



ODAYASHI CORPORATION

CONSOLIDATED
FINANCIAL STATEMENTS

Year Ended March 31, 2021

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, 2021, and the consolidated statements of income, comprehensive income, changes in net assets, and cash flows for the year then ended, and notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at March 31, 2021, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with accounting principles generally accepted in Japan.

Basis for Opinion

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

Key Audit Matters

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

Estimates of total construction revenue and total construction costs when applying the percentage-of-completion method	
Key audit matters	Auditor's response
As described in "(1) Application of the percentage-of-completion method" under "4. Significant Accounting Estimates," the Group applies the percentage-of-completion method for the portion of work completed up to the end of the fiscal year ended March 31, 2021 for construction contracts for which completion is	We mainly performed the following procedures to evaluate the estimates of total construction revenue and total construction costs when applying the percentage-of-completion method. (1) Evaluation of internal control We evaluated the design and operating effectiveness of the following internal controls

deemed to be certain (the cost-to-cost method is used to estimate progress toward completion of construction). 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.

Net sales accounted for by the percentage-of-completion method made up 85.9%, or 1,517,425 million yen, of total net sales for the fiscal year ended March 31, 2021. The provision for Loss on construction contracts was 3,114 million yen for the fiscal year ended March 31, 2021.

In applying the percentage-of-completion 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. Accordingly, it is necessary to reasonably estimate total construction revenue, total construction costs, and progress toward completion of construction 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 construction details and the like will change during the course of construction due to certain facts coming to light and conditions at construction sites changing after the start of construction.

Although total construction revenue, which serves as a basis for revenue recognition under the percentage-of-completion method, is based on construction contract amounts, construction details and contracts tend to be modified while

relating to estimates of 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.
- We evaluated controls to confirm that each of the elements of total construction costs are accumulated and calculated in detail based on objective prices such as internally-approved standard unit prices and third party quotations.
- We evaluated a system for revising estimates of total construction costs in a timely manner in accordance with factors such as the status of construction and the amounts 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 a system 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 is 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 compared the construction contract amounts, which are incorporated into estimates of total construction revenue, to construction contracts.
- Of additional construction contract amounts

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.

In addition, although total construction costs, which serve as a basis for revenue recognition under the percentage-of-completion method, 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.

Further, considering that it is necessary to take into consideration factors such as the political situation and economic conditions in countries where the Group does business as well as fluctuations in exchange rates since overseas construction projects, mainly in Asia and North America, in particular tend to be large in scale and span long periods of time, estimates of total construction costs for overseas construction projects involve an even greater degree of uncertainty, and estimates of total construction costs are becoming relatively more uncertain when taking into account the impact of work being halted on domestic and overseas construction projects as a result of the spread of the COVID-19 pandemic in the fiscal year ended March 31, 2021.

Based on the above, we have determined that estimates of total construction costs and total construction revenue as it relates to application of the percentage-of-completion method are key

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.

- We evaluated the estimates of total construction revenue and the cutoff for the fiscal year ended March 31, 2021 by analyzing quarter-to-quarter changes in such estimates.

(3) Evaluation of estimates of total construction costs

We identified construction contracts in which there is 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 are consistent with construction deliverables, whether estimated costs were calculated by grouping such details by type of construction, and whether operating budgets are free from material reconciling items included in response to future uncertainty.
- 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 changes to revised basis materials prepared by on-site construction personnel.
- After inquiring about construction progress from construction departments and on-site construction managers, we made inquiries on a quarterly basis about determinations of whether to revise total construction costs and, for

audit matters.	<p>construction projects for which the Group determined that revision is necessary, we evaluated the timeliness and appropriateness of these determinations and revised operating budgets.</p> <ul style="list-style-type: none"> • We obtained operating budgets, and compared the estimated costs for each type of work to 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. • 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 and progress toward completion of construction. • We evaluated the accuracy of estimates of ongoing operating budgets and the process for estimating total construction costs by comparing the most recent estimates of total construction costs for each quarter to the corresponding estimates of total construction costs for the preceding quarter and considering the reasons for quarter-to-quarter changes in estimates on a quarterly basis. <p>(4) Evaluation of the amount recorded for provision of Loss on construction contracts</p> <p>For the amount of provision of loss on construction above a certain amount, in addition to the procedures noted in (1) through (3) above, we obtained a schedule of provision for Loss on construction contracts prepared by the Group, recalculated the amount to be recorded for provision for Loss on construction contracts, and found that the amount was the same as that recorded by the Group.</p>
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Assessment of indicators of impairment of investment and rental properties	
Key audit matters	Auditor's response

<p>As described in “(2) Impairment of investment and rental properties” under “4. Significant Accounting Estimates,” the Group recorded impairment loss of 540 million yen on investment and rental properties of 411,386 million yen for the fiscal year ended March 31, 2021 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, competition in the real estate market, and the COVID-19 pandemic.</p> <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>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 non-current 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 net operating income recorded in the previous period and making inquiries of the responsible department in accordance with preconditions estimated by the Group in light of factors that include the COVID-19 pandemic. Further, we agreed significant estimates of net operating income to source documents. • 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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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 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, 2021 are presented solely for convenience. Our audit also included the translation of Japanese yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 2 to the consolidated financial statements.

Ernst & Young ShinNihon LLC
Tokyo, Japan

June 25, 2021

Shuji Kaneko
Designated Engagement Partner
Certified Public Accountant

Kenji Sato
Designated Engagement Partner
Certified Public Accountant

Consolidated Balance Sheets

OBAYASHI CORPORATION

At March 31, 2021 and 2020

	Millions of yen		Thousands of U.S. dollars (Note 2)	
	2021	2020	2021	2020
Assets				
Current assets				
Cash and deposits (Notes 7 and 13)	\ 258,549 \	315,027	\$ 2,335,374	\$ 2,845,523
Notes and accounts receivable from completed construction contracts and other (Notes 7 and 13)	744,473	773,694	6,724,532	6,988,481
Electronically recorded monetary claims (Notes 13)	21,327	12,680	192,644	114,534
Short-term investment securities (Notes 7, 13 and 14)	4,401	7,103	39,761	64,166
Real estate for sale	12,160	11,937	109,842	107,822
Costs on uncompleted construction contracts (Note 7)	69,198	38,141	625,038	344,517
Costs on real estate business	22,826	15,171	206,182	137,042
Inventories for PFI and other projects (Note 7)	38,095	53,500	344,097	483,244
Other inventories (Note 7)	8,206	8,744	74,128	78,981
Accounts receivable-other (Note 13)	64,501	75,125	582,621	678,580
Other	25,812	22,749	233,156	205,489
Allowance for doubtful accounts	(147)	(118)	(1,336)	(1,074)
Total current assets	1,269,405	1,333,757	11,466,044	12,047,310
Noncurrent assets				
Property, plant and equipment, net				
Buildings and structures (Note 7)	117,083	120,866	1,057,569	1,091,741
Machinery, vehicles, tools, furniture and fixtures (Note 7)	50,846	55,274	459,280	499,272
Land (Note 7)	385,157	367,701	3,478,977	3,321,299
Leased assets	1,081	236	9,764	2,133
Construction in progress (Note 7)	55,087	28,112	497,583	253,928
Total property, plant and equipment, net (Note 7)	609,256	572,190	5,503,176	5,168,376
Intangible assets	6,437	6,367	58,147	57,516
Investments and other assets				
Investment securities (Notes 7, 13 and 14)	340,079	290,719	3,071,805	2,625,953
Long-term loans receivable	1,769	2,109	15,982	19,054
Deferred tax assets (Note 17)	2,126	1,846	19,208	16,682
Other (Note 7)	43,730	23,496	395,002	212,236
Allowance for doubtful accounts	(177)	(191)	(1,607)	(1,729)
Total investments and other assets	387,528	317,981	3,500,391	2,872,198
Total noncurrent assets	1,003,222	896,539	9,061,714	8,098,090
Total assets	\ 2,272,628 \	2,230,297	\$ 20,527,758	\$ 20,145,401

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)	
	2021	2020	2021	2020
Liabilities				
Current liabilities				
Notes and accounts payable for construction contracts and other (Notes 13)	\ 466,213 \	536,863	\$ 4,211,125	\$ 4,849,274
Electronically recorded obligations (Notes 13)	106,456	118,976	961,578	1,074,670
Short-term loans payable (Notes 7, 13 and 24)	54,634	54,823	493,492	495,201
Current portion of nonrecourse loans payable (Notes 7, 13 and 24)	7,445	7,631	67,250	68,929
Lease obligations (Notes 13 and 24)	740	839	6,685	7,581
Income taxes payable	13,415	27,209	121,177	245,774
Advances received on uncompleted construction contracts	127,845	109,216	1,154,777	986,508
Deposits received (Note 13)	121,289	121,611	1,095,556	1,098,467
Provision for warranties for completed construction	2,975	4,313	26,880	38,961
Provision for loss on construction contracts (Note 7)	13,551	12,694	122,407	114,666
Provision for loss on Antimonopoly Act	—	4,145	—	37,440
Other	78,357	91,845	707,772	829,608
Total current liabilities	992,925	1,090,170	8,968,702	9,847,085
Noncurrent liabilities				
Bonds payable (Notes 13 and 23)	40,000	40,000	361,304	361,304
Long-term loans payable (Notes 7, 13 and 24)	101,722	78,104	918,820	705,488
Nonrecourse loans payable (Notes 7, 13 and 24)	62,151	67,993	561,390	614,156
Lease obligations (Notes 13 and 24)	296	442	2,677	3,997
Deferred tax liabilities (Note 17)	21,229	5,336	191,754	48,206
Deferred tax liabilities for land revaluation (Note 17)	18,644	18,893	168,405	170,660
Provision for stock payments for directors	401	433	3,630	3,919
Provision for environmental measures	26	239	237	2,161
Liability for retirement benefits (Note 16)	47,758	52,598	431,382	475,098
Other	25,493	25,584	230,269	231,098
Total noncurrent liabilities	317,723	289,627	2,869,872	2,616,092
Total liabilities	1,310,648	1,379,798	11,838,575	12,463,177
Net assets				
Shareholders' equity				
Capital stock	57,752	57,752	521,657	521,657
Capital surplus	42,641	42,825	385,166	386,826
Retained earnings	661,512	587,012	5,975,186	5,302,255
Treasury stock	(2,090)	(2,121)	(18,885)	(19,160)
Total shareholders' equity	759,816	685,469	6,863,124	6,191,577
Accumulated other comprehensive income				
Valuation difference on available-for-sale securities	138,542	104,775	1,251,397	946,398
Deferred gains (losses) on hedges	7,471	6,837	67,484	61,762
Revaluation reserve for land (Note 7)	20,379	19,076	184,076	172,307
Foreign currency translation adjustments	1,349	1,306	12,190	11,803
Retirement benefit asset and liability adjustments	3,449	426	31,161	3,850
Total accumulated other comprehensive income	171,191	132,422	1,546,309	1,196,122
Non-controlling interests	30,970	32,606	279,748	294,522
Total net assets	961,979	850,498	8,689,182	7,682,223
Total liabilities and net assets	\ 2,272,628 \	2,230,297	\$ 20,527,758	\$ 20,145,401

