



ODAYASHI CORPORATION

CONSOLIDATED
FINANCIAL STATEMENTS

Year Ended March 31, 2023

Independent Auditor’s Report

The Board of Directors
OBAYASHI CORPORATION

Opinion

We have audited the accompanying consolidated financial statements of OBAYASHI CORPORATION and its consolidated subsidiaries (the Group), which comprise the consolidated balance sheet as at March 31, 2023, and the consolidated statements of income, comprehensive income, changes in net assets, and cash flows for the year then ended, and notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at March 31, 2023, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with accounting principles generally accepted in Japan.

Basis for Opinion

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

Key Audit Matters

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

Estimation of total construction revenue and total construction costs in applying the method to recognize revenue by satisfying performance obligations over a certain period of time	
Description of Key Audit Matter	Auditor’s Response
As described in “(1) Application of the method to recognize revenue by satisfying performance obligations over a certain period of time” under “4. Significant Accounting Estimates” in the notes to the consolidated financial statements, OBAYASHI CORPORATION (the Company) and its consolidated subsidiaries (the Group) apply the method to recognize revenue by satisfying	We mainly performed the following procedures to evaluate the estimates of total construction revenue and total construction costs in applying the method to recognize revenue by satisfying performance obligations over a certain period of time.(1) Evaluation of internal control We evaluated the design and operation of the following internal controls relating to estimates of

performance obligations over a certain period of time for construction contracts based on estimates of total construction revenue, total construction costs, and progress towards satisfying performance obligations, with the exception of construction contracts having very short construction periods. The method of estimating the degree of progress in satisfying performance obligations is calculated as the ratio of the cost incurred to the estimated total cost of construction (input method). If it is likely that total construction costs associated with construction contracts will exceed total construction revenue and if the amount of the excess can be reasonably estimated, then the amount resulting from deducting the profit or loss already recorded for such construction contracts from the expected amount of the excess of costs over revenue (“Loss on construction contracts”) is accounted for as loss in the period in which Loss on construction contracts is expected, and a provision for Loss on construction contracts is recorded. The Company recognized revenues from construction contracts using the method to recognize revenue by satisfying performance obligations over a certain period of time of 1,242,167 million yen, accounting for 67.2% of consolidated revenues from construction contracts of 1,847,688 million yen for the fiscal year ended March 31, 2023. The provision for Loss on construction contracts was 43,205 million yen for the fiscal year ended March 31, 2023 (53,146 million yen for the fiscal year ended March 31, 2022).

In applying the method to recognize revenue by satisfying performance obligations over a certain period of time, revenues from construction contracts are determined by multiplying total construction revenue by progress towards satisfaction of performance obligations, which is based on total construction costs and corresponds to costs actually incurred up until the end of the fiscal year. Accordingly, it is necessary to reasonably estimate total construction revenue, total construction costs, and progress towards satisfaction of performance obligations as of the end of the fiscal year. In addition to the construction contracts undertaken by the Group being individual in nature as they involve specifications and construction periods that vary by project, many such contracts span long construction periods, making it likely that total construction revenue and total construction costs will change during the course of construction due to additions and changes to construction details

total construction revenue and total construction costs.

- We evaluated controls to ensure reliability by requiring that operating budgets on which estimates of total construction costs are based are prepared by persons in charge of construction work who have specialized knowledge, and that the necessary approval for such operating budgets is obtained from construction and other such departments that perform functions such as construction management, progress management, and logistics support.
- We evaluated controls to confirm that each of the elements of total construction costs is accumulated and calculated in detail based on objective prices such as internally-approved standard unit prices and third party quotations.
- We evaluated controls for revising estimates of total construction costs in a timely manner in accordance with factors such as the status of construction and the amount of costs actually incurred, or changes in specifications instructed by customers, and controls to confirm that revisions are made in a timely and appropriate manner.
- We evaluated controls to ensure reliability by requiring that estimates of total construction revenue are calculated by accumulating information from materials such as construction instructions and quotations, and that the necessary approval for such calculations is obtained.
- We evaluated controls for revising estimates of total construction revenue in a timely manner in accordance with factors such as the status of discussions with ordering parties, and controls to confirm that revisions are made in a timely and appropriate manner.

(2) Evaluation of estimates of total construction revenue

We identified construction contracts in which there was either material or qualitative uncertainty over the estimate of total construction revenue in light of factors such as construction contract amount, profit (loss) on construction, construction details, and the status of construction, and performed the following procedures. We also identified construction contracts subject to consideration that meet certain conditions set by us (including construction profit margin levels and fluctuations). In addition, to complement the identification of the aforementioned construction

instructed by ordering parties, and changes to construction details caused by certain facts coming to light and conditions at construction sites changing after the start of construction.

(Total construction revenue)

Although total construction revenue, which serves as a basis for revenue recognition, is based on construction contract amounts, construction details and contracts tend to be modified while construction is still in progress due to new agreements between counterparties, making estimates of additional contract amounts arising from changes in construction details uncertain until a final agreement is reached with the ordering party.

(Total construction costs)

Although total construction costs are based on operating budgets for each construction contract and estimated in line with revisions in operating budgets resulting from changes in construction details and fluctuations in building material and labor prices, total construction costs are also based on certain assumptions or the judgment of persons directly or indirectly responsible for cost management or progress management over construction contracts since there is no uniform rule for making determinations applicable to all construction contracts for estimates of work details, working hours, and building material and labor costs necessary to complete construction or for the feasibility of cost reduction activities, and since many such contracts span long construction periods.

During the fiscal year ended March 31, 2023, raw materials and energy prices remained high due to the impact of global supply chain disruptions caused by the invasion of Ukraine by Russia and yen depreciation, as well as construction prices rose significantly. As a result, it became difficult in the domestic building construction segment to take measures to absorb all of these effects at the purchasing stage and in negotiations with ordering parties. Consequently, total construction costs and total construction revenue were revised during the fiscal year, resulting in many construction projects in which profit (loss) on construction levels were lower than initially expected.

Based on the above, we have determined that estimates of total construction revenue and total construction costs as it relates to application of the method to recognize revenue by satisfying performance obligations over a certain period of time are of particular significance for the fiscal year ended March 31, 2023 and, accordingly, that

contracts, we also used Project Progress Anomaly Detector (the tool that detects unusual progress in construction contracts in which the method to recognize revenue by satisfying performance obligations over a certain period of time is applied based on forecasts of progress towards completion of construction using machine learning, as well as makes forecasts of construction contracts in which total construction costs exceed total construction revenue). (The same applies to (3) below).

- We compared the construction contract amounts, which are incorporated into estimates of total construction revenue, to construction contracts.
- Of additional construction contract amounts that are incorporated into estimates of total construction revenue, we compared the portion in existing contracts in effect to construction contracts, and compared the portion in contracts not in effect to basis materials such as construction instructions and quotations submitted to ordering parties after making inquiries of persons such as on-site construction managers regarding the details and basis for such amounts and inspecting minutes of discussions with ordering parties.

(3) Evaluation of estimates of total construction costs

We identified construction contracts in which there was either material or qualitative uncertainty over the estimate of total construction costs in light of factors such as construction contract amount, profit (loss) on construction, construction details, and the status of construction, and performed the following procedures.

- We compared estimates of total construction costs to operating budgets, which serve as the basis for calculating such estimates, and considered whether the details of estimated costs were consistent with construction deliverables, whether estimated costs were calculated by aggregating amounts by type of construction, and whether operating budgets contained significant cost reduction initiatives.
- We compared the most recent estimates of total construction costs for each quarter with the corresponding estimates of total construction costs for the preceding quarter and evaluated whether the details of material quarter-to-quarter changes were reflected in such estimates in a timely manner by making inquiries of on-site construction managers regarding these changes and reconciling these

<p>this is a key audit matter.</p>	<p>changes to revised basis materials prepared by on-site construction personnel.</p> <ul style="list-style-type: none"> • We inspected operating budgets and compared the estimated costs for each type of work to basis materials, such as quotations, from which costs are accumulated to serve as the basis for such estimated costs. Additionally, we compared the costs actually incurred relative to the estimated costs for each type of work and considered if actual costs have not exceeded estimated costs while also considering consistency with construction progress. In order to evaluate the feasibility of the significant cost reduction initiatives included in operating budgets, we considered the consistency between the cost reduction initiatives with construction progress by holding discussions with on-site construction managers regarding scenarios in which the initiatives could be implemented. • We performed on-site observations for a portion of construction projects to consider if the status of construction is consistent with construction progress that we heard about in advance from construction departments or on-site construction managers, as well as with details of estimates of total construction costs.
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Assessment of indicators of impairment of investment and rental properties	
Description of Key Audit Matter	Auditor's Response
<p>As described in “(2) Impairment of investment and rental properties” under “4. Significant Accounting Estimates” in the notes to the consolidated financial statements, the Group recorded an impairment loss of 29 million yen on investment and rental properties of 475,971 million yen for the fiscal year ended March 31, 2023 due to decreased profitability or property prices resulting from changes in the business environment. The Group’s investment and rental properties are used for various purposes, such as office buildings and logistics facilities, and are geographically diverse since they are also located overseas, such as in the UK and Thailand.</p> <p>In assessing indicators of impairment of investment and rental properties, estimates of net operating income and the capitalization rate for each individual investment and rental property that are used to determine market value are subject to uncertainty since they are greatly affected by factors such as the economic environment, changes in interest rates, and competition in the real estate market.</p>	<p>We mainly performed the following procedures to evaluate the assessment of indicators of impairment of investment and rental properties.</p> <p>(1) Evaluation of internal control</p> <p>We evaluated the design and operating effectiveness of internal controls relating to the recognition of impairment loss on noncurrent assets, including investment and rental properties.</p> <p>(2) Evaluation of determinations of whether there are indicators of impairment</p> <ul style="list-style-type: none"> • We obtained materials prepared by the Group for considering whether assets are impaired and evaluated the assessment of indicators of impairment for properties that we selected based on materiality by, for example, agreeing profit (loss) and carrying value by property to the Group’s accounting books. • We evaluated estimates of net operating income, which is used to determine fair value, for properties that we selected based on materiality by comparing estimates of net operating income for each property with actual

<p>In addition, considering that investment and rental properties are material as they account for approximately 18% of consolidated total assets, if the Group records impairment loss due, for example, to a major decline in the market value of the investment and rental properties, it could potentially affect the Group's operating results and financial position.</p> <p>Based on the above, we have determined that the assessment of indicators of impairment of investment and rental properties is a key audit matter.</p>	<p>net operating income recorded in the previous period and making inquiries of the responsible department in accordance with preconditions estimated by the Group. Further, we agreed significant estimates of net operating income to source documents.</p> <ul style="list-style-type: none"> • We evaluated the capitalization rates which are used to determine fair value for properties that we selected based on materiality by comparing such capitalization rates to information obtained from external organizations. • We read minutes of various meetings such as meetings of the board of directors and made inquiries of the responsible departments to identify the events impacting assessments and evaluated whether the identified events have been reflected in materials for considering whether assets are impaired.
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Other Information

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

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

Responsibilities of Management, the Corporate Auditor and the Board of Corporate Auditors 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 Corporate Auditor and the Board of Corporate Auditors are responsible for overseeing the Group's financial reporting process.

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

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

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

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

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

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



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

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

Convenience Translation

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2023 are presented solely for convenience. Our audit also included the translation of Japanese yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 2 to the consolidated financial statements.

Ernst & Young ShinNihon LLC
Tokyo, Japan

August 4, 2023

Shuji Kaneko
Designated Engagement Partner
Certified Public Accountant

Yoko Ito
Designated Engagement Partner
Certified Public Accountant

Takeshi Yoshida
Designated Engagement Partner
Certified Public Accountant

Consolidated Balance Sheets

OBAYASHI CORPORATION
At March 31, 2023 and 2022

	Millions of yen		Thousands of U.S. dollars (Note 2)	
	2023	2022	2023	2022
Assets				
Current assets				
Cash and deposits (Notes 8 and 14)	¥ 419,405	¥ 265,042	\$ 3,140,907	\$ 1,984,887
Notes and accounts receivable from completed construction contracts and other (Notes 8 and 14)	832,939	902,244	6,237,843	6,756,870
Electronically recorded monetary claims (Notes 8 and 14)	21,189	12,162	158,686	91,080
Short-term investment securities (Notes 8, 14 and 15)	7,285	5,988	54,561	44,845
Real estate for sale (Note 8)	15,874	19,436	118,887	145,556
Costs on uncompleted construction contracts (Note 8)	35,428	43,823	265,323	328,194
Costs on real estate business	30,405	28,300	227,706	211,940
Inventories for PFI and other projects (Note 8)	6,610	10,127	49,502	75,842
Other inventories (Note 8)	12,120	9,182	90,767	68,768
Accounts receivable-other (Note 14)	98,866	78,433	740,410	587,385
Other	25,572	20,938	191,514	156,809
Allowance for doubtful accounts	(147)	(162)	(1,103)	(1,215)
Total current assets	1,505,551	1,395,517	11,275,006	10,450,966
Noncurrent assets				
Property, plant and equipment, net				
Buildings and structures (Note 8)	142,968	121,482	1,070,684	909,777
Machinery, vehicles, tools, furniture and fixtures (Note 8)	79,252	68,716	593,515	514,613
Land (Note 8)	408,031	378,270	3,055,730	2,832,853
Leased assets	4,823	493	36,120	3,696
Construction in progress (Note 8)	57,470	54,343	430,390	406,972
Total property, plant and equipment, net (Note 8)	692,545	623,306	5,186,441	4,667,914
Intangible assets (Note 8)	17,932	8,648	134,294	64,769
Investments and other assets				
Investment securities (Notes 8, 14 and 15)	306,570	337,976	2,295,895	2,531,093
Long-term loans receivable	1,312	2,096	9,828	15,703
Deferred tax assets (Note 18)	5,137	2,129	38,477	15,948
Assets for retirement benefits (Note 17)	2,900	35	21,719	266
Other (Note 8)	78,148	52,549	585,254	393,541
Allowance for doubtful accounts	(170)	(175)	(1,275)	(1,317)
Total investments and other assets	393,899	394,612	2,949,898	2,955,235
Total noncurrent assets	1,104,377	1,026,567	8,270,634	7,687,919
Total assets	¥ 2,609,929	¥ 2,422,085	\$ 19,545,640	\$ 18,138,885

The accompanying notes to the consolidated financial statements are an integral part of this statement.

	Millions of yen		Thousands of U.S. dollars (Note 2)	
	2023	2022	2023	2022
Liabilities				
Current liabilities				
Notes and accounts payable for construction contracts and other	¥ 526,734	¥ 500,757	\$ 3,944,690	\$ 3,750,147
Electronically recorded obligations	145,520	128,960	1,089,799	965,779
Short-term loans payable (Notes 8, 14 and 26)	67,170	62,785	503,035	470,196
Current portion of nonrecourse loans payable (Notes 8, 14 and 26)	8,611	14,122	64,491	105,765
Current portion of bonds payable (Notes 14 and 25)	20,000	—	149,779	—
Lease obligations (Notes 14 and 26)	1,425	294	10,674	2,202
Income taxes payable	22,375	9,982	167,571	74,756
Advances received on uncompleted construction contracts (Note 8)	132,979	137,174	995,877	1,027,291
Deposits received	158,487	143,850	1,186,905	1,077,291
Provision for warranties for completed construction	3,004	3,138	22,498	23,503
Provision for loss on construction contracts	43,205	53,146	323,562	398,011
Other (Note 8)	96,919	74,390	725,828	557,103
Total current liabilities	1,226,434	1,128,602	9,184,714	8,452,048
Noncurrent liabilities				
Bonds payable (Notes 14 and 25)	50,000	40,000	374,447	299,558
Long-term loans payable (Notes 8, 14 and 26)	124,051	94,590	929,018	708,387
Nonrecourse loans payable (Notes 8, 14 and 26)	68,087	68,937	509,905	516,271
Lease obligations (Notes 14 and 26)	5,018	144	37,580	1,084
Deferred tax liabilities (Note 18)	4,053	10,222	30,356	76,554
Deferred tax liabilities for land revaluation (Note 18)	18,421	18,445	137,954	138,134
Provision for stock payments for directors	599	436	4,490	3,269
Provision for environmental measures	23	26	179	196
Liability for retirement benefits (Note 17)	51,835	47,977	388,191	359,304
Other	25,522	23,788	191,133	178,148
Total noncurrent liabilities	347,613	304,569	2,603,258	2,280,909
Total liabilities	1,574,048	1,433,171	11,787,972	10,732,957
Net assets				
Shareholders' equity				
Capital stock	57,752	57,752	432,507	432,507
Capital surplus	41,962	42,641	314,258	319,343
Retained earnings	728,087	677,559	5,452,610	5,074,208
Treasury stock	(2,754)	(2,808)	(20,631)	(21,035)
Total shareholders' equity	825,047	775,144	6,178,744	5,805,024
Accumulated other comprehensive income				
Valuation difference on available-for-sale securities	118,057	136,235	884,127	1,020,259
Deferred gains (losses) on hedges	10,130	8,642	75,868	64,726
Revaluation reserve for land (Note 8)	23,627	23,052	176,946	172,636
Foreign currency translation adjustments	18,437	9,728	138,078	72,859
Retirement benefit asset and liability adjustments	1,808	2,887	13,540	21,622
Total accumulated other comprehensive income	172,061	180,546	1,288,561	1,352,104
Non-controlling interests	38,772	33,222	290,361	248,798
Total net assets	1,035,881	988,913	7,757,668	7,405,927
Total liabilities and net assets	¥ 2,609,929	¥ 2,422,085	\$ 19,545,640	\$ 18,138,885

The accompanying notes to the consolidated financial statements are an integral part of this statement.

