



ODAYASHI CORPORATION

CONSOLIDATED
FINANCIAL STATEMENTS

Year Ended March 31, 2022

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, 2022, 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, 2022, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with accounting principles generally accepted in Japan.

Basis for Opinion

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

Key Audit Matters

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

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

recognize revenue by satisfying performance obligations over a certain period of time for construction contracts based on estimates of total construction revenue, total construction costs, and progress towards satisfying performance obligations, with the exception of construction contracts having very short construction periods. The method of estimating the degree of progress in satisfying performance obligations is calculated as the ratio of the cost incurred to the estimated total cost of construction (input method). If it is likely that total construction costs associated with construction contracts will exceed total construction revenue and if the amount of the excess can be reasonably estimated, then the amount resulting from deducting the profit or loss already recorded for such construction contracts from the expected amount of the excess of costs over revenue (“Loss on construction contracts”) is accounted for as loss in the period in which Loss on construction contracts is expected, and a provision for Loss on construction contracts is recorded. OBAYASHI CORPORATION recognized revenues from construction contracts using the method to recognize revenue by satisfying performance obligations over a certain period of time of 1,269,660 million yen, accounting for 70.7% of consolidated revenues from construction contracts of 1,795,208 million yen for the fiscal year ended March 31, 2022. The provision for Loss on construction contracts was 53,146 million yen for the fiscal year ended March 31, 2022 (13,551 million yen for the fiscal year ended March 31, 2021).

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

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

(2) Evaluation of estimates of total construction revenue

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

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

(Total construction revenue)

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

(Total construction costs)

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

There were multiple large-scale construction projects in the domestic building construction segment during the fiscal year ended March 31, 2022 in which reductions in construction costs did not meet initially expected levels due to factors such as a Value Engineering (VE) proposal not being adopted by the customers as expected by the Group and a rise in building material prices, including prices for steel frames, due to changes in the market environment. In addition, there were certain performance-order design and construction projects that required a design review during the detail design process. As a result, construction costs increased from initial estimates, and a Loss on construction contracts was recognized for certain projects.

Based on the above, we have determined that

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

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

(3) Evaluation of estimates of total construction costs

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

- We compared estimates of total construction costs to operating budgets, which serve as the basis for calculating such estimates, and considered whether the details of estimated costs were consistent with construction deliverables, whether estimated costs were calculated by aggregating amounts by type of construction, and whether operating budgets contained significant cost reduction initiatives.
- We compared the most recent estimates of total construction costs for each quarter with the corresponding estimates of total construction costs for the preceding quarter

<p>estimates of total construction costs and total construction revenue as it relates to application of the method to recognize revenue by satisfying performance obligations over a certain period of time are of particular significance for the fiscal year ended March 31, 2022 and, accordingly, that this is a key audit matter.</p>	<p>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.</p> <ul style="list-style-type: none"> • We inspected operating budgets and compared the estimated costs for each type of work to basis materials, such as quotations, from which costs are accumulated to serve as the basis for such estimated costs. Additionally, we compared the costs actually incurred relative to the estimated costs for each type of work and considered if actual costs have not exceeded estimated costs while also considering consistency with construction progress. In order to evaluate the feasibility of the significant cost reduction initiatives included in operating budgets, we considered the consistency between the cost reduction initiatives with construction progress by holding discussions with on-site construction managers regarding scenarios in which the initiatives could be implemented. • We performed on-site observations for a portion of construction projects to consider if the status of construction is consistent with construction progress that we heard about in advance from construction departments or on-site construction managers, as well as with details of estimates of total construction costs.
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Assessment of indicators of impairment of investment and rental properties	
Description of Key Audit Matter	Auditor's Response
<p>As described in “(2) Impairment of investment and rental properties” under “4. Significant Accounting Estimates” in the notes to the consolidated financial statements, the Group recorded an impairment loss of 607million yen on investment and rental properties of 420,341 million yen for the fiscal year ended March 31, 2022 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</p>	<p>We mainly performed the following procedures to evaluate the assessment of indicators of impairment of investment and rental properties.</p> <p>(1) Evaluation of internal control</p> <p>We evaluated the design and operating effectiveness of internal controls relating to the recognition of impairment loss on noncurrent assets, including investment and rental properties.</p> <p>(2) Evaluation of determinations of whether there are indicators of impairment</p> <ul style="list-style-type: none"> • We obtained materials prepared by the Group for considering whether assets are impaired and evaluated the assessment of indicators of impairment for properties that we selected based on materiality by, for example, agreeing profit (loss) and carrying value by property to

each individual investment and rental property that are used to determine market value are subject to uncertainty since they are greatly affected by factors such as the economic environment, changes in interest rates, and competition in the real estate market.

In addition, considering that investment and rental properties are material as they account for approximately 17% 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.

Based on the above, we have determined that the assessment of indicators of impairment of investment and rental properties is a key audit matter.

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. 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.

Other Information

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

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

Responsibilities of Management, the Corporate Auditor and the Board of Corporate Auditors for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in Japan, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern and disclosing, as required by accounting principles generally accepted in Japan, matters related to going concern.

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

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

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

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

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

We communicate with the Corporate Auditor and the Board of Corporate Auditors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Corporate Auditor and the Board of Corporate Auditors with a statement that we have complied with the ethical requirements regarding independence that are relevant to our audit of the 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, 2022 are presented solely for convenience. Our audit also included the translation of Japanese yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 2 to the consolidated financial statements.

Ernst & Young ShinNihon LLC
Tokyo, Japan

July 28, 2022

Shuji Kaneko
Designated Engagement Partner
Certified Public Accountant

Takeshi Yoshida
Designated Engagement Partner
Certified Public Accountant

Consolidated Balance Sheets

OBAYASHI CORPORATION
At March 31, 2022 and 2021

	Millions of yen		Thousands of U.S. dollars (Note 2)	
	2022	2021	2022	2021
Assets				
Current assets				
Cash and deposits (Notes 8 and 14)	¥ 265,042	¥ 258,549	\$ 2,165,552	\$ 2,112,503
Notes and accounts receivable from completed construction contracts and other (Notes 8 and 14)	902,244	744,473	7,371,884	6,082,793
Electronically recorded monetary claims (Notes 8 and 14)	12,162	21,327	99,371	174,260
Short-term investment securities (Notes 8, 14 and 15)	5,988	4,401	48,927	35,966
Real estate for sale (Note 8)	19,436	12,160	158,804	99,359
Costs on uncompleted construction contracts (Note 8)	43,823	69,198	358,067	565,389
Costs on real estate business	28,300	22,826	231,231	186,505
Inventories for PFI and other projects (Note 8)	10,127	38,095	82,745	311,259
Other inventories (Note 8)	9,182	8,206	75,028	67,053
Accounts receivable-other (Note 14)	78,433	64,501	640,849	527,020
Other	20,938	25,812	171,082	210,905
Allowance for doubtful accounts	(162)	(147)	(1,326)	(1,208)
Total current assets	1,395,517	1,269,405	11,402,218	10,371,809
Noncurrent assets				
Property, plant and equipment, net				
Buildings and structures (Note 8)	121,482	117,083	992,585	956,642
Machinery, vehicles, tools, furniture and fixtures (Note 8)	68,716	50,846	561,454	415,450
Land (Note 8)	378,270	385,157	3,090,701	3,146,969
Leased assets	493	1,081	4,032	8,832
Construction in progress (Note 8)	54,343	55,087	444,015	450,097
Total property, plant and equipment, net (Note 8)	623,306	609,256	5,092,790	4,977,993
Intangible assets	8,648	6,437	70,664	52,597
Investments and other assets				
Investment securities (Notes 8, 14 and 15)	337,976	340,079	2,761,475	2,778,654
Long-term loans receivable	2,096	1,769	17,132	14,457
Deferred tax assets (Note 18)	2,129	2,126	17,399	17,374
Assets for retirement benefits (Note 17)	35	—	290	—
Other (Note 8)	52,549	43,730	429,361	357,306
Allowance for doubtful accounts	(175)	(177)	(1,437)	(1,454)
Total investments and other assets	394,612	387,528	3,224,222	3,166,339
Total noncurrent assets	1,026,567	1,003,222	8,387,677	8,196,930
Total assets	¥ 2,422,085	¥ 2,272,628	\$ 19,789,896	\$ 18,568,740

