,000	10,000	90,326
0.24% unsecured bonds due 2027	10,000	10,000	90,326
2.385% unsecured bonds due 2027	10,000	10,000	90,326
2.52% unsecured bonds due 2027	15,000	15,000	135,489
2.425% unsecured bonds due 2027	10,000	10,000	90,326
2.555% unsecured bonds due 2028	10,000	10,000	90,326
0.27% unsecured bonds due 2029	40,000	40,000	361,304
0.43% unsecured bonds due 2030	30,000	—	270,978
2.9% unsecured bonds due 2032	10,000	10,000	90,326
2.615% unsecured bonds due 2032	10,000	10,000	90,326
2.04% unsecured bonds due 2032	20,000	20,000	180,652
1.72% unsecured bonds due 2033	10,000	10,000	90,326
0.859% unsecured bonds due 2036	10,000	10,000	90,326
0.736% unsecured bonds due 2037	10,000	10,000	90,326
0.703% unsecured bonds due 2037	10,000	10,000	90,326
0.59% unsecured bonds due 2039	20,000	20,000	180,652
0.73% unsecured bonds due 2040	20,000	—	180,652
0.789% unsecured bonds due 2056	15,000	15,000	135,489
1.402% unsecured bonds due 2057	15,000	15,000	135,489
1.313% unsecured bonds due 2058	10,000	10,000	90,326
1.132% unsecured bonds due 2069	15,000	15,000	135,489
0.39% unsecured bonds inherited from DAINIPPON ENTERPRISE INC. due 2020	—	1,550	—
0.874% unsecured bonds under Euro MTN program due 2023	5,175	—	46,743
0.102% unsecured bonds under Euro MTN program due 2025	1,111	1,111	10,038
0.135% unsecured bonds under Euro MTN program due 2026	3,784	3,784	34,187
0.115% unsecured bonds under Euro MTN program due 2026	2,924	2,924	26,414
0.16% unsecured bonds under Euro MTN program due 2029	1,255	1,255	11,340
0.25% unsecured bonds under Euro MTN program due 2029	1,508	1,508	13,622
1.04% unsecured bonds under Euro MTN program due 2050	15,000	—	135,489
1.02% interest deferrable and early redeemable subordinated unsecured bonds due 2076	—	75,000	—
3ML+88bp interest deferrable and early redeemable subordinated unsecured bonds due 2076	—	75,000	—
1.33% interest deferrable and early redeemable subordinated unsecured bonds due 2076	70,000	70,000	632,282
1.48% interest deferrable and early redeemable subordinated unsecured bonds due 2076	30,000	30,000	270,978
0.66% interest deferrable and early redeemable subordinated unsecured bonds due 2081	80,000	—	722,608
0.97% interest deferrable and early redeemable subordinated unsecured bonds due 2081	35,000	—	316,141
Loans from banks and insurance companies:			
Secured	89,991	96,687	812,854
Unsecured	1,431,510	1,338,769	12,930,276
	2,332,261	2,262,591	21,066,402
Less current portion	(192,643)	(208,328)	(1,740,070)
	¥2,139,618	¥2,054,263	$19,326,332

The aggregate annual maturities of long-term debt subsequent to March 31, 2021 are summarized as follows:

Year ending March 31,	Millions of yen	Thousands of U.S. dollars
2022	¥ 192,643	$ 1,740,070
2023	154,732	1,397,634
2024	248,261	2,242,444
2025	137,934	1,245,909
2026	114,450	1,033,787
2027 and thereafter	1,484,239	13,406,556
Total	¥2,332,261	$21,066,402

The assets pledged as collateral for short-term borrowings of ¥100 million ($903 thousand) and long-term debt of ¥89,991 million ($812,854 thousand) at March 31, 2021 were as follows:

	Millions of yen	Thousands of U.S. dollars
Buildings and structures	¥194,614	$1,757,879
Machinery and equipment	1,353	12,229
Land	231,751	2,093,320
Other property and equipment	2	22
Total	¥427,722	$3,863,451

The following borrowings are non-recourse loans at March 31, 2021 and 2020, which are secured by collaterals as the sole source of recovery.

	Millions of yen		Thousands of U.S. dollars
	2021	2020	2021
Current portion of long-term borrowings	¥10,934	¥13,637	$ 98,764
Long-term borrowings	35,130	32,627	317,317
Total	¥46,064	¥46,264	$416,082

The assets pledged as collateral for the above non-recourse loans at March 31, 2021 and 2020 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2021	2020	2021
Buildings and structures	¥32,562	¥32,344	$294,121
Land	51,359	55,559	463,907
Construction in progress	3,288	3,683	29,702
Total	¥87,209	¥91,588	$787,731

6 Retirement Benefit Plans

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

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

The changes in the retirement benefit obligation during the years ended March 31, 2021 and 2020 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2021	2020	2021
Retirement benefit obligation at the beginning of the year	¥140,885	¥138,562	$1,272,564
Service cost	5,605	5,389	50,631
Interest cost	750	883	6,777
Actuarial gain and loss	3,510	2,537	31,708
Retirement benefits paid	(6,140)	(6,145)	(55,463)
Translation adjustments	(1,186)	(224)	(10,714)
Other	28	(117)	260
Retirement benefit obligation at the end of the year	¥143,454	¥140,885	$1,295,764

The changes in plan assets during the years ended March 31, 2021 and 2020 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2021	2020	2021
Plan assets at the beginning of the year	¥134,975	¥135,633	$1,219,177
Expected return on plan assets	3,188	3,086	28,801
Actuarial gain and loss	13,353	(4,054)	120,619
Contributions by the Company	3,492	4,428	31,542
Retirement benefits paid	(3,705)	(3,840)	(33,471)
Translation adjustments	(869)	(153)	(7,857)
Other	17	(124)	161
Plan assets at the end of the year	¥150,452	¥134,975	$1,358,974

The following table sets forth the funded status of the plans and the amounts recognized in the consolidated balance sheet as of March 31, 2021 and 2020 for the Company's and the consolidated subsidiaries' defined benefit plans:

	Millions of yen		Thousands of U.S. dollars
	2021	2020	2021
Funded retirement benefit obligation	¥ 123,175	¥ 121,079	$ 1,112,594
Plan assets at fair value	(150,452)	(134,975)	(1,358,974)
	(27,276)	(13,896)	(246,380)
Unfunded retirement benefit obligation	20,278	19,806	183,170
Net liability for retirement benefits in the consolidated balance sheet	(6,997)	5,910	(63,210)
Liability for retirement benefits	27,123	26,919	244,999
Asset for retirement benefits	(34,370)	(21,336)	(310,453)
Other current liabilities	248	327	2,243
Net liability for retirement benefits in the consolidated balance sheet	¥ (6,997)	¥ 5,910	$ (63,210)

(*) The accrued employees' retirement benefits recognized by MEC Group International Inc., a consolidated subsidiary, were included in "Other current liabilities."

The components of retirement benefit expense for the years ended March 31, 2021 and 2020 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2021	2020	2021
Service cost	¥ 5,605	¥ 5,389	$ 50,631
Interest cost	750	883	6,777
Expected return on plan assets	(3,188)	(3,086)	(28,801)
Amortization of actuarial loss	430	(805)	3,887
Amortization of prior service cost	16	(65)	149
Other	188	204	1,702
Retirement benefit expenses	¥ 3,802	¥ 2,520	$ 34,346

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

The components of retirement benefits liability adjustments included in other comprehensive income (before tax effect) for the years ended March 31, 2021 and 2020 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2021	2020	2021
Prior service cost	¥ 3	¥ (69)	$ 32
Actuarial gain and loss	10,627	(7,318)	95,992
Total	¥10,630	¥(7,388)	$96,025

The components of retirement benefits liability adjustments included in accumulated other comprehensive income (before tax effect) as of March 31, 2021 and 2020 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2021	2020	2021
Unrecognized prior service cost	¥ (82)	¥ (88)	$ (741)
Unrecognized actuarial gain and loss	3,550	(7,073)	32,069
Total	¥3,468	¥(7,162)	$31,327

The fair values of plan assets, by major category, as a percentage of total plan assets as of March 31, 2021 and 2020 are as follows:

	2021	2020
Bonds	14%	15%
Stocks	54%	51%
General accounts	9%	10%
Other	23%	24%
Total	100%	100%

(*) Approximately 43% and 42% of total plan assets were held in the retirement benefit trust as of March 31, 2021 and 2020, respectively.

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

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

	2021	2020
Discount rates	0.0%–3.24%	0.0%–4.20%
Expected rates of return on plan assets	0.92%–6.50%	1.0%–6.50%
Rates of salary increase	0.4%–4.0%	0.4%–4.0%

The required contribution to defined contribution plans by the Company and its consolidated subsidiaries for the years ended March 31, 2021 and 2020 are ¥567 million ($5,126 thousand) and ¥533 million, respectively.

7 Income Taxes

The effective tax rates reflected in the consolidated statement of income for the years ended March 31, 2021 and 2020 differ from the effective statutory tax rates for the following reasons:

	2021	2020
Statutory tax rate	30.62%	30.62%
Increase (decrease) in income taxes resulting from:		
Different tax rates applied	(1.03)	(1.37)
Expenses not deductible for income tax purposes	0.11	0.23
Revenues deductible for income tax purposes	(1.61)	(0.22)
Change in valuation allowance	(0.28)	(0.33)
Undistributed earnings of affiliates	0.21	0.14
Equity income	0.19	(0.28)
Gain on amortization of negative goodwill	—	(2.04)
Effect of enacted changes in tax laws and rates on Japanese tax	0.10	0.06
Other	(1.37)	(0.68)
Effective tax rate	26.93%	26.14%

The significant components of deferred tax assets and liabilities as of March 31, 2021 and 2020 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2021	2020	2021
Deferred tax assets:			
Net operating loss carry forwards	¥ 3,322	¥ 2,621	$ 30,010
Liability for retirement benefits	8,737	12,018	78,925
Valuation loss on inventories	887	1,259	8,013
Unrealized loss on property and equipment	60,474	60,969	546,238
Unrealized loss on property and equipment by consolidation	10,402	10,576	93,961
Loss on valuation of investment securities	3,597	3,050	32,497
Loss on valuation of equity investments	4,300	1,414	38,841
Land revaluation reserve	23,903	23,903	215,914
Accrued bonuses	3,412	3,245	30,822
Other	67,035	69,507	605,504
Total gross deferred tax assets	186,073	188,568	1,680,731
Valuation allowance	(80,949)	(77,891)	(731,184)
Total deferred tax assets	105,124	110,677	949,546
Deferred tax liabilities:			
Reserves under Special Taxation Measures Law	(68,226)	(69,400)	(616,260)
Land revaluation reserve	(266,333)	(266,314)	(2,405,688)
Unrealized gain on property and equipment by consolidation	(110,595)	(111,366)	(998,962)
Unrealized gain on property and equipment	(53,242)	(53,242)	(480,919)
Unrealized gain on securities	(50,812)	(35,208)	(458,969)
Other	(47,278)	(38,793)	(427,051)
Total deferred tax liabilities	(596,489)	(574,326)	(5,387,852)
Net deferred tax liabilities	¥(491,364)	¥(463,648)	$(4,438,305)

8 Shareholders' Equity

The Companies Act of Japan provides that an amount equal to 10% of the amount to be disbursed as distributions of capital surplus (other than the capital reserve) and retained earnings (other than the legal reserve) be transferred to the capital reserve and the legal reserve, respectively, until the sum of the capital reserve and the legal reserve equals 25% of the capital stock account. The capital reserve amounted to ¥164,367 million ($1,484,666 thousand), and the legal reserve amounted to ¥21,663 million ($195,680 thousand) at March 31, 2021. Such distributions can be made at any time by resolution of the shareholders or by the Board of Directors if certain conditions are met, but neither the capital reserve nor the legal reserve is available for distributions.