Consolidated Statements of Income

OBAYASHI CORPORATION

For the years ended March 31, 2023 and 2022

	Millions of yen		Thousands of U.S. dollars (Note 2)	
	2023	2022	2023	2022
Net sales				
Construction contracts	¥ 1,847,688	¥ 1,795,208	\$ 13,837,250	\$ 13,444,234
Real estate business and other	136,200	127,676	1,019,995	956,160
Total net sales (Note 21)	1,983,888	1,922,884	14,857,246	14,400,395
Cost of sales				
Construction contracts (Note 9)	1,669,814	1,673,237	12,505,160	12,530,801
Real estate business and other	97,504	95,306	730,203	713,748
Total cost of sales	1,767,318	1,768,544	13,235,364	13,244,550
Gross profit				
Construction contracts	177,873	121,970	1,332,089	913,433
Real estate business and other	38,695	32,369	289,791	242,411
Total gross profit	216,569	154,339	1,621,881	1,155,844
Selling, general and administrative expenses (Note 9)				
Operating income	93,800	41,051	702,467	307,431
Other income (expenses)				
Interest and dividend income	8,503	7,709	63,679	57,735
Foreign exchange gains (losses), net	1,849	2,678	13,854	20,057
Interest expense	(2,485)	(2,019)	(18,612)	(15,121)
Gain on sales of investment securities	14,388	10,260	107,753	76,837
Gain on sales of noncurrent assets	151	384	1,133	2,878
Gain on sales of businesses	-	2,242	-	16,791
Loss on valuation of investment securities	(784)	(1,509)	(5,877)	(11,306)
Loss on sales and disposal of noncurrent assets (Note 9)	(422)	(1,163)	(3,165)	(8,713)
Impairment loss	(287)	(625)	(2,155)	(4,684)
Loss on sales of investment securities	(203)	(192)	(1,521)	(1,442)
Loss on liquidation of business	-	(3,005)	-	(22,505)
Other, net	(802)	471	(6,010)	3,533
Total other income (expenses)	19,906	15,230	149,077	114,058
Profit before income taxes				
	113,706	56,281	851,544	421,489
Income taxes (Note 18)				
Income taxes—current	35,533	28,815	266,111	215,801
Income taxes—deferred	(1,685)	(13,988)	(12,625)	(104,756)
Total income taxes	33,848	14,827	253,486	111,044
Profit				
	79,858	41,453	598,058	310,445
Profit attributable to non-controlling interests				
	2,187	2,326	16,383	17,424
Profit attributable to owners of parent				
	¥ 77,671	¥ 39,127	\$ 581,674	\$ 293,021

The accompanying notes to the consolidated financial statements are an integral part of this statement.

Consolidated Statements of Comprehensive Income

OBAYASHI CORPORATION

For the years ended March 31, 2023 and 2022

	Millions of yen		Thousands of U.S. dollars (Note 2)	
	2023	2022	2023	2022
Profit	\ 79,858	\ 41,453	\$ 598,058	\$ 310,445
Other comprehensive income				
Valuation difference on available-for-sale securities	(18,167)	(2,281)	(136,058)	(17,084)
Deferred gains (losses) on hedges	1,217	1,155	9,120	8,651
Foreign currency translation adjustments	12,093	8,771	90,566	65,687
Retirement benefit asset and liability adjustments	(1,078)	(560)	(8,075)	(4,199)
Share of other comprehensive income of affiliates accounted for by the equity method	320	8	2,398	64
Total other comprehensive income (Note 10)	(5,614)	7,092	(42,048)	53,119
Comprehensive income	\ 74,244	\ 48,546	\$ 556,009	\$ 363,564
Comprehensive income attributable to:				
Owners of parent	\ 68,610	\ 45,808	\$ 513,822	\$ 343,058
Non-controlling interests	5,633	2,738	42,187	20,506

The accompanying notes to the consolidated financial statements are an integral part of this statement.

Consolidated Statements of Changes in Net Assets

OBAYASHI CORPORATION

For the year ended March 31, 2023

Millions of yen

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance at the beginning of current period	¥ 57,752	¥ 42,641	¥ 677,559	¥ (2,808)	¥ 775,144
Cumulative effects of changes in accounting policies					-
Restated balance at the beginning of current period	57,752	42,641	677,559	(2,808)	775,144
Changes during period					
Cash dividends paid			(26,567)		(26,567)
Profit attributable to owners of parent			77,671		77,671
Reversal of revaluation reserve for land			(575)		(575)
Purchase of treasury stock				(3)	(3)
Disposal of treasury stock				57	57
Share changes in parent's ownership interests associated with transaction with non-controlling interests		(679)			(679)
Net changes in items other than those in shareholders' equity					
Total changes during period	-	(679)	50,527	53	49,902
Balance at the end of current period	¥ 57,752	¥ 41,962	¥ 728,087	¥ (2,754)	¥ 825,047

	Accumulated other comprehensive income						Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Deferred gains (losses) on hedges	Revaluation reserve for land	Foreign currency translation adjustments	Retirement benefit asset and liability adjustments	Total accumulated other comprehensive income		
Balance at the beginning of current period	¥ 136,235	¥ 8,642	¥ 23,052	¥ 9,728	¥ 2,887	¥ 180,546	¥ 33,222	¥ 988,913
Cumulative effects of changes in accounting policies								-
Restated balance at the beginning of current period	136,235	8,642	23,052	9,728	2,887	180,546	33,222	988,913
Changes during period								
Cash dividends paid								(26,567)
Profit attributable to owners of parent								77,671
Reversal of revaluation reserve for land								(575)
Purchase of treasury stock								(3)
Disposal of treasury stock								57
Share changes in parent's ownership interests associated with transaction with non-controlling interests								(679)
Net changes in items other than those in shareholders' equity	(18,177)	1,487	575	8,708	(1,079)	(8,484)	5,549	(2,934)
Total changes during period	(18,177)	1,487	575	8,708	(1,079)	(8,484)	5,549	46,967
Balance at the end of current period	¥ 118,057	¥ 10,130	¥ 23,627	¥ 18,437	¥ 1,808	¥ 172,061	¥ 38,772	¥ 1,035,881

For the year ended March 31, 2023

Thousands of U.S. dollars (Note 2)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance at the beginning of current period	\$ 432,507	\$ 319,343	\$ 5,074,208	\$ (21,035)	\$ 5,805,024
Cumulative effects of changes in accounting policies					-
Restated balance at the beginning of current period	432,507	319,343	5,074,208	(21,035)	5,805,024
Changes during period					
Cash dividends paid			(198,963)		(198,963)
Profit attributable to owners of parent			581,674		581,674
Reversal of revaluation reserve for land			(4,309)		(4,309)
Purchase of treasury stock				(24)	(24)
Disposal of treasury stock				428	428
Share changes in parent's ownership interests associated with transaction with non-controlling interests		(5,085)			(5,085)
Net changes in items other than those in shareholders' equity					
Total changes during period	-	(5,085)	378,401	403	373,719
Balance at the end of current period	\$ 432,507	\$ 314,258	\$ 5,452,610	\$ (20,631)	\$ 6,178,744

	Accumulated other comprehensive income						Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Deferred gains (losses) on hedges	Revaluation reserve for land	Foreign currency translation adjustments	Retirement benefit asset and liability adjustments	Total accumulated other comprehensive income		
Balance at the beginning of current period	\$ 1,020,259	\$ 64,726	\$ 172,636	\$ 72,859	\$ 21,622	\$ 1,352,104	\$ 248,798	\$ 7,405,927
Cumulative effects of changes in accounting policies								-
Restated balance at the beginning of current period	1,020,259	64,726	172,636	72,859	21,622	1,352,104	248,798	7,405,927
Changes during period								
Cash dividends paid								(198,963)
Profit attributable to owners of parent								581,674
Reversal of revaluation reserve for land								(4,309)
Purchase of treasury stock								(24)
Disposal of treasury stock								428
Share changes in parent's ownership interests associated with transaction with non-controlling interests								(5,085)
Net changes in items other than those in shareholders' equity	(136,132)	11,142	4,309	65,219	(8,082)	(63,542)	41,563	(21,979)
Total changes during period	(136,132)	11,142	4,309	65,219	(8,082)	(63,542)	41,563	351,740
Balance at the end of current period	\$ 884,127	\$ 75,868	\$ 176,946	\$ 138,078	\$ 13,540	\$ 1,288,561	\$ 290,361	\$ 7,757,668

The accompanying notes to the consolidated financial statements are an integral part of this statement.

For the year ended March 31, 2022

Millions of yen

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance at the beginning of current period	¥ 57,752	¥ 42,641	¥ 661,512	¥ (2,090)	¥ 759,816
Cumulative effects of changes in accounting policies			2,569		2,569
Restated balance at the beginning of current period	57,752	42,641	664,082	(2,090)	762,386
Changes during period					
Cash dividends paid			(22,977)		(22,977)
Profit attributable to owners of parent			39,127		39,127
Reversal of revaluation reserve for land			(2,673)		(2,673)
Purchase of treasury stock				(793)	(793)
Disposal of treasury stock				75	75
Share changes in parent's ownership interests associated with transaction with non-controlling interests		0			0
Net changes in items other than those in shareholders' equity					
Total changes during period	-	0	13,476	(718)	12,758
Balance at the end of current period	¥ 57,752	¥ 42,641	¥ 677,559	¥ (2,808)	¥ 775,144

	Accumulated other comprehensive income						Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Deferred gains (losses) on hedges	Revaluation reserve for land	Foreign currency translation adjustments	Retirement benefit asset and liability adjustments	Total accumulated other comprehensive income		
Balance at the beginning of current period	¥ 138,542	¥ 7,471	¥ 20,379	¥ 1,349	¥ 3,449	¥ 171,191	¥ 30,970	¥ 961,979
Cumulative effects of changes in accounting policies							72	2,641
Restated balance at the beginning of current period	138,542	7,471	20,379	1,349	3,449	171,191	31,043	964,621
Changes during period								
Cash dividends paid								(22,977)
Profit attributable to owners of parent								39,127
Reversal of revaluation reserve for land								(2,673)
Purchase of treasury stock								(793)
Disposal of treasury stock								75
Share changes in parent's ownership interests associated with transaction with non-controlling interests								0
Net changes in items other than those in shareholders' equity	(2,306)	1,171	2,673	8,379	(562)	9,354	2,178	11,533
Total changes during period	(2,306)	1,171	2,673	8,379	(562)	9,354	2,178	24,292
Balance at the end of current period	¥ 136,235	¥ 8,642	¥ 23,052	¥ 9,728	¥ 2,887	¥ 180,546	¥ 33,222	¥ 988,913

For the year ended March 31, 2022

Thousands of U.S. dollars (Note 2)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance at the beginning of current period	\$ 432,507	\$ 319,341	\$ 4,954,039	\$ (15,657)	\$ 5,690,230
Cumulative effects of changes in accounting policies			19,244		19,244
Restated balance at the beginning of current period	432,507	319,341	4,973,283	(15,657)	5,709,474
Changes during period					
Cash dividends paid			(172,077)		(172,077)
Profit attributable to owners of parent			293,021		293,021
Reversal of revaluation reserve for land			(20,019)		(20,019)
Purchase of treasury stock				(5,943)	(5,943)
Disposal of treasury stock				566	566
Share changes in parent's ownership interests associated with transaction with non-controlling interests		1			1
Net changes in items other than those in shareholders' equity					
Total changes during period	-	1	100,925	(5,377)	95,549
Balance at the end of current period	\$ 432,507	\$ 319,343	\$ 5,074,208	\$ (21,035)	\$ 5,805,024

	Accumulated other comprehensive income						Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Deferred gains (losses) on hedges	Revaluation reserve for land	Foreign currency translation adjustments	Retirement benefit asset and liability adjustments	Total accumulated other comprehensive income		
Balance at the beginning of current period	\$ 1,037,536	\$ 55,951	\$ 152,617	\$ 10,106	\$ 25,835	\$ 1,282,048	\$ 231,940	\$ 7,204,219
Cumulative effects of changes in accounting policies							541	19,785
Restated balance at the beginning of current period	1,037,536	55,951	152,617	10,106	25,835	1,282,048	232,481	7,224,005
Changes during period								
Cash dividends paid								(172,077)
Profit attributable to owners of parent								293,021
Reversal of revaluation reserve for land								(20,019)
Purchase of treasury stock								(5,943)
Disposal of treasury stock								566
Share changes in parent's ownership interests associated with transaction with non-controlling interests								1
Net changes in items other than those in shareholders' equity	(17,276)	8,774	20,019	62,752	(4,213)	70,056	16,317	86,373
Total changes during period	(17,276)	8,774	20,019	62,752	(4,213)	70,056	16,317	181,922
Balance at the end of current period	\$ 1,020,259	\$ 64,726	\$ 172,636	\$ 72,859	\$ 21,622	\$ 1,352,104	\$ 248,798	\$ 7,405,927

The accompanying notes to the consolidated financial statements are an integral part of this statement.

Consolidated Statements of Cash Flows

OBAYASHI CORPORATION

For the years ended March 31, 2023 and 2022

	Millions of yen		Thousands of U.S. dollars (Note 2)	
	2023	2022	2023	2022
Net cash provided by (used in) operating activities				
Profit before income taxes	¥ 113,706	¥ 56,281	\$ 851,544	\$ 421,489
Depreciation and amortization	23,941	20,691	179,293	154,961
Impairment loss	287	625	2,155	4,684
Increase (decrease) in allowance for doubtful accounts	(24)	7	(187)	57
Increase (decrease) in provision for loss on construction contracts	(9,976)	39,566	(74,715)	296,309
Increase (decrease) in liability for retirement benefits	2,185	(636)	16,365	(4,769)
Loss (gain) on valuation of short-term and long-term investment securities	784	1,509	5,877	11,306
Interest and dividend income	(8,503)	(7,709)	(63,679)	(57,735)
Interest expense	2,485	2,019	18,612	15,121
Loss (gain) on sales of noncurrent assets	41	126	313	950
Loss (gain) on sales of short-term and long-term investment securities	(14,185)	(10,067)	(106,232)	(75,394)
Loss (gain) on sales of businesses	-	(2,242)	-	(16,791)
Decrease (increase) in notes and accounts receivable—trade	74,694	(96,705)	559,382	(724,223)
Decrease (increase) in costs on uncompleted construction contracts	8,411	25,980	62,991	194,569
Decrease (increase) in inventories	14,120	6,013	105,744	45,037
Decrease (increase) in inventories for PFI and other projects	3,517	1,992	26,339	14,924
Decrease (increase) in other assets	(19,920)	(7,085)	(149,186)	(53,064)
Increase (decrease) in notes and accounts payable—trade	29,257	43,111	219,106	322,859
Increase (decrease) in advances received on uncompleted construction contracts	(7,692)	7,037	(57,609)	52,705
Increase (decrease) in other liabilities	34,904	15,736	261,395	117,851
Other, net	(1,449)	171	(10,858)	1,283
Subtotal	246,583	96,426	1,846,654	722,134
Interest and dividend received	8,676	8,078	64,981	60,500
Interest paid	(2,438)	(2,001)	(18,265)	(14,988)
Income taxes (paid) refunded	(24,365)	(32,805)	(182,471)	(245,681)
Net cash provided by (used in) operating activities	228,456	69,697	1,710,899	521,963
Net cash provided by (used in) investing activities				
Payments into time deposits	(11,369)	(18,044)	(85,146)	(135,138)
Proceeds from withdrawal of time deposits	14,996	24,636	112,308	184,499
Purchase of property, plant and equipment and intangible assets	(96,589)	(58,030)	(723,351)	(434,587)
Proceeds from sales of property, plant and equipment and intangible assets	839	815	6,289	6,105
Purchase of short-term and long-term investment securities	(7,511)	(13,072)	(56,256)	(97,902)
Proceeds from sales and redemption of short-term and long-term investment securities	26,644	19,847	199,538	148,637
Payments of loans receivable	(363)	(412)	(2,724)	(3,089)
Collection of loans receivable	36	351	272	2,630
Payments for purchase of shares of subsidiaries resulting in change in scope of consolidation	(4,350)	(1,527)	(32,576)	(11,440)
Payments for sales of shares of subsidiaries resulting in change in scope of consolidation	-	(9,689)	-	(72,565)
Other, net	(23,943)	5,294	(179,309)	39,648
Net cash provided by (used in) investing activities	(101,610)	(49,833)	(760,957)	(373,202)
Net cash provided by (used in) financing activities				
Net increase (decrease) in short-term loans payable	701	4,996	5,256	37,415
Repayments of lease obligations	(392)	(880)	(2,940)	(6,596)
Proceeds from long-term loans payable	47,660	11,008	356,923	82,438
Repayment of long-term loans payable	(19,626)	(16,473)	(146,984)	(123,370)
Proceeds from nonrecourse loans payable	7,938	20,911	59,447	156,601
Payment of nonrecourse loans payable	(14,299)	(7,445)	(107,086)	(55,757)
Proceeds from issuance of bonds	30,000	-	224,668	-
Purchase of treasury shares	(3)	(793)	(24)	(5,943)
Cash dividends paid	(26,567)	(22,977)	(198,963)	(172,077)
Cash dividends paid to non-controlling interests	(2,131)	(801)	(15,960)	(6,002)
Payments from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation	(1,160)	(2)	(8,688)	(16)
Proceeds from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation	-	2	-	14
Net cash provided by (used in) financing activities	22,118	(12,457)	165,647	(93,294)
Effect of exchange rate changes on cash and cash equivalents	7,351	5,436	55,053	40,713
Net increase (decrease) in cash and cash equivalents	156,316	12,842	1,170,643	96,180
Cash and cash equivalents at beginning of period	249,317	236,474	1,867,126	1,770,946
Cash and cash equivalents at end of period (Note 12)	¥ 405,633	¥ 249,317	\$ 3,037,769	\$ 1,867,126

The accompanying notes to the consolidated financial statements are an integral part of this statement.

Notes to Consolidated Financial Statements

OBAYASHI CORPORATION for the years ended March 31, 2023 and 2022

1. Basis of Presenting Consolidated Financial Statements

The accompanying consolidated financial statements were prepared based on the accounts maintained by OBAYASHI CORPORATION (the "Company") and its subsidiaries (collectively, the "Companies" or "Group") in accordance with 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 Law of Japan.

Certain amounts in the prior year's financial statements were reclassified to conform to the changes made for the latest fiscal year.

2. U.S. Dollar Amounts

The accounts of the consolidated financial statements presented herein are expressed in Japanese yen by rounding down to the nearest million. The U.S. dollar amounts shown in the accompanying consolidated financial statements and notes thereto were translated from the original Japanese yen into U.S. dollars on the basis of ¥133.53 to US\$1, the rate of exchange prevailing at March 31, 2023, and were then rounded down to the nearest thousand. These U.S. dollar amounts are not intended to imply that the Japanese yen amounts have been or could be converted, realized or settled in U.S. dollars at this or any other rate.

3. Summary of Significant Accounting Policies

(1) Scope of consolidation and application of the equity method

The Company had 108 subsidiaries at March 31, 2023. The consolidated financial statements as of and for the years ended March 31, 2023 and 2022 included the accounts of the Company and all subsidiaries.

All significant intercompany accounts and transactions are eliminated. Investments in all affiliates (27 companies as of March 31, 2023) are accounted for by the equity method.

(2) Fiscal year for consolidated subsidiaries

A domestic consolidated subsidiary and certain foreign consolidated subsidiaries (40 companies) have a fiscal year that ends on December 31 and a domestic consolidated subsidiary has a fiscal year that ends on January 31. The consolidated financial statements were prepared based on the financial statements as of the same date. Necessary adjustments for consolidation were made on significant transactions that took place during the period between the fiscal year-end of the subsidiaries and that of the Company. Consolidated subsidiaries other than those referred to above have the same fiscal year as the Company, which ends on March 31.