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)	
	2022	2021	2022	2021
Liabilities				
Current liabilities				
Notes and accounts payable for construction contracts and other	¥ 500,757	¥ 466,213	\$ 4,091,487	\$ 3,809,246
Electronically recorded obligations	128,960	106,456	1,053,684	869,812
Short-term loans payable (Notes 8, 14 and 26)	62,785	54,634	512,993	446,396
Current portion of nonrecourse loans payable (Notes 8, 14 and 26)	14,122	7,445	115,391	60,832
Lease obligations (Notes 14 and 26)	294	740	2,403	6,047
Income taxes payable	9,982	13,415	81,560	109,613
Advances received on uncompleted construction contracts (Note 8)	137,174	127,845	1,120,796	1,044,574
Deposits received	143,850	121,289	1,175,347	991,004
Provision for warranties for completed construction	3,138	2,975	25,643	24,314
Provision for loss on construction contracts (Note 8)	53,146	13,551	434,238	110,725
Other	74,390	78,357	607,811	640,227
Total current liabilities	1,128,602	992,925	9,221,358	8,112,796
Noncurrent liabilities				
Bonds payable (Notes 14 and 25)	40,000	40,000	326,824	326,824
Long-term loans payable (Notes 8, 14 and 26)	94,590	101,722	772,865	831,134
Nonrecourse loans payable (Notes 8, 14 and 26)	68,937	62,151	563,262	507,815
Lease obligations (Notes 14 and 26)	144	296	1,183	2,421
Deferred tax liabilities (Note 18)	10,222	21,229	83,522	173,455
Deferred tax liabilities for land revaluation (Note 18)	18,445	18,644	150,707	152,334
Provision for stock payments for directors	436	401	3,567	3,284
Provision for environmental measures	26	26	214	214
Liability for retirement benefits (Note 17)	47,977	47,758	392,008	390,214
Other	23,788	25,493	194,363	208,294
Total noncurrent liabilities	304,569	317,723	2,488,518	2,595,993
Total liabilities	1,433,171	1,310,648	11,709,877	10,708,789
Net assets				
Shareholders' equity				
Capital stock	57,752	57,752	471,874	471,874
Capital surplus	42,641	42,641	348,410	348,408
Retained earnings	677,559	661,512	5,536,066	5,404,958
Treasury stock	(2,808)	(2,090)	(22,949)	(17,083)
Total shareholders' equity	775,144	759,816	6,333,400	6,208,158
Accumulated other comprehensive income				
Valuation difference on available-for-sale securities	136,235	138,542	1,113,123	1,131,973
Deferred gains (losses) on hedges	8,642	7,471	70,617	61,044
Revaluation reserve for land (Note 8)	23,052	20,379	188,350	166,509
Foreign currency translation adjustments	9,728	1,349	79,490	11,026
Retirement benefit asset and liability adjustments	2,887	3,449	23,590	28,187
Total accumulated other comprehensive income	180,546	171,191	1,475,173	1,398,741
Non-controlling interests	33,222	30,970	271,444	253,051
Total net assets	988,913	961,979	8,080,018	7,859,951
Total liabilities and net assets	¥ 2,422,085	¥ 2,272,628	\$ 19,789,896	\$ 18,568,740

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, 2022 and 2021

	Millions of yen		Thousands of U.S. dollars (Note 2)	
	2022	2021	2022	2021
Net sales				
Construction contracts	¥ 1,795,208	¥ 1,683,280	\$ 14,667,936	\$ 13,753,419
Real estate business and other	127,676	83,612	1,043,190	683,164
Total net sales (Note 21)	1,922,884	1,766,893	15,711,126	14,436,583
Cost of sales				
Construction contracts (Note 9)	1,673,237	1,479,959	13,671,361	12,092,159
Real estate business and other	95,306	61,149	778,714	499,627
Total cost of sales	1,768,544	1,541,108	14,450,076	12,591,786
Gross profit				
Construction contracts	121,970	203,321	996,574	1,661,259
Real estate business and other	32,369	22,463	264,476	183,537
Total gross profit	154,339	225,784	1,261,050	1,844,797
Selling, general and administrative expenses (Note 9)	113,288	102,622	925,636	838,489
Operating income	41,051	123,161	335,414	1,006,307
Other income (expenses)				
Interest and dividend income	7,709	6,988	62,990	57,099
Foreign exchange gains (losses), net	2,678	686	21,883	5,609
Interest expense	(2,019)	(1,866)	(16,498)	(15,253)
Gain on sales of investment securities	10,260	5,362	83,830	43,817
Gain on sales of businesses	2,242	-	18,320	-
Gain on sales of noncurrent assets	384	1,356	3,140	11,082
Reversal of provision for loss on Antimonopoly Act	-	1,026	-	8,388
Loss on liquidation of business (Note 9)	(3,005)	(26)	(24,553)	(216)
Loss on valuation of investment securities	(1,509)	(49)	(12,335)	(405)
Loss on sales and disposal of noncurrent assets	(1,163)	(839)	(9,507)	(6,857)
Other, net (Note 9)	(346)	(1,227)	(2,830)	(10,026)
Total other income (expenses)	15,230	11,411	124,439	93,237
Profit before income taxes	56,281	134,573	459,854	1,099,544
Income taxes (Note 18)				
Income taxes—current	28,815	34,437	235,443	281,376
Income taxes—deferred	(13,988)	(708)	(114,292)	(5,792)
Total income taxes	14,827	33,728	121,151	275,584
Profit	41,453	100,844	338,702	823,960
Profit attributable to non-controlling interests	2,326	2,063	19,010	16,862
Profit attributable to owners of parent	¥ 39,127	¥ 98,780	\$ 319,692	\$ 807,097

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, 2022 and 2021

	Millions of yen		Thousands of U.S. dollars (Note 2)	
	2022	2021	2022	2021
Profit	\ 41,453	\ 100,844	\$ 338,702	\$ 823,960
Other comprehensive income				
Valuation difference on available-for-sale securities	(2,281)	33,765	(18,639)	275,887
Deferred gains (losses) on hedges	1,155	(46)	9,438	(379)
Foreign currency translation adjustments	8,771	(1,526)	71,666	(12,473)
Retirement benefit asset and liability adjustments	(560)	3,019	(4,581)	24,672
Share of other comprehensive income of affiliates accounted for by the equity method	8	666	69	5,443
Total other comprehensive income (Note 10)	7,092	35,878	57,954	293,150
Comprehensive income	\ 48,546	\ 136,723	\$ 396,656	\$ 1,117,110
Comprehensive income attributable to:				
Owners of parent	\ 45,808	\ 136,246	\$ 374,284	\$ 1,113,219
Non-controlling interests	2,738	476	22,372	3,890