9 Amounts per Share

	Yen		U.S. dollars
Year ended March 31	2021	2020	2021
Net income:			
Basic	¥101.34	¥108.64	$0.91
Diluted	101.33	108.63	0.91
Cash dividends applicable to the year	31.00	33.00	0.28

	Yen		U.S. dollars
As of March 31,	2021	2020	2021
Net assets	¥1,383.47	¥1,295.83	$12.49

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

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

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

10 Leases

Future minimum lease payments subsequent to March 31, 2021 on noncancelable operating leases are summarized as follows:

Year ending March 31	Millions of yen	Thousands of U.S. dollars
2022	¥ 7,931	$ 71,640
2023 and thereafter	256,257	2,314,675
Total	¥264,189	$2,386,316

The Company and its consolidated subsidiaries lease office buildings and commercial properties and earn income on these leases. Future minimum lease income subsequent to March 31, 2021 from noncancelable operating leases is summarized as follows:

Year ending March 31	Millions of yen	Thousands of U.S. dollars
2022	¥ 360,178	$ 3,253,352
2023 and thereafter	1,266,339	11,438,350
Total	¥1,626,518	$14,691,702

11 Contingent Liabilities

At March 31, 2021, the Company and its consolidated subsidiaries had the following contingent liabilities:

(1) Guarantee of loans

	Millions of yen	Thousands of U.S. dollars
Guarantees of house purchasers' loans from banks	¥31,667	$286,037

(2) Guarantee for business undertakings

	Millions of yen	Thousands of U.S. dollars
Business undertaking guarantees	¥63,387	$572,550

The Company, MEC Group International Inc., Mitsubishi Estate Asia Pte. Ltd. and MEA Commercial Holdings Pte. Ltd. provide business undertaking guarantees for property development projects in proportion to their share.

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

12 Other Income (Expenses)

The components of "Other, net" in "Other income (expenses)" for the years ended March 31, 2021 and 2020 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2021	2020	2021
Gain on sales of fixed assets	¥ 13,582	¥ 5,144	$ 122,683
Gain on sales of investment securities	3,021	1,711	27,290
Gain on amortization of negative goodwill	—	14,915	—
Gain on contribution for construction	—	4,480	—
Loss on disposal of fixed assets	(6,448)	(7,682)	(58,247)
Loss related to retirement of fixed assets	(2,099)	(5,445)	(18,965)
Loss on valuation of investment securities	—	(2,344)	—
Loss on transfer of business	—	(3,240)	—
Impairment loss(*1)	(4,679)	(10,844)	(42,269)
Loss on liquidation of subsidiaries	(13,826)	—	(124,885)
Loss on infectious disease(*2)	(5,698)	—	(51,472)
Other, net	(2,630)	178	(23,757)
	¥(18,779)	¥ (3,127)	$(169,624)

(*1) Impairment loss

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

Major Application	Category	Location
Leased assets, etc. (total 25 groups)	Land, Buildings, etc.	Nishinomiya, Hyogo Prefecture, etc.

Asset grouping for the Group was made based on a minimum unit that generates cash flows, which is substantially independent from cash flows of other assets or asset groups. Company condominiums are regarded as shared assets. As a result, for the fiscal year ended March 31, 2021, the book values of 25 asset groups, consisting of those for which the market prices fell considerably compared with the book values due to the decline of land prices and those for which profitability decreased considerably due to fallen rent levels or deteriorated market conditions, etc., were reduced to the respective recoverable amounts and such reductions were recorded as impairment losses in the amount of ¥4,679 million ($42,269 thousand).

The breakdown of such impairment losses was ¥3,105 million ($28,048 thousand) in land and trusted land, and ¥1,574 million ($14,221 thousand) in buildings and structures.

The recoverable amounts of asset groups are measured using net sale value or value in use, and the net sale value is principally expressed as an appraised value by a real estate appraiser. Future cash flows mainly discounted at a rate of 5% are used to compute the value in use.

The Company recorded consolidated impairment losses for the following asset groups for the fiscal year ended March 31, 2020:

Major Application	Category	Location
Leased assets, etc. (total 17 groups)	Land, Buildings, etc.	Nishinomiya, Hyogo Prefecture, etc.

Asset grouping for the Group was made based on a minimum unit that generates cash flows, which is substantially independent from cash flows of other assets or asset groups. Company condominiums are regarded as shared assets. As a result, for the fiscal year ended March 31, 2020, the book values of 17 asset groups, consisting of those for which the market prices fell considerably compared with the book values due to the decline of land prices and those for which profitability decreased considerably due to fallen rent levels or deteriorated market conditions, etc., were reduced to the respective recoverable amounts and such reductions were recorded as impairment losses in the amount of ¥10,844 million.

The breakdown of such impairment losses was ¥3,128 million in land and ¥7,715 million in buildings and structures.

The recoverable amounts of asset groups are measured using net sale value or value in use, and the net sale value is principally expressed as an appraised value by a real estate appraiser. Future cash flows mainly discounted at a rate of 5% are used to compute the value in use.

(*2) Loss on infectious disease

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

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

13 Financial Instruments

Overview

(1) Policy for financial instruments

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

(2) Types of financial instruments and related risk

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

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

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

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

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

Borrowings and bonds are taken out principally for the purpose of making capital investments and the repayment dates of the long-term debt extend up to 60 years from the balance sheet date. Certain long-term debt with variable interest rates is exposed to interest rate fluctuation risk. However, to reduce such risk for long-term debt bearing interest at variable rates, the Group utilizes derivative transactions (interest rate swaps) as hedging instruments.

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

(3) Risk management for financial instruments

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

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

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

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

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

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

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

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

The fair value of financial instruments is based on their quoted market price, if available. When there is no quoted market price available, fair value is reasonably estimated. Since various assumptions and factors are reflected in estimating the fair value, different assumptions and factors could result in different fair value.

Estimated Fair Value of Financial Instruments

Carrying value of financial instruments on the consolidated balance sheet as of March 31, 2021 and unrealized gains (losses) are shown in the following table. The following table does not include financial instruments for which it is extremely difficult to determine the fair value. (Please refer to Note B below).

	Millions of yen			Thousands of U.S. dollars		
				2021		
	Carrying Value	Estimated Fair Value	Difference	Carrying Value	Estimated Fair Value	Difference
1) Cash on hand and in banks	¥ 170,040	¥ 170,040	—	$ 1,535,905	$ 1,535,905	—
2) Notes and accounts receivable–trade	52,031			469,981		
Allowance for doubtful receivables(*1)	(553)			(5,001)		
	51,477	51,477	—	464,980	464,980	—
3) Securities and investment securities						
(i) Held-to-maturity debt securities	2,865	2,873	¥ 8	25,885	25,958	$ 73
(ii) Other securities	231,524	231,524	—	2,091,273	2,091,273	—
(iii) Investments in subsidiaries and affiliates	60	594	533	550	5,368	4,817
4) Equity investments	18,118	18,118	—	163,661	163,661	—
Total assets	¥ 474,088	¥ 474,630	¥ 541	$ 4,282,256	$ 4,287,146	$ 4,890
1) Notes and accounts payable–trade	¥ 60,507	¥ 60,507	—	$ 546,540	$ 546,540	—
2) Short-term borrowings	141,785	141,785	—	1,280,694	1,280,694	—
3) Current portion of long-term borrowings	127,643	127,643	—	1,152,951	1,152,951	—
4) Commercial paper	50,000	50,000	—	451,630	451,630	—
5) Current portion of long-term bonds	65,000	65,000	—	587,119	587,119	—
6) Long-term bonds	745,759	770,126	¥24,367	6,736,151	6,956,252	$220,100
7) Long-term borrowings	1,393,858	1,414,828	20,969	12,590,180	12,779,590	189,409
Total liabilities	¥2,584,554	¥2,629,891	¥45,336	$23,345,267	$23,754,778	$409,510

	Millions of yen		
	2020		
	Carrying Value	Estimated Fair Value	Difference
1) Cash on hand and in banks	¥ 207,896	¥ 207,896	—
2) Notes and accounts receivable–trade	50,340		
Allowance for doubtful receivables(*1)	(294)		
	50,046	50,046	—
3) Securities and investment securities			
(i) Held-to-maturity debt securities	5,916	6,058	¥ 141
(ii) Other securities	177,971	177,971	—
(iii) Investments in subsidiaries and affiliates	60	346	285
4) Equity investments	15,264	15,264	—
Total assets	¥ 457,156	¥ 457,583	¥ 426
1) Notes and accounts payable–trade	¥ 66,368	¥ 66,368	—
2) Short-term borrowings	115,306	115,306	—
3) Current portion of long-term borrowings	156,778	156,778	—
4) Commercial paper	50,000	50,000	—
5) Current portion of long-term bonds	51,550	51,550	—
6) Long-term bonds	775,584	806,628	¥31,044
7) Long-term borrowings	1,278,678	1,312,176	33,497
Total liabilities	¥2,494,266	¥2,558,809	¥64,542

(*1) The value of notes and account receivable-trade is shown at net value, after deducting allowance for doubtful accounts.

Note A: Methods to determine the estimated fair value of financial instruments and other matters related to securities and derivative transactions

Assets

Cash on hand and in banks

Since these items are settled in a short period of time, their carrying value approximates fair value.

Notes and accounts receivable–trade

Since these items are settled in a short period of time, their carrying value approximates fair value.

Marketable securities and investment securities

The fair value of stocks is based on quoted market prices. The fair value of debt securities is mainly based on prices provided by the financial institutions making markets in these securities. For information on securities classified by holding purpose, please refer to Note 14. "Marketable Securities and Investment Securities."

Equity investments

The fair value of equity investments is based on quoted market prices.

Liabilities

Notes and accounts payable–trade

Since these items are settled in a short period of time, their carrying value approximates fair value.

Short-term borrowings

Since these items are settled in a short period of time, their carrying value approximates fair value.

Current portion of long-term borrowings

Since these items are settled in a short period of time, their carrying value approximates fair value.

Commercial paper

Since these items are settled in a short period of time, their carrying value approximates fair value.

Current portion of bonds

Since these items are settled in a short period of time, their carrying value approximates fair value.

Bonds

The fair value of bonds is based on the quoted market price.

Long-term borrowings

Since variable interest rates of certain long-term borrowings are determined based on current interest rates in a short period of time, their carrying value approximates fair value. The fair value of long-term borrowings with fixed interest rates is based on the present value of the total of principal and interest discounted by the interest rates to be applied if similar new borrowings were entered into.

Derivatives transactions

Please refer to Note 16. "Derivatives and Hedging Activities."