(3) Goodwill

Goodwill is amortized by the straight-line method over a period within 20 years for which the goodwill is expected to contribute to consolidated net income. However, goodwill that is not material is charged to income in the year of acquisition.

Differences between the cost and underlying net equity of investments in affiliates accounted for by the equity method are immaterial and charged or credited to income as they occur.

(4) Foreign currency translation

Receivables and payables denominated in foreign currencies are translated into Japanese yen at the rate of exchange in effect at the balance sheet date. The resulting exchange gains and losses from translation are recognized in the consolidated statements of income. The balance sheet accounts of the foreign consolidated subsidiaries are translated into Japanese yen at the rates of exchange in effect at the balance sheet date of subsidiaries, except for the components of net assets excluding non-controlling interests which are translated at their historical exchange rates. Revenue and expense accounts are translated at the rates of exchange in effect at the balance sheet date of subsidiaries. Differences arising from the translation are presented as foreign currency translation adjustments and non-controlling interests in the consolidated financial statements.

(5) Cash equivalents

All highly liquid investments, generally with a maturity of three months or less when purchased, which are readily convertible into known amounts of cash and are so near maturity that they represent only an insignificant risk of any change in value are considered cash equivalents.

(6) Short-term investment securities and investment securities

Securities are classified into two categories: held-to-maturity and other securities. Held-to-maturity securities are carried at amortized cost. Marketable securities classified as other securities are carried at fair value with changes in unrealized holding gain or loss, net of the applicable income taxes, included directly in net assets. Non-marketable securities classified as other securities are carried at cost. Cost of securities sold is determined by the moving average method.

(7) Inventories

Real estate held for sale, costs on uncompleted construction contracts, costs on real estate business, inventories for PFI and other projects and costs on other business are all stated at cost determined by the specific identification method.

Raw materials and supplies are mainly stated at cost determined by the first-in first-out method.

Inventories are stated at the lower of cost or net realizable value.

(8) Property, plant and equipment

The Company and its domestic consolidated subsidiaries mainly calculate depreciation by the declining-balance method, while straight-line method is applied to the buildings and fixtures acquired on or after April 1, 1998 and facilities attached to buildings and other non-building structures acquired on or after April 1, 2016. Foreign consolidated subsidiaries mainly apply the straight-line method.

The useful lives and residual values of depreciable assets are estimated mainly in accordance with the Corporate Tax Law.

(9) Intangible assets

Intangible fixed assets are amortized by the straight-line method. Computer software for internal use is amortized by the straight-line method over the estimated useful life of 5 years.

(10) Leased assets

Amortization of leased assets under finance leases that do not transfer ownership of the leased assets to the lessee is calculated by the straight-line method over the lease period with a residual value of zero.

(11) Allowance for doubtful accounts

Allowance for doubtful accounts is provided based on the historical experience with respect to write-offs for the Company and its domestic subsidiaries and based on an estimate of the amount for specific uncollectible accounts for the Companies.

(12) Provision for warranties for completed construction

Provision for warranties for completed construction is provided to cover expenses for defects claimed concerning completed work, based on the estimated amount of compensation to be paid in the future for the work completed during the fiscal year.

(13) Provision for loss on construction contracts

Provision for loss on construction contracts is provided at the estimated amount for the future losses on contract backlog at the balance sheet date which will probably be incurred and which can be reasonably estimated.

(14) Provision for stock payments for directors

Provision for stock payments for directors is provided for stock award debt based on predetermined regulations for awarding stock, which is prepared for future awards of the Company shares to its directors and executive officers.

(15) Provision for environmental measures

Provision for environmental measures is provided based on an estimate of costs for disposal of Polychlorinated Biphenyl (PCB) waste, which the Company and its domestic subsidiaries are obliged to dispose of by the Act on Special Measures Concerning Promotion of Proper Treatment of PCB Waste.

(16) Retirement benefits

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

Actuarial differences are amortized commencing in the following year after the differences are recognized primarily by the straight-line method over periods (5 years to 10 years) which are shorter than the average remaining years of service of the employees.

Prior service cost (PSC) is amortized by the straight-line method over a period of 10 years which is shorter than the average remaining years of service of the employees, while PSC of certain subsidiaries is expensed as incurred.

(17) Derivatives and hedge accounting

(a) Method of hedge accounting

Hedging instruments are valued at fair value and accounted for using the deferral method of accounting.

The monetary assets and liabilities denominated in foreign currencies, for which foreign exchange forward contracts are used to hedge the foreign currency fluctuations, are translated at the contracted rate if the foreign exchange forward contracts qualify for hedge accounting.

The interest rate swaps, which qualify for hedge accounting and meet specific matching criteria, are not remeasured at market value, but the differential paid or received under the swap agreements is charged to income (short-cut method).

(b) Hedging instruments and hedged items

To hedge foreign exchange risks related to the monetary assets and liabilities denominated in foreign currencies and projected future foreign currency transactions, foreign exchange forward contracts and non-deliverable foreign exchange forward contracts are employed as hedging instruments. To hedge the interest-rate risks related to loans payable, interest rate swaps are employed as hedging instruments.

(c) Hedging policy

The Companies utilize derivative financial instruments only for the purpose of hedging future risks of fluctuation of foreign currency exchange rates or interest rates in accordance with internal rules.

(d) Assessment of hedge effectiveness

Hedge effectiveness is not assessed when substantial terms and conditions of the hedging instruments and the hedged forecasted transactions are the same.

Regarding interest rate swaps, the evaluation of hedge effectiveness is omitted when they meet certain criteria under the short-cut method, otherwise the hedge effectiveness is evaluated by comparing estimated cumulative cash flows of hedging instruments and those of hedged items.

Among the above hedge relationships, the exceptional treatment prescribed in the PITF is applied to all hedge relationships included in the scope of application of "Treatment of Hedge Accounting for Financial Instruments that Reference LIBOR" (PITF No. 40, March 17, 2022). The details of hedging relationships to which the PITF is applied are as follows.

Hedge accounting method: The short-cut method

Hedging instrument: Interest rate swaps

Hedged items: Loans payable and nonrecourse loans payable

Type of hedging transaction: To fix cash flows

(18) Recognizing revenues and costs of construction contracts

In the construction business, which is the Group's principal business, the Companies perform building construction and civil engineering work in Japan and overseas based on construction contracts.

When control over goods or services is transferred to customers over a period of time, the Companies apply the method of recognizing revenue over a period of time as it satisfies its performance obligation to transfer goods or services to customers. The measurement of the percentage of completion in satisfying the performance obligation is based on the percentage of the cost of construction incurred by the end of each fiscal year to the total expected cost of construction.

In the early stages of a contract, when the degree of progress toward satisfying performance obligations cannot be reasonably estimated, but it is probable that the costs incurred will be recovered, revenue is recognized on a cost recovery method.

For construction contracts with a very short period of time between the transaction commencement date and the point in time when the performance obligation is expected to be fully satisfied, an alternative treatment is applied, whereby revenue is not recognized over a certain period of time and revenue is recognized when the performance obligation is fully satisfied.

(19) Consumption taxes

Consumption tax and local consumption tax are accounted for under the tax-exclusive method.

(20) Income taxes

The Companies apply deferred tax accounting for income taxes which requires recognition of income taxes by the asset/liability method. Under the asset/liability method, deferred tax assets and liabilities are determined based on the difference between financial reporting basis and the tax basis of the assets and liabilities and are measured using the enacted tax rates and laws which will be in effect when the differences are expected to reverse.

(21) Accounting method for joint ventures in construction business

The accounting method for joint ventures in the construction business is mainly based on the accounting method for recognizing assets, liabilities, income and expenses in proportion to the investment of the members.

4. Significant Accounting Estimates

For the year ended March 31, 2023

(1) Application of the method to recognize revenue by satisfying performance obligations over a certain period of time

(a) The amounts recorded in the consolidated financial statements for the current fiscal year

Revenues from construction based on the method to recognize revenue by satisfying performance obligations over a certain period of time: ¥1,684,600 million (US\$12,615,897 thousand)

Provision for loss on construction contracts: ¥43,205 million (US\$323,562 thousand)

(b) Information on the nature of significant accounting estimates for identified items

1. Calculation method

For construction contracts, except for those with very short terms, the Companies apply the method to recognize revenue by satisfying performance obligations over a certain period of time by estimating the total construction revenue, total construction cost, and the degree of completion related to the fulfillment of performance obligations. The method of estimating the degree of progress in satisfying performance obligations is calculated as the ratio of the cost incurred to the estimated total cost of construction (input method).

Revenues from construction contracts are determined by multiplying total construction revenue by progress toward completion of construction, which is based on total construction costs and corresponds to costs actually incurred up until the end of the fiscal year. In estimating the total construction revenue, the total construction costs, and the percentage of completion of construction, the Companies make reasonable forecasts and judgments based on the business environment, status of construction work, negotiations with ordering parties, and other factors.

If it is likely that total construction costs associated with construction contracts will exceed total construction revenue and if the amount of the excess can be reasonably estimated, then the amount resulting from deducting the profit or loss already recorded for such construction contracts from the expected amount of the excess of costs over revenue (hereinafter, "loss on construction contracts") is accounted for as loss in the period in which loss on construction contracts is expected, and a provision for loss on construction contracts is recorded.

2. Major assumptions

The major assumptions used in estimating the total construction revenue, the total construction costs, and the percentage of completion by the method to recognize revenue by satisfying performance obligations over a certain period of time, and the loss on construction contracts in recording the provision for loss on construction contracts are the likelihood of obtaining additional contract payments, the quantity and number of construction materials and labor to be used in the course of construction, the unit procurement costs, and the feasibility of cost reduction activities. Each of these assumptions is reasonably set based on the latest construction status and negotiations with ordering parties and subcontractors.

3. Impact on the consolidated financial statements for the following fiscal year

The major assumptions may be affected by additions or changes in the construction work in progress, changes in market conditions, and other factors. Since estimates are subject to uncertainty, the need to revise estimates may result in changes in the amount of completed construction contracts, cost of completed construction contracts, and allowance for loss on construction contracts, which may affect the consolidated financial statements in the following fiscal year or later.

(2) Impairment of investment and rental properties

(a) The amounts recorded in the consolidated financial statements for the current fiscal year

Impairment loss: ¥29 million (US\$222 thousand)

It should be noted that investment and rental properties recorded in the consolidated balance sheets is ¥475,971 million (US\$3,564,524 thousand) as of the fiscal year ended March 31, 2023.

(b) Information on the nature of significant accounting estimates for identified items

1. Calculation method

For investment and rental properties for which there is an indicator of impairment, if the total undiscounted future cash flows are less than the carrying amount, the carrying amount of the property is reduced to the recoverable amount, and the amount of the reduction is recorded as other expenses in the consolidated statements of income for the fiscal year.

2. Major assumptions

The major assumptions used in assessing indicators of impairment and for recognizing and measuring impairment loss for investment and rental properties are future cash flows, capitalization rates and discount rates, based on the operating conditions of each property and the market conditions for real estate leasing. Each of these assumptions is reasonably set based on the average annual net operating income of each property for the most recent multiple years and capitalization rates obtained from external specialized agencies.

3. Impact on the consolidated financial statements for the following fiscal year

If the estimates of market prices (fair values) and recoverable amounts decrease depending on the operating conditions of each property, real estate leasing market conditions, and other factors, additional impairment losses may need to be recognized, which may affect the consolidated financial statements in the following fiscal year or later.

For the year ended March 31, 2022

(1) Application of the method to recognize revenue by satisfying performance obligations over a certain period of time

(a) The amounts recorded in the consolidated financial statements for the current fiscal year

Revenues from construction based on the method to recognize revenue by satisfying performance obligations over a certain period of time: ¥1,655,853 million (US\$12,400,613 thousand)

Provision for loss on construction contracts: ¥53,146 million (US\$398,011 thousand)

(b) Information on the nature of significant accounting estimates for identified items

1. Calculation method

For construction contracts, except for those with very short terms, the Companies apply the method to recognize revenue by satisfying performance obligations over a certain period of time by estimating the total construction revenue, total construction cost, and the degree of completion related to the fulfillment of performance obligations. The method of estimating the degree of progress in satisfying performance obligations is calculated as the ratio of the cost incurred to the estimated total cost of construction (input method). Revenues from construction contracts are determined by multiplying total construction revenue by progress toward completion of construction, which is based on total construction costs and corresponds to costs actually incurred up until the end of the fiscal year. In estimating the total construction revenue, the total construction costs, and the percentage of completion of construction, the Companies make reasonable forecasts and judgments based on the business environment, status of construction work, negotiations with ordering parties, and other factors.

If it is likely that total construction costs associated with construction contracts will exceed total construction revenue and if the amount of the excess can be reasonably estimated, then the amount resulting from deducting the profit or loss already recorded for such construction contracts from the expected amount of the excess of costs over revenue (hereinafter, "loss on construction contracts") is accounted for as loss in the period in which loss on construction contracts is expected, and a provision for loss on construction contracts is recorded.

2. Major assumptions

The major assumptions used in estimating the total construction revenue, the total construction costs, and the percentage of completion by the method to recognize revenue by satisfying performance obligations over a certain period of time, and the loss on construction contracts in recording the provision for loss on construction contracts are the likelihood of obtaining additional contract payments, the quantity and number of construction materials and labor to be used in the course of construction, the unit procurement costs, and the feasibility of cost reduction activities. Each of these assumptions is reasonably set based on the latest construction status and negotiations with ordering parties and subcontractors.

3. Impact on the consolidated financial statements for the following fiscal year

The major assumptions may be affected by additions or changes in the construction work in progress, changes in market conditions, and other factors. Since estimates are subject to uncertainty, the need to revise estimates may result in changes in the amount of completed construction contracts, cost of completed construction contracts, and allowance for loss on construction contracts, which may affect the consolidated financial statements in the following fiscal year or later.

(2) Impairment of investment and rental properties

(a) The amounts recorded in the consolidated financial statements for the current fiscal year

Impairment loss: ¥607 million (US\$4,547 thousand)

It should be noted that investment and rental properties recorded in the consolidated balance sheets is ¥420,341 million (US\$3,147,921 thousand) as of the fiscal year ended March 31, 2022.

(b) Information on the nature of significant accounting estimates for identified items

1. Calculation method

For investment and rental properties for which there is an indicator of impairment, if the total undiscounted future cash flows are less than the carrying amount, the carrying amount of the property is reduced to the recoverable amount, and the amount of the reduction is recorded as other expenses in the consolidated statements of income for the fiscal year.

2. Major assumptions

The major assumptions used in assessing indicators of impairment and for recognizing and measuring impairment loss for investment and rental properties are future cash flows, capitalization rates and discount rates, based on the operating conditions of each property and the market conditions for real estate leasing. Each of these assumptions is reasonably set based on the average annual net operating income of each property for the most recent multiple years and capitalization rates obtained from external specialized agencies.

3. Impact on the consolidated financial statements for the following fiscal year

If the estimates of market prices (fair values) and recoverable amounts decrease depending on the operating conditions of each property, real estate leasing market conditions, and other factors, additional impairment losses may need to be recognized, which may affect the consolidated financial statements in the following fiscal year or later.

5. Change in Accounting Policies

Application of the "Implementation Guidance on Accounting Standard for Fair Value Measurement"

The Companies applied the Implementation Guidance on Accounting Standard for Fair Value Measurement (ASBJ Guidance No. 31, June 17, 2021; "Fair Value Measurement Accounting Standard Guidance") from the beginning of the current fiscal year, in accordance with the transitional treatment prescribed in paragraph 27-2 of the Fair Value Measurement Accounting Standard Guidance. The new accounting policy prescribed by the Fair Value Measurement Accounting Standard Guidance is to be applied prospectively. The impact of this change on the consolidated financial statements is immaterial.

In addition, in accordance with the transitional treatment stipulated in paragraph 27-3 of the Fair Value Measurement Accounting Standard Guidance, the notes to investment trusts in the breakdown of the market value of financial instruments by level in the notes to "Financial Instruments" for the previous fiscal year are not presented.

6. Standards Issued But Not Yet Effective

"Accounting Standard for Current Income Taxes" (ASBJ Statement No. 27, October 28, 2022)

"Accounting Standard for Presentation of Comprehensive Income" (ASBJ Statement No. 25, October 28, 2022)

"Guidance on Accounting Standard for Tax Effect Accounting" (ASBJ Guidance No. 28, October 28, 2022)

(a) Overview

This stipulates the classification of income taxes when applied to other comprehensive income and the treatment of tax effects related to the sale of shares in subsidiaries when the group tax sharing system is applied.

(b) Scheduled date of adoption

The Companies adopt the Accounting Standards and the Guidance from the beginning of the fiscal year beginning on or after April 1, 2024.

(c) Impact of adoption of revised accounting standard and related implementation guidance

The Company is currently evaluating the effect of adopting the Accounting Standards and the Guidance on its consolidated financial statements.

7. Additional Information

Performance-linked stock compensation plan for directors and executive officers

(a) Transaction summary

The Company has introduced a performance-linked stock compensation plan as an incentive plan for its directors and executive officers (the "Directors") since the fiscal year ended March 31, 2016. The plan is highly transparent and objective and closely linked with the Company's performance for the Directors, with the goal of increasing awareness of the importance of contributing to further enhancing the corporate value and performance over the medium to long term.

The Company's shares are acquired through the Board Incentive Plan Trust (the "BIP Trust") and awarded to the Directors in accordance with performance targets achieved.

(b) The Company's own stock in the BIP Trust

The Company's own stock in the BIP Trust is recorded in "Treasury stock" under net assets based on the book value in the BIP Trust (excluding ancillary expenses). The book value and the number of these treasury shares in the BIP Trust as of March 31, 2023 and 2022 are ¥1,057 million (US\$7,921 thousand) and 1,093,278 shares and ¥1,114 million (US\$8,349 thousand) and 1,148,432 shares, respectively.