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, 2021 and 2020

	Millions of yen		Thousands of U.S. dollars (Note 2)	
	2021	2020	2021	2020
Net sales				
Construction contracts (Note 8)	\ 1,683,280	\ 1,952,419	\$ 15,204,416	\$ 17,635,440
Real estate business and other	83,612	120,623	755,239	1,089,546
Total net sales	1,766,893	2,073,043	15,959,655	18,724,986
Cost of sales				
Construction contracts (Note 8)	1,479,959	1,720,769	13,367,892	15,543,033
Real estate business and other	61,149	96,726	552,338	873,691
Total cost of sales	1,541,108	1,817,495	13,920,231	16,416,724
Gross profit				
Construction contracts	203,321	231,650	1,836,523	2,092,407
Real estate business and other	22,463	23,897	202,901	215,855
Total gross profit	225,784	255,547	2,039,424	2,308,262
Selling, general and administrative expenses (Note 8)				
Operating income	102,622	102,675	926,950	927,430
	123,161	152,871	1,112,473	1,380,832
Other income (expenses)				
Interest and dividend income	6,988	9,588	63,123	86,607
Foreign exchange gains (losses), net	686	(1,294)	6,201	(11,693)
Interest expense	(1,866)	(1,800)	(16,862)	(16,261)
Gain on sales of investment securities	5,362	5,161	48,440	46,621
Gain on sales of noncurrent assets (Note 8)	1,356	165	12,252	1,498
Reversal of provision for loss on Antimonopoly Act	1,026	2,096	9,272	18,936
Impairment loss (Note 8)	(1,188)	(511)	(10,737)	(4,623)
Loss on sales and disposal of noncurrent assets (Note 8)	(839)	(317)	(7,581)	(2,871)
Other, net	(114)	(3,456)	(1,034)	(31,217)
Total other income (expenses)	11,411	9,631	103,073	86,995
Profit before income taxes				
	134,573	162,503	1,215,547	1,467,827
Income taxes (Note 17)				
Income taxes—current	34,437	50,241	311,062	453,810
Income taxes—deferred	(708)	(4,900)	(6,403)	(44,265)
Total income taxes	33,728	45,340	304,659	409,545
Profit				
	100,844	117,162	910,888	1,058,282
Profit attributable to non-controlling interests				
	2,063	4,068	18,641	36,753
Profit attributable to owners of parent				
	\ 98,780	\ 113,093	\$ 892,247	\$ 1,021,529

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, 2021 and 2020

	Millions of yen		Thousands of U.S. dollars (Note 2)	
	2021	2020	2021	2020
Profit	\ 100,844	\ 117,162	\$ 910,888	\$ 1,058,282
Other comprehensive income				
Valuation difference on available-for-sale securities	33,765	(45,357)	304,993	(409,698)
Deferred gains (losses) on hedges	(46)	5,971	(419)	53,936
Foreign currency translation adjustments	(1,526)	2,693	(13,789)	24,329
Retirement benefit asset and liability adjustments	3,019	(1,753)	27,274	(15,839)
Share of other comprehensive income of affiliates accounted for by the equity method	666	(250)	6,017	(2,262)
Total other comprehensive income (Note 9)	35,878	(38,697)	324,077	(349,535)
Comprehensive income	\ 136,723	\ 78,465	\$ 1,234,966	\$ 708,747
Comprehensive income attributable to:				
Owners of parent	\ 136,246	\ 73,065	\$ 1,230,665	\$ 659,973
Non-controlling interests	476	5,399	4,300	48,774

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, 2021

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	\ 42,825	\ 587,012	\ (2,121)	\ 685,469
Changes during period					
Cash dividends paid			(22,977)		(22,977)
Profit attributable to owners of parent			98,780		98,780
Reversal of revaluation reserve for land			(1,302)		(1,302)
Purchase of treasury stock				(3)	(3)
Disposal of treasury stock				33	33
Share changes in parent's ownership interests associated with transaction with non-controlling interests		(183)			(183)
Net changes in items other than those in shareholders' equity					
Total changes during period	-	(183)	74,500	30	74,346
Balance at the end of current period	\ 57,752	\ 42,641	\ 661,512	\ (2,090)	\ 759,816

	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	\ 104,775	\ 6,837	\ 19,076	\ 1,306	\ 426	\ 132,422	\ 32,606	\ 850,498
Changes during period								
Cash dividends paid								(22,977)
Profit attributable to owners of parent								98,780
Reversal of revaluation reserve for land								(1,302)
Purchase of treasury stock								(3)
Disposal of treasury stock								33
Share changes in parent's ownership interests associated with transaction with non-controlling interests								(183)
Net changes in items other than those in shareholders' equity	33,766	633	1,302	42	3,023	38,769	(1,635)	37,133
Total changes during period	33,766	633	1,302	42	3,023	38,769	(1,635)	111,480
Balance at the end of current period	\ 138,542	\ 7,471	\ 20,379	\ 1,349	\ 3,449	\ 171,191	\ 30,970	\ 961,979

For the year ended March 31, 2021

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	\$ 521,657	\$ 386,826	\$ 5,302,255	\$ (19,160)	\$ 6,191,577
Changes during period					
Cash dividends paid			(207,547)		(207,547)
Profit attributable to owners of parent			892,247		892,247
Reversal of revaluation reserve for land			(11,768)		(11,768)
Purchase of treasury stock				(30)	(30)
Disposal of treasury stock				305	305
Share changes in parent's ownership interests associated with transaction with non-controlling interests		(1,660)			(1,660)
Net changes in items other than those in shareholders' equity					
Total changes during period	-	(1,660)	672,931	275	671,546
Balance at the end of current period	\$ 521,657	\$ 385,166	\$ 5,975,186	\$ (18,885)	\$ 6,863,124

	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	\$ 946,398	\$ 61,762	\$ 172,307	\$ 11,803	\$ 3,850	\$ 1,196,122	\$ 294,522	\$ 7,682,223
Changes during period								
Cash dividends paid								(207,547)
Profit attributable to owners of parent								892,247
Reversal of revaluation reserve for land								(11,768)
Purchase of treasury stock								(30)
Disposal of treasury stock								305
Share changes in parent's ownership interests associated with transaction with non-controlling interests								(1,660)
Net changes in items other than those in shareholders' equity	304,998	5,722	11,768	386	27,310	350,186	(14,774)	335,412
Total changes during period	304,998	5,722	11,768	386	27,310	350,186	(14,774)	1,006,958
Balance at the end of current period	\$ 1,251,397	\$ 67,484	\$ 184,076	\$ 12,190	\$ 31,161	\$ 1,546,309	\$ 279,748	\$ 8,689,182

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

For the year ended March 31, 2020

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	\ 42,540	\ 498,195	\ (2,132)	\ 596,355
Changes during period					
Cash dividends paid			(24,413)		(24,413)
Profit attributable to owners of parent			113,093		113,093
Reversal of revaluation reserve for land			138		138
Purchase of treasury stock				(5)	(5)
Disposal of treasury stock				16	16
Share changes in parent's ownership interests associated with transaction with non-controlling interests		285			285
Net changes in items other than those in shareholders' equity					
Total changes during period	-	285	88,817	10	89,113
Balance at the end of current period	\ 57,752	\ 42,825	\ 587,012	\ (2,121)	\ 685,469

	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	\ 150,115	\ 1,113	\ 19,214	\ (33)	\ 2,178	\ 172,588	\ 29,204	\ 798,149
Changes during period								
Cash dividends paid								(24,413)
Profit attributable to owners of parent								113,093
Reversal of revaluation reserve for land								138
Purchase of treasury stock								(5)
Disposal of treasury stock								16
Share changes in parent's ownership interests associated with transaction with non-controlling interests								285
Net changes in items other than those in shareholders' equity	(45,339)	5,723	(138)	1,340	(1,752)	(40,165)	3,401	(36,764)
Total changes during period	(45,339)	5,723	(138)	1,340	(1,752)	(40,165)	3,401	52,349
Balance at the end of current period	\ 104,775	\ 6,837	\ 19,076	\ 1,306	\ 426	\ 132,422	\ 32,606	\ 850,498

For the year ended March 31, 2020

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	\$ 521,657	\$ 384,247	\$ 4,500,000	\$ (19,257)	\$ 5,386,646
Changes during period					
Cash dividends paid			(220,521)		(220,521)
Profit attributable to owners of parent			1,021,529		1,021,529
Reversal of revaluation reserve for land			1,247		1,247
Purchase of treasury stock				(47)	(47)
Disposal of treasury stock				144	144
Share changes in parent's ownership interests associated with transaction with non-controlling interests		2,578			2,578
Net changes in items other than those in shareholders' equity					
Total changes during period	-	2,578	802,255	97	804,931
Balance at the end of current period	\$ 521,657	\$ 386,826	\$ 5,302,255	\$ (19,160)	\$ 6,191,577

	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	\$ 1,355,934	\$ 10,060	\$ 173,554	\$ (301)	\$ 19,677	\$ 1,558,926	\$ 263,796	\$ 7,209,369
Changes during period								
Cash dividends paid								(220,521)
Profit attributable to owners of parent								1,021,529
Reversal of revaluation reserve for land								1,247
Purchase of treasury stock								(47)
Disposal of treasury stock								144
Share changes in parent's ownership interests associated with transaction with non-controlling interests								2,578
Net changes in items other than those in shareholders' equity	(409,536)	51,701	(1,247)	12,104	(15,826)	(362,803)	30,726	(332,076)
Total changes during period	(409,536)	51,701	(1,247)	12,104	(15,826)	(362,803)	30,726	472,854
Balance at the end of current period	\$ 946,398	\$ 61,762	\$ 172,307	\$ 11,803	\$ 3,850	\$ 1,196,122	\$ 294,522	\$ 7,682,223