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, 2022

Millions of yen

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

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

For the year ended March 31, 2022

Thousands of U.S. dollars (Note 2)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance at the beginning of current period	\$ 471,874	\$ 348,408	\$ 5,404,958	\$ (17,083)	\$ 6,208,158
Cumulative effects of changes in accounting policies			20,995		20,995
Restated balance at the beginning of current period	471,874	348,408	5,425,954	(17,083)	6,229,154
Changes during period					
Cash dividends paid			(187,740)		(187,740)
Profit attributable to owners of parent			319,692		319,692
Reversal of revaluation reserve for land			(21,841)		(21,841)
Purchase of treasury stock				(6,484)	(6,484)
Disposal of treasury stock				617	617
Share changes in parent's ownership interests associated with transaction with non-controlling interests		1			1
Net changes in items other than those in shareholders' equity					
Total changes during period	-	1	110,111	(5,866)	104,246
Balance at the end of current period	\$ 471,874	\$ 348,410	\$ 5,536,066	\$ (22,949)	\$ 6,333,400

	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	\$ 1,131,973	\$ 61,044	\$ 166,509	\$ 11,026	\$ 28,187	\$ 1,398,741	\$ 253,051	\$ 7,859,951
Cumulative effects of changes in accounting policies							590	21,586
Restated balance at the beginning of current period	1,131,973	61,044	166,509	11,026	28,187	1,398,741	253,642	7,881,537
Changes during period								
Cash dividends paid								(187,740)
Profit attributable to owners of parent								319,692
Reversal of revaluation reserve for land								(21,841)
Purchase of treasury stock								(6,484)
Disposal of treasury stock								617
Share changes in parent's ownership interests associated with transaction with non-controlling interests								1
Net changes in items other than those in shareholders' equity	(18,849)	9,573	21,841	68,464	(4,596)	76,432	17,802	94,234
Total changes during period	(18,849)	9,573	21,841	68,464	(4,596)	76,432	17,802	198,481
Balance at the end of current period	\$ 1,113,123	\$ 70,617	\$ 188,350	\$ 79,490	\$ 23,590	\$ 1,475,173	\$ 271,444	\$ 8,080,018

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

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
Cumulative effects of changes in accounting policies					-
Restated 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
Cumulative effects of changes in accounting policies								-
Restated 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	\$ 471,874	\$ 349,910	\$ 4,796,247	\$ (17,332)	\$ 5,600,699
Cumulative effects of changes in accounting policies					-
Restated balance at the beginning of current period	471,874	349,910	4,796,247	(17,332)	5,600,699
Changes during period					
Cash dividends paid			(187,741)		(187,741)
Profit attributable to owners of parent			807,097		807,097
Reversal of revaluation reserve for land			(10,645)		(10,645)
Purchase of treasury stock				(27)	(27)
Disposal of treasury stock				276	276
Share changes in parent's ownership interests associated with transaction with non-controlling interests		(1,501)			(1,501)
Net changes in items other than those in shareholders' equity					
Total changes during period	-	(1,501)	608,711	249	607,458
Balance at the end of current period	\$ 471,874	\$ 348,408	\$ 5,404,958	\$ (17,083)	\$ 6,208,158

	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	\$ 856,081	\$ 55,868	\$ 155,863	\$ 10,677	\$ 3,483	\$ 1,081,973	\$ 266,415	\$ 6,949,088
Cumulative effects of changes in accounting policies								-
Restated balance at the beginning of current period	856,081	55,868	155,863	10,677	3,483	1,081,973	266,415	6,949,088
Changes during period								
Cash dividends paid								(187,741)
Profit attributable to owners of parent								807,097
Reversal of revaluation reserve for land								(10,645)
Purchase of treasury stock								(27)
Disposal of treasury stock								276
Share changes in parent's ownership interests associated with transaction with non-controlling interests								(1,501)
Net changes in items other than those in shareholders' equity	275,891	5,176	10,645	349	24,704	316,767	(13,364)	303,403
Total changes during period	275,891	5,176	10,645	349	24,704	316,767	(13,364)	910,862
Balance at the end of current period	\$ 1,131,973	\$ 61,044	\$ 166,509	\$ 11,026	\$ 28,187	\$ 1,398,741	\$ 253,051	\$ 7,859,951

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, 2022 and 2021

	Millions of yen		Thousands of U.S. dollars (Note 2)	
	2022	2021	2022	2021
Net cash provided by (used in) operating activities				
Profit before income taxes	\ 56,281	\ 134,573	\$ 459,854	\$ 1,099,544
Depreciation and amortization	20,691	20,038	169,065	163,723
Increase (decrease) in allowance for doubtful accounts	7	17	62	139
Increase (decrease) in provision for loss on construction contracts	39,566	891	323,279	7,286
Increase (decrease) in provision for loss on Antimonopoly Act	-	(4,145)	-	(33,867)
Increase (decrease) in liability for retirement benefits	(636)	(424)	(5,203)	(3,465)
Loss (gain) on valuation of short-term and long-term investment securities	1,509	49	12,335	405
Interest and dividend income	(7,709)	(6,988)	(62,990)	(57,099)
Interest expense	2,019	1,866	16,498	15,253
Loss (gain) on sales of short-term and long-term investment securities	(10,067)	(5,312)	(82,256)	(43,404)
Loss (gain) on sales of businesses	(2,242)	-	(18,320)	-
Decrease (increase) in notes and accounts receivable—trade	(96,705)	14,647	(790,142)	119,677
Decrease (increase) in costs on uncompleted construction contracts	25,980	(31,141)	212,279	(254,441)
Decrease (increase) in inventories	6,013	(5,653)	49,136	(46,193)
Decrease (increase) in inventories for PFI and other projects	1,992	15,404	16,283	125,867
Decrease (increase) in other assets	(7,085)	4,645	(57,894)	37,958
Increase (decrease) in notes and accounts payable—trade	43,111	(77,678)	352,245	(634,682)
Increase (decrease) in advances received on uncompleted construction contracts	7,037	20,284	57,502	165,737
Increase (decrease) in other liabilities	15,736	(12,868)	128,578	(105,139)
Other, net	923	1,469	7,547	12,003
Subtotal	96,426	69,676	787,863	569,302
Interest and dividend received	8,078	7,827	66,006	63,958
Interest paid	(2,001)	(1,830)	(16,353)	(14,953)
Income taxes (paid) refunded	(32,805)	(47,753)	(268,043)	(390,173)
Surcharges paid	-	(3,118)	-	(25,479)
Net cash provided by (used in) operating activities	69,697	24,803	569,473	202,656
Net cash provided by (used in) investing activities				
Payments into time deposits	(18,044)	(38,801)	(147,438)	(317,027)
Proceeds from withdrawal of time deposits	24,636	32,044	201,292	261,820
Purchase of property, plant and equipment and intangible assets	(58,030)	(57,431)	(474,143)	(469,252)
Proceeds from sales of property, plant and equipment and intangible assets	815	2,726	6,661	22,279
Purchase of short-term and long-term investment securities	(13,072)	(4,973)	(106,813)	(40,639)
Proceeds from sales and redemption of short-term and long-term investment securities	19,847	11,971	162,167	97,816
Payments of loans receivable	(412)	(79)	(3,370)	(646)
Collection of loans receivable	351	168	2,869	1,373
Payments for purchase of shares of subsidiaries resulting in change in scope of consolidation	(1,527)	(6,671)	(12,481)	(54,513)
Payments for sales of shares of subsidiaries resulting in change in scope of consolidation	(9,689)	-	(79,170)	-
Other, net	5,294	(18,028)	43,256	(147,304)
Net cash provided by (used in) investing activities	(49,833)	(79,075)	(407,171)	(646,095)
Net cash provided by (used in) financing activities				
Net increase (decrease) in short-term loans payable	4,996	-	40,820	-
Repayments of lease obligations	(880)	(883)	(7,197)	(7,217)
Proceeds from long-term loans payable	11,008	41,161	89,941	336,315
Repayment of long-term loans payable	(16,473)	(17,464)	(134,599)	(142,693)
Proceeds from nonrecourse loans payable	20,911	1,605	170,855	13,115
Payment of nonrecourse loans payable	(7,445)	(7,632)	(60,832)	(62,364)
Purchase of treasury shares	(793)	(3)	(6,484)	(27)
Cash dividends paid	(22,977)	(22,977)	(187,740)	(187,741)
Cash dividends paid to non-controlling interests	(801)	(1,754)	(6,549)	(14,334)
Payments from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation	(2)	(534)	(17)	(4,367)
Proceeds from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation	2	-	16	-
Net cash provided by (used in) financing activities	(12,457)	(8,483)	(101,786)	(69,314)
Effect of exchange rate changes on cash and cash equivalents	5,436	285	44,418	2,331
Net increase (decrease) in cash and cash equivalents	12,842	(62,470)	104,934	(510,422)
Cash and cash equivalents at beginning of period	236,474	298,945	1,932,138	2,442,560
Cash and cash equivalents at end of period (Note 12)	\ 249,317	\ 236,474	\$ 2,037,073	\$ 1,932,138