8. Notes to Consolidated Balance Sheets

(1) Contract receivables

The amounts of contract receivables in "Notes and accounts receivable from completed construction contracts and other" and "Electronically recorded monetary claims" are as follows:

At March 31	Millions of yen		Thousands of U.S. dollars	
	2023	2022	2023	2022
Notes and accounts receivable from completed construction contracts and other	¥ 387,988	¥ 354,379	\$ 2,905,630	\$ 2,653,928
Electronically recorded monetary claims	21,189	12,162	158,686	91,080
Total	¥ 409,178	¥ 366,541	\$ 3,064,317	\$ 2,745,009

(2) Contract assets

The amounts of contract assets in "Notes and accounts receivable from completed construction contracts and other" are as follows:

At March 31	Millions of yen		Thousands of U.S. dollars	
	2023	2022	2023	2022
Notes and accounts receivable from completed construction contracts and other	¥ 440,138	543,254	\$ 3,296,177	4,068,405

(3) Contract liabilities

The amounts of contract liabilities in "Advances received on uncompleted construction contracts" and "Current liabilities—other" are as follows:

At March 31	Millions of yen		Thousands of U.S. dollars	
	2023	2022	2023	2022
Advances received on uncompleted construction contracts	¥ 132,979	137,174	\$ 995,877	1,027,291
Current liabilities—other	2,087	1,633	15,636	12,236
Total	¥ 135,067	138,808	\$ 1,011,514	1,039,528

(4) Breakdown of "Inventories for PFI and other projects"

At March 31	Millions of yen		Thousands of U.S. dollars	
	2023	2022	2023	2022
Costs on PFI business	¥ 6,610	¥ 10,127	\$ 49,502	\$ 75,842

(5) Breakdown of "Other inventories"

At March 31	Millions of yen		Thousands of U.S. dollars	
	2023	2022	2023	2022
Costs on other business	¥ 4,246	¥ 4,305	\$ 31,802	\$ 32,242
Raw materials and supplies	7,873	4,877	58,965	36,526
Total	¥ 12,120	¥ 9,182	\$ 90,767	\$ 68,768

(6) Accumulated depreciation and amortization of property, plant and equipment

At March 31	Millions of yen		Thousands of U.S. dollars	
	2023	2022	2023	2022
	¥ 212,481	¥ 193,443	\$ 1,591,263	\$ 1,448,690

(7) Investments in affiliates included in investment securities

At March 31	Millions of yen		Thousands of U.S. dollars	
	2023	2022	2023	2022
	¥ 12,232	¥ 10,202	\$ 91,606	\$ 76,403

(8) Revaluation reserve for land

Pursuant to the "Law Concerning the Revaluation of Land," land used for business operations was revalued on March 31, 2000. The excess of the revalued carrying amount over the book value before revaluation is included in net assets as revaluation reserve for land, net of applicable income taxes.

The revaluation of the land was determined based on the official standard notice prices in accordance with Article 2, Paragraph 1 of the "Enforcement Ordinance Concerning Land Revaluation" and the appraisal value made by the certified real estate appraisers in accordance with Article 2, Paragraph 5 of the same ordinance with certain necessary adjustments.

(9) Pledged assets

(a) Assets pledged as collateral for long-term loans payable and others are as follows:

At March 31	Millions of yen		Thousands of U.S. dollars	
	2023	2022	2023	2022
Cash and deposits	¥ -	¥ 1,703	\$ -	\$ 12,753
Buildings and structures	2,237	3,835	16,757	28,723
Machinery, vehicles, tools, furniture and fixtures	19,901	11	149,038	87
Land	1,859	10,981	13,927	82,240
Investment securities	7,090	5,334	53,098	39,946
Investments and other assets—other	344	-	2,582	-
Total	¥ 31,433	¥ 21,865	\$ 235,403	\$ 163,752

Notes: 1. Some of "Investment securities" are pledged as collateral for debts of affiliates. The amounts at March 31, 2023 and 2022 are ¥6,304 million (US\$47,215 thousand) and ¥4,630 million (US\$34,677 thousand).

2. In the above, the following assets pledged as collateral of the plant foundation are included.

At March 31	Millions of yen		Thousands of U.S. dollars	
	2023	2022	2023	2022
Buildings and structures	¥ 1,669	¥ -	\$ 12,499	\$ -

(b) Liabilities secured thereby

At March 31	Millions of yen		Thousands of U.S. dollars	
	2023	2022	2023	2022
Short-term loans payable	¥ 1,885	¥ 300	\$ 14,124	\$ 2,246
Long-term loans payable	1,702	-	12,750	-
Total	¥ 3,588	¥ 300	\$ 26,874	\$ 2,246

Note: In the above, no liabilities correspond to the assets pledged as collateral of the plant foundation.

(10) Deposited assets

Assets deposited under the "Law for Execution of Warranty against Housing Defects" and the others are as follows:

At March 31	Millions of yen		Thousands of U.S. dollars	
	2023	2022	2023	2022
Cash and deposits	¥ 15	¥ 15	\$ 112	\$ 112
Short-term investment securities	119	88	893	663
Investment securities	86	205	647	1,537
Investments and other assets—other	624	529	4,677	3,968
Total	¥ 845	¥ 838	\$ 6,330	\$ 6,282

(11) Contingent liabilities

The Companies are contingently liable for the following:

At March 31	Millions of yen		Thousands of U.S. dollars	
	2023	2022	2023	2022
Guarantees of long-term debt of subsidiary *	¥ 12,582	¥ 24,133	\$ 94,230	\$ 180,734
Guarantees of long-term debt of employees	13	23	100	176
Total	¥ 12,596	¥ 24,157	\$ 94,331	\$ 180,910

* Guarantees for long-term debt made by a consolidated subsidiary whose closing date is different from the consolidated closing date during the period from the closing date to the consolidated closing date.

(12) Noncurrent assets reclassified as real estate held for sale

The following noncurrent assets were reclassified as real estate for sale due to change in holding purpose.

At March 31	Millions of yen		Thousands of U.S. dollars	
	2023	2022	2023	2022
Buildings and structures	¥ 4,163	¥ 3,760	\$ 31,180	\$ 28,158
Machinery, vehicles, tools, furniture and fixtures	34	56	257	424
Land	5,480	13,324	41,045	99,784
Construction in progress	-	3,736	-	27,979
Intangible assets	132	-	989	-
Total	¥ 9,810	¥ 20,877	\$ 73,473	\$ 156,347

(13) Directly deducted advanced depreciation

Advanced depreciation for tax purposes was charged directly to the following noncurrent assets:

At March 31	Millions of yen		Thousands of U.S. dollars	
	2023	2022	2023	2022
Buildings and structures	¥ 158	¥ 299	\$ 1,189	\$ 2,246
Machinery, vehicles, tools, furniture and fixtures	1	124	9	928
Land	-	0	-	0
Total	¥ 160	¥ 423	\$ 1,199	\$ 3,175

(14) Nonrecourse loans

Nonrecourse loans are nonrecourse loans payable to financial institutions, which are issued to the Company's consolidated special purpose company and are backed by the related PFI business or the renewable energy business as collateral.

Assets as collateral for the nonrecourse loans are as follows:

At March 31	Millions of yen		Thousands of U.S. dollars	
	2023	2022	2023	2022
Cash and deposits	¥ 19,032	¥ 19,147	\$ 142,537	\$ 143,393
Notes and accounts receivable from completed construction contracts and other	53,839	57,385	403,198	429,754
Inventories for PFI and other projects	6,555	10,020	49,093	75,045
Buildings and structures	3,056	3,249	22,891	24,337
Machinery, vehicles, tools, furniture and fixtures	18,141	20,184	135,863	151,160
Total	¥ 100,626	¥ 109,987	\$ 753,583	\$ 823,691

Note: In addition to the above, the following assets that have been eliminated as intercompany transactions have been pledged as collateral.

At March 31	Millions of yen		Thousands of U.S. dollars	
	2023	2022	2023	2022
Investments in subsidiaries	¥ 299	¥ 423	\$ 2,243	\$ 3,171

(15) Commitment lines

The Company has a commitment line agreement with syndicated financial institutions to ensure timely access to funds in case of emergency. At March 31, 2023 and 2022, there are no outstanding balances under the agreement.

This commitment line agreement includes financial covenants on net assets, ordinary income (loss) and the credit rating of the Company.

The total commitment lines available are as follows:

At March 31	Millions of yen		Thousands of U.S. dollars	
	2023	2022	2023	2022
Contract amount	¥ 100,000	¥ 30,000	\$ 748,895	\$ 224,668
Outstanding borrowings	-	-	-	-
Available amount	¥ 100,000	¥ 30,000	\$ 748,895	\$ 224,668

9. Notes to Consolidated Statements of Income

(1) Provision for loss on construction contracts included in cost of sales of construction contracts

For the years ended March 31	Millions of yen		Thousands of U.S. dollars	
	2023	2022	2023	2022
	¥ 6,235	¥ 46,176	\$ 46,693	\$ 345,815

(2) The major components of "Selling, general and administrative expenses"

For the years ended March 31	Millions of yen		Thousands of U.S. dollars	
	2023	2022	2023	2022
Employees' salaries and allowances	¥ 47,138	¥ 43,862	\$ 353,014	\$ 328,483
Retirement benefit expenses	1,259	1,192	9,431	8,928
Research and development expenses	15,330	15,841	114,809	118,633

(3) Research and development expenses included in "Selling, general and administrative expenses"

For the years ended March 31	Millions of yen		Thousands of U.S. dollars	
	2023	2022	2023	2022
	¥ 15,330	¥ 15,841	\$ 114,809	\$ 118,633

(4) Breakdown of "Loss on sales and disposal of noncurrent assets"

For the years ended March 31	Millions of yen		Thousands of U.S. dollars	
	2023	2022	2023	2022
Buildings and structures	¥ 125	¥ 255	\$ 943	\$ 1,910
Land	89	335	667	2,511
Demolition and removal costs	114	487	854	3,653
Others	93	85	700	638
Total	¥ 422	¥ 1,163	\$ 3,165	\$ 8,713

10. Notes to Consolidated Statements of Comprehensive Income

The following table presents reclassification adjustments as amounts reclassified to profit for the years ended March 31, 2023 and 2022 which are recognized in other comprehensive income for the years ended on or before March 31, 2023 and 2022 and tax effect allocated to each component of other comprehensive income for the years ended March 31, 2023 and 2022.

For the years ended March 31	Millions of yen		Thousands of U.S. dollars	
	2023	2022	2023	2022
Valuation difference on available-for-sale securities				
Occurred during the year	¥ (12,147)	¥ 6,748	\$ (90,969)	\$ 50,542
Reclassification adjustments	(13,909)	(10,137)	(104,165)	(75,920)
Valuation difference on available-for-sale securities before tax effect				
	(26,056)	(3,388)	(195,134)	(25,378)
Tax effect	7,888	1,107	59,076	8,294
Valuation difference on available-for-sale securities				
	(18,167)	(2,281)	(136,058)	(17,084)
Deferred gains (losses) on hedges				
Occurred during the year	2,801	4,668	20,983	34,960
Reclassification adjustments	(1,363)	(83)	(10,214)	(625)
Deferred gains (losses) on hedges before tax effect				
	1,437	4,584	10,768	34,335
Tax effect	(220)	(3,429)	(1,648)	(25,683)
Deferred gains (losses) on hedges				
	1,217	1,155	9,120	8,651
Foreign currency translation adjustments				
Occurred during the year	12,143	8,771	90,945	65,687
Reclassification adjustments	(50)	-	(378)	-
Foreign currency translation adjustments				
	12,093	8,771	90,566	65,687
Retirement benefit asset and liability adjustments				
Occurred during the year	(532)	147	(3,988)	1,105
Reclassification adjustments	(1,022)	(959)	(7,656)	(7,185)
Retirement benefit asset and liability adjustments before tax effect				
	(1,555)	(811)	(11,645)	(6,079)
Tax effect	476	251	3,570	1,880
Retirement benefit asset and liability adjustments				
	(1,078)	(560)	(8,075)	(4,199)
Share of other comprehensive income of affiliates accounted for by the equity method				
Occurred during the year	257	(5)	1,931	(43)
Reclassification adjustments	62	14	467	107
Share of other comprehensive income of affiliates accounted for by the equity method				
	320	8	2,398	64
Total other comprehensive income				
	¥ (5,614)	¥ 7,092	\$ (42,048)	\$ 53,119

11. Notes to Consolidated Statements of Changes in Net Assets

(1) Type and number of outstanding shares

For the year ended March 31, 2023

Type of shares	Number of shares			
	Balance at beginning of year	Increase in shares during the year	Decrease in shares during the year	Balance at end of year
Issued stock:				
Common stock	721,509,646	-	-	721,509,646
Treasury stock:				
Common stock	4,613,580	3,351	55,154	4,561,777

Notes: 1. Stocks owned by the BIP Trust are included in "Treasury stock" at beginning and end of year (included amount: 1,148,432 and 1,093,278 shares).
2. Treasury stock increased by 3,351 shares due to the repurchase of shares less than one unit.
3. Treasury stock decreased by 55,154 shares due to awarding stocks owned by the BIP Trust.

For the year ended March 31, 2022

Type of shares	Number of shares			
	Balance at beginning of year	Increase in shares during the year	Decrease in shares during the year	Balance at end of year
Issued stock:				
Common stock	721,509,646	-	-	721,509,646
Treasury stock:				
Common stock	3,833,858	850,308	70,586	4,613,580

Notes: 1. Stocks owned by the BIP Trust are included in "Treasury stock" at beginning and end of year (included amount: 372,318 and 1,148,432 shares).
2. Treasury stock increased by 850,308 shares due to the acquisition of shares by the BIP Trust (846,700 shares) and the repurchase of shares less than one unit (3,608 shares).
3. Treasury stock decreased by 70,586 shares due to awarding stocks owned by the BIP Trust.

(2) Dividends

(a) Dividends paid to shareholders

For the year ended March 31, 2023

Resolution approved by	Type of shares	Amount		Amount per share		Shareholders' cut-off date	Effective date
		Millions of yen	Thousands of U.S. dollars	Yen	U.S. dollars		
Annual General Meeting of Shareholders (June 23, 2022)	Common stock	¥11,488	\$86,038	¥16	\$0.11	March 31, 2022	June 24, 2022
Board of Directors (November 7, 2022)	Common stock	¥15,078	\$112,925	¥21	\$0.15	September 30, 2022	December 1, 2022

Notes: 1. Dividends for shares in the BIP Trust are included in dividends in accordance with the resolution at the Annual General Meeting of Shareholders on June 23, 2022 (included amount: ¥18 million (US\$137 thousand)).
2. Dividends for shares in the BIP Trust are included in dividends in accordance with the resolution at the Board of Directors on November 7, 2022 (included amount: ¥23 million (US\$172 thousand)).

For the year ended March 31, 2022

Resolution approved by	Type of shares	Amount		Amount per share		Shareholders' cut-off date	Effective date
		Millions of yen	Thousands of U.S. dollars	Yen	U.S. dollars		
Annual General Meeting of Shareholders (June 24, 2021)	Common stock	¥11,488	\$86,038	¥16	\$0.11	March 31, 2021	June 25, 2021
Board of Directors (November 8, 2021)	Common stock	¥11,488	\$86,038	¥16	\$0.11	September 30, 2021	December 1, 2021

Notes: 1. Dividends for shares in the BIP Trust are included in dividends in accordance with the resolution at the Annual General Meeting of Shareholders on June 24, 2021 (included amount: ¥5 million (US\$44 thousand)).
2. Dividends for shares in the BIP Trust are included in dividends in accordance with the resolution at the Board of Directors on November 8, 2021 (included amount: ¥16 million (US\$127 thousand)).

(b) Dividends with a shareholders' cut-off date during the fiscal year but an effective date subsequent to the fiscal year

For the year ended March 31, 2023

Resolution approved by	Type of shares	Amount			Amount per share		Shareholders' cut-off date	Effective date
		Millions of yen	Thousands of U.S. dollars	Paid from	Yen	U.S. dollars		
Annual General Meeting of Shareholders (June 28, 2023)	Common stock	¥15,078	\$112,924	Retained earnings	¥21	\$0.15	March 31, 2023	June 29, 2023

Note: Dividends for shares in the BIP Trust are included in dividends in accordance with the resolution at the Annual General Meeting of Shareholders on June 28, 2023 (included amount: ¥22 million (US\$171 thousand)).

For the year ended March 31, 2022

Resolution approved by	Type of shares	Amount			Amount per share		Shareholders' cut-off date	Effective date
		Millions of yen	Thousands of U.S. dollars	Paid from	Yen	U.S. dollars		
Annual General Meeting of Shareholders (June 23, 2022)	Common stock	¥11,488	\$86,038	Retained earnings	¥16	\$0.11	March 31, 2022	June 24, 2022

Note: Dividends for shares in the BIP Trust are included in dividends in accordance with the resolution at the Annual General Meeting of Shareholders on June 23, 2022 (included amount: ¥18 million (US\$137 thousand)).

(3) Shareholders' equity

The Corporation Law of Japan provides that an amount equal to 10% of the amount to be disbursed as distributions of capital surplus (other than legal capital surplus) and retained earnings (other than legal reserve) be transferred to legal capital surplus or legal reserve, until the sum of legal capital surplus and legal reserve equals 25% of the capital stock account. Such distributions can be made at any time by resolution of the shareholders, or by the Board of Directors if certain conditions are met.

12. Notes to Consolidated Statements of Cash Flows

The reconciliation between cash and cash equivalents reported in the consolidated statements of cash flows and amounts reported in the consolidated balance sheets is as follows:

At March 31	Millions of yen		Thousands of U.S. dollars	
	2023	2022	2023	2022
Cash and deposits	¥ 419,405	¥ 265,042	\$ 3,140,907	\$ 1,984,887
Time deposits with a maturity of more than three months	(13,771)	(15,724)	(103,137)	(117,761)
Cash and cash equivalents at end of period	¥ 405,633	¥ 249,317	\$ 3,037,769	\$ 1,867,126

13. Lease Transactions

Operating leases

(a) Lessee's accounting

Future minimum payments under non-cancelable lease contracts at March 31, 2023 and 2022 are as follows:

At March 31	Millions of yen		Thousands of U.S. dollars	
	2023	2022	2023	2022
Within 1 year	¥ 2,448	¥ 3,101	\$ 18,340	\$ 23,225
Over 1 year	14,484	8,297	108,474	62,141
Total	¥ 16,933	¥ 11,399	\$ 126,814	\$ 85,367

(b) Lessor's accounting

Future minimum receivables under non-cancelable lease contracts at March 31, 2023 and 2022 are as follows:

At March 31	Millions of yen		Thousands of U.S. dollars	
	2023	2022	2023	2022
Within 1 year	¥ 7,175	¥ 6,884	\$ 53,737	\$ 51,555
Over 1 year	59,236	48,850	443,618	365,841
Total	¥ 66,411	¥ 55,735	\$ 497,356	\$ 417,397

14. Financial Instruments

(1) Overview

(a) Policy for financial instruments

The Companies raise funds by borrowing from banks and issuing commercial paper or corporate bonds. Also, the Companies restrict temporary excess fund management to highly secure assets, time deposits and other short-term investments. The Companies use derivatives in order to avoid the risks, fluctuations of particular assets and liabilities, and fluctuations of interest rates. The Companies do not use derivative transactions to gain short-term profits or for speculative purposes.

(b) Types of financial instruments related risks and risk management

"Notes and accounts receivable from completed construction contracts and other," "Electronically recorded monetary claims" and "Accounts receivable—other," which are operating receivables, are exposed to the credit risk of customers. In order to mitigate the risk when orders are received, the Companies conduct a strict screening and determine project plans so that potential risks are minimized.