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, 2021 and 2020

	Millions of yen		Thousands of U.S. dollars (Note 2)	
	2021	2020	2021	2020
Net cash provided by (used in) operating activities				
Profit before income taxes	\ 134,573	\ 162,503	\$ 1,215,547	\$ 1,467,827
Depreciation and amortization	20,038	19,880	180,995	179,568
Impairment loss	1,188	511	10,737	4,623
Increase (decrease) in allowance for doubtful accounts	17	(50)	154	(456)
Increase (decrease) in provision for loss on construction contracts	891	10,743	8,054	97,040
Increase (decrease) in provision for loss on Antimonopoly Act	(4,145)	(6,179)	(37,440)	(55,821)
Increase (decrease) in provision for loss on real estate business and other	-	(993)	-	(8,969)
Increase (decrease) in liability for retirement benefits	(424)	(788)	(3,831)	(7,126)
Interest and dividend income	(6,988)	(9,588)	(63,123)	(86,607)
Interest expense	1,866	1,800	16,862	16,261
Loss (gain) on sales of noncurrent assets	(1,124)	(50)	(10,157)	(457)
Loss (gain) on sales of short-term and long-term investment securities	(5,312)	(4,717)	(47,983)	(42,608)
Decrease (increase) in notes and accounts receivable—trade	14,647	84,441	132,303	762,723
Decrease (increase) in costs on uncompleted construction contracts	(31,141)	(2,772)	(281,285)	(25,043)
Decrease (increase) in inventories	(5,653)	8,421	(51,067)	76,064
Decrease (increase) in inventories for PFI and other projects	15,404	(9,391)	139,147	(84,825)
Decrease (increase) in other assets	4,645	15,370	41,963	138,838
Increase (decrease) in notes and accounts payable—trade	(77,678)	(14,922)	(701,642)	(134,786)
Increase (decrease) in advances received on uncompleted construction contracts	20,284	(7,472)	183,223	(67,496)
Increase (decrease) in other liabilities	(12,868)	26,292	(116,231)	237,490
Other, net	1,454	8,744	13,138	78,986
Subtotal	69,676	281,781	629,364	2,545,225
Interest and dividend received	7,827	9,698	70,706	87,606
Interest paid	(1,830)	(1,777)	(16,530)	(16,056)
Income taxes (paid) refunded	(47,753)	(47,991)	(431,336)	(433,490)
Surcharges paid	(3,118)	(4,083)	(28,167)	(36,884)
Net cash provided by (used in) operating activities	24,803	237,628	224,036	2,146,400
Net cash provided by (used in) investing activities				
Payments into time deposits	(38,801)	(38,901)	(350,474)	(351,384)
Proceeds from withdrawal of time deposits	32,044	33,359	289,442	301,322
Purchase of property, plant and equipment and intangible assets	(57,431)	(47,471)	(518,758)	(428,795)
Proceeds from sales of property, plant and equipment and intangible assets	2,726	504	24,629	4,553
Purchase of short-term and long-term investment securities	(4,973)	(5,369)	(44,927)	(48,504)
Proceeds from sales and redemption of short-term and long-term investment securities	11,971	10,859	108,136	98,085
Payments of loans receivable	(79)	(408)	(714)	(3,691)
Collection of loans receivable	168	224	1,518	2,027
Payments for purchase of shares of subsidiaries resulting in change in scope of consolidation	(6,671)	-	(60,264)	-
Payments for sales of shares of subsidiaries resulting in change in scope of consolidation	-	(113)	-	(1,022)
Other, net	(18,028)	-	(162,845)	-
Net cash provided by (used in) investing activities	(79,075)	(47,318)	(714,258)	(427,410)
Net cash provided by (used in) financing activities				
Net increase (decrease) in short-term loans payable	-	(1,700)	-	(15,355)
Repayments of lease obligations	(883)	(344)	(7,978)	(3,110)
Proceeds from long-term loans payable	41,161	10,212	371,796	92,246
Repayment of long-term loans payable	(17,464)	(17,879)	(157,748)	(161,495)
Proceeds from nonrecourse loans payable	1,605	3,302	14,499	29,832
Payment of nonrecourse loans payable	(7,632)	(16,835)	(68,943)	(152,064)
Proceeds from issuance of bonds	-	10,000	-	90,326
Redemption of bonds	-	(10,000)	-	(90,326)
Cash dividends paid	(22,977)	(24,413)	(207,547)	(220,521)
Cash dividends paid to non-controlling interests	(1,754)	(1,370)	(15,846)	(12,380)
Payments from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation	(534)	(364)	(4,828)	(3,287)
Other, net	(3)	(5)	(30)	(47)
Net cash provided by (used in) financing activities	(8,483)	(49,397)	(76,627)	(446,183)
Effect of exchange rate changes on cash and cash equivalents	285	332	2,577	3,007
Net increase (decrease) in cash and cash equivalents	(62,470)	141,245	(564,272)	1,275,814
Cash and cash equivalents at beginning of period	298,945	157,699	2,700,253	1,424,438
Cash and cash equivalents at end of period (Note 11)	\ 236,474	\ 298,945	\$ 2,135,980	\$ 2,700,253

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, 2021 and 2020

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") 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 ¥110.71 to US\$1, the rate of exchange prevailing at March 31, 2021, 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 97 subsidiaries at March 31, 2021. The consolidated financial statements as of and for the years ended March 31, 2021 and 2020 included the accounts of the Company and all subsidiaries.

All significant intercompany accounts and transactions are eliminated. Investments in all affiliates (25 companies as of March 31, 2021) are accounted for by the equity method.

(2) Fiscal year for consolidated subsidiaries

A domestic consolidated subsidiary and certain foreign consolidated subsidiaries (36 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 of 5 years. 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 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 loss on Antimonopoly Act

Provision for loss on Antimonopoly Act is provided for the estimated surcharges and other based on the Antimonopoly Act.

(15) 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.

(16) 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.

(17) 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 is 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.

(18) 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.

(19) Recognizing revenues and costs of construction contracts

Revenues and costs of construction contracts of which the percentage of completion can be reliably estimated are recognized by the percentage-of-completion method. The percentage of completion is calculated at the cost incurred as a percentage of the estimated total cost. The completed-contract method continues to be applied for contracts for which the percentage of completion cannot be reliably estimated.

Revenues from construction contracts and the related costs of the overseas subsidiaries are mainly recorded on the percentage-of-completion method.

(20) Revenues and expenses associated with finance lease transactions
Sales and cost of sales are recognized upon receipt of lease payment.

(21) Consumption taxes
Consumption tax and local consumption tax are accounted for under the tax-exclusive method.

(22) 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.

(23) Consolidated tax payment system
The Companies apply the consolidated tax payment system.

(24) Application of deferred tax accounting for transition from consolidated tax payment system to group tax sharing system
The Company and some of its domestic subsidiaries do not apply the provisions of paragraph 44 of the "Guidance on Accounting Standard for Tax Effect Accounting" (ASBJ Guidance No. 28, February 16, 2018), to the items for which the non-consolidated tax payment system was reviewed in conjunction with the transition to the group tax sharing system established in "Act for Partial Revision of the Income Tax Act, etc." (Act No. 8, 2020) and the transition to the group tax sharing system, in accordance with paragraph 3 of the "Practical Solution on the Treatment of Tax Effect Accounting for the Transition from the Consolidated Taxation System to the Group Tax Sharing System" (PITF No. 39, March 31, 2020), and the amount of deferred tax assets and deferred tax liabilities are based on the provisions of the tax law before the revision.

(25) 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

(1) Application of the percentage-of-completion method

(a) The amounts recorded in the consolidated financial statements for the current fiscal year
Revenues from construction contracts recognized by the percentage-of-completion method:

\1,517,425 million (US\$13,706,308 thousand)

(b) Other information that contributes to the understanding of users of consolidated financial statements

1. Calculation method

The Companies applies the percentage-of-completion method for the portion of work completed up to the end of the fiscal year ended March 31, 2021 for construction contracts for which completion is deemed to be certain (the cost-to-cost method is used to estimate progress toward completion of construction). Specifically, in applying the percentage-of-completion 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 percentage-of-completion method, and the estimated 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, taking into account the impact of the COVID-19 pandemic.

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

Although the major assumptions may have an impact on revenues from construction contracts due to the uncertainty of estimates, the Companies do not anticipate any changes in assumptions that would have a significant impact on the consolidated financial statements for the following fiscal year and beyond when making estimates at the end of the current consolidated fiscal year.

(2) Impairment of investment and rental properties

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

Impairment loss: \540 million (US\$4,881 thousand)

It should be noted that investment and rental properties recorded in the consolidated balance sheets is \411,386 million (US\$3,715,889 thousand) as of the fiscal year ended March 31, 2021.

(b) Other information that contributes to the understanding of users of consolidated financial statements

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, taking into account the impact of the COVID-19 pandemic.

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

Although there is a possibility that estimates of market prices (fair values) and recoverable amounts may increase or decrease depending on the operating conditions of each property, real estate leasing market conditions, and other factors, the Companies do not anticipate any changes in assumptions that would have a significant impact on the consolidated financial statements for the following fiscal year and beyond when making estimates at the end of the current fiscal year.

5. Standards Issued But Not Yet Effective

(1) Accounting Standard and Implementation Guidance on Revenue Recognition

On March 30, 2018, the Accounting Standards Board of Japan (ASBJ) issued "Accounting Standard for Revenue Recognition" (ASBJ Statement No.29, revised March 31, 2020) and "Implementation Guidance on Accounting Standard for Revenue Recognition" (ASBJ Guidance No.30, revised March 26, 2021).

(a) Overview

This is a comprehensive accounting standard for revenue recognition. Specifically, the accounting standard establishes the following five-step model that will apply to revenue from customers:

1. Identify the contract(s) with a customer
2. Identify the performance obligations in the contract
3. Determine the transaction price
4. Allocate the transaction price to the performance obligations in the contract
5. Recognize revenue when (or as) the entity satisfies a performance obligation

(b) Scheduled date of adoption

The Companies will adopt the accounting standard and implementation guidance from the beginning of the fiscal year ending March 31, 2022.

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

The impact of the adoption of the accounting standards and related implementation guidance on the consolidated financial statements is immaterial.

(2) Accounting Standard for Fair Value Measurement and Related Implementation Guidance

On July 4, 2019, the ASBJ issued "Accounting Standard for Fair Value Measurement" (ASBJ Statement No. 30), and "Implementation Guidance on Accounting Standard for Fair Value Measurement" (ASBJ Guidance No. 31, revised June 17, 2021), along with related updates to "Accounting Standard for Measurement of Inventories" (ASBJ Statement No. 9), "Accounting Standard for Financial Instruments" (ASBJ Statement No. 10), and on March 31, 2020, "Implementation Guidance on Disclosures about Fair Value of Financial Instruments" (ASBJ Guidance No. 19).

(a) Overview

The ASBJ has developed an "Accounting Standard for Fair Value Measurement" and "Implementation Guidance on Accounting Standard for Fair Value Measurement" (hereinafter collectively, the "Fair Value Measurement Standard"), which provide guidance for fair value measurement in order to improve comparability with internationally recognized accounting standards. The Fair Value Measurement Standard is applied with respect to the fair value of the following items;

- Financial instruments defined in "Accounting Standard for Financial Instruments"
- Inventories held for trading purposes defined in "Accounting Standard for Measurement of Inventories"

(b) Scheduled date of adoption

The Companies adopt the accounting standards and related implementation guidance from the beginning of the fiscal year ending March 31, 2022.

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

The impact of the adoption of the accounting standards and related implementation guidance on the consolidated financial statements is immaterial.

6. Additional Information

(1) Disclosure of significant accounting policies in accordance with the adoption of the "Accounting Standard for Disclosures about Accounting Policies, Accounting Changes and Error Corrections"

As a result of the new application of the "Accounting Standard for Disclosures about Accounting Policies, Accounting Changes and Error Corrections" (ASBJ Statement No. 24, March 31, 2020), the accounting principles and procedures adopted in cases where the provisions of the relevant accounting standards are not clear are described in "(25) Accounting method for joint ventures in construction business" in "3. Summary of Significant Accounting Policies," 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.

(2) Adoption of the "Accounting Standard for Disclosures about Accounting Estimates"

The "Accounting Standard for Disclosures about Accounting Estimates" (ASBJ Statement No. 31, March 31, 2020) is applied from the beginning of the fiscal year ended March 31, 2021 and notes regarding significant accounting estimates are included in the consolidated financial statements. However, in such notes, the contents related to the previous consolidated fiscal year are not described in accordance with the transitional treatment prescribed in the proviso of paragraph 11 of the accounting standard.

(3) 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, 2021 and 2020 are ¥400 million (US\$3,615 thousand) and 372,318 shares and ¥434 million (US\$3,921 thousand) and 403,901 shares, respectively.