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, 2022 and 2021

1. Basis of Presenting Consolidated Financial Statements

The accompanying consolidated financial statements were prepared based on the accounts maintained by OBAYASHI CORPORATION (the "Company") and its subsidiaries (collectively, the "Companies" or "Group") in accordance with accounting principles generally accepted in Japan, which are different in certain respects as to the application and disclosure requirements of International Financial Reporting Standards, and are compiled from the consolidated financial statements prepared by the Company as required by the Financial Instruments and Exchange Law of Japan.

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

2. U.S. Dollar Amounts

The accounts of the consolidated financial statements presented herein are expressed in Japanese yen by rounding down to the nearest million. The U.S. dollar amounts shown in the accompanying consolidated financial statements and notes thereto were translated from the original Japanese yen into U.S. dollars on the basis of ¥122.39 to US\$1, the rate of exchange prevailing at March 31, 2022, 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 98 subsidiaries at March 31, 2022. The consolidated financial statements as of and for the years ended March 31, 2022 and 2021 included the accounts of the Company and all subsidiaries.

All significant intercompany accounts and transactions are eliminated. Investments in all affiliates (26 companies as of March 31, 2022) 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 stock payments for directors

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

(15) Provision for environmental measures

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

(16) Retirement benefits

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

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

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

(17) Derivatives and hedge accounting

(a) Method of hedge accounting

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

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

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

(b) Hedging instruments and hedged items

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

(c) Hedging policy

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

(d) Assessment of hedge effectiveness

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

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

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

Hedge accounting method: The short-cut method

Hedging instrument: Interest rate swaps

Hedged items: Loans payable and nonrecourse loans payable

Type of hedging transaction: To fix cash flows

(18) Recognizing revenues and costs of construction contracts

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

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

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

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

(19) Consumption taxes

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

(20) Income taxes

The Companies apply deferred tax accounting for income taxes which requires recognition of income taxes by the asset/liability method.

Under the asset/liability method, deferred tax assets and liabilities are determined based on the difference between financial reporting basis and the tax basis of the assets and liabilities and are measured using the enacted tax rates and laws which will be in effect when the differences are expected to reverse.

(21) Consolidated tax payment system

The Companies apply the consolidated tax payment system.

(22) Application of deferred tax accounting for transition from consolidated tax payment system to group tax sharing system

The Company and some of its domestic consolidated subsidiaries will shift from the consolidated tax payment system to group tax sharing system from the next consolidated fiscal year. However, they 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.

From the beginning of the next consolidated fiscal year, the Company plans to apply the "Practical Solution on the Accounting and Disclosure Under the Group Tax Sharing System" (PITF No. 42, August 12, 2021), which provides for accounting treatment and disclosure of corporate and local income taxes and tax effect accounting in the case where the group tax sharing system is applied.

(23) Accounting method for joint ventures in construction business

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

4. Significant Accounting Estimates

For the year ended March 31, 2022

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

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

Revenues from construction based on the method to recognize revenue by satisfying performance obligations over a certain period of time:

¥1,655,853 million (US\$13,529,324 thousand)

Provision for loss on construction contracts: ¥53,146 million (US\$434,238 thousand)

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

1. Calculation method

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

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

2. Major assumptions

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

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

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

(2) Impairment of investment and rental properties

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

Impairment loss: \607 million (US\$4,960 thousand)

It should be noted that investment and rental properties recorded in the consolidated balance sheets is \420,341 million (US\$3,434,446 thousand) as of the fiscal year ended March 31, 2022.

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

1. Calculation method

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

2. Major assumptions

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

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

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

For the year ended March 31, 2021

(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\$12,398,279 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\$4,414 thousand)

It should be noted that investment and rental properties recorded in the consolidated balance sheets is \411,386 million (US\$3,361,272 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. Change in Accounting Policies

(1) Application of the "Accounting Standard for Revenue Recognition"

The Companies applied the Accounting Standard for Revenue Recognition (ASBJ Statement No. 29, March 31, 2020) from the beginning of the current fiscal year, and revenue is recognized at the amount expected to be received in exchange for the promised goods or services when control of the goods or services is transferred to the customer.

The main changes resulting from the application of the Accounting Standard for Revenue Recognition are as follows.

(a) Revenue recognition for construction contracts

For construction contracts in the domestic building construction, overseas building construction, domestic civil engineering and overseas civil engineering segments in which performance obligations are satisfied over a certain period of time, revenue was not previously recognized until the degree of progress toward satisfying the performance obligations could be reasonably estimated. However, the Companies changed the method of recognizing revenue on a cost recovery basis when the degree of progress toward satisfying the performance obligations cannot be reasonably estimated but the costs incurred are expected to be recovered.

(b) Revenue recognition for agency transactions

With respect to revenue related to the trading business in the domestic building construction segment, the Companies previously recognized as revenue the gross amount of consideration received from customers; however, when the Group's role in providing goods to customers corresponds to that of an agent, the Companies have changed to a method of recognizing revenue in the net amount received from customers less the amount paid to suppliers of the goods.

In accordance with the transitional treatment prescribed in the proviso of Paragraph 84 of the Accounting Standard for Revenue Recognition, the cumulative effect of retrospective application of the new accounting policy prior to the beginning of the current fiscal year is added to or deducted from retained earnings at the beginning of the current fiscal year, and the new accounting policy is applied from such beginning balance.

As a result, compared to the consolidated statements of income before the application of the Accounting Standard for Revenue Recognition, net sales and cost of sales decreased by ¥18,349 million (US\$149,923 thousand) and ¥19,992 million (US\$163,348 thousand), respectively, and operating income and income before income taxes and minority interests increased by ¥1,643 million (US\$13,425 thousand) and ¥1,632 million (US\$13,339 thousand), respectively, for the year ended March 31, 2022.

The cumulative effect was reflected in net assets at the beginning of the current fiscal year, resulting in an increase of ¥2,569 million (US\$20,995 thousand) in retained earnings at the beginning of the current fiscal year in the consolidated statements of changes in net assets.