Note B: Financial instruments for which it is extremely difficult to determine the fair value

	Millions of yen	Thousands of U.S. dollars
	2021	2021
(i) Unlisted stocks (*1)	¥ 52,171	$ 471,248
(ii) Equity investments (*2)	478,063	4,318,161
(iii) Lease and guarantee deposit receivables (*3)	136,478	1,232,759
(iv) Lease and guarantee deposit payables (*4)	466,891	4,217,248

	Millions of yen
	2020
(i) Unlisted stocks (*1)	¥ 60,677
(ii) Equity investments (*2)	435,256
(iii) Lease and guarantee deposit receivables (*3)	126,092
(iv) Lease and guarantee deposit payables (*4)	459,177

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

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

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

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

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

As of March 31, 2021	Millions of yen: Due in One Year or Less	Due after One Year through Five Years	Due after Five Years through Ten Years	Due after Ten Years	Thousands of U.S. dollars: Due in One Year or Less	Due after One Year through Five Years	Due after Five Years through Ten Years	Due after Ten Years
Cash on hand and in banks	¥170,040	—	—	—	$1,535,905	—	—	—
Notes and accounts receivable–trade	52,031	—	—	—	469,981	—	—	—
Marketable securities and investment securities:								
Held-to-maturity debt securities								
National and local government bonds	24	¥253	¥ 35	¥25	216	$2,293	$316	$225
Corporate bonds	—	—	—	—	—	—	—	—
Other	2,527	—	—	—	22,829	—	—	—
Other marketable securities with maturities:								
National and local government bonds	—	—	—	—	—	—	—	—
Other	2,100	628	74	—	18,974	5,679	672	—
Total	¥226,723	¥882	¥109	¥25	$2,047,908	$7,972	$988	$225

As of March 31, 2020	Millions of yen: Due in One Year or Less	Due after One Year through Five Years	Due after Five Years through Ten Years	Due after Ten Years
Cash on hand and in banks	¥207,896	—	—	—
Notes and accounts receivable–trade	50,340	—	—	—
Marketable securities and investment securities:				
Held-to-maturity debt securities				
National and local government bonds	50	¥232	¥ 70	¥25
Corporate bonds	—	—	—	—
Other	5,528	—	—	—
Other marketable securities with maturities:				
National and local government bonds	25	—	—	—
Other	1,604	214	414	—
Total	¥265,445	¥447	¥484	¥25

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

As of March 31, 2021	Millions of yen: Due in One Year or Less	Due after One Year through Two Years	Due after Two Years through Three Years	Due after Three Years through Four Years	Due after Four Years through Five Years	Due after Five Years	Thousands of U.S. dollars: Due in One Year or Less	Due after One Year through Two Years	Due after Two Years through Three Years	Due after Three Years through Four Years	Due after Four Years through Five Years	Due after Five Years
Corporate bonds	¥ 65,000	¥ 90,000	¥ 25,175	¥ 51,111	¥ 10,000	¥ 569,472	$ 587,119	$ 812,934	$ 227,395	$ 461,669	$ 90,326	$ 5,143,825
Long-term borrowings	127,643	64,732	223,086	86,823	104,450	914,766	1,152,951	584,699	2,015,048	784,240	943,461	8,262,730
Total	¥192,643	¥154,732	¥248,261	¥137,934	¥114,450	¥1,484,239	$1,740,070	$1,397,634	$2,242,444	$1,245,909	$1,033,787	$13,406,556

As of March 31, 2020	Millions of yen: Due in One Year or Less	Due after One Year through Two Years	Due after Two Years through Three Years	Due after Three Years through Four Years	Due after Four Years through Five Years	Due after Five Years
Corporate bonds	¥ 51,550	¥ 65,000	¥ 90,000	¥ 20,000	¥ 51,111	¥ 549,472
Long-term borrowings	156,778	128,773	63,507	207,283	87,760	791,354
Total	¥208,328	¥193,773	¥153,507	¥227,283	¥138,871	¥1,340,827

14 Marketable Securities and Investment Securities

Marketable and investment securities classified as other securities at March 31, 2021 and 2020 are summarized as follows:

	Millions of yen: Cost	Fair Value	Unrealized Gain (Loss)	Thousands of U.S. dollars (2021): Cost	Fair Value	Unrealized Gain (Loss)
Securities whose fair value exceeds their cost:						
Equity securities	¥57,519	¥218,474	¥160,955	$519,553	$1,973,397	$1,453,844
Government bonds	—	—	—	—	—	—
Other	9,233	18,120	8,887	83,399	163,672	80,273
Subtotal	66,752	236,595	169,842	602,952	2,137,070	1,534,117
Securities whose cost exceeds their fair value:						
Equity securities	13,135	10,940	(2,195)	118,645	98,818	(19,826)
Government bonds	—	—	—	—	—	—
Corporate bonds	—	—	—	—	—	—
Other	2,242	2,108	(133)	20,252	19,045	(1,206)
Subtotal	15,377	13,048	(2,328)	138,897	117,864	(21,033)
Total	¥82,130	¥249,643	¥167,513	$741,849	$2,254,934	$1,513,084

	Millions of yen (2020): Cost	Fair Value	Unrealized Gain (Loss)
Securities whose fair value exceeds their cost:			
Equity securities	¥43,378	¥153,204	¥109,826
Government bonds	24	25	0
Other	7,785	15,265	7,480
Subtotal	51,188	168,495	117,306
Securities whose cost exceeds their fair value:			
Equity securities	27,668	23,127	(4,541)
Government bonds	—	—	—
Corporate bonds	—	—	—
Other	1,747	1,613	(134)
Subtotal	29,416	24,740	(4,675)
Total	¥80,604	¥193,236	¥112,631

Proceeds from sales of securities classified as other securities totaled ¥4,233 million ($38,235 thousand) and ¥4,272 million for the years ended March 31, 2021 and 2020, respectively. Gross realized gains were ¥3,021 million ($27,290 thousand) and ¥1,711 million for the years ended March 31, 2021 and 2020, respectively.

The Company and its consolidated subsidiaries recognized ¥2,314 million and ¥29 million impairment losses on investment securities and investments in affiliates, respectively, for the year ended March 31, 2020. Disclosure for impaired marketable and investment securities as of March 31, 2021 is not provided due to its low materiality.

Marketable debt securities classified as held-to-maturity securities at March 31, 2021 and 2020 are summarized as follows:

	Millions of yen: Amortized Cost	Fair Value	Unrealized Gain (Loss)	Thousands of U.S. dollars (2021): Amortized Cost	Fair Value	Unrealized Gain (Loss)
Debt securities whose fair value exceeds their cost:						
Government bonds	¥ 338	¥ 346	¥8	$ 3,056	$ 3,129	$73
Corporate bonds	—	—	—	—	—	—
Subtotal	338	346	8	3,056	3,129	73
Debt securities whose cost exceeds their fair value:						
Government bonds	—	—	—	—	—	—
Corporate bonds	—	—	—	—	—	—
Other	2,527	2,527	—	22,829	22,829	—
Subtotal	2,527	2,527	—	22,829	22,829	—
Total	¥2,865	¥2,873	¥8	$25,885	$25,958	$73

	Millions of yen		
	2020		
	Amortized Cost	Fair Value	Unrealized Gain (Loss)
Debt securities whose fair value exceeds their cost:			
Government bonds	¥ 388	¥ 529	¥141
Corporate bonds	—	—	—
Subtotal	388	529	141
Debt securities whose cost exceeds their fair value:			
Government bonds	—	—	—
Corporate bonds	—	—	—
Other	5,528	5,528	—
Subtotal	5,528	5,528	—
Total	¥5,916	¥6,058	¥141

15 Supplemental Cash Flow Information

The following table represents a reconciliation of cash and cash equivalents as of March 31, 2021 and 2020:

	Millions of yen		Thousands of U.S. dollars
	2021	2020	2021
Cash on hand and in banks	¥170,040	¥207,896	$1,535,905
Time deposits with maturities of more than three months	(260)	(916)	(2,352)
Marketable securities with maturities of three months or less	2,527	6,028	22,829
Cash and cash equivalents	¥172,307	¥213,008	$1,556,382

16 Derivatives and Hedging Activities

(1) Currency-related transactions

		Millions of yen			Thousands of U.S. dollars		
							2021
Class of transactions	Subject to hedge accounting	Notional Amount	Due after One Year	Fair Value	Notional Amount	Due after One Year	Fair Value
Currency swap contracts by allocation method Payment in JPY and receipt in USD Payment in JPY and receipt in EUR Payment in JPY and receipt in AUD	Corporate bonds and Long-term borrowings	¥19,388	¥15,924	¥816	$175,131	$143,838	$7,371
Total		¥19,388	¥15,924	¥816	$175,131	$143,838	$7,371

		Millions of yen		
		2020		
Class of transactions	Subject to hedge accounting	Notional Amount	Due after One Year	Fair Value
Currency swap contracts by allocation method Payment in JPY and receipt in USD Payment in JPY and receipt in EUR Payment in JPY and receipt in AUD	Corporate bonds and Long-term borrowings	¥23,936	¥19,388	¥(59)
Total		¥23,936	¥19,388	¥(59)

Calculation method of fair value is based on the data obtained from financial institutions.

(2) Interest-related transactions

		Millions of yen			Thousands of U.S. dollars		
							2021
Class of transactions	Subject to hedge accounting	Notional Amount	Due after One Year	Fair Value	Notional Amount	Due after One Year	Fair Value
Interest rate swap contracts Fixed rate payment and floating rate receipt	Short-term borrowings and Long-term borrowings	¥ 67,661	¥ 64,045	¥(2,251)	$ 611,162	$ 578,496	$(20,334)
Interest rate swap contracts by short-cut method Fixed rate payment and floating rate receipt	Long-term borrowings	149,080	128,354	(*)	1,346,586	1,159,378	(*)
Total		¥216,742	¥192,400	¥(2,251)	$1,957,749	$1,737,875	$(20,334)

		Millions of yen		
		2020		
Class of transactions	Subject to hedge accounting	Notional Amount	Due after One Year	Fair Value
Interest rate swap contracts Fixed rate payment and floating rate receipt	Long-term borrowings	¥ 73,430	¥ 68,731	¥(2,759)
Interest rate swap contracts by short-cut method Fixed rate payment and floating rate receipt	Long-term borrowings	171,801	149,055	(*)
Total		¥245,232	¥217,786	¥(2,759)

Calculation method of fair value is based on the data obtained from financial institutions.

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

(3) Interest- and currency-related transactions

		Millions of yen			Thousands of U.S. dollars		
							2021
Class of transactions	Subject to hedge accounting	Notional Amount	Due after One Year	Fair Value	Notional Amount	Due after One Year	Fair Value
Interest rate and currency swap contracts by short-cut method and allocation method Payment in JPY and receipt in USD Fixed rate payment and floating rate receipt	Long-term borrowings	¥49,400	¥43,400	¥(4,211)	$446,214	$392,018	$(38,043)
Total		¥49,400	¥43,400	¥(4,211)	$446,214	$392,018	$(38,043)

		Millions of yen		
		2020		
Class of transactions	Subject to hedge accounting	Notional Amount	Due after One Year	Fair Value
Interest rate and currency swap contracts by short-cut method and allocation method Payment in JPY and receipt in USD Fixed rate payment and floating rate receipt	Long-term borrowings	¥49,400	¥49,400	¥(6,215)
Total		¥49,400	¥49,400	¥(6,215)

Calculation method of fair value is based on the data obtained from financial institutions.