7. Notes to Consolidated Balance Sheets

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

At March 31	Millions of yen		Thousands of U.S. dollars	
	2021	2020	2021	2020
Costs on PFI business	\ 38,095	\ 53,500	\$ 344,097	\$ 483,244

(2) Breakdown of "Other inventories"

At March 31	Millions of yen		Thousands of U.S. dollars	
	2021	2020	2021	2020
Costs on other business	\ 4,102	\ 4,423	\$ 37,060	\$ 39,954
Raw materials and supplies	4,103	4,320	37,067	39,026
Total	\ 8,206	\ 8,744	\$ 74,128	\$ 78,981

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

At March 31	Millions of yen		Thousands of U.S. dollars	
	2021	2020	2021	2020
	\ 183,074	\ 184,058	\$ 1,653,636	\$ 1,662,532

(4) Investments in affiliates included in investment securities

At March 31	Millions of yen		Thousands of U.S. dollars	
	2021	2020	2021	2020
	\ 7,138	\ 6,458	\$ 64,479	\$ 58,336

(5) 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.

(6) Pledged assets

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	
	2021	2020	2021	2020
Assets pledged as collateral				
Cash and deposits	\ 1,560	\ 1,621	\$ 14,092	\$ 14,645
Buildings and structures	4,033	4,239	36,434	38,289
Machinery, vehicles, tools, furniture and fixtures	38	27	347	251
Land	10,981	10,981	99,192	99,192
Investment securities	143	-	1,293	-
Total	\ 16,757	\ 16,869	\$ 151,360	\$ 152,378
Liabilities secured thereby				
Short-term loans payable	\ 300	\ 300	\$ 2,709	\$ 2,709
Long-term loans payable	300	600	2,709	5,419
Total	\ 600	\ 900	\$ 5,419	\$ 8,129

(7) 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	
	2021	2020	2021	2020
Short-term investment securities	\ 56	\ 154	\$ 512	\$ 1,394
Investment securities	293	349	2,649	3,155
Investments and other assets—other	538	392	4,865	3,549
Total	\ 888	\ 896	\$ 8,028	\$ 8,099

(8) Contingent liabilities

The Companies are contingently liable for the following:

At March 31	Millions of yen		Thousands of U.S. dollars	
	2021	2020	2021	2020
Guarantees of long-term debt of employees	\ 35	\ 52	\$ 321	\$ 476

(9) Estimated loss on uncompleted construction contracts

"Costs on uncompleted construction contracts" for which a construction loss is anticipated and "Provision for loss on construction contracts" are presented without being offset. The amounts of "Costs on uncompleted construction contracts," for which a construction loss is anticipated, matching with "Provision for loss on construction contracts" are as follows:

At March 31	Millions of yen		Thousands of U.S. dollars	
	2021	2020	2021	2020
	\ 11,771	\ 221	\$ 106,326	\$ 2,000

(10) 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	
	2021	2020	2021	2020
Buildings and structures	\ 46	\ 42	\$ 417	\$ 385
Machinery, vehicles, tools, furniture and fixtures	-	0	-	0
Construction in progress	7	27	70	246
Total	\ 54	\ 70	\$ 488	\$ 632

(11) 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	
	2021	2020	2021	2020
Cash and deposits	\ 18,450	\ 17,299	\$ 166,657	\$ 156,263
Notes and accounts receivable from completed construction contracts and other	9,926	8,871	89,666	80,128
Inventories for PFI and other projects	35,543	35,872	321,047	324,026
Buildings and structures	3,654	3,861	33,010	34,882
Machinery, vehicles, tools, furniture and fixtures	22,245	24,284	200,935	219,353
Total	\ 89,821	\ 90,190	\$ 811,318	\$ 814,653

(12) 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, 2021 and 2020, 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	
	2021	2020	2021	2020
Contract amount	\ 180,000	\ 50,000	\$ 1,625,869	\$ 451,630
Outstanding borrowings	-	-	-	-
Available amount	\ 180,000	\ 50,000	\$ 1,625,869	\$ 451,630

8. Notes to Consolidated Statements of Income

(1) Revenues from construction contracts recognized by the percentage-of-completion method

For the years ended March 31	Millions of yen		Thousands of U.S. dollars	
	2021	2020	2021	2020
	\ 1,517,425	\ 1,785,320	\$ 13,706,308	\$ 16,126,101

(2) 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	
	2021	2020	2021	2020
	\ 3,114	\ 11,992	\$ 28,127	\$ 108,325

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

For the years ended March 31	Millions of yen		Thousands of U.S. dollars	
	2021	2020	2021	2020
Employees' salaries and allowances	\ 40,642	\ 40,847	\$ 367,109	\$ 368,957
Retirement benefit expenses	1,383	1,202	12,497	10,863
Research and development expenses	13,661	13,734	123,397	124,060

(4) 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	
	2021	2020	2021	2020
	\ 13,661	\ 13,734	\$ 123,397	\$ 124,060

(5) Breakdown of "Gain on sales of noncurrent assets"

For the years ended March 31	Millions of yen		Thousands of U.S. dollars	
	2021	2020	2021	2020
Land	\ 1,134	\ 11	\$ 10,244	\$ 108
Others	222	153	2,007	1,390
Total	\ 1,356	\ 165	\$ 12,252	\$ 1,498

(6) Impairment loss

The following table summarizes the impairment losses recognized for the years ended March 31, 2021 and 2020.

Classification by purpose

Use	2021		
	Type of assets	Location	Number of assets
Real estate reclassified as "held for development"	Land	Kanagawa	1
Real estate for development	Land	Tokyo	1
Real estate for lease	Buildings and others	Tokyo	1
Agricultural facilities	Structures and others	Chiba	1
Use	2020		
	Type of assets	Location	Number of assets
Asphalt plant	Land, buildings and others	Hokkaido	1
Real estate reclassified as "held for sale" and others	Land, buildings and others	Kanagawa and others	2

Breakdown by account

Use	Millions of yen	
	2021	
Real estate reclassified as "held for development"	\ 498	(Land 498)
Real estate for development	289	(Land 289)
Real estate for lease	251	(Building and structures 251, Machinery, vehicles, tools, furniture and fixtures 0)
Agricultural facilities	149	(Building and structures 99, Machinery, vehicles, tools, furniture and fixtures 50)

Use	Thousands of U.S. dollars	
	2021	
Real estate reclassified as "held for development"	\$ 4,501	(Land 4,501)
Real estate for development	2,611	(Land 2,611)
Real estate for lease	2,269	(Building and structures 2,268, Machinery, vehicles, tools, furniture and fixtures 1)
Agricultural facilities	1,353	(Building and structures 897, Machinery, vehicles, tools, furniture and fixtures 456)

Use	Millions of yen	
	2020	
Asphalt plant	\ 393	(Land 18, Building and structures 207, Machinery, vehicles, tools, furniture and fixtures 167)
Real estate reclassified as "held for sale" and others	118	(Land 60, Building and structures 57)

Use	Thousands of U.S. dollars	
	2020	
Asphalt plant	\$ 3,549	(Land 166, Building and structures 1,870, Machinery, vehicles, tools, furniture and fixtures 1,513)
Real estate reclassified as "held for sale" and others	1,071	(Land 548, Building and structures 523)

Valuation method

The Companies recognize impairment losses for individual items classified as: 1) Real estate reclassified as "held for development," 2) Real estate for development, 3) Real estate for lease, 4) Agricultural facilities, 5) Asphalt plant, 6) Real estate reclassified as "held for sale," and 7) Others.

Due to the decrease in fair value and profitability of real estate, the Companies reduced the carrying values of these assets to their recoverable amounts and recognized the declines as impairment losses.

The recoverable amounts of the assets were the net realizable values, which were calculated as the selling prices (estimated based on the Japanese Real Estate Appraisal Standards) less applicable sales expenses.

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

For the years ended March 31	Millions of yen		Thousands of U.S. dollars	
	2021	2020	2021	2020
Buildings and structures	\ 272	\ 89	\$ 2,464	\$ 812
Machinery, vehicles, tools, furniture and fixtures	227	22	2,052	199
Demolition and removal costs	306	100	2,764	912
Others	33	104	299	946
Total	\ 839	\ 317	\$ 7,581	\$ 2,871

9. Notes to Consolidated Statements of Comprehensive Income

The following table presents reclassification adjustments as amounts reclassified to profit for the years ended March 31, 2021 and 2020 which are recognized in other comprehensive income for the years ended on or before March 31, 2021 and 2020 and tax effect allocated to each component of other comprehensive income for the years ended March 31, 2021 and 2020.

For the years ended March 31	Millions of yen		Thousands of U.S. dollars	
	2021	2020	2021	2020
Valuation difference on available-for-sale securities				
Occurred during the year	\ 53,710	\ (63,708)	\$ 485,142	\$ (575,456)
Reclassification adjustments	(5,191)	(1,477)	(46,890)	(13,343)
Valuation difference on available-for-sale securities before tax effect				
	48,518	(65,186)	438,251	(588,800)
Tax effect				
	(14,752)	19,828	(133,257)	179,102
Valuation difference on available-for-sale securities				
	33,765	(45,357)	304,993	(409,698)
Deferred gains (losses) on hedges				
Occurred during the year	(146)	5,649	(1,325)	51,033
Reclassification adjustments	85	341	770	3,082
Deferred gains (losses) on hedges before tax effect				
	(61)	5,991	(555)	54,115
Tax effect				
	15	(19)	136	(179)
Deferred gains (losses) on hedges				
	(46)	5,971	(419)	53,936
Foreign currency translation adjustments				
Occurred during the year	(1,526)	2,693	(13,789)	24,329
Reclassification adjustments	-	-	-	-
Foreign currency translation adjustments				
	(1,526)	2,693	(13,789)	24,329
Retirement benefit asset and liability adjustments				
Occurred during the year	4,801	(1,565)	43,370	(14,141)
Reclassification adjustments	(444)	(953)	(4,014)	(8,609)
Retirement benefit asset and liability adjustments before tax effect				
	4,357	(2,518)	39,356	(22,751)
Tax effect				
	(1,337)	765	(12,081)	6,911
Retirement benefit asset and liability adjustments				
	3,019	(1,753)	27,274	(15,839)
Share of other comprehensive income of affiliates accounted for by the equity method				
Occurred during the year	659	(256)	5,956	(2,317)
Reclassification adjustments	6	6	61	54
Share of other comprehensive income of affiliates accounted for by the equity method				
	666	(250)	6,017	(2,262)
Total other comprehensive income				
	\ 35,878	\ (38,697)	\$ 324,077	\$ (349,535)

10. Notes to Consolidated Statements of Changes in Net Assets

(1) Type and number of outstanding shares

For the year ended March 31, 2021

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	3,861,933	3,508	31,583	3,833,858

Notes: 1. Stocks owned by the BIP Trust are included in "Treasury stock" at beginning and end of year (included amount: 403,901 and 372,318 shares).
2. Treasury stock increased by 3,508 shares due to the repurchase of shares less than one unit.
3. Treasury stock decreased by 31,583 shares due to awarding stocks owned by the BIP Trust.

For the year ended March 31, 2020

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	3,872,160	4,689	14,916	3,861,933

Notes: 1. Stocks owned by the BIP Trust are included in "Treasury stock" at beginning and end of year (included amount: 418,817 and 403,901 shares).
2. Treasury stock increased by 4,689 shares due to the repurchase of shares less than one unit.
3. Treasury stock decreased by 14,916 shares due to awarding stocks owned by the BIP Trust.