In accordance with the transitional treatment stipulated in Paragraph 89-3 of the Accounting Standard for Revenue Recognition, the notes to "Revenue Recognition" for the previous fiscal year are not presented.

(2) Application of the "Accounting Standard for Fair Value Measurement"

The Companies applied the Accounting Standard for Fair Value Measurement (ASBJ Statement No. 30, July 4, 2019) from the beginning of the current fiscal year, in accordance with the transitional treatment prescribed in paragraph 19 of the Accounting Standard for Fair Value Measurement and paragraph 44-2 of the Accounting Standard for Financial Instruments (ASBJ Statement No. 10, July 4, 2019). The new accounting policy prescribed by the Accounting Standard is to be applied prospectively. This change has no impact on the consolidated financial statements.

In addition, in the notes to "Financial Instruments," the Companies provide notes on items such as the breakdown of the fair value of financial instruments by level of fair value. However, in accordance with the transitional treatment prescribed in paragraph 7-4 of the "Guidance on Disclosures about Fair Value of Financial Instruments" (ASBJ Guidance No. 19, July 4, 2019), no such notes are presented for the previous fiscal year.

6. Standards Issued But Not Yet Effective

"Implementation Guidance on Accounting Standard for Fair Value Measurement" (ASBJ Guidance No. 31, June 17, 2021)

(a) Overview

The June 17, 2021 amendment to the "Implementation Guidance on Accounting Standard for Measurement of Fair Value" is a revision and publication of the "Accounting Standard for Measurement of Fair Value" which, at the time of its release on July 4, 2019, was to be reviewed approximately one year after the release of the "Accounting Standard for Measurement of Fair Value" because a certain period of consultation with relevant parties is considered necessary for the review regarding "calculation of the fair value of investment trusts" and certain consideration should also be given to the note on the fair value of "Investments in partnerships, etc., in which the net amount of equity interest is recorded on the balance sheet."

(b) Scheduled date of adoption

The Companies adopt the implementation guidance from the beginning of the fiscal year beginning on or after April 1, 2022.

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

The impact of the adoption of the implementation guidance on the consolidated financial statements is immaterial.

7. Additional Information

Performance-linked stock compensation plan for directors and executive officers

(a) Transaction summary

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

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

At the ordinary general meeting of shareholders held on June 24, 2021, a resolution was passed to revise the stock compensation plan by expanding the stock compensation limit. In response to this, based on the resolution at the Board of Directors meeting held on August 5, 2021, additional trust funds were contributed and the Company's shares were acquired as follows.

Overview of additional trust fund contribution and acquisition of the Company shares:

Additional monetary contributions and additional acquisition of shares were made within the maximum trust fund amount (\1,000 million (US\$8,170 thousand) during the trust period) and the maximum number of shares to be acquired (990,000 shares during the trust period) approved at the shareholders' meeting.

Date of change in trust agreement: August 6, 2021

Term of trust: From August 6, 2021 to August 31, 2024

Total amount of additional trust: \787 million (US\$6,430 thousand)

Period of share acquisition: From August 10, 2021 to October 5, 2021

Number of additional shares acquired: 846,700

Method of acquisition of shares: Acquired from the exchange market

(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, 2022 and 2021 are \1,114 million (US\$9,109 thousand) and 1,148,432 shares and \400 million (US\$3,270 thousand) and 372,318 shares, respectively.

8. Notes to Consolidated Balance Sheets

(1) Contract receivables

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

At March 31	Millions of yen		Thousands of U.S. dollars	
	2022		2022	
Notes and accounts receivable from completed construction contracts and other	¥	354,379	\$	2,895,490
Electronically recorded monetary claims		12,162		99,371
Total	¥	366,541	\$	2,994,861

(2) Contract assets

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

At March 31	Millions of yen		Thousands of U.S. dollars	
	2022		2022	
Notes and accounts receivable from completed construction contracts and other	¥	543,254	\$	4,438,713

(3) Contract liabilities

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

At March 31	Millions of yen		Thousands of U.S. dollars	
	2022		2022	
Advances received on uncompleted construction contracts	¥	137,174	\$	1,120,796
Current liabilities—other		1,633		13,350
Total	¥	138,808	\$	1,134,146

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

At March 31	Millions of yen		Thousands of U.S. dollars	
	2022	2021	2022	2021
Costs on PFI business	¥	10,127	¥	38,095
			\$	82,745
			\$	311,259

(5) Breakdown of "Other inventories"

At March 31	Millions of yen		Thousands of U.S. dollars	
	2022	2021	2022	2021
Costs on other business	¥	4,305	¥	4,102
			\$	35,177
			\$	33,523
Raw materials and supplies		4,877		4,103
			\$	39,851
			\$	33,529
Total	¥	9,182	¥	8,206
			\$	75,028
			\$	67,053

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

At March 31	Millions of yen		Thousands of U.S. dollars	
	2022	2021	2022	2021
	¥	193,443	¥	183,074
			\$	1,580,550
			\$	1,495,825

(7) Investments in affiliates included in investment securities

At March 31	Millions of yen		Thousands of U.S. dollars	
	2022	2021	2022	2021
	¥	10,202	¥	7,138
			\$	83,357
			\$	58,326

(8) Revaluation reserve for land

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

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

(9) Pledged assets

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	
	2022	2021	2022	2021
Assets pledged as collateral				
Cash and deposits	¥ 1,703	¥ 1,560	\$ 13,914	\$ 12,747
Buildings and structures	3,835	4,033	31,337	32,957
Machinery, vehicles, tools, furniture and fixtures	11	38	95	314
Land	10,981	10,981	89,726	89,726
Investment securities	5,334	143	43,582	1,170
Total	¥ 21,865	¥ 16,757	\$ 178,657	\$ 136,916
Liabilities secured thereby				
Short-term loans payable	¥ 300	¥ 300	\$ 2,451	\$ 2,451
Long-term loans payable	-	300	-	2,451
Total	¥ 300	¥ 600	\$ 2,451	\$ 4,902

(10) Deposited assets

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

At March 31	Millions of yen		Thousands of U.S. dollars	
	2022	2021	2022	2021
Cash and deposits	¥ 15	¥ -	\$ 122	\$ -
Short-term investment securities	88	56	724	464
Investment securities	205	293	1,677	2,397
Investments and other assets—other	529	538	4,329	4,401
Total	¥ 838	¥ 888	\$ 6,854	\$ 7,262

(11) Contingent liabilities

The Companies are contingently liable for the following:

At March 31	Millions of yen		Thousands of U.S. dollars	
	2022	2021	2022	2021
Guarantees of long-term debt of subsidiary *	¥ 24,133	¥ -	\$ 197,185	\$ -
Guarantees of long-term debt of employees	23	35	192	291
Total	¥ 24,157	¥ 35	\$ 197,377	\$ 291

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

(12) 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	
	2022	2021	2022	2021
	¥ -	¥ 11,771	\$ -	\$ 96,179

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

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

At March 31	Millions of yen		Thousands of U.S. dollars	
	2022	2021	2022	2021
Buildings and structures	¥ 3,760	¥ 632	\$ 30,721	\$ 5,165
Machinery, vehicles, tools, furniture and fixtures	56	35	463	292
Land	13,324	1,334	108,867	10,902
Construction in progress	3,736	-	30,526	-
Total	¥ 20,877	¥ 2,002	\$ 170,578	\$ 16,359

(14) 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	
	2022	2021	2022	2021
Buildings and structures	¥ 299	¥ 46	\$ 2,450	\$ 378
Machinery, vehicles, tools, furniture and fixtures	124	-	1,013	-
Land	0	-	0	-
Construction in progress	-	7	-	63
Total	¥ 423	¥ 54	\$ 3,464	\$ 442