"Short-term investment securities" and "Investment securities" mainly consist of stocks. While "Short-term investment securities" and "Investment securities" are exposed to market risk, the Companies monitor market prices of these securities.

"Notes and accounts payable for construction contracts and other," "Electronically recorded obligations" and "Deposits received," which are operating liabilities, are due within one year.

"Short-term loans payable," "Long-term loans payable," "Commercial paper" and "Bonds payable" are used for operations or capital investment. "Nonrecourse loans payable" are used for enterprise funds related to particular PFI projects and other. The floating rate loans are exposed to fluctuation in interest rates. In order to hedge against the interest rate risks and fix the payment of interest, the Companies utilize derivative transactions (interest rate swaps) for each contract of certain long-term loans payable. Regarding the evaluation of hedge effectiveness, it is omitted by the judgement of the short-cut method because the interest rate swaps meet the certain criteria under the short-cut method.

The transactions of derivative financial instruments are carried out in accordance with the Companies' internal rules, and the status of the transactions is reported regularly to the Board of Directors. The Companies trade derivative transactions with major financial institutions and therefore consider there is no credit risk underlying those transactions.

While operating debt and borrowings are exposed to liquidity risk, the Companies manage the risk mainly by preparing quarterly and monthly cash management plans.

(c) Supplementary explanation of fair values of financial instruments

Notional amounts of derivative transactions, disclosed in "(2) Fair value of financial instruments," do not indicate market risk in derivative transactions.

(2) Fair value of financial instruments

The following table shows the carrying values and fair values of financial instruments as of March 31, and any differences.

At March 31, 2023	Millions of yen			Thousands of U.S. dollars		
	Carrying value	Fair value	Difference	Carrying value	Fair value	Difference
Assets						
Notes and accounts receivable from completed construction contracts and other	¥ 832,939	¥ 831,847	¥ (1,091)	\$ 6,237,843	\$ 6,229,667	\$ (8,175)
Short-term investment securities and investment securities	287,330	287,331	1	2,151,803	2,151,812	9
Total	¥ 1,120,269	¥ 1,119,179	¥ (1,090)	\$ 8,389,646	\$ 8,381,480	\$ (8,166)
Liabilities						
Bonds payable	¥ 50,000	¥ 50,036	¥ 36	\$ 374,447	\$ 374,723	\$ 275
Long-term loans payable	124,051	123,545	(506)	929,018	925,226	(3,791)
Nonrecourse loans payable	68,087	68,208	120	509,905	510,811	905
Total	¥ 242,139	¥ 241,790	¥ (348)	\$ 1,813,371	\$ 1,810,760	\$ (2,610)
Derivative transactions *	¥ 13,066	¥ 13,066	¥ —	\$ 97,855	\$ 97,855	\$ —

1. "Cash and deposits," "Electronically recorded monetary claims," "Accounts receivable—other," "Notes and accounts payable for construction contracts and other," "Electronically recorded obligations," "Short-term loans payable," "Deposits received" are not shown because they are in cash or have a short maturity and their fair value approximates their book value.

2. Securities which have no quoted market prices available are not included in "Short-term investment securities and investment securities" above. Their carrying value is as follows:

At March 31, 2023	Millions of yen	Thousands of U.S. dollars
Non-listed stocks and other	¥ 13,081	\$ 97,963
Stocks of affiliates	12,232	91,606
Total	¥ 25,313	\$ 189,570

3. Investments in partnerships in which the net amount of equity interest is recognized in the consolidated balance sheets are not included in "Short-term investment securities and investment securities" above. Their carrying value at March 31, 2023 is ¥1,212 million (US\$9,083 thousand).

* Assets and liabilities arising from derivative transactions are shown at net value, with the amount in parentheses representing net liability position.

At March 31, 2022	Millions of yen			Thousands of U.S. dollars		
	Carrying value	Fair value	Difference	Carrying value	Fair value	Difference
Assets						
Notes and accounts receivable from completed construction contracts and other	¥ 902,244	¥ 901,002	¥ (1,242)	\$ 6,756,870	\$ 6,747,563	\$ (9,307)
Short-term investment securities and investment securities	317,308	317,310	2	2,376,307	2,376,325	17
Total	¥ 1,219,553	¥ 1,218,312	¥ (1,240)	\$ 9,133,177	\$ 9,123,888	\$ (9,289)
Liabilities						
Bonds payable	¥ 40,000	¥ 40,038	¥ 38	\$ 299,558	\$ 299,846	\$ 288
Long-term loans payable	94,590	94,710	119	708,387	709,282	895
Nonrecourse loans payable	68,937	70,313	1,375	516,271	526,575	10,303
Total	¥ 203,528	¥ 205,062	¥ 1,533	\$ 1,524,216	\$ 1,535,703	\$ 11,487
Derivative transactions *	¥ 11,628	¥ 11,628	¥ —	\$ 87,086	\$ 87,086	\$ —

1. "Cash and deposits," "Electronically recorded monetary claims," "Accounts receivable—other," "Notes and accounts payable for construction contracts and other," "Electronically recorded obligations," "Short-term loans payable," "Deposits received" are not shown because they are in cash or have a short maturity and their fair value approximates their book value.

2. Securities which have no quoted market prices available are not included in "Short-term investment securities and investment securities" above. Their carrying value is as follows:

At March 31, 2022	Millions of yen	Thousands of U.S. dollars
Non-listed stocks	¥ 16,454	\$ 123,227
Stocks of affiliates	10,202	76,403
Total	¥ 26,656	\$ 199,631

* Assets and liabilities arising from derivative transactions are shown at net value, with the amount in parentheses representing net liability position.

Note 1. Redemption schedule for monetary claims and securities with maturities at March 31

	Millions of yen			
	Due in 1 year or less	Due after 1 year through 5 years	Due after 5 years through 10 years	Due after 10 years
At March 31, 2023				
Cash and deposits				
Deposits	¥ 419,272	¥ —	¥ —	¥ —
Notes and accounts receivable from completed construction contracts and other	712,361	93,990	19,873	6,712
Electronically recorded monetary claims	21,189	—	—	—
Short-term investment securities and investment securities				
Held-to-maturity securities				
Government bonds and municipal bonds	119	86	—	—
Corporate bonds	—	—	—	180
Accounts receivable—other	98,866	—	—	—
Total	¥ 1,251,810	¥ 94,077	¥ 19,873	¥ 6,892

	Thousands of U.S. dollars			
	Due in 1 year or less	Due after 1 year through 5 years	Due after 5 years through 10 years	Due after 10 years
At March 31, 2023				
Cash and deposits				
Deposits	\$ 3,139,915	\$ —	\$ —	\$ —
Notes and accounts receivable from completed construction contracts and other	5,334,843	703,892	148,835	50,271
Electronically recorded monetary claims	158,686	—	—	—
Short-term investment securities and investment securities				
Held-to-maturity securities				
Government bonds and municipal bonds	893	647	—	—
Corporate bonds	—	—	—	1,348
Accounts receivable—other	740,410	—	—	—
Total	\$ 9,374,748	\$ 704,540	\$ 148,835	\$ 51,619

	Millions of yen			
	Due in 1 year or less	Due after 1 year through 5 years	Due after 5 years through 10 years	Due after 10 years
At March 31, 2022				
Cash and deposits				
Deposits	¥ 264,915	¥ —	¥ —	¥ —
Notes and accounts receivable from completed construction contracts and other	797,942	75,985	19,219	9,097
Electronically recorded monetary claims	12,162	—	—	—
Short-term investment securities and investment securities				
Held-to-maturity securities				
Government bonds and municipal bonds	88	205	—	—
Corporate bonds	—	10	—	180
Accounts receivable—other	78,433	—	—	—
Total	¥ 1,153,542	¥ 76,201	¥ 19,219	¥ 9,277

	Thousands of U.S. dollars			
	Due in 1 year or less	Due after 1 year through 5 years	Due after 5 years through 10 years	Due after 10 years
At March 31, 2022				
Cash and deposits				
Deposits	\$ 1,983,939	\$ —	\$ —	\$ —
Notes and accounts receivable from completed construction contracts and other	5,975,754	569,053	143,930	68,131
Electronically recorded monetary claims	91,080	—	—	—
Short-term investment securities and investment securities				
Held-to-maturity securities				
Government bonds and municipal bonds	664	1,537	—	—
Corporate bonds	—	74	—	1,348
Accounts receivable—other	587,385	—	—	—
Total	\$ 8,638,824	\$ 570,666	\$ 143,930	\$ 69,479

Note 2. Redemption schedule for bonds, long-term loans payable, lease obligations and other interest bearing debts subsequent to March 31

	Millions of yen					
	Due in 1 year or less	Due after 1 year through 2 years	Due after 2 years through 3 years	Due after 3 years through 4 years	Due after 4 years through 5 years	Due after 5 years
At March 31, 2023						
Short-term loans payable	¥ 46,405	¥ —	¥ —	¥ —	¥ —	¥ —
Bonds payable	20,000	10,000	—	—	20,000	20,000
Long-term loans payable	20,765	15,301	23,511	19,193	20,172	45,872
Nonrecourse loans payable	8,611	7,959	8,019	7,318	6,178	38,612
Lease obligations	1,425	646	988	598	511	2,272
Total	¥ 97,207	¥ 33,907	¥ 32,519	¥ 27,110	¥ 46,862	¥ 106,758

	Thousands of U.S. dollars					
	Due in 1 year or less	Due after 1 year through 2 years	Due after 2 years through 3 years	Due after 3 years through 4 years	Due after 4 years through 5 years	Due after 5 years
At March 31, 2023						
Short-term loans payable	\$ 347,524	\$ —	\$ —	\$ —	\$ —	\$ —
Bonds payable	149,779	74,889	—	—	149,779	149,779
Long-term loans payable	155,510	114,595	176,073	143,739	151,068	343,540
Nonrecourse loans payable	64,491	59,604	60,058	54,806	46,267	289,168
Lease obligations	10,674	4,840	7,403	4,482	3,832	17,020
Total	\$ 727,980	\$ 253,930	\$ 243,535	\$ 203,029	\$ 350,947	\$ 799,508

	Millions of yen					
	Due in 1 year or less	Due after 1 year through 2 years	Due after 2 years through 3 years	Due after 3 years through 4 years	Due after 4 years through 5 years	Due after 5 years
At March 31, 2022						
Short-term loans payable	¥ 43,206	¥ —	¥ —	¥ —	¥ —	¥ —
Bonds payable	—	20,000	10,000	—	—	10,000
Long-term loans payable	19,579	16,537	12,641	19,019	16,549	29,841
Nonrecourse loans payable	14,122	7,824	7,538	7,593	6,887	39,094
Lease obligations	294	44	57	4	0	38
Total	¥ 77,202	¥ 44,407	¥ 30,236	¥ 26,618	¥ 23,437	¥ 78,974

	Thousands of U.S. dollars					
	Due in 1 year or less	Due after 1 year through 2 years	Due after 2 years through 3 years	Due after 3 years through 4 years	Due after 4 years through 5 years	Due after 5 years
At March 31, 2022						
Short-term loans payable	\$ 323,568	\$ —	\$ —	\$ —	\$ —	\$ —
Bonds payable	—	149,779	74,889	—	—	74,889
Long-term loans payable	146,628	123,850	94,670	142,439	123,941	223,485
Nonrecourse loans payable	105,765	58,598	56,453	56,867	51,576	292,774
Lease obligations	2,202	333	426	34	3	285
Total	\$ 578,164	\$ 332,561	\$ 226,440	\$ 199,342	\$ 175,521	\$ 591,435

(3) Breakdown of fair value of financial instruments by level

The fair value of financial instruments is classified into the following three levels based on the observability and materiality of the inputs used to determine fair value.

Level 1: Fair value calculated at quoted market prices in active markets in observable inputs.

Level 2: Fair value calculated with inputs other than Level 1 in observable inputs.

Level 3: Fair value calculated using unobservable inputs.

When multiple inputs that have a significant impact on the calculation of fair value are used, fair value is classified to the level with the lowest priority in the calculation of fair value among the levels to which each of those inputs belongs.

(a) Financial instruments recorded on the consolidated balance sheet at fair value

At March 31, 2023	Millions of yen			
	Level 1	Level 2	Level 3	Total
Assets				
Short-term investment securities and investment securities	¥	¥	¥	¥
Other investment securities				
Stock	274,668	—	—	274,668
Other	3,336	9,118	—	12,455
Derivative transactions				
Currency-related transactions	—	13,045	—	13,045
Interest-related transactions	—	20	—	20
Total	¥ 278,005	¥ 22,185	¥ —	¥ 300,191

At March 31, 2023	Thousands of U.S. dollars			
	Level 1	Level 2	Level 3	Total
Assets				
Short-term investment securities and investment securities	\$	\$	\$	\$
Other investment securities				
Stock	2,056,982	—	—	2,056,982
Other	24,988	68,291	—	93,279
Derivative transactions				
Currency-related transactions	—	97,699	—	97,699
Interest-related transactions	—	156	—	156
Total	\$ 2,081,970	\$ 166,146	\$ —	\$ 2,248,116

At March 31, 2022	Millions of yen			
	Level 1	Level 2	Level 3	Total
Assets				
Short-term investment securities and investment securities	¥	¥	¥	¥
Other investment securities				
Stock	306,221	—	—	306,221
Other	3,524	4,659	—	8,184
Derivative transactions				
Currency-related transactions	—	11,985	—	11,985
Total	¥ 309,746	¥ 16,645	¥ —	¥ 326,391
Liabilities				
Derivative transactions	¥	¥	¥	¥
Interest-related transactions	—	357	—	357
Total	¥ —	¥ 357	¥ —	¥ 357

At March 31, 2022	Thousands of U.S. dollars			
	Level 1	Level 2	Level 3	Total
Assets				
Short-term investment securities and investment securities	\$	\$	\$	\$
Other investment securities				
Stock	2,293,280	—	—	2,293,280
Other	26,395	34,894	—	61,289
Derivative transactions				
Currency-related transactions	—	89,762	—	89,762
Total	\$ 2,319,675	\$ 124,656	\$ —	\$ 2,444,331
Liabilities				
Derivative transactions	\$	\$	\$	\$
Interest-related transactions	—	2,675	—	2,675
Total	\$ —	\$ 2,675	\$ —	\$ 2,675

In accordance with Paragraph 27-3 of the "Implementation Guidance on Accounting Standard for Fair Value Measurement" (ASBJ Guidance No. 31, June 17, 2021), investment trusts are not included in the table above. The amount of the investment trusts in the consolidated balance sheet is ¥2,608 million (US\$19,535 thousand) in financial assets.

(b) Financial instruments other than those recorded on the consolidated balance sheets at fair value

At March 31, 2023	Millions of yen			
	Level 1	Level 2	Level 3	Total
Assets				
Notes and accounts receivable from completed construction contracts and other	¥ —	¥ 831,847	¥ —	¥ 831,847
Short-term investment securities and investment securities				
Held-to-maturity securities				
Government bonds and municipal	206	—	—	206
Total	¥ 206	¥ 831,847	¥ —	¥ 832,054
Liabilities				
Bonds payable	¥ —	¥ 50,036	¥ —	¥ 50,036
Long-term loans payable	—	123,545	—	123,545
Nonrecourse loans payable	—	68,208	—	68,208
Total	¥ —	¥ 241,790	¥ —	¥ 241,790

At March 31, 2023	Thousands of U.S. dollars			
	Level 1	Level 2	Level 3	Total
Assets				
Notes and accounts receivable from completed construction contracts and other	\$ —	\$ 6,229,667	\$ —	\$ 6,229,667
Short-term investment securities and investment securities				
Held-to-maturity securities				
Government bonds and municipal	1,549	—	—	1,549
Total	\$ 1,549	\$ 6,229,667	\$ —	\$ 6,231,216
Liabilities				
Bonds payable	\$ —	\$ 374,723	\$ —	\$ 374,723
Long-term loans payable	—	925,226	—	925,226
Nonrecourse loans payable	—	510,811	—	510,811
Total	\$ —	\$ 1,810,760	\$ —	\$ 1,810,760

At March 31, 2022	Millions of yen			
	Level 1	Level 2	Level 3	Total
Assets				
Notes and accounts receivable from completed construction contracts and other	¥ —	¥ 901,002	¥ —	¥ 901,002
Short-term investment securities and investment securities				
Held-to-maturity securities				
Government bonds and municipal	296	—	—	296
Total	¥ 296	¥ 901,002	¥ —	¥ 901,298
Liabilities				
Bonds payable	¥ —	¥ 40,038	¥ —	¥ 40,038
Long-term loans payable	—	94,710	—	94,710
Nonrecourse loans payable	—	70,313	—	70,313
Total	¥ —	¥ 205,062	¥ —	¥ 205,062

At March 31, 2022	Thousands of U.S. dollars			
	Level 1	Level 2	Level 3	Total
Assets				
Notes and accounts receivable from completed construction contracts and other	\$ —	\$ 6,747,563	\$ —	\$ 6,747,563
Short-term investment securities and investment securities				
Held-to-maturity securities				
Government bonds and municipal	2,219	—	—	2,219
Total	\$ 2,219	\$ 6,747,563	\$ —	\$ 6,749,782
Liabilities				
Bonds payable	\$ —	\$ 299,846	\$ —	\$ 299,846
Long-term loans payable	—	709,282	—	709,282
Nonrecourse loans payable	—	526,575	—	526,575
Total	\$ —	\$ 1,535,703	\$ —	\$ 1,535,703

Note: Explanation of valuation techniques used in the calculation of fair value and inputs related to the calculation of fair value

Short-term investment securities and investment securities

Listed stocks and government bonds are valued using quoted market prices. Since they are traded in active markets, their fair value is classified as Level 1.

Derivatives

The fair value of interest rate swaps and foreign exchange contracts is determined using the discounted present value method with observable inputs such as interest rates and foreign exchange rates and is classified as Level 2.

However, the fair value of interest rate swaps to which the special treatment is applied is included in the fair value of the relevant long-term loans payable or nonrecourse loans payable because they are accounted for as an integral part of long-term loans or non-recourse loans that are hedged.

Notes and accounts receivable from completed construction contracts and other

The fair value of notes and accounts receivable from completed construction contracts and other, which are expected to be collected within one year, is approximately equal to their book value and are therefore classified as Level 2.

The fair value of notes and accounts receivable from completed construction contracts and other, which are expected to be collected in more than one year, is calculated using the discounted present value method based on the amount of the receivable, the period to maturity, and an interest rate that takes into account credit risk for each receivable classified by a certain period, and is classified as Level 2.

Bonds payable

The fair value of bonds payable issued by the Company is determined using the discounted present value method based on the total amount of principal and interest and an interest rate that takes into account the remaining term of the bonds and credit risk, and is classified as Level 2.