(2) Dividends

(a) Dividends paid to shareholders

For the year ended March 31, 2021

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, 2020)	Common stock	¥11,488	\$103,774	¥16	\$0.14	March 31, 2020	June 25, 2020
Board of Directors (November 9, 2020)	Common stock	¥11,488	\$103,773	¥16	\$0.14	September 30, 2020	December 1, 2020

Note: 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, 2020 (included amount: ¥6 million (US\$58 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 9, 2020 (included amount: ¥6 million (US\$54 thousand)).

For the year ended March 31, 2020

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 25, 2019)	Common stock	¥12,925	\$116,746	¥18	\$0.16	March 31, 2019	June 26, 2019
Board of Directors (November 11, 2019)	Common stock	¥11,488	\$103,774	¥16	\$0.14	September 30, 2019	December 2, 2019

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 25, 2019 (included amount: ¥7 million (US\$68 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 11, 2019 (included amount: ¥6 million (US\$58 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, 2021

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 24, 2021)	Common stock	¥11,488	\$103,773	Retained earnings	¥16	\$0.14	March 31, 2021	June 25, 2021

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 24, 2021 (included amount: ¥5 million (US\$53 thousand)).

For the year ended March 31, 2020

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 24, 2020)	Common stock	¥11,488	\$103,774	Retained earnings	¥16	\$0.14	March 31, 2020	June 25, 2020

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 24, 2020 (included amount: ¥6 million (US\$58 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.

11. 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	
	2021	2020	2021	2020
Cash and deposits	\ 258,549	\ 315,027	\$ 2,335,374	\$ 2,845,523
Time deposits with a maturity of more than three months	(22,074)	(16,082)	(199,393)	(145,270)
Cash and cash equivalents at end of period	\ 236,474	\ 298,945	\$ 2,135,980	\$ 2,700,253

12. Lease Transactions

Operating leases

(a) Lessee's accounting

Future minimum payments under non-cancelable lease contracts at March 31, 2021 and 2020 are as follows:

At March 31	Millions of yen		Thousands of U.S. dollars	
	2021	2020	2021	2020
Within 1 year	\ 3,338	\ 3,253	\$ 30,159	\$ 29,391
Over 1 year	5,841	6,370	52,759	57,546
Total	\ 9,179	\ 9,624	\$ 82,919	\$ 86,937

(b) Lessor's accounting

Future minimum receivables under non-cancelable lease contracts at March 31, 2021 and 2020 are as follows:

At March 31	Millions of yen		Thousands of U.S. dollars	
	2021	2020	2021	2020
Within 1 year	\ 6,507	\ 6,403	\$ 58,775	\$ 57,843
Over 1 year	41,076	44,237	371,029	399,576
Total	\ 47,583	\ 50,640	\$ 429,804	\$ 457,419

13. 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. Certain financial instruments for which it is extremely difficult to determine the fair value are not included (see Note 2 below).

	Millions of yen			Thousands of U.S. dollars		
	Carrying value	Fair value	Difference	Carrying value	Fair value	Difference
At March 31, 2021						
Assets						
Cash and deposits	\ 258,549 \	258,549 \	—	\$ 2,335,374	\$ 2,335,374	\$ —
Notes and accounts receivable from completed construction contracts and other	744,473	744,638	165	6,724,532	6,726,029	1,496
Electronically recorded monetary claims	21,327	21,327	—	192,644	192,644	—
Short-term investment securities and investment securities	317,544	317,548	4	2,868,251	2,868,295	43
Accounts receivable—other	64,501	64,501	—	582,621	582,621	—
Total	\ 1,406,396 \	1,406,566 \	170	\$ 12,703,424	\$ 12,704,965	\$ 1,540
Liabilities						
Notes and accounts payable for construction contracts and other	\ 466,213 \	466,213 \	—	\$ 4,211,125	\$ 4,211,125	\$ —
Electronically recorded obligations	106,456	106,456	—	961,578	961,578	—
Short-term loans payable	54,634	54,634	—	493,492	493,492	—
Current portion of nonrecourse loans payable	7,445	7,445	—	67,250	67,250	—
Deposits received	121,289	121,289	—	1,095,556	1,095,556	—
Bonds payable	40,000	40,230	230	361,304	363,388	2,084
Long-term loans payable	101,722	102,377	654	918,820	924,734	5,914
Nonrecourse loans payable	62,151	64,313	2,161	561,390	580,918	19,528
Total	\ 959,912 \	962,960 \	3,047	\$ 8,670,516	\$ 8,698,043	\$ 27,526
Derivative transactions *	\ 7,043 \	7,043 \	—	\$ 63,625	\$ 63,625	\$ —

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

At March 31, 2020	Millions of yen			Thousands of U.S. dollars		
	Carrying value	Fair value	Difference	Carrying value	Fair value	Difference
Assets						
Cash and deposits	\ 315,027	\ 315,027	\ —	\$ 2,845,523	\$ 2,845,523	\$ —
Notes and accounts receivable from completed construction contracts and other	773,694	773,807	112	6,988,481	6,989,497	1,016
Electronically recorded monetary claims	12,680	12,680	—	114,534	114,534	—
Short-term investment securities and investment securities	274,052	274,061	8	2,475,409	2,475,486	76
Accounts receivable—other	75,125	75,125	—	678,580	678,580	—
Total	\ 1,450,581	\ 1,450,702	\ 120	\$ 13,102,530	\$ 13,103,622	\$ 1,092
Liabilities						
Notes and accounts payable for construction contracts and other	\ 536,863	\ 536,863	\ —	\$ 4,849,274	\$ 4,849,274	\$ —
Electronically recorded obligations	118,976	118,976	—	1,074,670	1,074,670	—
Short-term loans payable	54,823	54,823	—	495,201	495,201	—
Current portion of nonrecourse loans payable	7,631	7,631	—	68,929	68,929	—
Deposits received	121,611	121,611	—	1,098,467	1,098,467	—
Bonds payable	40,000	40,375	375	361,304	364,692	3,388
Long-term loans payable	78,104	78,870	765	705,488	712,404	6,916
Nonrecourse loans payable	67,993	71,016	3,023	614,156	641,465	27,309
Total	\ 1,026,004	\ 1,030,168	\ 4,164	\$ 9,267,492	\$ 9,305,107	\$ 37,614
Derivative transactions *	\ 7,105	\ 7,105	\ —	\$ 64,180	\$ 64,180	\$ —

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

Note 1. Method to determine the fair values of financial instruments, and other information related to marketable securities and derivatives

Assets

Cash and deposits

Since deposits are settled in a short period of time, the carrying value approximates fair value. The carrying value is the same as fair value.

Notes and accounts receivable from completed construction contracts and other and Electronically recorded monetary claims

The carrying value of the items that will be settled within a year approximates fair value. The carrying value is the same as fair value.

The items that will be settled later than a year are determined based on the present value of carrying value, grouped by term of settlement, discounted at an interest rate determined taking into account the remaining period of those and credit risk.

Short-term investment securities and investment securities

The fair value of stocks is determined based on quoted market price and the fair value of debt securities is determined based on either quoted market price or prices provided by financial institutions making markets in these securities.

Information on securities classified by holding purpose is disclosed in Note 14 "Securities."

Accounts receivable—other

Since accounts receivable—other are settled in a short period of time, the carrying value approximates fair value. The carrying value is the same as fair value.

Liabilities

Notes and accounts payable for construction contracts and other, Electronically recorded obligations, Short-term loans payable, Current portion of nonrecourse loans payable, Current portion of bonds payable and Deposits received

Since these accounts are settled in a short period of time, the carrying value approximates fair value. The carrying value is the same as fair value.

Bonds payable

The fair value of bonds issued by the Company is based on the present value of the total principal and interest discounted by an interest rate determined taking into account the remaining period of bond and current credit risk.

Long-term loans payable and Nonrecourse loans payable

For fixed rate loans, the fair value is based on the present value of the total principal and interest discounted by an interest rate to be applied if similar new loans were entered into. For floating rate loans, since the market interest rate is reflected in the interest rate set within a short period of time, the carrying value is the same as the fair value.

The fair value of loans qualifying for special hedge accounting treatment of interest rate swaps is based on the present value of the total principal and interest hedged by interest rate swaps, which is discounted by an interest rate to be applied if similar new loans were entered into.

Derivatives

See Note 15 "Derivative Transactions."

Note 2. Financial instruments for which it is extremely difficult to determine the fair value

At March 31	Millions of yen		Thousands of U.S. dollars	
	2021	2020	2021	2020
Non-listed stocks and other	\ 19,798	\ 17,312	\$ 178,835	\$ 156,374
Stocks of affiliates	7,138	6,458	64,479	58,336
Total	\ 26,937	\ 23,770	\$ 243,315	\$ 214,710

It is extremely difficult to determine the fair values for these securities, since they have no quoted market prices available. Thus, they are not included in "Short-term investment securities and investment securities" above.

Note 3. 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, 2021				
Cash and deposits				
Deposits	\ 258,432	\ —	\ —	\ —
Notes and accounts receivable from completed construction contracts and other	651,298	90,565	1,846	761
Electronically recorded monetary claims	21,327	—	—	—
Short-term investment securities and investment securities				
Held-to-maturity securities				
Government bonds and municipal bonds	56	293	—	—
Corporate bonds	—	10	—	180
Accounts receivable—other	64,501	—	—	—
Total	\ 995,616	\ 90,869	\ 1,846	\ 941

	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, 2021				
Cash and deposits				
Deposits	\$ 2,334,314	\$ —	\$ —	\$ —
Notes and accounts receivable from completed construction contracts and other	5,882,922	818,045	16,683	6,881
Electronically recorded monetary claims	192,644	—	—	—
Short-term investment securities and investment securities				
Held-to-maturity securities				
Government bonds and municipal bonds	513	2,651	—	—
Corporate bonds	—	90	—	1,625
Accounts receivable—other	582,621	—	—	—
Total	\$ 8,993,016	\$ 820,787	\$ 16,683	\$ 8,507

	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, 2020				
Cash and deposits				
Deposits	\ 314,880	\ —	\ —	\ —
Notes and accounts receivable from completed construction contracts and other	675,907	94,809	1,846	1,131
Electronically recorded monetary claims	12,680	—	—	—
Short-term investment securities and investment securities				
Held-to-maturity securities				
Government bonds and municipal bonds	154	319	30	—
Corporate bonds	—	10	—	180
Accounts receivable—other	75,125	—	—	—
Total	\ 1,078,748	\ 95,138	\ 1,877	\ 1,311

	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, 2020				
Cash and deposits				
Deposits	\$ 2,844,193	\$ —	\$ —	\$ —
Notes and accounts receivable from completed construction contracts and other	6,105,205	856,376	16,683	10,216
Electronically recorded monetary claims	114,534	—	—	—
Short-term investment securities and investment securities				
Held-to-maturity securities				
Government bonds and municipal bonds	1,394	2,881	277	—
Corporate bonds	—	90	—	1,625
Accounts receivable—other	678,580	—	—	—
Total	\$ 9,743,908	\$ 859,348	\$ 16,960	\$ 11,842

Note 4. 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, 2021						
Short-term loans payable	38,210	—	—	—	—	—
Bonds payable	—	—	20,000	10,000	—	10,000
Long-term loans payable	16,424	18,563	14,759	9,310	13,468	45,620
Nonrecourse loans payable	7,445	8,570	6,202	5,924	5,977	35,476
Lease obligations	740	209	49	30	6	0
Total	62,819	27,343	41,010	25,266	19,452	91,097