17 Segment Information

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

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

Due to the partial changes in the organization of the Company, the Company changed the segment classification from the fiscal year under review. The building business, the lifestyle property business, and the hotel & airport business, which had been hitherto independent reporting segments, were integrated into a new segment, the commercial property business. Furthermore, to expand and strengthen the profitability of the international business, we will formulate optimal portfolio strategies for each region and deploy a structure for the integrated promotion of businesses for each asset type. In connection with these changes, the international residential business, which had been included in the residential business segment, was transferred into the international business segment. In addition, the architectural design & engineering business and the real estate services business, which had been hitherto independent reporting segments, were integrated into a new segment, the architectural design & engineering business and real estate services business.

Segment information for the year ended March 31, 2020 has been restated to reflect these changes.

The reportable segment information of the Company and its consolidated subsidiaries for the years ended March 31, 2021 and 2020 are summarized as follows:

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

Thousands of U.S. dollars

2021

	Reportable segments									
	Commercial Property Business	Residential Business	International Business	Investment Management Business	Architectural Design & Engineering Business and Real Estate Services Business	Subtotal	Other	Total	Eliminations or Corporate	Consolidated
Revenue, operating income and assets by reportable segment										
Revenue from:										
External customers	$ 6,009,010	$3,263,800	$1,033,324	$185,213	$404,175	$10,895,524	$ 12,207	$10,907,731	—	$10,907,731
Intersegment or transfers	64,892	12,824	521	15,301	102,232	195,773	69,591	265,365	$ (265,365)	—
Total revenue	6,073,903	3,276,624	1,033,846	200,515	506,408	11,091,297	81,799	11,173,096	(265,365)	10,907,731
Segment income (loss)	1,632,877	217,404	342,627	53,897	8,664	2,255,471	(9,844)	2,245,627	(218,760)	2,026,866
Segment assets	$37,641,472	$6,082,057	$8,399,150	$700,809	$506,433	$53,329,924	$229,135	$53,559,060	$1,291,622	$54,850,682
Other items										
Depreciation and amortization	647,762	37,214	77,675	12,277	8,212	783,142	1,180	784,322	20,548	804,870
Capital expenditures	$ 1,776,969	$ 660,914	$ 644,401	$ 1,030	$ 8,933	$ 3,092,249	$ 3,154	$ 3,095,404	$ 98,810	$ 3,194,215

Millions of yen

2020

	Reportable segments									
	Commercial Property Business	Residential Business	International Business	Investment Management Business	Architectural Design & Engineering Business and Real Estate Services Business	Subtotal	Other	Total	Eliminations or Corporate	Consolidated
Revenue, operating income and assets by reportable segment										
Revenue from:										
External customers	¥ 715,213	¥384,506	¥134,495	¥19,106	¥47,913	¥1,301,235	¥ 960	¥1,302,196	—	¥1,302,196
Intersegment or transfers	8,498	1,031	(320)	2,210	9,214	20,635	7,782	28,418	¥(28,418)	—
Total revenue	723,712	385,538	134,175	21,316	57,128	1,321,871	8,743	1,330,614	(28,418)	1,302,196
Segment income (loss)	187,855	24,320	46,156	4,467	2,407	265,207	(2,018)	263,188	(22,420)	240,768
Segment assets	¥4,135,091	¥570,282	¥887,179	¥71,829	¥55,737	¥5,720,119	¥13,270	¥5,733,389	¥124,847	¥5,858,236
Other items										
Depreciation and amortization	70,927	3,946	6,646	1,333	868	83,724	98	83,822	1,119	84,941
Capital expenditures	¥ 171,254	¥ 56,665	¥135,137	¥ 673	¥ 1,591	¥ 365,322	¥ 454	¥ 365,776	¥ 8,856	¥ 374,633

Impairment losses of the Company and its consolidated subsidiaries on fixed assets by reportable segments for the years ended March 31, 2021 and 2020 are summarized as follows:

Millions of yen

2021

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

Thousands of U.S. dollars

Impairment loss	$22,707	$7,671	$9,352	—	$89	$39,821	$2,448	$42,269	—	$42,269

Millions of yen

2020

	Reportable segments									
	Commercial Property Business	Residential Business	International Business	Investment Management Business	Architectural Design & Engineering Business and Real Estate Services Business	Subtotal	Other	Total	Eliminations or Corporate	Consolidated
Impairment loss	¥9,160	¥1,731	—	—	¥9	¥10,902	—	¥10,902	¥(57)	¥10,844

The following tables present the amortization and balance of goodwill as of and for the years ended March 31, 2021 and 2020 by reportable segment:

Millions of yen

2021

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

Thousands of U.S. dollars

2021

	Reportable segments									
	Commercial Property Business	Residential Business	International Business	Investment Management Business	Architectural Design & Engineering Business and Real Estate Services Business	Subtotal	Other	Total	Eliminations or Corporate	Consolidated
Amortization of goodwill	$ 682	$ 3,239	$582	$19,384	$ 3,408	$ 27,297	—	$ 27,297	—	$ 27,297
Balance of goodwill	—	$37,192	$624	$42,255	$45,018	$125,091	—	$125,091	—	$125,091
Amortization of negative goodwill	—	—	—	—	—	—	—	—	—	—
Balance of negative goodwill	$880,257	—	—	—	—	$880,257	—	$880,257	—	$880,257

Millions of yen

2020

	Reportable segments									
	Commercial Property Business	Residential Business	International Business	Investment Management Business	Architectural Design & Engineering Business and Real Estate Services Business	Subtotal	Other	Total	Eliminations or Corporate	Consolidated
Amortization of goodwill	—	¥ 386	¥ 66	¥1,929	¥ 208	¥ 2,591	—	¥ 2,591	—	¥ 2,591
Balance of goodwill	—	¥4,476	¥138	¥7,149	¥5,361	¥17,126	—	¥17,126	—	¥17,126
Amortization of negative goodwill	¥14,839	—	—	—	—	¥14,839	—	¥14,839	—	¥14,839
Balance of negative goodwill	¥97,377	—	—	—	—	¥97,377	—	¥97,377	—	¥97,377

Product and service information

Refer to reportable segment information.

Geographical area information

Geographical area information on net sales for the year ended March 31, 2021 and 2020 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2021	2020	2021
Japan	¥1,081,090	¥1,157,340	$ 9,765,064
United States	87,867	90,492	793,669
Europe	22,785	43,672	205,809
Asia	15,852	10,690	143,188
Total	¥1,207,594	¥1,302,196	$10,907,731

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

Geographical area information on property, plant, and equipment for the year ended March 31, 2021 and 2020 are omitted since property and equipment located in Japan accounted for more than 90% of equipment on the consolidated balance sheet.

Major customer information

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

18 Rental Properties

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

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

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

	Millions of yen				Thousands of U.S. dollars			
					2021			
			Carrying value	Fair value			Carrying value	Fair value
	As of April 1, 2020	Net Change	As of March 31, 2021	As of March 31, 2021	As of April 1, 2020	Net Change	As of March 31, 2021	As of March 31, 2021
Rental properties	¥3,502,759	¥62,830	¥3,565,590	¥7,441,369	$31,639,056	$567,525	$32,206,581	$67,214,968
Real estate including space used as rental properties	545,580	(176)	545,404	919,848	4,928,014	(1,591)	4,926,423	8,308,629

1. The carrying value represents the acquisition cost less accumulated depreciation and accumulated impairment loss.
2. The fair value is based on the following:
   (1) The fair value of real estate in Japan is calculated by the Company based mainly on the Real Estate Appraisal Standards.
   (2) The fair value of real estate in overseas countries is appraised principally by local real estate appraisers.

The carrying value on the consolidated balance sheet as of March 31, 2020 and the fair value of these rental properties and real estate including space used as rental properties are as follows:

	Millions of yen			
	2020			
			Carrying value	Fair value
	As of April 1, 2019	Net Change	As of March 31, 2020	As of March 31, 2020
Rental properties	¥3,408,738	¥ 94,021	¥3,502,759	¥7,356,741
Real estate including space used as rental properties	633,983	(88,403)	545,580	914,103

1. The carrying value represents the acquisition cost less accumulated depreciation and accumulated impairment loss.
2. The fair value is based on the following:
   (1) The fair value of real estate in Japan is calculated by the Company based mainly on the Real Estate Appraisal Standards.
   (2) The fair value of real estate in overseas countries is appraised principally by local real estate appraisers.
   (3) The impact of the novel coronavirus disease (COVID-19) on the estimate was calculated on certain assumptions based on earnings forecasts, but the impact on the estimate is immaterial.

The income or loss from rental properties and real estate including space used as rental properties for the years ended March 31, 2021 and 2020 are as follows:

	Millions of yen								Thousands of U.S. dollars			
	2021				2020				2021			
	Lease income(*)	Lease cost	Lease income (loss), net	Other, net	Lease income(*)	Lease cost	Lease income (loss), net	Other, net	Lease income(*)	Lease cost	Lease income (loss), net	Other, net
Rental properties	¥475,309	¥304,405	¥170,903	¥ 5,622	¥472,275	¥303,281	¥168,994	¥(21,246)	$4,293,285	$2,749,578	$1,543,706	$ 50,787
Real estate including space used as rental properties	43,639	34,289	9,349	(2,026)	43,903	32,369	11,534	4,012	394,180	309,725	84,454	(18,308)

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

19 Asset Retirement Obligations

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

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

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

3. Changes in asset retirement obligations during the years ended March 31, 2021 and 2020 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2021	2020	2021
Balance at the beginning of the year	¥6,236	¥5,859	$56,331
Increase due to the acquisition of property and equipment	656	1,854	5,932
Adjustments due to the elapse of time	70	74	635
Decrease due to the fulfillment of asset retirement obligations	(20)	(13)	(188)
Other	73	(1,538)	660
Balance at the end of the year	¥7,015	¥6,236	$63,370

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

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

1) Obligation to remove asbestos that is used for some properties and equipments in a particular way required by the Ordinance on Preventing Asbestos Hazards
For such properties, the Company has an obligation to remove asbestos at demolition of buildings. However, no demolition has taken place in the past other than those related to redevelopment or other projects involving many other business associates. It is therefore difficult to reasonably estimate the timing to fulfill such obligation based on the physical useful life of the assets caused by aging and it is impossible to estimate the timing without specific business plans. Although the Company has been voluntarily conducting asbestos removal work when that is feasible due to such as termination of tenancy, it is impractical to make a reasonable estimation of progress of such voluntary removal work based on the actual record of the tenancy termination and of the remaining amount of asbestos at demolition. Moreover, it is difficult to distinguish costs of asbestos removal from total costs of demolition. Although the Company made the best estimation taking into account all the evidence available as of March 31, 2021, these obligations are excluded from recognition of asset retirement obligations since the probability of obligations in terms of scope and amount was not reasonably estimated.