Long-term loans payable and Nonrecourse loans payable

The fair value of fixed-rate long-term loans payable and nonrecourse loans payable is determined using the discounted present value method based on the sum of the principal and interest and the reasonably estimated interest rate that would apply to a similar new loan and is classified as Level 2.

The fair value of long-term loans payable with floating interest rates and nonrecourse loans payable reflects market interest rates within a short period of time, and their fair value approximates their book value; therefore, they are based on such book value and classified as Level 2.

Those items that qualify for special treatment as interest rate swaps are calculated using the discounted present value method based on the sum of the principal and interest treated together with the interest rate swap and the reasonably estimated interest rate that would be applicable to a similar new loan.

15. Securities

(a) Held-to-maturity debt securities

	Millions of yen			Thousands of U.S. dollars		
	Carrying value	Estimated fair value	Unrealized gain (loss)	Carrying value	Estimated fair value	Unrealized gain (loss)
At March 31, 2023						
Securities whose fair values exceed their carrying values						
Government bonds and municipal bonds	¥ 205	¥ 206	¥ 1	\$ 1,540	\$ 1,549	\$ 9
Securities whose fair values do not exceed their carrying values						
Corporate bonds	180	180	—	1,348	1,348	—
Total	¥ 385	¥ 386	¥ 1	\$ 2,888	\$ 2,897	\$ 9

	Millions of yen			Thousands of U.S. dollars		
	Carrying value	Estimated fair value	Unrealized gain (loss)	Carrying value	Estimated fair value	Unrealized gain (loss)
At March 31, 2022						
Securities whose fair values exceed their carrying values						
Government bonds and municipal bonds	¥ 294	¥ 296	¥ 2	\$ 2,202	\$ 2,219	\$ 17
Securities whose fair values do not exceed their carrying values						
Corporate bonds	190	190	—	1,422	1,422	—
Total	¥ 484	¥ 486	¥ 2	\$ 3,625	\$ 3,642	\$ 17

(b) Other securities

	Millions of yen			Thousands of U.S. dollars		
	Carrying value	Acquisition cost	Unrealized gain (loss)	Carrying value	Acquisition cost	Unrealized gain (loss)
At March 31, 2023						
Securities whose carrying values exceed their acquisition costs						
Stock	¥ 263,650	¥ 92,150	¥ 171,499	\$ 1,974,462	\$ 690,113	\$ 1,284,348
Other	2,415	1,950	465	18,093	14,607	3,485
Subtotal	266,065	94,101	171,964	1,992,555	704,720	1,287,834
Securities whose carrying values do not exceed their acquisition costs						
Stock	11,018	13,409	(2,390)	82,520	100,424	(17,904)
Other	9,859	9,997	(137)	73,838	74,871	(1,032)
Subtotal	20,878	23,407	(2,528)	156,358	175,295	(18,937)
Total	¥ 286,944	¥ 117,508	¥ 169,435	\$ 2,148,914	\$ 880,016	\$ 1,268,897

Non-listed stocks which have no quoted market prices available (carrying value ¥13,081 million (US\$97,963 thousand)) and investments in partnerships in which the net amount of equity interest is recognized in the consolidated balance sheets (carrying value ¥1,212 million (US\$9,083 thousand)) are not included in "Other" above.

	Millions of yen			Thousands of U.S. dollars		
	Carrying value	Acquisition cost	Unrealized gain (loss)	Carrying value	Acquisition cost	Unrealized gain (loss)
At March 31, 2022						
Securities whose carrying values exceed their acquisition costs						
Stock	¥ 295,030	¥ 95,781	¥ 199,248	\$ 2,209,470	\$ 717,306	\$ 1,492,163
Other	—	—	—	—	—	—
Subtotal	295,030	95,781	199,248	2,209,470	717,306	1,492,163
Securities whose carrying values do not exceed their acquisition costs						
Stock	11,191	14,876	(3,684)	83,809	111,406	(27,596)
Other	10,602	10,602	—	79,402	79,402	—
Subtotal	21,793	25,478	(3,684)	163,212	190,808	(27,596)
Total	¥ 316,824	¥ 121,260	¥ 195,563	\$ 2,372,682	\$ 908,115	\$ 1,464,567

Stocks and other which have no quoted market prices available (carrying value ¥16,454 million (US\$123,227 thousand)) are not included in "Other" above.

(c) Sales of securities classified as other securities

	Millions of yen			Thousands of U.S. dollars		
	Sales proceeds	Aggregate gain	Aggregate loss	Sales proceeds	Aggregate gain	Aggregate loss
For the year ended March 31, 2023						
Stock	¥ 24,612	¥ 14,388	¥ —	\$ 184,319	\$ 107,753	\$ —
Other	1,777	—	203	13,308	—	1,521
Total	¥ 26,389	¥ 14,388	¥ 203	\$ 197,628	\$ 107,753	\$ 1,521

Stocks which have no quoted market prices available are included in "Stock" above. (Sales proceeds: ¥5,544 million (US\$41,522 thousand), aggregate gain: ¥479 million (US\$3,588 thousand)).

	Millions of yen			Thousands of U.S. dollars		
	Sales proceeds	Aggregate gain	Aggregate loss	Sales proceeds	Aggregate gain	Aggregate loss
For the year ended March 31, 2022						
Stock	¥ 16,973	¥ 10,260	¥ 117	\$ 127,110	\$ 76,837	\$ 877
Other	2,853	—	75	21,368	—	565
Total	¥ 19,826	¥ 10,260	¥ 192	\$ 148,478	\$ 76,837	\$ 1,442

Stocks which have no quoted market prices available are included in "Stock" above. (Sales proceeds: ¥50 million (US\$378 thousand), aggregate gain: ¥5 million (US\$41 thousand), aggregate loss: ¥0 million (US\$3 thousand)).

(d) Write down of securities

	Millions of yen	Thousands of U.S. dollars
For the year ended March 31, 2023		
"Stock" of other securities	¥ 784	\$ 5,877
Stocks which have no quoted market prices available included in "Stock" of other securities" above	178	1,334
For the year ended March 31, 2022		
"Stock" of other securities	¥ 1,509	\$ 11,306
Stocks which have no quoted market prices available included in "Stock" of other securities" above	1,509	11,306

16. Derivative Transactions

(1) Derivative transactions to which the hedge accounting method is not applied

At March 31, 2023 and 2022

None.

(2) Derivative transactions to which the hedge accounting method is applied

Currency-related transactions

		Millions of yen			Thousands of U.S. dollars		
		Contract amount	Contract amount of more than 1 year	Estimated fair value	Contract amount	Contract amount of more than 1 year	Estimated fair value
At March 31, 2023							
Deferral method							
Foreign exchange forward contract (Buy US\$)	Imports of materials (Forecasted transaction)	¥ 35,063	¥ 32,189	¥ 11,329	\$ 262,591	\$ 241,064	\$ 84,845
Foreign exchange forward contract (Buy EURO)	Imports of materials (Forecasted transaction)	6	—	1	50	—	8
Foreign exchange forward contract (Buy CA\$)	Imports of materials (Forecasted transaction)	6,232	5,628	1,715	46,678	42,154	12,845
Total		¥ 41,303	¥ 37,818	¥ 13,045	\$ 309,320	\$ 283,218	\$ 97,699

		Millions of yen			Thousands of U.S. dollars		
		Contract amount	Contract amount of more than 1 year	Estimated fair value	Contract amount	Contract amount of more than 1 year	Estimated fair value
At March 31, 2022							
Deferral method							
Foreign exchange forward contract (Buy US\$)	Imports of materials (Forecasted transaction)	¥ 38,015	¥ 35,064	¥ 10,257	\$ 284,696	\$ 262,594	\$ 76,818
Foreign exchange forward contract (Buy EURO)	Imports of materials (Forecasted transaction)	187	6	22	1,405	50	168
Foreign exchange forward contract (Buy CA\$)	Imports of materials (Forecasted transaction)	6,684	6,229	1,705	50,056	46,649	12,775
Total		¥ 44,887	¥ 41,300	¥ 11,985	\$ 336,157	\$ 309,294	\$ 89,762

Interest-related transactions

		Millions of yen			Thousands of U.S. dollars		
		Contract amount	Contract amount of more than 1 year	Estimated fair value	Contract amount	Contract amount of more than 1 year	Estimated fair value
At March 31, 2023							
Deferral method							
Interest rate swaps							
Payment fixed/	Nonrecourse loans payable						
Receipt floating	(Forecasted transaction)	¥ 15,128	¥ 14,387	¥ 20	\$ 113,297	\$ 107,746	\$ 156
Short-cut method							
Interest rate swaps							
Payment fixed/	Long-term loans payable	3,977	2,671	[*]	29,789	20,006	[*]
Receipt floating	Nonrecourse loans payable	21,675	19,632	[*]	162,328	147,026	[*]
Total		¥ 40,782	¥ 36,691	¥ 20	\$ 305,415	\$ 274,779	\$ 156

		Millions of yen			Thousands of U.S. dollars		
		Contract amount	Contract amount of more than 1 year	Estimated fair value	Contract amount	Contract amount of more than 1 year	Estimated fair value
At March 31, 2022							
Deferral method							
Interest rate swaps							
Payment fixed/	Nonrecourse loans payable						
Receipt floating	(Forecasted transaction)	¥ 21,376	¥ 19,854	¥ (357)	\$ 160,090	\$ 148,687	\$ (2,675)
Short-cut method							
Interest rate swaps							
Payment fixed/	Long-term loans payable	5,571	3,977	[*]	41,725	29,789	[*]
Receipt floating	Nonrecourse loans payable	24,204	21,675	[*]	181,269	162,328	[*]
Total		¥ 51,153	¥ 45,507	¥ (357)	\$ 383,086	\$ 340,804	\$ (2,675)

[*] Since these interest rate swaps, which are not remeasured at market value but the differential paid or received under the swap agreements is charged to income, are treated with long-term loans payable or nonrecourse loans payable, the fair values of the contracts are included in the fair value of long-term loans payable or nonrecourse loans payable presented in Note 14 "Financial Instruments (2) Fair value of financial instruments."

17. Retirement Benefit Plans

The Company and its subsidiaries have defined benefit pension plans (cash balance plan in the Company and its certain subsidiaries), in addition to lump-sum payments. The Company and certain subsidiaries have defined contribution pension plans.

The following tables show the funded and the amounts recognized in the consolidated balance sheets at March 31, 2023 and 2022 of the Company and its subsidiaries.

(1) Defined benefit pension plans

The changes in the projected benefit obligation for the years ended March 31, 2023 and 2022 are as follows:

For the years ended March 31	Millions of yen		Thousands of U.S. dollars	
	2023	2022	2023	2022
At the beginning of current period	¥ 96,984	¥ 97,634	\$ 726,315	\$ 731,179
Service cost	5,068	5,019	37,954	37,588
Interest cost	584	595	4,376	4,459
Actuarial loss	(441)	(89)	(3,304)	(673)
Retirement benefit paid	(5,935)	(6,240)	(44,448)	(46,731)
Other	160	65	1,203	493
At the end of current period	¥ 96,421	¥ 96,984	\$ 722,096	\$ 726,315

Certain consolidated subsidiaries adopted a simplified method to compute their projected benefit obligations.

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

For the years ended March 31	Millions of yen		Thousands of U.S. dollars	
	2023	2022	2023	2022
At the beginning of current period	¥ 49,042	¥ 49,875	\$ 367,276	\$ 373,518
Expected return on plan assets	1,183	1,204	8,862	9,019
Actuarial loss	(1,003)	52	(7,515)	391
Contributions by the Companies	1,327	1,382	9,938	10,349
Retirement benefits paid	(3,067)	(3,388)	(22,975)	(25,374)
Other	5	(83)	38	(628)
At the end of current period	¥ 47,486	¥ 49,042	\$ 355,624	\$ 367,276

Certain consolidated subsidiaries adopted a simplified method.

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

At March 31	Millions of yen		Thousands of U.S. dollars	
	2023	2022	2023	2022
Retirement benefit obligation under the funded plans	¥ 42,604	¥ 44,246	\$ 319,063	\$ 331,356
Plan assets at fair value	(47,486)	(49,042)	(355,624)	(367,276)
	(4,881)	(4,796)	(36,560)	(35,920)
Retirement benefit obligation under the unfunded plans	53,816	52,738	403,032	394,958
Net liability for retirement benefits in the balance sheets	¥ 48,935	¥ 47,942	\$ 366,472	\$ 359,038
Liability for retirement benefits	¥ 51,835	¥ 47,977	\$ 388,191	\$ 359,304
Asset for retirement benefits	(2,900)	(35)	(21,719)	(266)
Net liability for retirement benefits in the balance sheets	¥ 48,935	¥ 47,942	\$ 366,472	\$ 359,038

The components of retirement benefit expense for the years ended March 31, 2023 and 2022 are as follows:

For the years ended March 31	Millions of yen		Thousands of U.S. dollars	
	2023	2022	2023	2022
Service cost	¥ 5,068	¥ 5,019	\$ 37,954	\$ 37,588
Interest cost	584	595	4,376	4,459
Expected return on plan assets	(1,183)	(1,204)	(8,862)	(9,019)
Amortization of actuarial loss	(988)	(963)	(7,405)	(7,214)
Amortization of prior service cost	(33)	3	(251)	29
Retirement benefit expense	¥ 3,446	¥ 3,450	\$ 25,812	\$ 25,842

Certain consolidated subsidiaries adopted a simplified method.

Prior service cost and actuarial loss included in other comprehensive income (before tax effect) for the years ended March 31, 2023 and 2022 are as follows:

For the years ended March 31	Millions of yen		Thousands of U.S. dollars	
	2023	2022	2023	2022
Prior service cost	¥ 1	¥ 1	\$ 7	\$ 14
Actuarial gain (loss)	1,554	809	11,638	6,065
Total	¥ 1,555	¥ 811	\$ 11,645	\$ 6,079

Unrecognized prior service cost and unrecognized actuarial loss included in accumulated other comprehensive income (before tax effect) as of March 31, 2023 and 2022 are as follows:

At March 31	Millions of yen		Thousands of U.S. dollars	
	2023	2022	2023	2022
Unrecognized prior service cost	¥ 20	¥ 19	\$ 156	\$ 149
Unrecognized actuarial loss	(2,756)	(4,310)	(20,641)	(32,279)
Total	¥ (2,735)	¥ (4,290)	\$ (20,485)	\$ (32,130)

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

At March 31	2023	2022
General accounts	24.5%	24.6%
Stocks	27.5%	28.8%
Bonds	26.4%	24.4%
Cash on hand and in banks	3.3%	5.4%
Other	18.3%	16.8%
Total	100.0%	100.0%

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

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

For the years ended March 31	2023	2022
Discount rates	0% to 0.8%	0% to 0.8%
Expected rates of return on plan assets	1.8% or 2.5%	1.8% or 2.5%

(2) Defined contribution pension plans

For the years ended March 31, 2023 and 2022, pension expenses for defined contribution plans by the Company and consolidated subsidiaries are ¥4,538 million (US\$33,990 thousand) and ¥3,586 million (US\$26,860 thousand), respectively, including the expense for small and medium enterprises retirement benefit mutual aid schemes and multi-employer pension plans of foreign subsidiaries.

18. Deferred Tax Accounting

The major components of deferred tax assets and liabilities at March 31, 2023 and 2022 are summarized as follows:

At March 31	Millions of yen		Thousands of U.S. dollars	
	2023	2022	2023	2022
Deferred tax assets				
Costs on uncompleted construction contracts	\ 18,570	\ 14,871	\$ 139,073	\$ 111,371
Liability for retirement benefits	15,075	14,684	112,902	109,974
Provision for loss on construction contracts	13,292	16,244	99,545	121,656
Unrealized gain on noncurrent assets	5,434	4,702	40,695	35,216
Accrued expenses (bonus)	4,988	4,870	37,357	36,475
Impairment loss	4,711	5,069	35,286	37,968
Other	13,234	12,079	99,109	90,463
	75,306	72,523	563,970	543,125
Valuation allowance	(8,863)	(10,221)	(66,380)	(76,548)
Total deferred tax assets	66,443	62,302	497,590	466,577
Deferred tax liabilities				
Valuation difference on available-for-sale securities	(51,721)	(59,611)	(387,340)	(446,426)
Deferred gains (losses) on hedges	(3,652)	(3,434)	(27,352)	(25,721)
Retained earnings of subsidiaries and affiliates	(3,404)	(543)	(25,497)	(4,070)
Other	(6,580)	(6,805)	(49,279)	(50,965)
Total deferred tax liabilities	(65,358)	(70,394)	(489,469)	(527,183)
Net deferred tax assets (liabilities)	\ 1,084	\ (8,092)	\$ 8,120	\$ (60,606)

In addition to the above, the Companies recognized deferred tax liabilities related to reserve for land revaluation on the consolidated balance sheets:

At March 31	Millions of yen		Thousands of U.S. dollars	
	2023	2022	2023	2022
	\ (18,421)	\ (18,445)	\$ (137,954)	\$ (138,133)

Reconciliation between the statutory tax rates and the effective tax rates for the year ended March 31, 2022 are as follows:

For the year ended March 31

	2022
Statutory tax rates	30.5 %
Reconciliation:	
Permanent non-deductible items	0.9
Unrecognized tax benefits of tax-deficit subsidiaries	1.1
Tax loss carryforwards	(1.9)
Change in valuation allowance	(2.3)
Tax credit for research and development expenses	(1.4)
Other	(0.6)
Effective tax rates	26.3 %

Information for the year ended March 31, 2023 is not disclosed because the difference is not more than 5% of the statutory tax rate.

The Company and some of its domestic consolidated subsidiaries apply the group tax sharing system from the beginning of the current fiscal year. Also, in accordance with the "Practical Solution on the Accounting and Disclosure Under the Group Tax Sharing System" (Practical Issues Task Force No. 42, August 12, 2021), the Company implements accounting procedures and disclosure for income tax, local corporation tax and tax effect accounting.

19. Asset Retirement Obligations

(1) Asset retirement obligations recorded on the consolidated balance sheets

(a) Overview

Asset retirement obligations recognized by the Companies are the obligations and other to restore land for renewable energy projects under real estate lease contracts.

(b) Method of calculating of amount

For the year ended March 31, 2023, the liability has been calculated with expected useful lives ranging from 1 to 50 years and discount rates ranging from (0.4 %) to 1.9 % .

For the year ended March 31, 2022, the liability has been calculated with expected useful lives ranging from 1 to 22 years and discount rates ranging from (0.4 %) to 1.9 % .