	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, 2021						
Short-term loans payable	\$ 345,135	\$ —	\$ —	\$ —	\$ —	\$ —
Bonds payable	—	—	180,652	90,326	—	90,326
Long-term loans payable	148,356	167,672	133,317	84,100	121,660	412,069
Nonrecourse loans payable	67,250	77,414	56,021	53,515	53,990	320,447
Lease obligations	6,685	1,896	444	277	58	1
Total	\$ 567,428	\$ 246,983	\$ 370,435	\$ 228,219	\$ 175,708	\$ 822,845

	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, 2020						
Short-term loans payable	38,210	—	—	—	—	—
Bonds payable	—	—	—	20,000	10,000	10,000
Long-term loans payable	16,613	14,091	14,678	10,875	2,426	36,032
Nonrecourse loans payable	7,631	7,439	7,079	6,218	5,936	41,319
Lease obligations	839	245	140	35	18	2
Total	63,294	21,776	21,899	37,129	18,381	87,353

	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, 2020						
Short-term loans payable	\$ 345,135	\$ —	\$ —	\$ —	\$ —	\$ —
Bonds payable	—	—	—	180,652	90,326	90,326
Long-term loans payable	150,065	127,281	132,587	98,232	21,918	325,468
Nonrecourse loans payable	68,929	67,195	63,949	56,170	53,621	373,218
Lease obligations	7,581	2,217	1,272	317	169	20
Total	\$ 571,712	\$ 196,694	\$ 197,809	\$ 335,372	\$ 166,035	\$ 789,033

14. 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, 2021						
Securities whose fair values exceed their carrying values						
Government bonds and municipal bonds	\ 350	\ 355	\ 4	\$ 3,164	\$ 3,208	\$ 43
Securities whose fair values do not exceed their carrying values						
Corporate bonds	190	190	—	1,716	1,716	—
Total	\ 540	\ 545	\ 4	\$ 4,880	\$ 4,924	\$ 43

	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, 2020						
Securities whose fair values exceed their carrying values						
Government bonds and municipal bonds	\ 504	\ 512	\ 8	\$ 4,553	\$ 4,629	\$ 76
Securities whose fair values do not exceed their carrying values						
Corporate bonds	190	190	—	1,716	1,716	—
Total	\ 694	\ 702	\ 8	\$ 6,269	\$ 6,346	\$ 76

(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, 2021						
Securities whose carrying values exceed their acquisition costs						
Stock	\ 299,325	\ 96,670	\ 202,654	\$ 2,703,688	\$ 873,190	\$ 1,830,497
Other	—	—	—	—	—	—
Subtotal	299,325	96,670	202,654	2,703,688	873,190	1,830,497
Securities whose carrying values do not exceed their acquisition costs						
Stock	12,668	15,884	(3,215)	114,431	143,477	(29,045)
Other	5,009	5,009	—	45,250	45,250	—
Subtotal	17,677	20,894	(3,215)	159,682	188,728	(29,045)
Total	\ 317,003	\ 117,565	\ 199,438	\$ 2,863,370	\$ 1,061,918	\$ 1,801,451

It is extremely difficult to determine the fair values for non-listed stocks and other (carrying value \19,798 million (US\$178,835 thousand)), since they have no quoted market prices available. Thus, they 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, 2020						
Securities whose carrying values exceed their acquisition costs						
Stock	\ 248,393	\ 92,682	\ 155,711	\$ 2,243,643	\$ 837,165	\$ 1,406,478
Other	721	709	11	6,517	6,412	105
Subtotal	249,115	93,392	155,722	2,250,161	843,577	1,406,583
Securities whose carrying values do not exceed their acquisition costs						
Stock	17,505	22,228	(4,722)	158,122	200,780	(42,657)
Other	6,737	6,737	—	60,856	60,856	—
Subtotal	24,243	28,965	(4,722)	218,978	261,636	(42,657)
Total	\ 273,358	\ 122,358	\ 151,000	\$ 2,469,140	\$ 1,105,214	\$ 1,363,925

It is extremely difficult to determine the fair values for non-listed stocks and other (carrying value \17,312 million (US\$156,374 thousand)), since they have no quoted market prices available. Thus, they 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, 2021						
Stock	\ 7,702	\ 5,198	\ 42	\$ 69,571	\$ 46,952	\$ 380
Other	3,905	164	8	35,277	1,488	76
Total	\ 11,607	\ 5,362	\ 50	\$ 104,849	\$ 48,440	\$ 456

Non-listed stocks, for which fair values are extremely difficult to determine, are included in "Stock" above. (Sales proceeds: \93 million (US\$848 thousand), aggregate gain: \1 million (US\$16 thousand), aggregate loss: \37 million (US\$335 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, 2020						
Stock	\ 9,263	\ 5,037	\ 439	\$ 83,674	\$ 45,502	\$ 3,970
Other	1,438	123	4	12,993	1,118	41
Total	\ 10,702	\ 5,161	\ 444	\$ 96,667	\$ 46,621	\$ 4,012

Non-listed stocks, for which fair values are extremely difficult to determine, are included in "Stock" above. (Sales proceeds: \23 million (US\$210 thousand), aggregate gain: \4 million (US\$40 thousand)).

(d) Write down of securities

	Millions of yen		Thousands of U.S. dollars	
	2021	2020	2021	2020
For the year ended March 31				
"Stock" of other securities	\ 49	3,116	\$ 448	\$ 28,147
Non-listed stocks included in "Stock" of other securities" above	49	0	448	0

Fair values of non-listed stocks are extremely difficult to determine.

15. Derivative Transactions

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

At March 31, 2021 and 2020

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, 2021							
Deferral method							
Foreign exchange forward contract (Buy US\$)	Imports of materials (Forecasted transaction)	\ 38,585	\ 37,881	\ 6,679	\$ 348,526	\$ 342,167	\$ 60,330
Foreign exchange forward contract (Buy EURO)	Imports of materials (Forecasted transaction)	214	26	14	1,933	241	127
Foreign exchange forward contract (Buy GBP)	Purchases of properties (Forecasted transaction)	—	—	—	—	—	—
Foreign exchange forward contract (Buy CA\$)	Imports of materials (Forecasted transaction)	6,687	6,534	1,063	60,402	59,021	9,608
Total		\ 45,486	\ 44,442	\ 7,757	\$ 410,861	\$ 401,430	\$ 70,066

		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, 2020							
Deferral method							
Foreign exchange forward contract (Buy US\$)	Imports of materials (Forecasted transaction)	\ 39,201	\ 38,585	\ 7,614	\$ 354,094	\$ 348,526	\$ 68,782
Foreign exchange forward contract (Buy EURO)	Imports of materials (Forecasted transaction)	1,675	120	(86)	15,132	1,090	(785)
Foreign exchange forward contract (Buy GBP)	Purchases of properties (Forecasted transaction)	70	—	(3)	632	—	(36)
Foreign exchange forward contract (Buy CA\$)	Imports of materials (Forecasted transaction)	6,687	6,687	324	60,402	60,402	2,930
Total		\ 47,634	\ 45,393	\ 7,848	\$ 430,262	\$ 410,019	\$ 70,891

Note: Estimated fair value was provided by the correspondent financial institutions.

Interest-related transactions

Hedged item		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, 2021							
Deferral method							
Interest rate swaps							
Payment fixed/ Receipt floating	Nonrecourse loans payable (Forecasted transaction)	\ 21,945	\ 21,620	\ (713)	\$ 198,222	\$ 195,291	\$ (6,440)
Short-cut method							
Interest rate swaps							
Payment fixed/ Receipt floating	Long-term loans payable Nonrecourse loans payable	7,164 26,810	5,571 24,204	[*] [*]	64,710 242,166	50,326 218,633	[*] [*]
Total		\ 55,919	\ 51,397	\ (713)	\$ 505,098	\$ 464,251	\$ (6,440)

Hedged item		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, 2020							
Deferral method							
Interest rate swaps							
Payment fixed/ Receipt floating	Nonrecourse loans payable (Forecasted transaction)	\ 22,789	\ 22,194	\ (742)	\$ 205,846	\$ 200,470	\$ (6,711)
Short-cut method							
Interest rate swaps							
Payment fixed/ Receipt floating	Long-term loans payable Nonrecourse loans payable	8,754 29,625	7,164 26,810	[*] [*]	79,080 267,594	64,710 242,166	[*] [*]
Total		\ 61,169	\ 56,168	\ (742)	\$ 552,521	\$ 507,346	\$ (6,711)

Note: Estimated fair value was provided by the correspondent financial institutions.

[*] 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 13 "Financial Instruments (2) Fair value of financial instruments."

16. 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, 2021 and 2020 of the Company and its subsidiaries.

(1) Defined benefit pension plans

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

For the years ended March 31	Millions of yen		Thousands of U.S. dollars	
	2021	2020	2021	2020
At the beginning of current period	\ 99,256	\ 100,757	\$ 896,542	\$ 910,099
Service cost	5,066	5,214	45,759	47,104
Interest cost	602	613	5,443	5,545
Actuarial loss	(212)	(329)	(1,918)	(2,975)
Retirement benefit paid	(7,020)	(7,062)	(63,415)	(63,794)
Other	(57)	62	(518)	564
At the end of current period	\ 97,634	\ 99,256	\$ 881,892	\$ 896,542

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

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

For the years ended March 31	Millions of yen		Thousands of U.S. dollars	
	2021	2020	2021	2020
At the beginning of current period	\ 46,658	\ 49,960	\$ 421,443	\$ 451,273
Expected return on plan assets	1,123	1,207	10,149	10,904
Actuarial loss	4,586	(1,892)	41,426	(17,095)
Contributions by the Companies	1,474	1,486	13,315	13,425
Retirement benefits paid	(3,966)	(4,103)	(35,825)	(37,063)
At the end of current period	\ 49,875	\ 46,658	\$ 450,510	\$ 421,443

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, 2021 and 2020 for the Company's and the consolidated subsidiaries' defined benefit plans:

At March 31	Millions of yen		Thousands of U.S. dollars	
	2021	2020	2021	2020
Retirement benefit obligation under the funded plans	\ 45,634	\ 47,552	\$ 412,200	\$ 429,524
Plan assets at fair value	(49,875)	(46,658)	(450,510)	(421,443)
	(4,241)	894	(38,309)	8,080
Retirement benefit obligation under the unfunded plans	51,999	51,703	469,692	467,018
Net liability for retirement benefits in the balance sheets	\ 47,758	\ 52,598	\$ 431,382	\$ 475,098
Liability for retirement benefits	\ 47,758	\ 52,598	\$ 431,382	\$ 475,098
Net liability for retirement benefits in the balance sheets	\ 47,758	\ 52,598	\$ 431,382	\$ 475,098

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

For the years ended March 31	Millions of yen		Thousands of U.S. dollars	
	2021	2020	2021	2020
Service cost	\ 5,066	\ 5,214	\$ 45,759	\$ 47,104
Interest cost	602	613	5,443	5,545
Expected return on plan assets	(1,123)	(1,207)	(10,149)	(10,904)
Amortization of actuarial loss	(445)	(954)	(4,027)	(8,617)
Amortization of prior service cost	1	0	12	8
Retirement benefit expense	\ 4,100	\ 3,668	\$ 37,038	\$ 33,135

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, 2021 and 2020 are as follows:

For the years ended March 31	Millions of yen		Thousands of U.S. dollars	
	2021	2020	2021	2020
Prior service cost	\ (1)	\ 0	\$ (11)	\$ 4
Actuarial gain (loss)	(4,355)	2,518	(39,344)	22,746
Total	\ (4,357)	\ 2,518	\$ (39,356)	\$ 22,751

Unrecognized prior service cost and unrecognized actuarial loss included in accumulated other comprehensive income (before tax effect) as of March 31, 2021 and 2020 are as follows:

At March 31	Millions of yen		Thousands of U.S. dollars	
	2021	2020	2021	2020
Unrecognized prior service cost	\ 18	\ 19	\$ 162	\$ 174
Unrecognized actuarial loss	(5,120)	(764)	(46,249)	(6,904)
Total	\ (5,102)	\ (745)	\$ (46,086)	\$ (6,730)

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

At March 31	2021	2020
General accounts	26.2%	29.3%
Stocks	28.4%	22.6%
Bonds	23.4%	25.3%
Cash on hand and in banks	7.3%	5.9%
Other	14.7%	16.9%
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	2021	2020
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, 2021 and 2020, pension expenses for defined contribution plans by the Company and consolidated subsidiaries are ¥3,779 million (US\$34,140 thousand) and ¥4,256 million (US\$38,443 thousand), respectively, including the expense for small and medium enterprises retirement benefit mutual aid schemes and multi-employer pension plans of foreign subsidiaries.