2) Obligation of restoration based on some real estate rental agreements
For some commercial facilities, the Company has an obligation of restoration at the termination of leasehold rental agreements. However, the timing to fulfill the obligation is uncertain since it is practically possible to continue to use those facilities by re-signing contracts and some contracts set forth a special provision to reduce the possibility to fulfill the obligation. Furthermore, given its business strategies and the current business environment, the Company intends to continue its operation and not to fulfill the obligation. Although the Company made the best estimation taking into account all the evidence available as of March 31, 2021, these obligations are excluded from recognition of asset retirement obligations since the probability of the obligations in terms of scope and amount could not be reasonably estimated.

20 Related Party Transactions

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

The corresponding balances as of March 31, 2021 and 2020 and the amounts of these transactions for the years then ended are summarized as follows:

						Millions of yen			Thousands of U.S. dollars		
									2021		
Type	Name	Occupation	Ownership ratio of voting shares	Relationship with the related party	Nature of transaction	Transaction amount	Account	Balance outstanding at year end	Transaction amount	Account	Balance outstanding at year end
Officer's close relatives	Noboru Nishigai's close relatives	—	—	Contract for construction of housing and other	Construction of housing	¥20	—	—	$189	—	—

1. Transaction amounts do not include consumption tax..
2. Transaction terms are determined in consideration with market prices, the same as general transactions.

						Millions of yen		
						2020		
Type	Name	Occupation	Ownership ratio of voting shares	Relationship with the related party	Nature of transaction	Transaction amount	Account	Balance outstanding at year end
Director	Junichi Tanisawa	Representative Corporate Executive Officer of the Company	0.00%	Contract for construction of housing and other	Construction of housing	¥89	—	—

1. Transaction amounts do not include consumption tax.
2. Transaction terms are determined in consideration with market prices, the same as general transactions.

21 Other Comprehensive Income

The following table presents reclassification and tax effects allocated to each component of other comprehensive income for the years ended March 31, 2021 and 2020:

	Millions of yen		Thousands of U.S. dollars
	2021	2020	2021
Unrealized holding gain (loss) on securities:			
Amount arising during the year	¥ 57,781	¥(49,089)	$ 521,915
Reclassification adjustments for gains and losses included in net income	(3,003)	(1,627)	(27,125)
Amount before tax effects	54,778	(50,717)	494,789
Tax effects	(16,212)	14,787	(146,437)
Unrealized holding gain (loss) on securities	38,566	(35,929)	348,352
Deferred gain (loss) on hedging instruments:			
Amount arising during the year	(60)	(2,307)	(542)
Reclassification adjustments for gains and losses included in net income	565	(548)	5,110
Amount before tax effects	505	(2,856)	4,568
Tax effects	(153)	816	(1,386)
Deferred gain (loss) on hedging instruments	352	(2,039)	3,181
Land revaluation reserve:			
Tax effects	(44)	—	(400)
Foreign currency translation adjustments:			
Amount arising during the year	(26,143)	1,208	(236,142)
Amount before tax effects	(26,143)	1,208	(236,142)
Tax effects	(0)	(153)	(2)
Foreign currency translation adjustments	(26,143)	1,054	(236,145)
Retirement benefits liability adjustments:			
Amount arising during the year	10,184	(6,517)	91,988
Reclassification adjustments for gains and losses included in net income	446	(870)	4,036
Amount before tax effects	10,630	(7,388)	96,025
Tax effects	(3,321)	2,284	(30,001)
Retirement benefits liability adjustments	7,309	(5,103)	66,023
Share of other comprehensive income of companies accounted for by the equity method:			
Amount arising during the year	57	(382)	520
Total other comprehensive income (loss)	¥ 20,097	¥(42,400)	$ 181,531

22 Business Combination

Business Divestiture

(1) Outline of business divestiture

i. Name of successor company
Angel Forest Resort Ture Inc.

ii. Divested business
Resort Park Izu Atagawa and its related businesses.

iii. Objective of business divestiture
The Company began selling villa lots in the Izu Atagawa area in the middle of 1960s, and has continued villa sales and related businesses for about 50 years. On the other hand, Himawari Inc. has subsidiary companies specializing in resort hotels and sales and management of villa, and is promoting a management strategy to expand its businesses scale and improve the quality of its services, and is actively developing its businesses in the Izu area through M&A.

Since Himawari Inc. has a deep understanding of villa sales and related businesses and is expected to improve services to customers, the Company judged that Himawari Inc. is suitable as an external transfer destination of its businesses. In order to select and to concentrate the Company's business domain, the Company split these businesses to Angel Forest Resort Ture Inc. Angel Forest Resort Ture Inc is a wholly owned subsidiary of Himawari Inc. established to succeed these businesses.

Himawari Inc. established Angel Group, Co., Ltd. through a stock transfer on September 1, 2020 which has a stock holdings function, and Himawari Inc. changed its trade name to Angel Real Estate Inc.

iv. Date of business divestiture
August 1, 2020

v. Other matters with regard to the transaction including legal form
Absorption-type company split with the Company as the split company and Angel Forest Resort Ture Inc. as the successor company.

(2) Outline of accounting treatment

i. Amount of loss on transfer recorded
Amount: ¥3,251 million ($29,365 thousand)

ii. Fair book value of assets and liabilities transferred

	Millions of yen	Thousands of U.S. dollars
Current assets	¥2,770	$25,020
Fixed assets	140	1,268
Total assets	¥2,910	$26,289

	Millions of yen	Thousands of U.S. dollars
Current liabilities	¥12	$116
Fixed liabilities	5	45
Total liabilities	¥17	$162

iii. Accounting treatment
The amount equivalent to shareholders' equity related to the transferred business, together with other expenses related to the business divestiture, in the amount of ¥3,240 million was recorded as "Loss on transfer of business" in "Other, net" in the previous fiscal year and the amount of ¥10 million ($93 thousand) was recorded as "Other, net" in "Other, net" in the current fiscal year.

(3) Reportable segment in which the divested business was included
The divested business is classified in "Other," not included in reportable segment.

(4) Estimated operating performance of divested business included in the consolidated statement of income for the fiscal year ended March 31, 2021

Revenue from operations: ¥59 million ($538 thousand)
Operating profit: ¥5 million ($52 thousand)

23 Subsequent Events

Purchase of treasury stock

The Company resolved at the meeting of its Board of Directors held on April 8, 2021 on matters regarding the purchase of treasury stock, based on the provisions of Article 156 of the Companies Act, as applied by replacing the relevant terms pursuant to the provisions of Article 165, paragraph 3 of the same Act, as follows:

(1) Reason for purchase of treasury stock
To improve capital efficiency and shareholder value as part of the capital policy in the long-term management plan

(2) Details of purchase

i. Type of shares subject to purchase
Common stock

ii. Total number of shares to be purchased
22,000,000 shares (maximum) (1.64% of total issued shares excluding treasury stock)

iii. Total amount for purchase of shares
¥30,000 million (maximum)

iv. Purchase period
From April 9, 2021 to March 31, 2022

v. Method of purchase
Open-market purchase on the Tokyo Stock Exchange

Independent Auditor's Report

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Independent Auditor's Report

The Board of Directors
Mitsubishi Estate Co., Ltd.

Opinion

We have audited the accompanying consolidated financial statements of Mitsubishi Estate Co., Ltd. (the Company) and its consolidated subsidiaries (the Group), which comprise the consolidated balance sheet as at March 31, 2021, and the consolidated statements of income, comprehensive income, changes in net assets, and cash flows for the year then ended, and notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at March 31, 2021, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with accounting principles generally accepted in Japan.

Basis for Opinion

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

Key Audit Matters

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

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Revenue recognition for sales of real property to joint developers and real estate funds	
Description of Key Audit Matter	Auditor's Response
The Company and its consolidated subsidiaries have recorded Revenue from operations of JPY 1,207,594 million on the Consolidated Statement of Income for the year ended March 31, 2021, which includes revenue from sales of real property in Commercial Property Business of JPY 52,878 million. Management recognizes revenue from sales of real property when substantially all of the risks and rewards of real property have been transferred. Sales transactions of real property generally have unique terms and conditions and involve relatively large transaction prices. Especially when the sales are made to joint developers and real estate funds, in order to take into consideration individual needs of the parties involved, transaction schemes for sales of real property may be more complex or there may be continuing involvement such as undertaking an asset management role, having a repurchase option or retaining some equity interest in the sold property. Therefore, the determination of whether substantially all of the risks and rewards of real property have been transferred may be complex. In case the determination is erroneously made, a significant amount of revenue would be recognized for the sales transactions where substantially all of the risks and rewards of real property have not been transferred. Accordingly, we identified as a key audit matter the determination of whether substantially all of the risks and rewards of real property have been transferred in sales transactions to joint developers and real estate funds.	We performed the following procedures to assess the determination of whether substantially all of the risks and rewards of real property have been transferred in all the sales transactions to joint developers and real estate funds which had sales amount exceeding the testing threshold we had established based on our risk assessment: ・ We inspected the management approval documents and inquired with the in-charge divisions to understand the scheme of transaction and assess whether there had been any continuing involvement in the property sold property. ・ We inspected the purchase and sales agreement and inquired with the in-charge division to understand the transaction terms and conditions and evaluate the business rationale. ・ We inspected the cash receipt evidence and a copy of the registration certificates to assess the fact of delivery.

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Valuation of redevelopment-related property and equipment	
Description of Key Audit Matter	Auditor's Response
The Company and its consolidated subsidiaries have recorded Property and equipment of JPY 4,179,893 million on the Consolidated Balance Sheet as of March 31, 2021, which includes Land and Construction in progress held for redevelopment projects. As described at o. "Significant accounting estimates", 1 "Valuation of property and equipment" in the Note 1 "Significant accounting Policies", management identified the assets or asset groups with impairment indicators and assessed whether the sum of the undiscounted future cash flows attributable to them exceeded their carrying amounts. (1) Impairment indicators Redevelopment projects are exposed to potential risk of having lower profitability than originally expected as a result of delay in redevelopment or subsequent modification of a redevelopment plan. Specifically, there are risks such as having disagreeing landlords in areas planned for redevelopment, being unable to obtain a necessary governmental permission for redevelopment, an increase in construction costs and a slower progress of finding tenants. Therefore, management is required to evaluate those various risks and make complex determination on whether impairment indicators are present. (2) Recognition of impairment losses The future cash flows attributable to the redevelopment projects with impairment indicators are estimated based on the business plan approved by management or the executive committee. The significant assumptions include the expected future rent to be earned after completion of a redevelopment, the capital expenditures necessary to maintain the existing service potential and the recoverable amount at the end of estimation period of future cash flows.	We performed the following procedures to assess the determination of whether impairment indicators were present and the determination of whether the Company and its consolidated subsidiaries were required to recognize an impairment loss on the redevelopment-related property and equipment which had a carrying value at the project level exceeding the testing threshold we had established based on our risk assessment: (1) Impairment indicators ・ In order to assess whether there have been any material changes in the redevelopment projects that would significantly lower the recoverable amount, we inspected documents including the management approval documents and inquired with in-charge divisions to update our understanding of the status of redevelopment projects including the status of negotiation with landlords in areas planned for redevelopment, the status of obtaining necessary governmental permission for redevelopment, market conditions for construction costs, the progress of the construction and the progress of finding tenants. We also performed a physical observation of certain project sites when we determined necessary. (2) Recognition of impairment losses ・ In order to evaluate the effectiveness of management's estimation process of future cash flows, we compared the actual costs incurred for redevelopment with the investment budget and the business plan.