(C) The changes in asset retirement obligations

For the years ended March 31	Millions of yen		Thousands of U.S. dollars	
	2023	2022	2023	2022
At the beginning of current period	\ 4,144	\ 4,172	\$ 31,037	\$ 31,249
Increase due to the acquisition of property, plant and equipment	1,136	26	8,512	198
Adjustment due to the elapse of time	31	25	236	191
Decrease due to fulfillment of asset retirement obligations	(47)	(85)	(359)	(639)
Other	(13)	5	(104)	38
At the end of current period	5,250	4,144	39,322	31,037

(2) Asset retirement obligations not recorded on the consolidated balance sheets

(a) Overview

Asset retirement obligations not recognized by the Companies are the obligations to restore rental properties for business use under real estate lease contracts at the time the lease agreement is terminated.

(b) Method of accounting treatment

Instead of recording asset retirement obligations, the Companies have estimated total non-refundable deposits on lease contracts and expensed the current portion.

(C) Estimated total non-refundable deposits and periods of use of the rental properties

At March 31	Millions of yen		Thousands of U.S. dollars	
	2023	2022	2023	2022
Estimated total non-refundable deposits	\ 4,118	\ 4,468	\$ 30,846	\$ 33,460
At March 31	2023		2022	
Estimated period of use	10 years to 38 years from the initial day of the contract		10 years to 38 years from the initial day of the contract	

20. Investment and Rental Properties

The Company and certain of its subsidiaries hold office buildings (including land), lands for redevelopment projects, etc., mainly in Tokyo and Osaka.

Profit and impairment loss from these real estate properties for the year ended March 31, 2023 are \10,609 million (US\$79,454 thousand) and \29 million (US\$222 thousand), respectively. Profit and impairment loss from these real estate properties for the year ended March 31, 2022 are \12,790 million (US\$95,789 thousand) and \607 million (US\$4,547 thousand), respectively. Sales and costs on real estate are recorded as "Net sales on real estate business and other" and "Cost of sales on real estate business and other," respectively.

Impairment loss is included in "Other income (expenses)."

Carrying value in the consolidated balance sheets and fair value of those real estate properties are as follows:

For the years ended March 31	Millions of yen		Thousands of U.S. dollars	
	2023	2022	2023	2022
Carrying value				
At the beginning of period	\ 420,341	\ 411,386	\$ 3,147,921	\$ 3,080,852
Increase (decrease)—net	55,629	8,955	416,603	67,068
At the end of period	475,971	420,341	3,564,524	3,147,921
Fair value at the end of period	704,423	647,803	5,275,392	4,851,371

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

2. "Increase (decrease)—net" for the year ended March 31, 2023 mainly consists of: increase in purchase of office buildings for lease (including land) and other in the amount of \68,461 million (US\$512,702 thousand) and decrease to reclassify as real estate for sale in the amount of \8,258 million (US\$61,846 thousand) and depreciation cost in the amount of \5,227 million (US\$39,148 thousand).

"Increase (decrease)—net" for the year ended March 31, 2022 mainly consists of: increase in purchase of office buildings for lease (including land) and other in the amount of \29,867 million (US\$223,677 thousand) and decrease to reclassify as real estate for sale and other in the amount of \22,281 million (US\$166,864 thousand).

3. Fair value at March 31, 2023 and 2022 was estimated in accordance with the "Real estate evaluation standards," and was adjusted using official indices.

21. Revenue Recognition

(1) Breakdown of revenue from contracts with customers

For the year ended March 31, 2023

	Millions of yen							
	Reporting segment						Others (Note 2)	Total
	Domestic building construction	Overseas building construction	Domestic civil engineering	Overseas civil engineering	Real estate	Subtotal		
Major regional markets								
Japan	¥ 1,056,407	¥ —	¥ 343,464	¥ —	¥ 39,356	¥ 1,439,228	¥ 48,625	¥ 1,487,854
North America	—	194,522	—	82,538	—	277,061	—	277,061
Asia	—	147,142	—	21,382	—	168,524	—	168,524
Others	—	2,229	—	—	—	2,229	559	2,788
Revenue from contracts with customers	¥ 1,056,407	¥ 343,894	¥ 343,464	¥ 103,921	¥ 39,356	¥ 1,887,044	¥ 49,184	¥ 1,936,229
Other revenue (Note 3)	¥ —	¥ —	¥ —	¥ —	¥ 44,519	¥ 44,519	¥ 3,139	¥ 47,658
Sales to third parties	¥ 1,056,407	¥ 343,894	¥ 343,464	¥ 103,921	¥ 83,875	¥ 1,931,564	¥ 52,324	¥ 1,983,888

For the year ended March 31, 2023

	Thousands of U.S. dollars							
	Reporting segment						Others (Note 2)	Total
	Domestic building construction	Overseas building construction	Domestic civil engineering	Overseas civil engineering	Real estate	Subtotal		
Major regional markets								
Japan	\$ 7,911,387	\$ —	\$ 2,572,190	\$ —	\$ 294,737	\$ 10,778,316	\$ 364,154	\$ 11,142,470
North America	—	1,456,773	—	618,129	—	2,074,903	—	2,074,903
Asia	—	1,101,941	—	160,130	—	1,262,072	—	1,262,072
Others	—	16,696	—	—	—	16,696	4,189	20,886
Revenue from contracts with customers	\$ 7,911,387	\$ 2,575,411	\$ 2,572,190	\$ 778,260	\$ 294,737	\$ 14,131,988	\$ 368,344	\$ 14,500,332
Other revenue (Note 3)	\$ —	\$ —	\$ —	\$ —	\$ 333,405	\$ 333,405	\$ 23,508	\$ 356,913
Sales to third parties	\$ 7,911,387	\$ 2,575,411	\$ 2,572,190	\$ 778,260	\$ 628,143	\$ 14,465,393	\$ 391,852	\$ 14,857,246

Notes: 1. Revenue is based on the location of customers and are classified by country or region.

2. Businesses that cannot be classified into the reportable segments are shown as "Others." These include PFI (Private Finance Initiative), renewable energy, finance and other businesses.

3. Other revenue of ¥44,519 million (US\$333,405 thousand) in the real estate segment is revenue from real estate leasing business, etc.

For the year ended March 31, 2022

	Millions of yen							
	Reporting segment						Others (Note 2)	Total
	Domestic building construction	Overseas building construction	Domestic civil engineering	Overseas civil engineering	Real estate	Subtotal		
Major regional markets								
Japan	¥ 1,059,945	¥ —	¥ 346,808	¥ —	¥ 23,183	¥ 1,429,937	¥ 63,133	¥ 1,493,071
North America	—	177,901	—	66,559	—	244,461	—	244,461
Asia	—	116,375	—	23,076	—	139,451	—	139,451
Others	—	4,541	—	—	—	4,541	80	4,622
Revenue from contracts with customers	¥ 1,059,945	¥ 298,818	¥ 346,808	¥ 89,635	¥ 23,183	¥ 1,818,392	¥ 63,214	¥ 1,881,606
Other revenue (Note 3)	¥ —	¥ —	¥ —	¥ —	¥ 37,940	¥ 37,940	¥ 3,337	¥ 41,278
Sales to third parties	¥ 1,059,945	¥ 298,818	¥ 346,808	¥ 89,635	¥ 61,124	¥ 1,856,333	¥ 66,551	¥ 1,922,884

For the year ended March 31, 2022

	Thousands of U.S. dollars							
	Reporting segment						Others (Note 2)	Total
	Domestic building construction	Overseas building construction	Domestic civil engineering	Overseas civil engineering	Real estate	Subtotal		
Major regional markets								
Japan	\$ 7,937,882	\$ —	\$ 2,597,235	\$ —	\$ 173,619	\$ 10,708,737	\$ 472,805	\$ 11,181,542
North America	—	1,332,299	—	498,460	—	1,830,759	—	1,830,759
Asia	—	871,529	—	172,816	—	1,044,346	—	1,044,346
Others	—	34,011	—	—	—	34,011	603	34,615
Revenue from contracts with customers	\$ 7,937,882	\$ 2,237,839	\$ 2,597,235	\$ 671,276	\$ 173,619	\$ 13,617,854	\$ 473,409	\$ 14,091,263
Other revenue (Note 3)	\$ —	\$ —	\$ —	\$ —	\$ 284,137	\$ 284,137	\$ 24,993	\$ 309,131
Sales to third parties	\$ 7,937,882	\$ 2,237,839	\$ 2,597,235	\$ 671,276	\$ 457,757	\$ 13,901,992	\$ 498,403	\$ 14,400,395

Notes: 1. Revenue is based on the location of customers and are classified by country or region.

2. Businesses that cannot be classified into the reportable segments are shown as "Others." This includes PFI (Private Finance Initiative), renewable energy, finance and other businesses.

3. Other revenue of ¥37,940 million (US\$284,137 thousand) in the real estate segment is revenue from real estate leasing business, etc.

(2) Information as a basis to understand revenue from contracts with customers

The Companies, in construction business (domestic building construction, overseas building construction, domestic civil engineering, overseas civil engineering), real estate business and other business, engage in construction, real estate leasing and sales, etc.

Of these, the "Method of revenue recognition," "Calculation of transaction price" and "Ordinary due date" for construction business and real estate business (real estate sales business) are as follows.

(a) Construction business

1. Method of revenue recognition

In the construction business, construction work and civil engineering work are carried out in Japan and overseas based on construction contracts. For construction contracts in which performance obligations are satisfied over a certain period of time, the total amount of construction revenue, the total amount of construction costs and the progress of satisfaction of performance obligations are estimated, and revenue is recognized over a certain period of time based on the progress. As a result of considering the nature of the performance obligation in the construction contract, it is judged that the generation of cost appropriately represents the progress of the construction. Therefore, the method of estimating the progress of satisfaction of performance obligations is calculated by the ratio of the generation cost to the estimated total construction cost (input method). In addition, if the progress of satisfaction of performance obligations cannot be reasonably estimated at the initial stage of the contract, but costs incurred are expected to be recovered, revenue is recognized on a cost recovery basis.

Alternative treatment is applied to construction contracts for which the period from the transaction commencement date to the time when the performance obligation is expected to be fully satisfied is very short, and revenue is not recognized for a certain period of time. Revenue is recognized when the performance obligation is fully satisfied.

2. Calculation of transaction price

The transaction price of the construction contract is the contract price of the construction contract. The change of contract amount due to addition or change of construction work shall be prescribed in the contract for change of construction contract. When the contract amount associated with the addition or change of construction work is uncertain, the reasonably estimated amount is included in the total construction revenue.

In addition, one construction contract is usually one performance obligation, and there is no allocation of the transaction price to the performance obligation.

3. Ordinary due date

Since the terms of payment are different depending on each construction contract, there is no ordinary due date.

(b) Real estate business (Real estate sales business)

1. Method of revenue recognition

In real estate sales business, we sell real estate for sale such as condominiums and detached houses. Revenue from sales of real estate for sale is recognized at the time of delivery of the real estate for sale, as the Companies satisfy its performance obligation at the time of delivery.

2. Calculation of transaction price

The transaction price of real estate sales business is the contract price in the real estate sales contract.

In addition, one real estate sales contract is usually one performance obligation, and the transaction price is not allocated to the performance obligation.

3. Ordinary due date

In real estate sales contracts, the proceeds of sale are usually received at the same time as the delivery of the real estate for sale.

In the real estate leasing business, the Companies lease office buildings and other properties, which are not included in the above notes. This is because the Companies recognize revenue in accordance with the "Accounting Standard for Lease Transactions" (ASBJ Statement No.13, revised March 30, 2007) and is not subject to the "Accounting Standard for Revenue Recognition" (ASBJ Statement No.29, revised March 31, 2020).

(3) Information about the relationship between the satisfaction of performance obligations under contracts with customers and cash flows from such contracts, and the amount and timing of revenue expected to be recognized in the next fiscal year from contracts with customers that existed at the end of the current fiscal year

(a) Balance of contract assets and contract liabilities, etc

At March 31	Millions of yen		Thousands of U.S. dollars	
	2023	2022	2023	2022
Contract receivables (beginning balance)	¥ 366,541	354,176	\$ 2,745,009	2,652,407
Contract receivables (year-end balance)	¥ 409,178	366,541	\$ 3,064,317	2,745,009
Contract assets (beginning balance)	¥ 543,254	460,932	\$ 4,068,405	3,451,899
Contract assets (year-end balance)	¥ 440,138	543,254	\$ 3,296,177	4,068,405
Contract liabilities (beginning balance)	¥ 138,808	153,896	\$ 1,039,528	1,152,520
Contract liabilities (year-end balance)	¥ 135,067	138,808	\$ 1,011,514	1,039,528

In the construction industry, there is no clear link between the timing of satisfaction of performance obligations and the timing of payment, as there is no payment timing that can be considered normal because payment terms vary depending on individual construction contracts.

Contract assets consist mainly of unbilled work-in-progress receivables related to revenue recognized on the basis of the progress measurement in construction contracts. Contract assets are increased by the recognition of revenue and decreased by the transfer to receivables arising from contracts with customers when the Companies' rights to the consideration become unconditional upon invoicing or delivery.

Contract liabilities consist primarily of advances received from customers on construction contracts. Contract liabilities are increased by the receipt of advances from customers and decreased by the reversal of such advances upon recognition of revenue.

The balance of contract liabilities as of the beginning of the current fiscal year is generally recognized as revenue in the current fiscal year, and the amount carried forward to the next fiscal year is not material.

In the current period and the early period, the amounts of revenue recognized from performance obligations that were satisfied or partially satisfied in prior periods are ¥30,069 million (US\$225,191 thousand) and ¥54,309 million (US\$406,723 thousand) .

(b) Transaction price allocated to the remaining performance obligations

At the end of the current consolidated fiscal year and the early consolidated fiscal year, the total transaction prices allocated to unsatisfied or partially unsatisfied performance obligations are ¥3,705,734 million (US\$27,752,078 thousand) and ¥3,267,685 million (US\$24,471,549 thousand) . The total transaction value allocated to remaining performance obligations in the Companies' major construction projects is recognized as revenue in accordance with the progress of construction and is expected to be recognized within approximately four years.

22. Segment Information

(1) Segment information

(a) Overview of reportable segments

The reportable segments of the Companies are components for which discrete financial information is available and whose operating results are regularly reviewed by the Executive Committee to make decisions about resource allocation and to assess performance.

The Building Construction, Civil Engineering and Real Estate Development divisions at the Company are responsible for strategic planning and business development of the building construction, civil engineering and real estate development businesses, respectively. Business operations of the building construction and civil engineering divisions are classified geographically with headquarters and each branch as separate operating units and evaluated individually. The Company's subsidiaries are also evaluated on an individual basis. The building construction and civil engineering businesses are segmented based on domestic and overseas areas.

The Companies therefore have five reportable segments: "domestic building construction," "overseas building construction," "domestic civil engineering," "overseas civil engineering" and "real estate."

The overview of each reportable segment is as follows:

Domestic building construction: Execution of building construction contracts and related businesses within Japan

Overseas building construction: Execution of building construction contracts and related businesses outside Japan

Domestic civil engineering: Execution of civil engineering construction contracts and related businesses within Japan

Overseas civil engineering: Execution of civil engineering construction contracts and related businesses outside Japan

Real estate: Purchase, sale and rent of real estate properties, development of land parcels and related businesses

(b) Accounting treatment for net sales, income (loss), assets, liabilities and others by each segment

The accounting methods of the segment are substantially the same as those described in "3. Summary of Significant Accounting Policies." Segment performance is evaluated based on operating income or loss.

Intersegment sales are recorded at the same prices used in transactions with third parties.

(c) Reportable segment information (net sales and income)

For the year ended March 31, 2023

	Millions of yen								Total
	Reporting segment					Subtotal	Others (Note 1)		
	Domestic building construction	Overseas building construction	Domestic civil engineering	Overseas civil engineering	Real estate				
Net sales									
Sales to third parties	¥ 1,056,407	¥ 343,894	¥ 343,464	¥ 103,921	¥ 83,875	¥ 1,931,564	¥ 52,324	¥ 1,983,888	
Intersegment sales and transfers	39,452	84	16,195	—	1,175	56,908	10,220	67,129	
Segment sales	¥ 1,095,860	¥ 343,979	¥ 359,660	¥ 103,921	¥ 85,051	¥ 1,988,472	¥ 62,545	¥ 2,051,017	
Operating income									
Operating income from sales to third parties (Note 2)	¥ 34,326	¥ 5,179	¥ 21,744	¥ 3,451	¥ 26,928	¥ 91,630	¥ 2,170	¥ 93,800	
Intersegment operating income and transfers	1,748	(187)	(97)	—	(56)	1,407	(32)	1,375	
Segment income	¥ 36,075	¥ 4,992	¥ 21,646	¥ 3,451	¥ 26,871	¥ 93,037	¥ 2,138	¥ 95,175	

For the year ended March 31, 2023

	Thousands of U.S. dollars								Total
	Reporting segment					Subtotal	Others (Note 1)		
	Domestic building construction	Overseas building construction	Domestic civil engineering	Overseas civil engineering	Real estate				
Net sales									
Sales to third parties	\$ 7,911,387	\$ 2,575,411	\$ 2,572,190	\$ 778,260	\$ 628,143	\$ 14,465,393	\$ 391,852	\$ 14,857,246	
Intersegment sales and transfers	295,461	631	121,290	—	8,801	426,185	76,544	502,730	
Segment sales	\$ 8,206,849	\$ 2,576,043	\$ 2,693,481	\$ 778,260	\$ 636,945	\$ 14,891,579	\$ 468,396	\$ 15,359,976	
Operating income									
Operating income from sales to third parties (Note 2)	\$ 257,068	\$ 38,788	\$ 162,844	\$ 25,849	\$ 201,664	\$ 686,214	\$ 16,252	\$ 702,467	
Intersegment operating income and transfers	13,097	(1,401)	(732)	—	(422)	10,540	(240)	10,300	
Segment income	\$ 270,166	\$ 37,386	\$ 162,111	\$ 25,849	\$ 201,241	\$ 696,755	\$ 16,011	\$ 712,767	

Notes: 1. Businesses that cannot be classified into the reportable segments are shown as "Others." This includes PFI (Private Finance Initiative), renewable energy, finance and other businesses.

2. "Operating income from sales to third parties" was computed by subtracting "Intersegment operating income and transfers" from "Segment income". The total "Operating income from sales to third parties" equals to "Operating income" as shown in the consolidated statements of income.