17. Deferred Tax Accounting

The major components of deferred tax assets and liabilities at March 31, 2021 and 2020 are summarized as follows:

At March 31	Millions of yen		Thousands of U.S. dollars	
	2021	2020	2021	2020
Deferred tax assets				
Liability for retirement benefits	\ 14,620	\ 16,101	\$ 132,064	\$ 145,439
Costs on uncompleted construction contracts	12,463	10,443	112,575	94,331
Impairment loss	5,300	10,199	47,878	92,129
Accrued expenses (bonus)	4,827	4,767	43,607	43,066
Unrealized gain on noncurrent assets	4,780	5,215	43,180	47,113
Provision for loss on construction contracts	4,064	3,655	36,711	33,020
Loss on assets traded within the Group	2,551	2,542	23,042	22,967
Other	11,430	11,676	103,246	105,465
	60,038	64,602	542,307	583,533
Valuation allowance *	(11,738)	(16,536)	(106,029)	(149,370)
Total deferred tax assets	48,300	48,066	436,278	434,163
Deferred tax liabilities				
Valuation difference on available-for-sale securities	(60,719)	(45,969)	(548,451)	(415,225)
Gain on assets traded within the Group	(3,738)	(3,730)	(33,771)	(33,696)
Reserve for advanced depreciation of noncurrent assets	(1,157)	(1,185)	(10,459)	(10,705)
Other	(1,787)	(670)	(16,143)	(6,059)
Total deferred tax liabilities	(67,403)	(51,556)	(608,825)	(465,687)
Net deferred tax assets (liabilities)	\ (19,102)	\ (3,490)	\$ (172,546)	\$ (31,524)

* The change in the valuation allowance was mainly due to a decrease in the valuation allowance for impairment loss.

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	
	2021	2020	2021	2020
	\ (18,644)	\ (18,893)	\$ (168,405)	\$ (170,660)

Reconciliation between the statutory tax rates and the effective tax rates for the year ended March 31, 2021 and 2020 are as follows:

For the years ended March 31

	2021	2020
Statutory tax rates	30.5 %	30.5 %
Reconciliation:		
Permanent non-taxable items	(0.5)	(0.7)
Tax loss carryforwards	(1.0)	(0.8)
Change in valuation allowance	(4.2)	(0.5)
Tax credit for research and development expenses	(0.5)	(0.9)
Other	0.8	0.3
Effective tax rates	25.1 %	27.9 %

18. Asset Retirement Obligations

Asset retirement obligations recognized by the Companies are mainly obligations to restore rental properties for business use under real estate lease contracts at the time the lease agreement is terminated. Instead of recording asset retirement obligations, the Companies have estimated total non-refundable deposits on lease contracts and expensed the current portion.

Estimated total non-refundable deposits and periods of use of the rental properties are as follows:

(1) Estimated total non-refundable deposits

At March 31	Millions of yen		Thousands of U.S. dollars	
	2021	2020	2021	2020
	¥ 4,481	¥ 4,389	\$ 40,483	\$ 39,648

(2) Estimated period of use

At March 31	2021	2020
	9 years and 10 months to 38 years from the initial day of the contract	9 years and 10 months to 38 years from the initial day of the contract

19. 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, 2021 are ¥13,111 million (US\$118,428 thousand) and ¥540 million (US\$4,880 thousand), respectively. Profit and impairment loss from these real estate properties for the year ended March 31, 2020 are ¥13,118 million (US\$118,491 thousand) and ¥118 million (US\$1,071 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	
	2021	2020	2021	2020
Carrying value				
At the beginning of period	¥ 380,410	¥ 369,570	\$ 3,436,095	\$ 3,338,186
Increase (decrease)—net	30,976	10,839	279,794	97,908
At the end of period	411,386	380,410	3,715,889	3,436,095
Fair value at the end of period	650,764	622,673	5,878,101	5,624,367

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

2. "Increase (decrease)—net" for the year ended March 31, 2021 mainly consists of: increase in purchase of office buildings for lease (including land) and other in the amount of ¥36,549 million (US\$330,140 thousand) and depreciation cost in the amount of ¥4,134 million (US\$37,341 thousand).

"Increase (decrease)—net" for the year ended March 31, 2020 mainly consists of: increase in purchase of office buildings for lease (including land) and other in the amount of ¥17,820 million (US\$160,969 thousand) and depreciation cost in the amount of ¥4,444 million (US\$40,141 thousand).

3. Fair value at March 31, 2021 and 2020 was estimated in accordance with the "Real estate evaluation standards," and was adjusted using official indices.

20. 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, 2021

Millions of yen

	Reporting segment						Others (Note 1)	Total
	Domestic building construction	Overseas building construction	Domestic civil engineering	Overseas civil engineering	Real estate	Subtotal		
Net sales								
Sales to third parties	\ 964,683	\ 304,388	\ 342,203	\ 72,004	\ 42,426	\ 1,725,707	\ 41,186	\ 1,766,893
Intersegment sales and transfers	47,871	32	17,767	—	1,072	66,743	9,053	75,796
Segment sales	\ 1,012,555	\ 304,421	\ 359,971	\ 72,004	\ 43,498	\ 1,792,450	\ 50,239	\ 1,842,690
Operating income (loss)								
Operating income (loss) from sales to third parties (Note 2)	\ 59,956	\ 3,445	\ 45,389	\ (210)	\ 11,937	\ 120,517	\ 2,644	\ 123,161
Intersegment operating income and transfers	61	—	106	—	(38)	130	(103)	26
Segment income (loss)	\ 60,017	\ 3,445	\ 45,496	\ (210)	\ 11,899	\ 120,647	\ 2,540	\ 123,188

For the year ended March 31, 2021

Thousands of U.S. dollars

	Reporting segment						Others (Note 1)	Total
	Domestic building construction	Overseas building construction	Domestic civil engineering	Overseas civil engineering	Real estate	Subtotal		
Net sales								
Sales to third parties	\$ 8,713,611	\$ 2,749,423	\$ 3,090,991	\$ 650,390	\$ 383,221	\$ 15,587,638	\$ 372,017	\$ 15,959,655
Intersegment sales and transfers	432,402	292	160,487	—	9,683	602,865	81,778	684,643
Segment sales	\$ 9,146,013	\$ 2,749,715	\$ 3,251,478	\$ 650,390	\$ 392,905	\$ 16,190,504	\$ 453,795	\$ 16,644,299
Operating income (loss)								
Operating income (loss) from sales to third parties (Note 2)	\$ 541,560	\$ 31,125	\$ 409,982	\$ (1,905)	\$ 107,827	\$ 1,088,590	\$ 23,883	\$ 1,112,473
Intersegment operating income and transfers	555	—	965	—	(347)	1,174	(938)	235
Segment income (loss)	\$ 542,116	\$ 31,125	\$ 410,948	\$ (1,905)	\$ 107,480	\$ 1,089,764	\$ 22,944	\$ 1,112,709

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

For the year ended March 31, 2020

Millions of yen

	Reporting segment						Others (Note 1)	Total
	Domestic building construction	Overseas building construction	Domestic civil engineering	Overseas civil engineering	Real estate	Subtotal		
Net sales								
Sales to third parties	\ 1,138,934	\ 398,564	\ 342,704	\ 72,215	\ 55,043	\ 2,007,462	\ 65,580	\ 2,073,043
Intersegment sales and transfers	54,200	679	18,702	—	1,023	74,605	8,181	82,787
Segment sales	\ 1,193,135	\ 399,244	\ 361,406	\ 72,215	\ 56,066	\ 2,082,068	\ 73,762	\ 2,155,830
Operating income								
Operating income from sales to third parties (Note 2)	\ 82,680	\ 10,773	\ 39,602	\ 4,217	\ 13,256	\ 150,531	\ 2,340	\ 152,871
Intersegment operating income and transfers	(1,463)	—	(81)	(1)	(118)	(1,664)	(104)	(1,768)
Segment income	\ 81,217	\ 10,773	\ 39,520	\ 4,216	\ 13,137	\ 148,866	\ 2,236	\ 151,103

For the year ended March 31, 2020

Thousands of U.S. dollars

	Reporting segment						Others (Note 1)	Total
	Domestic building construction	Overseas building construction	Domestic civil engineering	Overseas civil engineering	Real estate	Subtotal		
Net sales								
Sales to third parties	\$ 10,287,552	\$ 3,600,081	\$ 3,095,513	\$ 652,293	\$ 497,184	\$ 18,132,625	\$ 592,361	\$ 18,724,986
Intersegment sales and transfers	489,571	6,133	168,934	—	9,246	673,885	73,902	747,787
Segment sales	\$ 10,777,124	\$ 3,606,214	\$ 3,264,447	\$ 652,293	\$ 506,431	\$ 18,806,510	\$ 666,263	\$ 19,472,774
Operating income								
Operating income from sales to third parties (Note 2)	\$ 746,824	\$ 97,317	\$ 357,711	\$ 38,097	\$ 119,737	\$ 1,359,688	\$ 21,143	\$ 1,380,832
Intersegment operating income and transfers	(13,221)	—	(734)	(11)	(1,067)	(15,034)	(941)	(15,976)
Segment income	\$ 733,603	\$ 97,317	\$ 356,977	\$ 38,086	\$ 118,669	\$ 1,344,654	\$ 20,201	\$ 1,364,855

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

(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, 2021

Millions of yen

Thousands of U.S. dollars

Net sales		
Total reportable segment	\ 1,792,450	\$ 16,190,504
Sales from "Others"	50,239	453,795
Elimination of intersegment transactions	(75,796)	(684,643)
Sales in the statements of income	\ 1,766,893	\$ 15,959,655
Operating income		
Total reportable segment	\ 120,647	\$ 1,089,764
Income from "Others"	2,540	22,944
Elimination of intersegment transactions	(26)	(235)
Operating income in the statements of income	\ 123,161	\$ 1,112,473

For the year ended March 31, 2020

Millions of yen

Thousands of U.S. dollars

Net sales		
Total reportable segment	\ 2,082,068	\$ 18,806,510
Sales from "Others"	73,762	666,263
Elimination of intersegment transactions	(82,787)	(747,787)
Sales in the statements of income	\ 2,073,043	\$ 18,724,986
Operating income		
Total reportable segment	\ 148,866	\$ 1,344,654
Income from "Others"	2,236	20,201
Elimination of intersegment transactions	1,768	15,976
Operating income in the statements of income	\ 152,871	\$ 1,380,832

(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, 2021

Millions of yen

Thousands of U.S. dollars

Japan	North America (Note)	Asia	Others	Total	Japan	North America (Note)	Asia	Others	Total
\ 1,389,338	\ 270,079	\ 100,555	\ 6,918	\ 1,766,893	\$ 12,549,353	\$ 2,439,526	\$ 908,280	\$ 62,495	\$ 15,959,655

Note: Net sales in the United States is \253,057 million (US\$2,285,766 thousand).