(15) 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	
	2022	2021	2022	2021
Cash and deposits	¥ 19,147	¥ 18,450	\$ 156,445	\$ 150,752
Notes and accounts receivable from completed construction contracts and other	57,385	9,926	468,870	81,109
Inventories for PFI and other projects	10,020	35,543	81,876	290,409
Buildings and structures	3,249	3,654	26,552	29,860
Machinery, vehicles, tools, furniture and fixtures	20,184	22,245	164,918	181,760
Total	¥ 109,987	¥ 89,821	\$ 898,664	\$ 733,892

(16) 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, 2022 and 2021, 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	
	2022	2021	2022	2021
Contract amount	¥ 30,000	¥ 180,000	\$ 245,118	\$ 1,470,708
Outstanding borrowings	-	-	-	-
Available amount	¥ 30,000	¥ 180,000	\$ 245,118	\$ 1,470,708

9. Notes to Consolidated Statements of Income

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

For the years ended March 31	Millions of yen		Thousands of U.S. dollars	
	2022	2021	2022	2021
	¥ 46,176	¥ 3,114	\$ 377,292	\$ 25,443

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

For the years ended March 31	Millions of yen		Thousands of U.S. dollars	
	2022	2021	2022	2021
Employees' salaries and allowances	¥ 43,862	¥ 40,642	\$ 358,382	\$ 332,075
Retirement benefit expenses	1,192	1,383	9,741	11,304
Research and development expenses	15,841	13,661	129,431	111,621

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

For the years ended March 31	Millions of yen		Thousands of U.S. dollars	
	2022	2021	2022	2021
	¥ 15,841	¥ 13,661	\$ 129,431	\$ 111,621

(4) Loss on liquidation of business

The losses are related to certain renewable energy business and operation of golf course business, etc. for the year ended March 31, 2022 and agricultural business for the year ended March 31, 2021, respectively.

(5) The major components of "Other, net" included in "Other income (expenses)"

For the years ended March 31	Millions of yen		Thousands of U.S. dollars	
	2022	2021	2022	2021
Other expenses				
Impairment loss	¥ 625	¥ 1,188	\$ 5,111	\$ 9,712

10. Notes to Consolidated Statements of Comprehensive Income

The following table presents reclassification adjustments as amounts reclassified to profit for the years ended March 31, 2022 and 2021 which are recognized in other comprehensive income for the years ended on or before March 31, 2022 and 2021 and tax effect allocated to each component of other comprehensive income for the years ended March 31, 2022 and 2021.

For the years ended March 31	Millions of yen		Thousands of U.S. dollars	
	2022	2021	2022	2021
Valuation difference on available-for-sale securities				
Occurred during the year	\ 6,748	\ 53,710	\$ 55,142	\$ 438,844
Reclassification adjustments	(10,137)	(5,191)	(82,831)	(42,415)
Valuation difference on available-for-sale securities before tax effect	(3,388)	48,518	(27,688)	396,428
Tax effect	1,107	(14,752)	9,049	(120,540)
Valuation difference on available-for-sale securities	(2,281)	33,765	(18,639)	275,887
Deferred gains (losses) on hedges				
Occurred during the year	4,668	(146)	38,142	(1,199)
Reclassification adjustments	(83)	85	(682)	696
Deferred gains (losses) on hedges before tax effect	4,584	(61)	37,460	(502)
Tax effect	(3,429)	15	(28,021)	123
Deferred gains (losses) on hedges	1,155	(46)	9,438	(379)
Foreign currency translation adjustments				
Occurred during the year	8,771	(1,526)	71,666	(12,473)
Reclassification adjustments	-	-	-	-
Foreign currency translation adjustments	8,771	(1,526)	71,666	(12,473)
Retirement benefit asset and liability adjustments				
Occurred during the year	147	4,801	1,206	39,231
Reclassification adjustments	(959)	(444)	(7,839)	(3,631)
Retirement benefit asset and liability adjustments before tax effect	(811)	4,357	(6,633)	35,600
Tax effect	251	(1,337)	2,051	(10,928)
Retirement benefit asset and liability adjustments	(560)	3,019	(4,581)	24,672
Share of other comprehensive income of affiliates accounted for by the equity method				
Occurred during the year	(5)	659	(47)	5,387
Reclassification adjustments	14	6	117	55
Share of other comprehensive income of affiliates accounted for by the equity method	8	666	69	5,443
Total other comprehensive income	\ 7,092	\ 35,878	\$ 57,954	\$ 293,150

11. Notes to Consolidated Statements of Changes in Net Assets

(1) Type and number of outstanding shares

For the year ended March 31, 2022

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

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

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.

(2) Dividends

(a) Dividends paid to shareholders

For the year ended March 31, 2022

Resolution approved by	Type of shares	Amount		Amount per share		Shareholders' cut-off date	Effective date
		Millions of yen	Thousands of U.S. dollars	Yen	U.S. dollars		
Annual General Meeting of Shareholders (June 24, 2021)	Common stock	¥11,488	\$93,870	¥16	\$0.13	March 31, 2021	June 25, 2021
Board of Directors (November 8, 2021)	Common stock	¥11,488	\$93,869	¥16	\$0.13	September 30, 2021	December 1, 2021

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, 2021 (included amount: ¥5 million (US\$48 thousand)).
2. Dividends for shares in the BIP Trust are included in dividends in accordance with the resolution at the Board of Directors on November 8, 2021 (included amount: ¥16 million (US\$138 thousand)).

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	\$93,870	¥16	\$0.13	March 31, 2020	June 25, 2020
Board of Directors (November 9, 2020)	Common stock	¥11,488	\$93,870	¥16	\$0.13	September 30, 2020	December 1, 2020

Notes: 1. Dividends for shares in the BIP Trust are included in dividends in accordance with the resolution at the Annual General Meeting of Shareholders on June 24, 2020 (included amount: ¥6 million (US\$52 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\$49 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, 2022

Resolution approved by	Type of shares	Amount			Amount per share		Shareholders' cut-off date	Effective date
		Millions of yen	Thousands of U.S. dollars	Paid from	Yen	U.S. dollars		
Annual General Meeting of Shareholders (June 23, 2022)	Common stock	¥11,488	\$93,869	Retained earnings	¥16	\$0.13	March 31, 2022	June 24, 2022

Note: Dividends for shares in the BIP Trust are included in dividends in accordance with the resolution at the Annual General Meeting of Shareholders on June 23, 2022 (included amount: ¥18 million (US\$150 thousand)).

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	\$93,870	Retained earnings	¥16	\$0.13	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\$48 thousand)).