The nature and reliability of this information to support the assessment of recoverability of the entire redevelopment costs for each project in its entirely varies widely and involves uncertainty. Accordingly, since the determination of whether impairment indicators are present is complex and the determination of whether an impairment loss should be recognized involves a high degree of uncertainty for the redevelopment-related property and equipment, we identified such determination as a key audit matter.	• For the redevelopment-related property and equipment where impairment indicators existed, we obtained the estimated undiscounted future cash flows and evaluated the underlying significant assumptions such as expected future rent to be earned after completion of redevelopment, construction costs, capital expenditures necessary to maintain the existing service potential and discount rates used for computing the recoverable amounts at a future point by comparing with industry information obtained from external source.

Valuation of land held for future development of residential condominiums	
Description of Key Audit Matter	Auditor's Response
The Company and its consolidated subsidiaries have recorded the Land and housing projects in progress of JPY 267,563 million which is included in Inventory on the Consolidated Balance Sheet as of March 31, 2021 primarily held by Mitsubishi Estate Residence Co., Ltd., the Company's consolidated subsidiary for developments and sales of residential property as condominiums before completion of construction. As described at o. "Significant accounting estimates", 2 "Valuation of inventories" in the Note 1 "Significant accounting Policies", management valued the Land and housing projects in progress at net realizable value when it was lower than cost due to decline in profitability as well as other types of inventories. Among those Land and housing projects in progress, the land held for future development of residential condominiums is associated with potential risk of having lower profitability than originally expected because of delay in development or subsequent modification of the development plan which may happen in a period before sales commence. Valuation of the land held for future development is made based on a business plan, however, the business itself involves various risks such as a decline in sales price in the future, excessive supply of residential condominiums due to increases in supply caused by competitors in neighboring areas, being unable to obtain necessary governmental permission, delay in construction due to continuing negotiation with existing residents in neighboring areas and increases in construction costs. In order to determine whether a valuation loss should be recognized on the land held for future development of residential condominiums, it is necessary to evaluate those risks and determine whether the development projects are expected to be ultimately completed as originally planned. However, the nature and reliability of the information available to support the determination varies widely. Accordingly, we identified as a key audit matter the determination of whether a valuation loss should be recognized on the land held for future development due to a high degree of uncertainty involved with such determination.	We performed the following procedures to assess the determination of whether the Company and its consolidated subsidiaries were required to record valuation losses on the land held for future development of residential condominiums which had carrying value at each project level exceeding the testing threshold we had established based on our risk assessment: • In order to assess whether there had been any material changes in the land held for development that would reduce its future profitability, we inspected documents including the management approval documents and the executive committee meeting minutes and inquired with in-charge divisions as to market conditions for residential condominiums, development projects in neighboring areas, the status of obtaining necessary governmental permission for development, the status of negotiation with existing residents in neighboring areas and market conditions for construction costs. In addition, we determined whether there were any projects with delayed commencement date of construction and compared the sales price which was a significant assumption with industry information obtained from external sources including sales transaction data in neighboring areas for certain projects

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

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

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

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

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

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

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

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

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

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

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

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

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

Convenience Translation

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2021 are presented solely for convenience. Our audit also included the translation of Japanese yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 2 to the consolidated financial statements.

Ernst & Young ShinNihon LLC
Tokyo, Japan

June 29, 2021

千葉達也

Tatsuya Chiba
Designated Engagement Partner
Certified Public Accountant

寒河江祐一郎

Yuichiro Sagae
Designated Engagement Partner
Certified Public Accountant

大久保照代

Teruyo Okubo
Designated Engagement Partner
Certified Public Accountant

Principal Mitsubishi Estate Group Companies

■Consolidated subsidiary □Affiliate accounted for by the equity method

Innovation and Business Transformation Group

Company	Address	Phone number	Business activities	Share of voting rights (%)
MEC Agri Co., Ltd *	2270, Hirakawa-cho, Midori-ku, Chiba, Chiba Prefecture 266-0004	+81-43-312-6555	Production of agricultural products, sales	90.0
Medicha Co., Ltd.*	BLUE CINQ POINT Bldg. C-B1, 5-3-18 Minami Aoyama, Minato-ku, Tokyo 107-0062	+81-3-3287-5519	Meditation and operation of studios	100.0
■ MEC Business System Solutions Co., Ltd.	13F, Marunouchi Kitaguchi Building, 6-5, Marunouchi 1-chome, Chiyoda-ku, Tokyo 100-0005	+81-3-3214-9300	Development and management of information systems and software	100.0

* Outside the scope of consolidation

Commercial Property Business

Office Building Management Business

Company	Address	Phone number	Business activities	Share of voting rights (%)
■ Mitsubishi Jisho Property Management Co., Ltd.	Marunouchi Nakadori Building, 2-3, Marunouchi 2-chome, Chiyoda-ku, Tokyo 100-0005	+81-3-3287-4111	Comprehensive building operation and management	100.0
■ Hokuryo City Service Co., Ltd.	Hokkaido Building, 4-1, Kita 2-jou Nishi, Chuo-ku, Sapporo, Hokkaido 060-0002	+81-11-242-7411	Management and operation of buildings, commercial facilities, and sporting facilities	100.0
■ Yuden Building Kanri Co., Ltd.	Yurakucho Denki Building, 7-1, Yurakucho 1-chome, Chiyoda-ku, Tokyo 100-0006	+81-3-3211-7833	Operation and management of the Yurakucho Denki Building	62.5
Nan Shan Plaza Property Management Co., Ltd.*	100-7, Songren Road, Xinyi District, Taipei, 11073, Taiwan	+886-2-2723-8009	Property management of Nanshan Plaza	70.0

* Outside the scope of consolidation

Office Building Leasing Business

Company	Address	Phone number	Business activities	Share of voting rights (%)
■ Sunshine City Corporation	World Import Mart Building, Sunshine City, 1-1, Higashi-Ikebukuro 3-chome, Toshima-ku, Tokyo 170-8630	+81-3-3989-3321	Management of Sunshine City and other buildings	63.2
■ Tokyo Kotsu Kaikan Co., Ltd.	Tokyo Kotsu Kaikan, 10-1, Yurakucho 2-chome, Chiyoda-ku, Tokyo 100-0006	+81-3-3212-2931	Management of Tokyo Kotsu Kaikan and other buildings	50.0

Parking Business

Company	Address	Phone number	Business activities	Share of voting rights (%)
■ Tokyo Garage Co., Ltd.	Sanno Grand Building, 14-2, Nagatacho 2-chome, Chiyoda-ku, Tokyo 100-0014	+81-3-3504-0610	Operation and management of building garages and sale of various gasoline products	54.9

District Heating and Cooling Business

Company	Address	Phone number	Business activities	Share of voting rights (%)
■ Marunouchi Heat Supply Co., Ltd.	Marunouchi Kitaguchi Building, 6-5, Marunouchi 1-chome, Chiyoda-ku, Tokyo 100-0005	+81-3-3287-2288	Cooling and heating supply business in the Marunouchi, Otemachi, Yurakucho, and other districts	65.6
■ Ikebukuro District Heating and Cooling Co., Ltd.	World Import Mart Building, Sunshine City, 1 Higashi-Ikebukuro 3-chome, Toshima-ku, Tokyo 170-8630	+81-3-3988-6771	Cooling and heating supply business in the Higashi-Ikebukuro district	68.0
□ O.A.P. D.H.C. Supply Co., Ltd.	OAP Tower, 8-30, Tenmabashi 1-chome, Kita-ku, Osaka, Osaka Prefecture 530-6004	+81-6-6881-5170	Cooling and heating supply business in the Osaka OAP district	35.0
□ Minato Mirai 21 D.H.C. Co., Ltd.	1-45, Sakuragicho 1-chome, Naka-ku, Yokohama, Kanagawa Prefecture 231-0062	+81-45-221-0321	Cooling and heating supply business in the Yokohama Minato Mirai district	29.8

Logistics Facility Management Business

Company	Address	Phone number	Business activities	Share of voting rights (%)
■ Tokyo Ryutsu Center Inc.	1-1, Heiwajima 6-chome, Ota-ku, Tokyo 143-0006	+81-3-3767-2111	Leasing, operation, and management of logistics and office buildings	60.0

Hotel Business

Company	Address	Phone number	Business activities	Share of voting rights (%)
■ Royal Park Hotels and Resorts Co., Ltd.	Otemachi Building, 6-1, Otemachi 1-chome, Chiyoda-ku, Tokyo 100-0004	+81-3-3211-6180	Comprehensive supervision and management of hotel business	100.0
■ Royal Park Hotel Co., Ltd.	1-1, Kakigaracho 2-chome, Nihonbashi, Chuo-ku, Tokyo 103-8520	+81-3-3667-1111	Management and operation of Royal Park Hotel	57.4
■ Marunouchi Hotel Co., Ltd.	6-3, Marunouchi 1-chome, Chiyoda-ku, Tokyo 100-0005	+81-3-3217-1111	Management and operation of the Marunouchi Hotel	76.9

Retail Property Management Business

Company	Address	Phone number	Business activities	Share of voting rights (%)
■ Mitsubishi Estate•Simon Co., Ltd.	Otemachi Financial City South Tower, 9-7, Otemachi 1-chome, Chiyoda-ku, Tokyo 100-0004	+81-3-3275-5252	Management of outlet malls	60.0
■ Yokohama Sky Building Co., Ltd.	19-12, Takashima 2-chome, Nishi-ku, Yokohama, Kanagawa Prefecture 220-0011	+81-45-441-1221	Management of the Sky Building and the Yokohama Shintoshi Building	54.4

Airport Operation Business

Company	Address	Phone number	Business activities	Share of voting rights (%)
Takamatsu Airport Co., Ltd.*	1312-7, Oka, Konan-cho, Takamatsu, Kagawa Prefecture 761-1401	+81-87-814-3355	Operation of Takamatsu Airport and related businesses	73.1
Shimojishima Airport Management Co., Ltd.*	1727, Irabusawada, Miyakojima, Okinawa Prefecture 906-0507	+81-980-78-6365	Operation of the Miyako Shimojishima Airport Passenger Terminal and related businesses	69.0
Mt. Fuji Shizuoka Airport Co., Ltd.*	3336-4, Sakaguchi, Makinohara, Shizuoka Prefecture 421-0411	+81-548-29-2000	Leasing of the Mt. Fuji Shizuoka Airport Terminal and commissioned management and operation of the airport's basic facilities and airport parking lots maintained by the prefecture	50.0

* Outside the scope of consolidation

Others

Company	Address	Phone number	Business activities	Share of voting rights (%)
■ Marunouchi Direct Access Limited	Shin Kokusai Building, 4-1, Marunouchi 3-chome, Chiyoda-ku, Tokyo 100-0005	+81-3-3214-4881	Dark fiber leasing and data center housing businesses in the Marunouchi and Otemachi districts	51.0