3. The amounts of the assets are not shown since the assets are not divided by the segments.

For the year ended March 31, 2022

Millions of yen

	Reporting segment						Subtotal	Others (Note 1)	Total
	Domestic building construction	Overseas building construction	Domestic civil engineering	Overseas civil engineering	Real estate				
Net sales									
Sales to third parties	¥ 1,059,945	¥ 298,818	¥ 346,808	¥ 89,635	¥ 61,124	¥ 1,856,333	¥ 66,551	¥ 1,922,884	
Intersegment sales and transfers	35,357	48	19,812	—	1,152	56,371	8,995	65,366	
Segment sales	¥ 1,095,302	¥ 298,867	¥ 366,621	¥ 89,635	¥ 62,277	¥ 1,912,704	¥ 75,546	¥ 1,988,251	
Operating income (loss)									
Operating income (loss) from sales to third parties (Note 2)	¥ (8,900)	¥ 818	¥ 23,861	¥ 2,052	¥ 20,395	¥ 38,227	¥ 2,823	¥ 41,051	
Intersegment operating income and transfers	58	—	(137)	—	59	(20)	(101)	(121)	
Segment income (loss)	¥ (8,842)	¥ 818	¥ 23,724	¥ 2,052	¥ 20,454	¥ 38,207	¥ 2,722	¥ 40,929	

For the year ended March 31, 2022

Thousands of U.S. dollars

	Reporting segment						Subtotal	Others (Note 1)	Total
	Domestic building construction	Overseas building construction	Domestic civil engineering	Overseas civil engineering	Real estate				
Net sales									
Sales to third parties	\$ 7,937,882	\$ 2,237,839	\$ 2,597,235	\$ 671,276	\$ 457,757	\$ 13,901,992	\$ 498,403	\$ 14,400,395	
Intersegment sales and transfers	264,790	361	148,376	—	8,634	422,163	67,363	489,526	
Segment sales	\$ 8,202,672	\$ 2,238,201	\$ 2,745,612	\$ 671,276	\$ 466,391	\$ 14,324,155	\$ 565,766	\$ 14,889,921	
Operating income (loss)									
Operating income (loss) from sales to third parties (Note 2)	\$ (66,655)	\$ 6,128	\$ 178,701	\$ 15,369	\$ 152,738	\$ 286,283	\$ 21,148	\$ 307,431	
Intersegment operating income and transfers	437	—	(1,031)	—	442	(151)	(757)	(908)	
Segment income (loss)	\$ (66,218)	\$ 6,128	\$ 177,669	\$ 15,369	\$ 153,181	\$ 286,131	\$ 20,391	\$ 306,522	

Notes: 1. Businesses that cannot be classified into the reportable segments are shown as "Others." This includes PFI (Private Finance Initiative), renewable energy, finance and other businesses.

2. "Operating income (loss) from sales to third parties" was computed by subtracting "Intersegment operating income and transfers" from "Segment income (loss)." The total "Operating income (loss) from sales to third parties" equals to "Operating income" as shown in the consolidated statements of income.

3. The amounts of the assets are not shown since the assets are not divided by the segments.

(d) Reconciliation of difference between total reportable segment income and operating income as shown in the consolidated statements of income

For the year ended March 31, 2023

Millions of yen

Thousands of U.S. dollars

Net sales		
Total reportable segment	¥ 1,988,472	\$ 14,891,579
Sales from "Others"	62,545	468,396
Elimination of intersegment transactions	(67,129)	(502,730)
Sales in the statements of income	¥ 1,983,888	\$ 14,857,246
Operating income		
Total reportable segment	¥ 93,037	\$ 696,755
Income from "Others"	2,138	16,011
Elimination of intersegment transactions	(1,375)	(10,300)
Operating income in the statements of income	¥ 93,800	\$ 702,467

For the year ended March 31, 2022

Millions of yen

Thousands of U.S. dollars

Net sales		
Total reportable segment	¥ 1,912,704	\$ 14,324,155
Sales from "Others"	75,546	565,766
Elimination of intersegment transactions	(65,366)	(489,526)
Sales in the statements of income	¥ 1,922,884	\$ 14,400,395
Operating income		
Total reportable segment	¥ 38,207	\$ 286,131
Income from "Others"	2,722	20,391
Elimination of intersegment transactions	121	908
Operating income in the statements of income	¥ 41,051	\$ 307,431

(2) Related information

(a) Information by product or service

As the same information is disclosed in "(1) Segment information," this information has not been presented.

(b) Information by region

Net sales by region

For the year ended March 31, 2023

Millions of yen					Thousands of U.S. dollars				
Japan	North America (Note)	Asia	Others	Total	Japan	North America (Note)	Asia	Others	Total
¥ 1,531,801	¥ 277,061	¥ 168,939	¥ 6,085	¥ 1,983,888	\$ 11,471,591	\$ 2,074,903	\$ 1,265,180	\$ 45,570	\$ 14,857,246

Note: Net sales in the United States is ¥253,073 million (US\$1,895,256 thousand).

For the year ended March 31, 2022

Millions of yen					Thousands of U.S. dollars				
Japan	North America (Note)	Asia	Others	Total	Japan	North America (Note)	Asia	Others	Total
¥ 1,532,268	¥ 244,461	¥ 139,451	¥ 6,703	¥ 1,922,884	\$ 11,475,088	\$ 1,830,759	\$ 1,044,346	\$ 50,200	\$ 14,400,395

Note: Net sales in the United States is ¥230,179 million (US\$1,723,800 thousand).

Tangible assets by region

For the year ended March 31, 2023

Millions of yen					Thousands of U.S. dollars				
Japan	North America (Note)	Asia	Others	Total	Japan	North America (Note)	Asia	Others	Total
¥ 599,886	¥ 10,470	¥ 39,810	¥ 42,377	¥ 692,545	\$ 4,492,521	\$ 78,414	\$ 298,139	\$ 317,365	\$ 5,186,441

For the year ended March 31, 2022

Millions of yen					Thousands of U.S. dollars				
Japan	North America (Note)	Asia	Others	Total	Japan	North America (Note)	Asia	Others	Total
¥ 542,267	¥ 5,111	¥ 34,328	¥ 41,599	¥ 623,306	\$ 4,061,016	\$ 38,276	\$ 257,087	\$ 311,534	\$ 4,667,914

(c) Information by major customers

Of sales to external customers, sales to a specific customer account for less than 10% of net sales in the consolidated financial statements, and therefore this information has not been presented for the years ended March 31, 2023 and 2022.

(3) Impairment loss on noncurrent assets by reportable segment

For the year ended March 31, 2023

Millions of yen						
Domestic building construction	Overseas building construction	Domestic civil engineering	Overseas civil engineering	Real estate	Others	Total
¥ -	¥ -	¥ 258	¥ -	¥ 29	¥ -	¥ 287

For the year ended March 31, 2023

Thousands of U.S. dollars						
Domestic building construction	Overseas building construction	Domestic civil engineering	Overseas civil engineering	Real estate	Others	Total
\$ -	\$ -	\$ 1,933	\$ -	\$ 222	\$ -	\$ 2,155

For the year ended March 31, 2022

Millions of yen						
Domestic building construction	Overseas building construction	Domestic civil engineering	Overseas civil engineering	Real estate	Others	Total
¥ -	¥ -	¥ 19	¥ -	¥ 605	¥ -	¥ 625

For the year ended March 31, 2022

Thousands of U.S. dollars						
Domestic building construction	Overseas building construction	Domestic civil engineering	Overseas civil engineering	Real estate	Others	Total
\$ -	\$ -	\$ 149	\$ -	\$ 4,535	\$ -	\$ 4,684

(4) Amortization and balance of goodwill by reportable segment

	Millions of yen						
	Domestic building construction	Overseas building construction	Domestic civil engineering	Overseas civil engineering	Real estate	Others	Total
For the year ended March 31, 2023							
Amortization amount	¥ 154	¥ —	¥ —	¥ —	¥ 167	¥ —	¥ 321
Balance	4,659	—	—	—	376	—	5,036

	Thousands of U.S. dollars						
	Domestic building construction	Overseas building construction	Domestic civil engineering	Overseas civil engineering	Real estate	Others	Total
For the year ended March 31, 2023							
Amortization amount	\$ 1,154	\$ —	\$ —	\$ —	\$ 1,255	\$ —	\$ 2,409
Balance	34,895	—	—	—	2,822	—	37,718

	Millions of yen						
	Domestic building construction	Overseas building construction	Domestic civil engineering	Overseas civil engineering	Real estate	Others	Total
For the year ended March 31, 2022							
Amortization amount	¥ 100	¥ —	¥ —	¥ —	¥ 167	¥ —	¥ 267
Balance	693	—	—	—	544	—	1,237

	Thousands of U.S. dollars						
	Domestic building construction	Overseas building construction	Domestic civil engineering	Overseas civil engineering	Real estate	Others	Total
For the year ended March 31, 2022							
Amortization amount	\$ 749	\$ —	\$ —	\$ —	\$ 1,254	\$ —	\$ 2,004
Balance	5,193	—	—	—	4,077	—	9,270

(5) Amount of gain on negative goodwill by reportable segment
None.

23. Related Party Transactions

(1) Transactions of the Company with related parties
None.

(2) Transactions of the Company's consolidated subsidiaries with related parties

Details of transactions with related parties and the respective balances as of and for the years ended March 31, 2023 and 2022 are as follows:

For the year ended March 31, 2023

Classification	Related party and address	Capital	Type of business	% of voting rights held (held by others)	Relationship	Nature of transaction	Amount of transaction (Note 1)			Balance at the end of the year	
							Millions of yen	Thousands of U.S. dollars	Accounts	Millions of yen	Thousands of U.S. dollars
Companies with majority of the voting rights owned by the directors and their close relatives of a material subsidiary company	759 Winston Churchill GP Inc. (Note 2), Ontario, Canada	CA\$100	Acquisition, development, management, operation and sale of real estate	25.0	Construction contract Concurrent director	Construction contract by Kenaidan (Note 3)	¥3,075	\$23,033	Accounts receivable from completed construction contracts	¥1,183	\$8,866
								Advances received on uncompleted construction contracts	¥23	\$177	
Companies with majority of the voting rights owned by the directors and their close relatives of a material subsidiary company	2645 Royal Windsor GP Inc. (Note 2), Ontario, Canada	CA\$2	Acquisition, development, management, operation and sale of real estate	-	Construction contract Concurrent director	Construction contract by Kenaidan (Note 3)	¥829	\$6,210	Accounts receivable from completed construction contracts	¥851	\$6,378
								Advances received on uncompleted construction contracts	¥41	\$307	
Companies with majority of the voting rights owned by the directors and their close relatives of a material subsidiary company	688 Southdown LP. (Note 2), Ontario, Canada	CA\$1,000	Acquisition, development, management, operation and sale of real estate	-	Construction contract Concurrent director	Construction contract by Kenaidan (Note 3)	¥3,082	\$23,081	Accounts receivable from completed construction contracts	¥1,047	\$7,841

Notes: 1. Consumption taxes are not included in the transaction amounts.

2. 759 Winston Churchill GP Inc., 2645 Royal Windsor GP Inc. and 688 Southdown LP. are subsidiaries of M.I.S. Investments Limited, of which 100 percent of the voting rights are directly owned by Kenaidan director Aidan Flatley and his close relatives.

3. Transaction conditions including the transaction amounts are determined in the same method as for other general transactions.

For the year ended March 31, 2022

Classification	Related party and address	Capital		% of voting rights held (held by others)	Relationship	Nature of transaction	Amount of transaction (Note 1)		Accounts	Balance at the end of the year	
		Millions of yen	Type of business				Millions of yen	Thousands of U.S. dollars		Millions of yen	Thousands of U.S. dollars
Companies with majority of the voting rights owned by the directors and their close relatives of a material subsidiary company	759 Winston Churchill GP Inc. Ontario, Canada	CA\$100	Acquisition, development, management, operation and sale of real estate	25.0	Construction contract Concurrent director	Construction contract by Kenaidan (Note 3)	¥1,682	\$12,602	Accounts receivable from completed construction contracts Advances received on uncompleted construction contracts	¥609 ¥48	\$4,564 \$366
Companies with majority of the voting rights owned by the directors and their close relatives of a material subsidiary company	2645 Royal Windsor GP Inc. (Note 2), Ontario, Canada	CA\$2	Acquisition, development, management, operation and sale of real estate	-	Construction contract Concurrent director	Construction contract by Kenaidan (Note 3)	¥250	\$1,877	Accounts receivable from completed construction contracts	¥189	\$1,422

Notes: 1. Consumption taxes are not included in the transaction amounts.

2. 759 Winston Churchill GP Inc. and 2645 Royal Windsor GP Inc. are subsidiaries of M.I.S. Investments Limited, of which 100 percent of the voting rights are directly owned by Kenaidan director Aidan Flatley and his close relatives.

3. Transaction conditions including the transaction amounts are determined in the same method as for other general transactions.

24. Amounts per Share

Basic profit attributable to owners of parent per share is computed based on the weighted average number of shares of common stock outstanding during the year.

Net assets per share is computed based on the number of shares of common stock outstanding at the balance sheet date.

Net assets and profit per share for the years ended March 31, 2023 and 2022 are as follows:

For the years ended March 31	Yen		U.S. dollars	
	2023	2022	2023	2022
Net assets per share	¥ 1,390.77	¥ 1,333.10	\$ 10.41	\$ 9.98
Basic profit attributable to owners of parent per share	108.34	54.55	0.81	0.40

(1) Diluted profit attributable to owners of parent is not presented for the years ended March 31, 2023 and 2022 because the Company has no potentially dilutive shares outstanding as of these balance sheet dates.

(2) Net assets per share

At March 31	Millions of yen		Thousands of U.S. dollars	
	2023	2022	2023	2022
Net assets	¥ 1,035,881	¥ 988,913	\$ 7,757,668	\$ 7,405,927
Amounts deducted from net assets (Non-controlling interests)	38,772	33,222	290,361	248,798
Net assets applicable to shareholders of common stock	997,109	955,691	7,467,306	7,157,128
Number of shares of common stock at the year-end (Thousands of shares)	716,947	716,896	716,947	716,896

Shares in the BIP Trust are included in "Treasury stock" which are deducted from the number of shares of common stock in calculating net assets per share. The numbers of the treasury shares at March 31, 2023 and 2022 are 4,561 thousand and 4,613 thousand, including 1,093 thousand and 1,148 thousand shares in the BIP Trust, respectively.

(3) Basic profit attributable to owners of parent per share

For the years ended March 31	Millions of yen		Thousands of U.S. dollars	
	2023	2022	2023	2022
Basic profit attributable to owners of parent	¥ 77,671	¥ 39,127	\$ 581,674	\$ 293,021
Profit attributable to owners of parent not attributable to shareholders of common stock	-	-	-	-
Profit attributable to owners of parent attributable to shareholders of common stock	77,671	39,127	581,674	293,021
Average number of shares issued and outstanding during the period (Thousands of shares)	716,931	717,251	716,931	717,251

Shares in the BIP Trust are included in "Treasury stock" which are deducted from the number of shares of common stock in calculating basic profit attributable to owners of parent per share. The average number of shares issued and outstanding during the years ended March 31, 2023 and 2022 are 4,577 thousand and 4,258 thousand, including 1,111 thousand and 794 thousand shares in the BIP Trust, respectively.

25. Corporate Bonds

At March 31 Issued by	Issue type	Issue date	Millions of yen		Thousands of U.S. dollars		Interest rate (%)	Collateral	Maturity
			2023	2022	2023	2022			
Obayashi Corp.	20th unsecured straight bond	May 9, 2013	¥ 10,000 (10,000)	¥ 10,000	\$ 74,889 (74,889)	\$ 74,889	0.970	None	May 9, 2023
Obayashi Corp.	22nd unsecured straight bond	Sept. 13, 2018	10,000	10,000	74,889	74,889	0.385	None	Sept. 13, 2028
Obayashi Corp.	23rd unsecured straight bond	Oct. 25, 2018	10,000 (10,000)	10,000	74,889 (74,889)	74,889	0.130	None	Oct. 25, 2023
Obayashi Corp.	24th unsecured straight bond	June 20, 2019	10,000	10,000	74,889	74,889	0.110	None	June 20, 2024
Obayashi Corp.	25th unsecured straight bond	April 27, 2022	20,000	—	149,779	—	0.250	None	April 27, 2027
Obayashi Corp.	26th unsecured straight bond	April 27, 2022	10,000	—	74,889	—	0.380	None	April 27, 2029
Total			¥ 70,000 (20,000)	¥ 40,000	\$ 524,226 (149,779)	\$ 299,558			

1. The figures in parentheses at March 31, 2023 indicate the amount as "Current portion of bonds payable" in the consolidated balance sheets because they will be redeemed within a year.

2. The annual redemption schedule of corporate bonds subsequent to March 31, 2023 is as follows:

	Millions of yen	Thousands of U.S. dollars
Less than 1 year	¥ 20,000	\$ 149,779
Over 1 year less than 2 years	10,000	74,889
Over 2 years less than 3 years	—	—
Over 3 years less than 4 years	—	—
Over 4 years less than 5 years	20,000	149,779

26. Loans

At March 31	Millions of yen		Thousands of U.S. dollars		Average interest rate (%)	Maturity
	2023	2022	2023	2022		
Short-term loans payable	¥ 46,405	¥ 43,206	\$ 347,524	\$ 323,568	0.67	—
Current portion of long-term loans payable	20,765	19,579	155,510	146,628	0.46	—
Current portion of nonrecourse loans payable	8,611	14,122	64,491	105,765	1.50	—
Current portion of lease obligations	1,425	294	10,674	2,202	—	—
Long-term loans payable (excluding current portion)	124,051	94,590	929,018	708,387	0.93	2024 ~ 2038
Nonrecourse loans payable (excluding current portion)	68,087	68,937	509,905	516,271	1.30	2024 ~ 2039
Lease obligations (excluding current portion)	5,018	144	37,580	1,084	—	2024 ~ 2036
Total	¥ 274,364	¥ 240,875	\$ 2,054,706	\$ 1,803,907		

1. The "Average interest rate" is the weighted average interest rate for the average balance of loans during the given fiscal year.

2. The annual repayment schedule of long-term loans payable, nonrecourse loans payable and lease obligations subsequent to March 31, 2023 is as follows:

	Millions of yen	Thousands of U.S. dollars
Long-term loans payable		
Over 1 year less than 2 years	¥ 15,301	\$ 114,595
Over 2 years less than 3 years	23,511	176,073
Over 3 years less than 4 years	19,193	143,739
Over 4 years less than 5 years	20,172	151,068
Nonrecourse loans payable		
Over 1 year less than 2 years	¥ 7,959	\$ 59,604
Over 2 years less than 3 years	8,019	60,058
Over 3 years less than 4 years	7,318	54,806
Over 4 years less than 5 years	6,178	46,267
Lease obligations		
Over 1 year less than 2 years	¥ 646	\$ 4,840
Over 2 years less than 3 years	988	7,403
Over 3 years less than 4 years	598	4,482
Over 4 years less than 5 years	511	3,832

3. The "Average interest rate" columns for the "Current portion of lease obligations" and the "Lease obligations (excluding current portion)" are left blank, as the lease obligations stated on the consolidated balance sheets include the interest portion of the lease payments.

27. Subsequent Event

None.