(3) Shareholders' equity

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

12. Notes to Consolidated Statements of Cash Flows

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

At March 31	Millions of yen		Thousands of U.S. dollars	
	2022	2021	2022	2021
Cash and deposits	¥ 265,042	¥ 258,549	\$ 2,165,552	\$ 2,112,503
Time deposits with a maturity of more than three months	(15,724)	(22,074)	(128,479)	(180,365)
Cash and cash equivalents at end of period	¥ 249,317	¥ 236,474	\$ 2,037,073	\$ 1,932,138

13. Lease Transactions

Operating leases

(a) Lessee's accounting

Future minimum payments under non-cancelable lease contracts at March 31, 2022 and 2021 are as follows:

At March 31	Millions of yen		Thousands of U.S. dollars	
	2022	2021	2022	2021
Within 1 year	¥ 3,101	¥ 3,338	\$ 25,340	\$ 27,281
Over 1 year	8,297	5,841	67,797	47,724
Total	¥ 11,399	¥ 9,179	\$ 93,137	\$ 75,005

(b) Lessor's accounting

Future minimum receivables under non-cancelable lease contracts at March 31, 2022 and 2021 are as follows:

At March 31	Millions of yen		Thousands of U.S. dollars	
	2022	2021	2022	2021
Within 1 year	¥ 6,884	¥ 6,507	\$ 56,248	\$ 53,166
Over 1 year	48,850	41,076	399,140	335,620
Total	¥ 55,735	¥ 47,583	\$ 455,388	\$ 388,787

14. Financial Instruments

(1) Overview

(a) Policy for financial instruments

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

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

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

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

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

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

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

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

(c) Supplementary explanation of fair values of financial instruments

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

(2) Fair value of financial instruments

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

	Millions of yen			Thousands of U.S. dollars		
	Carrying value	Fair value	Difference	Carrying value	Fair value	Difference
At March 31, 2022						
Assets						
Notes and accounts receivable from completed construction contracts and other	\ 902,244	\ 901,002	\ (1,242)	\$ 7,371,884	\$ 7,361,729	\$ (10,154)
Short-term investment securities and investment securities	317,308	317,310	2	2,592,600	2,592,619	19
Total	\ 1,219,553	\ 1,218,312	\ (1,240)	\$ 9,964,484	\$ 9,954,349	\$ (10,135)
Liabilities						
Bonds payable	\ 40,000	\ 40,038	\ 38	\$ 326,824	\$ 327,138	\$ 314
Long-term loans payable	94,590	94,710	119	772,865	773,841	976
Nonrecourse loans payable	68,937	70,313	1,375	563,262	574,504	11,241
Total	\ 203,528	\ 205,062	\ 1,533	\$ 1,662,951	\$ 1,675,484	\$ 12,532
Derivative transactions *	\ 11,628	\ 11,628	\ —	\$ 95,013	\$ 95,013	\$ —

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

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

	Millions of yen	Thousands of U.S. dollars
At March 31, 2022		
Non-listed stocks	\ 16,454	\$ 134,444
Stocks of affiliates	10,202	83,357
Total	\ 26,656	\$ 217,801

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

At March 31, 2021	Millions of yen			Thousands of U.S. dollars		
	Carrying value	Fair value	Difference	Carrying value	Fair value	Difference
Assets						
Notes and accounts receivable from completed construction contracts and other	\ 744,473	\ 744,638	\ 165	\$ 6,082,793	\$ 6,084,147	\$ 1,354
Short-term investment securities and investment securities	317,544	317,548	4	2,594,526	2,594,566	39
Total	\ 1,062,017	\ 1,062,187	\ 170	\$ 8,677,319	\$ 8,678,713	\$ 1,393
Liabilities						
Bonds payable	\ 40,000	\ 40,230	\ 230	\$ 326,824	\$ 328,709	\$ 1,885
Long-term loans payable	101,722	102,377	654	831,134	836,484	5,350
Nonrecourse loans payable	62,151	64,313	2,161	507,815	525,480	17,664
Total	\ 203,874	\ 206,921	\ 3,047	\$ 1,665,774	\$ 1,690,674	\$ 24,899
Derivative transactions *	\ 7,043	\ 7,043	\ —	\$ 57,553	\$ 57,553	\$ —

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

2. 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. Their carrying value is as follows:

At March 31, 2021	Millions of yen	Thousands of U.S. dollars
Non-listed stocks and other	\ 19,798	\$ 161,768
Stocks of affiliates	7,138	58,326
Total	\ 26,937	\$ 220,095

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

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

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

	Thousands of U.S. dollars			
	Due in 1 year or less	Due after 1 year through 5 years	Due after 5 years through 10 years	Due after 10 years
At March 31, 2022				
Cash and deposits				
Deposits	\$ 2,164,518	\$ —	\$ —	\$ —
Notes and accounts receivable from completed construction contracts and other	6,519,670	620,848	157,031	74,333
Electronically recorded monetary claims	99,371	—	—	—
Short-term investment securities and investment securities				
Held-to-maturity securities				
Government bonds and municipal bonds	724	1,677	—	—
Corporate bonds	—	81	—	1,470
Accounts receivable—other	640,849	—	—	—
Total	\$ 9,425,134	\$ 622,608	\$ 157,031	\$ 75,804

	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	\$ 2,111,545	\$ —	\$ —	\$ —
Notes and accounts receivable from completed construction contracts and other	5,321,499	739,977	15,091	6,225
Electronically recorded monetary claims	174,260	—	—	—
Short-term investment securities and investment securities				
Held-to-maturity securities				
Government bonds and municipal bonds	464	2,398	—	—
Corporate bonds	—	81	—	1,470
Accounts receivable—other	527,020	—	—	—
Total	\$ 8,134,788	\$ 742,457	\$ 15,091	\$ 7,695

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

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

	Thousands of U.S. dollars					
At March 31, 2022	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
Short-term loans payable	\$ 353,019	\$ —	\$ —	\$ —	\$ —	\$ —
Bonds payable	—	163,412	81,706	—	—	81,706
Long-term loans payable	159,974	135,123	103,287	155,404	135,222	243,826
Nonrecourse loans payable	115,391	63,932	61,591	62,043	56,271	319,423
Lease obligations	2,403	364	465	38	3	311
Total	\$ 630,789	\$ 362,831	\$ 247,051	\$ 217,486	\$ 191,497	\$ 645,268

	Millions of yen					
At March 31, 2021	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
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					
At March 31, 2021	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
Short-term loans payable	\$ 312,198	\$ —	\$ —	\$ —	\$ —	\$ —
Bonds payable	—	—	163,412	81,706	—	81,706
Long-term loans payable	134,198	151,671	120,594	76,074	110,049	372,744
Nonrecourse loans payable	60,832	70,026	50,675	48,408	48,837	289,866
Lease obligations	6,047	1,715	401	250	52	1
Total	\$ 513,277	\$ 223,413	\$ 335,083	\$ 206,440	\$ 158,940	\$ 744,319

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

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

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

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

Level 3: Fair value calculated using unobservable inputs.

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

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

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

At March 31, 2022	Thousands of U.S. dollars			
	Level 1	Level 2	Level 3	Total
Assets				
Short-term investment securities and investment securities	\$	\$	\$	\$
Other investment securities				
Stock	2,502,015	—	—	2,502,015
Other	28,798	38,070	—	66,868
Derivative transactions				
Currency-related transactions	—	97,932	—	97,932
Total	\$ 2,530,813	\$ 136,002	\$ —	\$ 2,666,815
Liabilities				
Derivative transactions	\$	\$	\$	\$
Interest-related transactions	—	2,918	—	2,918
Total	\$ —	\$ 2,918	\$ —	\$ 2,918

Investment trusts to which the transitional provisions of Paragraph 26 of the "Implementation Guidance on Accounting Standard for Fair Value Measurement" (ASBJ Guidance No. 31, July 4, 2019) were applied are not included in the table above. The amount of the investment trusts in the consolidated balance sheet is ¥2,608 million (US\$21,313 thousand) in financial assets.