Residential Business

Real Estate Sales

Company	Address	Phone number	Business activities	Share of voting rights (%)
■ Mitsubishi Estate Residence Co., Ltd.	Otemachi Financial City Grand Cube 9-2, Otemachi 1-chome, Chiyoda-ku, Tokyo 100-8189	+81-3-6281-8000	Real estate development, sales, leasing, management, real estate ownership, and management	100.0

Custom-Built Housing

Company	Address	Phone number	Business activities	Share of voting rights (%)
■ Mitsubishi Estate Home Co., Ltd.	Kokusai-Shin-Akasaka Building Higashi-kan, 14-27, Akasaka 2-chome, Minato-ku, Tokyo 107-0052	+81-3-6887-8200	Design and construction of single-unit homes and housing complexes, renovation of homes and retail shops, etc.	100.0
■ Mitsubishi Estate Housing Components Co., Ltd.	228-4, Shinminato, Mihama-ku, Chiba, Chiba Prefecture 261-0002	+81-43-242-9031	Manufacture, processing, and sale of construction materials	91.7

Residence Management Business

Company	Address	Phone number	Business activities	Share of voting rights (%)
■ Mitsubishi Jisho Community Holdings Co., Ltd.	6-1, Sanban-cho, Chiyoda-ku, Tokyo 102-0075	+81-3-3556-3888	Business management and operations related to the condominium management business	71.5
■ Mitsubishi Jisho Community Co., Ltd.	6-1, Sanban-cho, Chiyoda-ku, Tokyo 102-0075	+81-3-5213-6100	Overall condominium and building management, renovations, and related businesses	100.0
■ Izumi Park Town Service Co., Ltd.	7-2, Takamori, Izumi-ku, Sendai, Miyagi Prefecture 981-3203	+81-22-378-0022	Comprehensive management of Izumi Park Town	100.0

Recreational Facilities

Company	Address	Phone number	Business activities	Share of voting rights (%)
■ Higashinihon Kaihatsu Co., Ltd.	1442-23, Yosawa Oyamacho, Sunto-gun, Shizuoka Prefecture 410-1326	+81-550-78-3211	Management of the Higashi Fuji Country Club, Fuji International Golf Club, and other properties	100.0
□ Sakura Golf Development Co., Ltd.	670 Soshiyama, Uchida, Sakura, Chiba Prefecture 285-0077	+81-43-498-6630	Management of Asakura Golf Club	49.0

Others

Company	Address	Phone number	Business activities	Share of voting rights (%)
■ MEC Eco LIFE Co., Ltd.	5F Shinko Building, 6-8, Kanda-Ogawamachi 3-chome, Chiyoda-ku, Tokyo 101-0052	+81-70-4283-5747	Research and proposals on the environment and design	100.0
■ Mitsubishi Jisho House Net Co., Ltd.	Shinjuku Front Tower, 21-1, Kita-Shinjuku 2-chome, Shinjuku-ku, Tokyo 169-0074	+81-3-6908-5560	Purchase, sales, and leasing brokerage of homes for individuals, leasing management	100.0
■ URBAN LIFE Co., Ltd.	6-26, Motoyamaminamimachi, 8-chome, Higashinada-ku, Kobe, Hyogo Prefecture 658-0015	+81-78-452-0668	Leasing business in the Kansai area, real estate sales (sales of renovated condominiums)	100.0
■ Ryoei Life Service Co., Ltd.	Royal Life Okusawa, 33-13, Okusawa 3-chome, Setagaya-ku, Tokyo 158-0083	+81-3-3748-2650	Operation of commercial nursing homes	100.0

International Business

Company	Address	Phone number	Business activities	Share of voting rights (%)
■ Rockefeller Group International, Inc.	1271 Avenue of the Americas, 24th Fl. New York, NY 10020 U.S.A.	+1-212-282-2000	Real estate operations	100.0
■ Mitsubishi Estate New York Inc.	1271 Avenue of the Americas, 24th Fl. New York, NY 10020 U.S.A.	+1-212-698-2200	Real estate operations in the United States	100.0
■ Mitsubishi Estate London Limited	5 Golden Square London, W1F 9HT, U.K.	+44-20-7292-3180	Real estate operations in Europe	100.0
■ Mitsubishi Estate Asia Pte. Ltd.	138 Market Street #27-03 CapitaGreen, Singapore 048946	+65-6576-5790	Real estate operations in Asia	100.0
■ PT. Mitsubishi Estate Indonesia	Jl. Jendral Sudirman, Kav 5-6, Menara Astra 56th Floor, Jakarta Pusat, 10220 Indonesia	+62-21-8060-0071	Real estate operations in Indonesia	100.0
■ Mitsubishi Estate Vietnam Company Limited	Level 15, Saigon Centre Tower 2, 67 Le Loi Street, District 1, Ho Chi Minh City, Vietnam 700000	+84-24-3267-3885	Real estate operations in Vietnam	100.0
Mitsubishi Estate (Shanghai) Ltd.*	1805 Room Raffes City, 268 Xizang Middle Road, Shanghai 200001, P.R.C.	+86-21-6340-4000	Real estate business in China	100.0
Mitsubishi Estate Taiwan Ltd.*	100-6, Songren Road, Xinyi District, Taipei, 11073, Taiwan	+886-2-8780-3003	Real estate business in Taiwan	100.0
■ Mitsubishi Estate Residence Co., Ltd.	Otemachi Financial City Grand Cube 9-2, Otemachi 1-chome, Chiyoda-ku, Tokyo 100-8189	+81-3-6281-8000	Real estate business overseas Real estate development, sales, leasing, management, real estate ownership, and management	100.0

* Outside the scope of consolidation

Investment Management Business

Company	Address	Phone number	Business activities	Share of voting rights (%)
■ Mitsubishi Jisho Investment Advisors, Inc.	Marunouchi North Exit Building, 6-5, Marunouchi 1-chome, Chiyoda-ku, Tokyo 100-0005	+81-3-3218-0031	Specialist real estate investment management services (real estate investment advisory and other services)	100.0
■ Japan Real Estate Asset Management Co., Ltd.	Otemachi Park Building, 1-1, Otemachi 1-chome, Chiyoda-ku, Tokyo 100-0004	+81-3-3211-7921	Investment corporation asset management	90.0
■ TA Realty LLC	28 State Street, Boston, MA 02109, U.S.A.	+1-617-476-2700	Investment management business in the United States	70.0
■ Europa Capital LLP	15 Sloane Square, London SW1W 8ER, U.K.	+44-20-7881-6800	Investment management business in Europe	87.0
■ Pan Asia Realty Advisors (Singapore) Pte. Ltd.	80 Raffes Place, No. 18-01, UOB Plaza 1, Singapore 048624	+65-6416-7888	Investment management business in Asia and Oceania	67.0

Architectural Design & Engineering Business

Company	Address	Phone number	Business activities	Share of voting rights (%)
■ Mitsubishi Jisho Sekkei Inc.	Marunouchi 2-chome Building, 5-1, Marunouchi 2-chome, Chiyoda-ku, Tokyo 100-0005	+81-3-3287-5555	Construction and civil engineering design administration	100.0
■ MEC Design International Corporation	Inui Building Kachidoki, 13-1, Kachidoki 1-chome, Chuo-ku, Tokyo 104-0054	+81-3-6704-0100	Interior design administration and construction, manufacture, and sale of furniture and household items	100.0

Real Estate Services Business

Company	Address	Phone number	Business activities	Share of voting rights (%)
■ Mitsubishi Real Estate Services Co., Ltd.	Otemachi Financial City Grand Cube, 1-9-2, Chiyoda-ku, Tokyo 100-0004	+81-3-3510-8011	Purchase, sales, and leasing brokerage of corporate real estate, leasing management, real estate appraisal, and parking business	100.0
■ Mitsubishi Estate Parks Co., Ltd.	3F, Seitoh Kaikan, 5-7, Sanbancho, Chiyoda-ku, Tokyo 102-0075	+81-3-5215-1720	Operation and management of parking lots, parking-lot consulting	100.0

Others

Company	Address	Phone number	Business activities	Share of voting rights (%)
■ MEC Human Resources, Inc.	Otemachi Building, 6-1, Otemachi 1-chome, Chiyoda-ku, Tokyo 100-0004	+81-3-3212-8674	Human resource-related services	100.0
■ Keiyo Tochi Kaihatsu Co., Ltd.	Shin-Tokyo Building, 3-1, Marunouchi 3-chome, Chiyoda-ku, Tokyo 100-0005	+81-3-3212-0555	Management of the Minoria Inage Kaigan retail facility	66.7

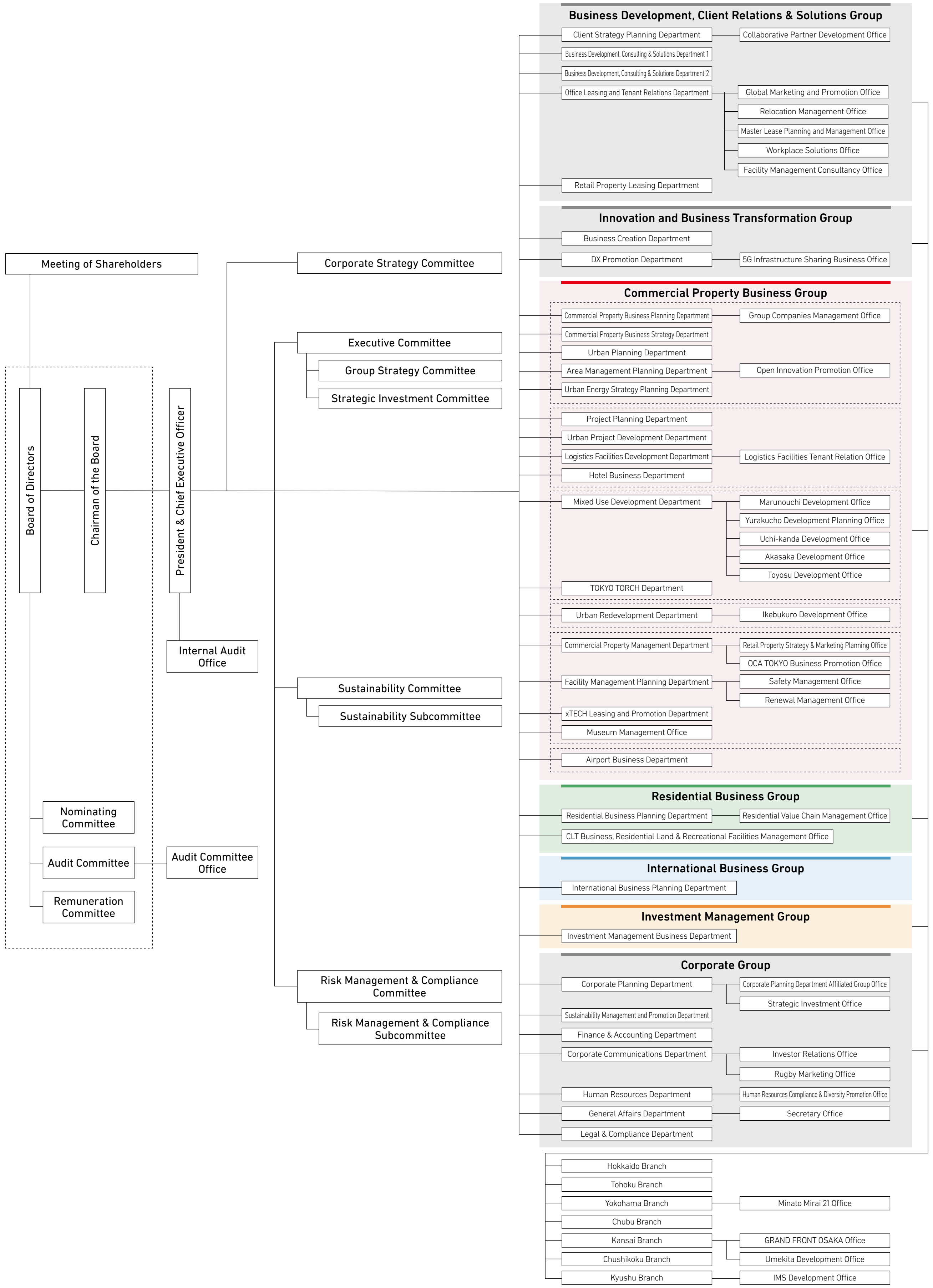
Note: Percentage of voting rights held is as of March 31, 2021.