For the year ended March 31, 2020

Millions of yen					Thousands of U.S. dollars				
Japan	North America (Note)	Asia	Others	Total	Japan	North America (Note)	Asia	Others	Total
\ 1,600,355 \	\ 333,008 \	\ 127,851 \	\ 11,827 \	\ 2,073,043 \	\ \$ 14,455,386 \	\ \$ 3,007,932 \	\ \$ 1,154,836 \	\ \$ 106,831 \	\ \$ 18,724,986 \

Note: Net sales in the United States is \312,594 million (US\$2,823,545 thousand).

Tangible assets by region

For the year ended March 31, 2021

Millions of yen					Thousands of U.S. dollars				
Japan	North America (Note)	Asia	Others	Total	Japan	North America (Note)	Asia	Others	Total
\ 540,372 \	\ 4,522 \	\ 26,502 \	\ 37,859 \	\ 609,256 \	\ \$ 4,880,974 \	\ \$ 40,852 \	\ \$ 239,383 \	\ \$ 341,965 \	\ \$ 5,503,176 \

For the year ended March 31, 2020

As Japan-based tangible assets account for over 90% of total tangible assets, this information has not been presented.

(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, 2021 and 2020.

(3) Impairment loss on noncurrent assets by reportable segment

For the year ended March 31, 2021

Millions of yen							
Domestic building construction	Overseas building construction	Domestic civil engineering	Overseas civil engineering	Real estate	Others	Total	
\ - \	\ - \	\ - \	\ - \	\ 540 \	\ 648 \	\ 1,188 \	

For the year ended March 31, 2021

Thousands of U.S. dollars							
Domestic building construction	Overseas building construction	Domestic civil engineering	Overseas civil engineering	Real estate	Others	Total	
\ \$ - \	\ \$ - \	\ \$ - \	\ \$ - \	\ \$ 4,881 \	\ \$ 5,855 \	\ \$ 10,737 \	

Note: Impairment loss of real estate reclassified as "held for development", which is not divided by reporting segment, is included \498 million (US\$4,501 thousand) in "Others."

For the year ended March 31, 2020

Millions of yen							
Domestic building construction	Overseas building construction	Domestic civil engineering	Overseas civil engineering	Real estate	Others	Total	
\ - \	\ - \	\ 393 \	\ - \	\ 118 \	\ - \	\ 511 \	

For the year ended March 31, 2020

Thousands of U.S. dollars							
Domestic building construction	Overseas building construction	Domestic civil engineering	Overseas civil engineering	Real estate	Others	Total	
\ \$ - \	\ \$ - \	\ \$ 3,551 \	\ \$ - \	\ \$ 1,071 \	\ \$ - \	\ \$ 4,623 \	

(4) Amortization and balance of goodwill by reportable segment

For the year ended March 31, 2021

Millions of yen							
Domestic building construction	Overseas building construction	Domestic civil engineering	Overseas civil engineering	Real estate	Others (Note)	Total	
\ - \	\ - \	\ - \	\ - \	\ 125 \	\ - \	\ 125 \	
\ - \	\ - \	\ - \	\ - \	\ 711 \	\ - \	\ 711 \	

For the year ended March 31, 2021

Thousands of U.S. dollars							
Domestic building construction	Overseas building construction	Domestic civil engineering	Overseas civil engineering	Real estate	Others (Note)	Total	
\ \$ - \	\ \$ - \	\ \$ - \	\ \$ - \	\ \$ 1,134 \	\ \$ - \	\ \$ 1,134 \	
\ - \	\ - \	\ - \	\ - \	\ 6,430 \	\ - \	\ 6,430 \	

For the year ended March 31, 2020

Millions of yen							
Domestic building construction	Overseas building construction	Domestic civil engineering	Overseas civil engineering	Real estate	Others (Note)	Total	
\ - \	\ - \	\ - \	\ 73 \	\ - \	\ 62 \	\ 136 \	
\ - \	\ - \	\ - \	\ - \	\ - \	\ - \	\ - \	

For the year ended March 31, 2020

Thousands of U.S. dollars							
Domestic building construction	Overseas building construction	Domestic civil engineering	Overseas civil engineering	Real estate	Others (Note)	Total	
\ \$ - \	\ \$ - \	\ \$ - \	\ \$ 666 \	\ \$ - \	\ \$ 568 \	\ \$ 1,235 \	
\ - \	\ - \	\ - \	\ - \	\ - \	\ - \	\ - \	

Note: Amortization amount and balance of goodwill in "Others" are those of renewable energy business and other.

(5) Amount of gain on negative goodwill by reportable segment

None.

21. 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, 2021 and 2020 are as follows:

For the year ended March 31, 2021

Classification	Related party and address	Capital	Type of business	% of voting rights held (held by others)	Relationship	Nature of transaction	Amount of transaction (Note)			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	-	Construction contract Concurrent director	Construction contract by Kenaidan (Note 3)	¥368	\$3,324	Accounts receivable from completed construction contracts	¥260	\$2,348

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

2. 759 Winston Churchill GP Inc. is a subsidiary 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, 2020

Classification	Related party and address	Capital	Type of business	% of voting rights held (held by others)	Relationship	Nature of transaction	Amount of transaction (Note)			Balance at the end of the year	
		Millions of yen					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	Obayashi Kosan Ltd (Note 2), Minato-ku, Tokyo	¥5	Tenement management	-	Housing construction contract Concurrent director	Housing construction contract by Obayashi Facilities (Note 3)	¥49	\$450	-	-	-
Director of a material subsidiary company	Muneo Minobe -	-	Director of Obayashi-Shinseiwa Real Estate	-	Sale of real estate for sale	Sale of real estate for sale by Obayashi-Shinseiwa Real Estate (Note 4)	¥12	\$116	-	-	-

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

2. The Company's chairman, representative director Takeo Obayashi directly owns 100 percent of the voting rights.

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

4. Sales price of the real estate for sale is determined in the same method as for general transactions in view of the market price.

22. 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, 2021 and 2020 are as follows:

For the years ended March 31	Yen		U.S. dollars	
	2021	2020	2021	2020
Net assets per share	\ 1,297.25	\ 1,139.69	\$ 11.71	\$ 10.29
Basic profit attributable to owners of parent per share	137.64	157.59	1.24	1.42

(1) Diluted profit attributable to owners of parent is not presented for the years ended March 31, 2021 and 2020 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	
	2021	2020	2021	2020
Net assets	\ 961,979	\ 850,498	\$ 8,689,182	\$ 7,682,223
Amounts deducted from net assets (Non-controlling interests)	30,970	32,606	279,748	294,522
Net assets applicable to shareholders of common stock	931,008	817,892	8,409,433	7,387,700
Number of shares of common stock at the year-end (Thousands of shares)	717,675	717,647	717,675	717,647

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, 2021 and 2020 are 3,833 thousand and 3,861 thousand, including 372 thousand and 403 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	
	2021	2020	2021	2020
Basic profit attributable to owners of parent	\ 98,780	\ 113,093	\$ 892,247	\$ 1,021,529
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	98,780	113,093	892,247	1,021,529
Average number of shares issued and outstanding during the period (Thousands of shares)	717,664	717,644	717,664	717,644

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, 2021 and 2020 are 3,845 thousand and 3,865 thousand, including 385 thousand and 410 thousand shares in the BIP Trust, respectively.

23. Corporate Bonds

At March 31 Issued by	Issue type	Issue date	Millions of yen		Thousands of U.S. dollars		Interest rate (%)	Collateral	Maturity
			2021	2020	2021	2020			
Obayashi Corp.	20th unsecured straight bond	May 9, 2013	\ 10,000	\ 10,000	\$ 90,326	\$ 90,326	0.970	None	May 9, 2023
Obayashi Corp.	22th unsecured straight bond	Sept. 13, 2018	10,000	10,000	90,326	90,326	0.385	None	Sept. 13, 2028
Obayashi Corp.	23th unsecured straight bond	Oct. 25, 2018	10,000	10,000	90,326	90,326	0.130	None	Oct. 25, 2023
Obayashi Corp.	24th unsecured straight bond	June 20, 2019	10,000	10,000	90,326	90,326	0.110	None	June 20, 2024
Total			\ 40,000	\ 40,000	\$ 361,304	\$ 361,304			

The annual redemption schedule of corporate bonds subsequent to March 31, 2021 is as follows:

	Millions of yen	Thousands of U.S. dollars
Less than 1 year	\ —	\$ —
Over 1 year less than 2 years	—	—
Over 2 years less than 3 years	20,000	180,652
Over 3 years less than 4 years	10,000	90,326
Over 4 years less than 5 years	—	—

24. Loans

At March 31	Millions of yen		Thousands of U.S. dollars		Average interest rate (%)	Maturity
	2021	2020	2021	2020		
Short-term loans payable	\ 38,210	\ 38,210	\$ 345,135	\$ 345,135	0.39	—
Current portion of long-term loans payable	16,424	16,613	148,356	150,065	0.39	—
Current portion of nonrecourse loans payable	7,445	7,631	67,250	68,929	1.76	—
Current portion of lease obligations	740	839	6,685	7,581	—	—
Long-term loans payable (excluding current portion)	101,722	78,104	918,820	705,488	0.58	2022 ~ 2038
Nonrecourse loans payable (excluding current portion)	62,151	67,993	561,390	614,156	1.41	2022 ~ 2039
Lease obligations (excluding current portion)	296	442	2,677	3,997	—	2022 ~ 2027
Total	\ 226,990	\ 209,834	\$ 2,050,316	\$ 1,895,354		

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, 2021 is as follows:

	Millions of yen	Thousands of U.S. dollars
Long-term loans payable		
Over 1 year less than 2 years	\ 18,563	\$ 167,672
Over 2 years less than 3 years	14,759	133,317
Over 3 years less than 4 years	9,310	84,100
Over 4 years less than 5 years	13,468	121,660
Nonrecourse loans payable		
Over 1 year less than 2 years	\ 8,570	\$ 77,414
Over 2 years less than 3 years	6,202	56,021
Over 3 years less than 4 years	5,924	53,515
Over 4 years less than 5 years	5,977	53,990
Lease obligations		
Over 1 year less than 2 years	\ 209	\$ 1,896
Over 2 years less than 3 years	49	444
Over 3 years less than 4 years	30	277
Over 4 years less than 5 years	6	58

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.

25. Subsequent Event

None.