Corporate History

History		Major properties
The Marunouchi site purchased by Mitsubishi Company from the Japanese government.	1890	
Mitsubishi Goshi Kaisha (limited partnership) established. Achieved further expansion of business.	1893	
	1894	Completed Mitsubishi Ichigokan, offering the first Western-style office architecture in Marunouchi.
	1923	Marunouchi Building completed in front of Tokyo Station.
Mitsubishi Estate Company, Limited, established with paid-in capital totaling ¥15 million, with the ownership of the Marunouchi Building and site, as well as business rights for buildings and land within the Marunouchi area, transferred from Mitsubishi Goshi Kaisha.	1937	
	1952	Shin-Marunouchi Building completed.
Mitsubishi Estate's shares listed on the Tokyo Stock Exchange and the Osaka Securities Exchange.	1953	
Marunouchi Remodeling Plan formulated. Met demand for offices in the years of high economic growth.	1959	
	1962	Hokkaido Building completed.
Akasaka Park House offered for sale in lots, marking the launch of the condominium business.	1969	
Mitsubishi Estate New York Inc. established. Began expansion of business overseas. Mitsubishi Real Estate Services Co., Ltd., established.	1972	The first phase of the Izumi Park Town Project launched.
Branches established in Sapporo (renamed Hokkaido Branch in November 2017), Sendai (renamed Tohoku Branch in July 1989), Nagoya (renamed Chubu Branch in April 2018), and Osaka (renamed Kansai Branch in April 2016). Strengthened business in major Japanese cities.	1973	
Nagoya Dai-Ichi Hotel opened (Hotel Business launched).	1983	
Mitsubishi Estate Home Co., Ltd., established.	1984	
MEC UK Limited established. Yokohama Office established (reorganized as Yokohama Branch in April 2000).	1986	
Hiroshima Branch (renamed Chushikoku Branch in November 2017) and Kyushu Branch established.	1989	Tenjin MM Building (IMS) opened in Fukuoka City. Royal Park Hotel in Hakozaki, Tokyo, opened. Hiroshima Park Building completed.
Participation in the City of London's Paternoster Square Project announced. Capital investment in Rockefeller Group, Inc., initiated.	1990	
	1993	Yokohama Landmark Tower completed. Yokohama Royal Park Hotel opened.
Reconstruction of Marunouchi Building announced.	1995	
	1996	Osaka Amenity Park (OAP) completed.
Began first stage of Marunouchi redevelopment.	1998	
	2000	GOTEMBA PREMIUM OUTLETS® opened.
Mitsubishi Jisho Investment Advisors, Inc., established.	2001	
Properties and equipment revaluated in accordance with the Law Concerning Revaluation of Land and other relevant laws and regulations.	2002	Marunouchi Building opened.
	2003	Mitsubishi Trust and Banking Building completed (renamed Mitsubishi UFJ Trust and Banking Building in October 2005). Paternoster Square completed in the City of London.
	2004	Marunouchi Oazo opened.
	2005	Tokyo Building opened.
	2007	Shin-Marunouchi Building opened. The Peninsula Tokyo opened.
Sunshine City Corporation became a Mitsubishi Estate consolidated subsidiary. Mitsubishi Estate Asia Pte. Ltd. commenced operations.	2008	
Chelsea Japan Co., Ltd., became a Mitsubishi Estate consolidated subsidiary (renamed Mitsubishi Estate • Simon Co., Ltd., in February 2013).	2009	Marunouchi Park Building and Mitsubishi Ichigokan completed.
	2010	Mitsubishi Ichigokan Museum opened.
Mitsubishi Estate Residence Co., Ltd., established.	2011	
	2012	Marunouchi Eiraku Building completed. OTEMACHI FINANCIAL CITY (North Tower, South Tower) opened.
Mitsubishi Estate (Shanghai) Ltd. established.	2013	MARK IS shizuoka and MARK IS minatomirai opened. Grand Front Osaka opened.
Mitsubishi Estate Building Management and Mitsubishi Estate Property Management integrated.	2014	Singapore CapitaGreen completed.
TA Realty LLC acquired.	2015	Dai Nagoya Building completed. Otemon Tower • JX Building completed.
Transitioned to a "Company with Nominating Committee, etc.," organizational structure. Tokyo Ryutsu Center Inc. became a Mitsubishi Estate consolidated subsidiary.	2016	OTEMACHI FINANCIAL CITY GRAND CUBE completed.
Hirotaka Sugiyama and Junichi Yoshida appointed chairman of the Board and president & chief executive officer, respectively. Taiwan Representative Office established.	2017	Otemachi Park Building completed.
Head Office relocated to Otemachi Park Building.	2018	Marunouchi Nijubashi Building completed.
Establishment of PT. Mitsubishi Estate Indonesia and Mitsubishi Estate Vietnam Company Limited.	2019	
	2020	Mizuho Marunouchi Tower, Ginkokaikan, and Marunouchi Terrace completed.

Organization

As of June 11, 2021



Corporate Information

As of March 31, 2021

Stock Information

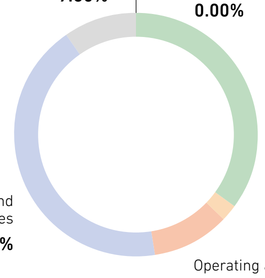
Stock Details

Number of authorized shares: 1,980,000,000 shares

Number of shares issued and outstanding: 1,391,328,316
(154,053 increase in number of shares from the previous fiscal year-end)

Number of shareholders: 66,422
(Increase of 2,966 shareholders compared with the end of the previous fiscal year)

Shareholder Composition (Percentage of shares held)



Major Shareholders	Number of shares held (Thousands of shares)	Shareholding percentage (%)
The Master Trust Bank of Japan, Ltd. (Trust account)	131,804	9.84
Custody Bank of Japan, Ltd. (Trust account)	64,786	4.83
Meiji Yasuda Life Insurance Company	45,476	3.39
GOVERNMENT OF NORWAY	43,860	3.27
JP MORGAN CHASE BANK 380055	33,623	2.51
SSBTC CLIENT OMNIBUS ACCOUNT	25,829	1.92
Custody Bank of Japan, Ltd. (Trust account 7)	24,394	1.82
STATE STREET BANK WEST CLIENT–TREATY 505234	20,261	1.51
Custody Bank of Japan, Ltd. (Trust account 5)	19,868	1.48
Takenaka Corporation	18,150	1.35

Note: The investment ratio is calculated after deducting the shares of treasury stock from the issued shares of the Company.

Company Name
Mitsubishi Estate Co., Ltd.

Date of Establishment
May 7, 1937

Paid-in Capital
¥142,279 million

Business Activities
Development, leasing, and management of office buildings, retail, and other facilities
Development of real estate for investment purposes and asset management
Development and sale of land for housing, research, and other facility use
Management of leisure and other facilities
Sale and brokerage of real estate and related consulting services

Number of Employees (Excluding temporary staff)
Non-consolidated: 880
Consolidated: 9,982

URL
https://www.mec.co.jp/index_e.html

Head Office
Otemachi Park Building, 1-1, Otemachi 1-chome, Chiyoda-ku, Tokyo 100-8133
Phone: +81-3-3287-5100

Hokkaido Branch
Hokkaido Building, 4-1, Kita 2-jou Nishi, Chuo-ku, Sapporo, Hokkaido 060-0002
Phone: +81-11-221-6101

Tohoku Branch
Sendai Park Building, 6-1, Kokubun-cho 3-chome, Aoba-ku, Sendai, Miyagi Prefecture 980-0803
Phone: +81-22-261-1361

Yokohama Branch
Yokohama Landmark Tower, 2-1, Minato Mirai 2-chome, Nishi-ku, Yokohama, Kanagawa Prefecture 220-8115
Phone: +81-45-224-2211

Chubu Branch
Nagoya Hirokoji Building, 3-1, Sakae 2-chome, Naka-ku, Nagoya, Aichi Prefecture 460-0008
Phone: +81-52-218-7755

Kansai Branch
OAP Tower, 8-30, Tenmabashi 1-chome, Kita-ku, Osaka, Osaka Prefecture 530-6009
Phone: +81-6-6881-5160

Chushikoku Branch
Hiroshima Park Building, 7-5, Otemachi 3-chome, Naka-ku, Hiroshima, Hiroshima Prefecture 730-0051
Phone: +81-82-245-1241

Kyushu Branch
Tenjin Twin Building, 6-8, Tenjin 1-chome, Chuo-ku, Fukuoka, Fukuoka Prefecture 810-0001
Phone: +81-92-731-2211

External Evaluations of ESG Performance

Mitsubishi Estate has been selected for inclusion in the following environmental, social, and governance (ESG) indices for socially responsible investment.

Dow Jones Sustainability Asia Pacific Index

S&P Global Sustainability Yearbook Member 2021

FTSE4Good Global Index, 20th consecutive year

FTSE Blossom Japan Index, 5th consecutive year

MSCI Japan ESG Select Leaders Index, 4th consecutive year

MSCI Japan Empowering Women Select Index, 4th consecutive year

S&P/JPX Carbon Efficient Index, 4th consecutive year

SOMPO Sustainability Index, 10th consecutive year

GRESB Public Disclosure, 4th consecutive year

2020 GRESB Real Estate Assessment –5-Star Rating in GRESB Standing Investments Benchmark

CDP A List, the highest rating according to CDP Climate Change 2020 Questionnaire

CDP Supplier Engagement Assessment Leaderboard, the highest rating according to 2020 CDP Supplier Engagement Rating

Certified in 2021 as Outstanding Health and Productivity Management Organization (White 500)

About Our Website

Mitsubishi Estate Group Corporate Website
https://www.mec.co.jp/index_e.html

Sustainability Information
https://www.mec.co.jp/e/sustainability/index.html
Our website contains sustainability reports and other information that summarize Groupwide sustainability-related data and initiatives based on important sustainability issues.

IR Information
https://www.mec.co.jp/e/investor/index.html
In addition to financial information, the site contains various IR explanatory materials and an Asset Book.