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

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

At March 31, 2022	Thousands of U.S. dollars			
	Level 1	Level 2	Level 3	Total
Assets				
Notes and accounts receivable from completed construction contracts and other	\$	\$	\$	\$
Short-term investment securities and investment securities				
Held-to-maturity securities				
Government bonds and municipal	2,418	—	—	2,418
Total	\$ 2,418	\$ 7,361,729	\$ —	\$ 7,364,147
Liabilities				
Bonds payable	\$	\$	\$	\$
Long-term loans payable	—	327,138	—	327,138
Long-term loans payable	—	773,841	—	773,841
Nonrecourse loans payable	—	574,504	—	574,504
Total	\$ —	\$ 1,675,483	\$ —	\$ 1,675,483

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

Short-term investment securities and investment securities

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

Derivatives

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

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

Notes and accounts receivable from completed construction contracts and other

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

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

Bonds payable

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

Long-term loans payable and Nonrecourse loans payable

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

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

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

15. Securities

(a) Held-to-maturity debt securities

	Millions of yen			Thousands of U.S. dollars		
	Carrying value	Estimated fair value	Unrealized gain (loss)	Carrying value	Estimated fair value	Unrealized gain (loss)
At March 31, 2022						
Securities whose fair values exceed their carrying values						
Government bonds and municipal bonds	\ 294	\ 296	\ 2	\$ 2,402	\$ 2,421	\$ 19
Securities whose fair values do not exceed their carrying values						
Corporate bonds	190	190	—	1,552	1,552	—
Total	\ 484	\ 486	\ 2	\$ 3,955	\$ 3,974	\$ 19

	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	\$ 2,862	\$ 2,902	\$ 39
Securities whose fair values do not exceed their carrying values						
Corporate bonds	190	190	—	1,552	1,552	—
Total	\ 540	\ 545	\ 4	\$ 4,415	\$ 4,454	\$ 39

(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, 2022						
Securities whose carrying values exceed their acquisition costs						
Stock	\ 295,030	\ 95,781	\ 199,248	\$ 2,410,577	\$ 782,596	\$ 1,627,981
Other	—	—	—	—	—	—
Subtotal	295,030	95,781	199,248	2,410,577	782,596	1,627,981
Securities whose carrying values do not exceed their acquisition costs						
Stock	11,191	14,876	(3,684)	91,438	121,546	(30,108)
Other	10,602	10,602	—	86,629	86,629	—
Subtotal	21,793	25,478	(3,684)	178,067	208,176	(30,108)
Total	\ 316,824	\ 121,260	\ 195,563	\$ 2,588,645	\$ 990,772	\$ 1,597,872

Stocks and other which have no quoted market prices available (carrying value \16,454 million (US\$134,444 thousand)) are not included in "Other" above.

	Millions of yen			Thousands of U.S. dollars		
	Carrying value	Acquisition cost	Unrealized gain (loss)	Carrying value	Acquisition cost	Unrealized gain (loss)
At March 31, 2021						
Securities whose carrying values exceed their acquisition costs						
Stock	\ 299,325	\ 96,670	\ 202,654	\$ 2,445,667	\$ 789,859	\$ 1,655,808
Other	—	—	—	—	—	—
Subtotal	299,325	96,670	202,654	2,445,667	789,859	1,655,808
Securities whose carrying values do not exceed their acquisition costs						
Stock	12,668	15,884	(3,215)	103,510	129,784	(26,274)
Other	5,009	5,009	—	40,932	40,932	—
Subtotal	17,678	20,894	(3,215)	144,443	170,717	(26,274)
Total	\ 317,003	\ 117,565	\ 199,438	\$ 2,590,111	\$ 960,577	\$ 1,629,534

It is extremely difficult to determine the fair values for non-listed stocks and other (carrying value \19,798 million (US\$161,768 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, 2022						
Stock	\ 16,973	\ 10,260	\ 117	\$ 138,679	\$ 83,830	\$ 957
Other	2,853	—	75	23,313	—	616
Total	\ 19,826	\ 10,260	\ 192	\$ 161,993	\$ 83,830	\$ 1,573

Stocks which have no quoted market prices available are included in "Stock" above. (Sales proceeds: \50 million (US\$412 thousand), aggregate gain: \5 million (US\$45 thousand), aggregate loss: \0 million (US\$3 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, 2021						
Stock	\ 7,702	\ 5,198	\ 42	\$ 62,932	\$ 42,471	\$ 343
Other	3,905	164	8	31,910	1,346	69
Total	\ 11,607	\ 5,362	\ 50	\$ 94,842	\$ 43,817	\$ 413

Non-listed stocks, for which fair values are extremely difficult to determine, are included in "Stock" above. (Sales proceeds: \93 million (US\$767 thousand), aggregate gain: \1 million (US\$14 thousand), aggregate loss: \37 million (US\$303 thousand)).

(d) Write down of securities

	Millions of yen	Thousands of U.S. dollars
For the year ended March 31, 2022		
"Stock" of other securities	\ 1,509	\$ 12,335
Stocks which have no quoted market prices available included in "Stock" of other securities" above	1,509	12,335

	Millions of yen	Thousands of U.S. dollars
For the year ended March 31, 2021		
"Stock" of other securities	\ 49	\$ 405
Non-listed stocks included in "Stock" of other securities" above	49	405

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

16. Derivative Transactions

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

At March 31, 2022 and 2021

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, 2022							
Deferral method							
Foreign exchange forward contract (Buy US\$)	Imports of materials (Forecasted transaction)	\ 38,015	\ 35,064	\ 10,257	\$ 310,609	\$ 286,495	\$ 83,810
Foreign exchange forward contract (Buy EURO)	Imports of materials (Forecasted transaction)	187	6	22	1,533	54	184
Foreign exchange forward contract (Buy CA\$)	Imports of materials (Forecasted transaction)	6,684	6,229	1,705	54,612	50,896	13,938
Total		\ 44,887	\ 41,300	\ 11,985	\$ 366,754	\$ 337,446	\$ 97,932

		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	\$ 315,265	\$ 309,513	\$ 54,572
Foreign exchange forward contract (Buy EURO)	Imports of materials (Forecasted transaction)	214	26	14	1,748	218	115
Foreign exchange forward contract (Buy CA\$)	Imports of materials (Forecasted transaction)	6,687	6,534	1,063	54,637	53,388	8,691
Total		\ 45,486	\ 44,442	\ 7,757	\$ 371,652	\$ 363,121	\$ 63,379

Interest-related transactions

		Millions of yen			Thousands of U.S. dollars		
		Contract amount	Contract amount of more than 1 year	Estimated fair value	Contract amount	Contract amount of more than 1 year	Estimated fair value
At March 31, 2022							
Deferral method							
Interest rate swaps							
Payment fixed/	Nonrecourse loans payable						
Receipt floating	(Forecasted transaction)	\ 21,376	\ 19,854	\ (357)	\$ 174,662	\$ 162,220	\$ (2,918)
Short-cut method							
Interest rate swaps							
Payment fixed/	Long-term loans payable	5,571	3,977	[*]	45,523	32,501	[*]
Receipt floating	Nonrecourse loans payable	24,204	21,675	[*]	197,768	177,103	[*]
Total		\ 51,153	\ 45,507	\ (357)	\$ 417,954	\$ 371,825	\$ (2,918)

		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/	Nonrecourse loans payable						
Receipt floating	(Forecasted transaction)	\ 21,945	\ 21,620	\ (713)	\$ 179,305	\$ 176,654	\$ (5,826)
Short-cut method							
Interest rate swaps							
Payment fixed/	Long-term loans payable	7,164	5,571	[*]	58,534	45,523	[*]
Receipt floating	Nonrecourse loans payable	26,810	24,204	[*]	219,055	197,768	[*]
Total		\ 55,919	\ 51,397	\ (713)	\$ 456,895	\$ 419,946	\$ (5,826)

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

17. Retirement Benefit Plans

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

The following tables show the funded and the amounts recognized in the consolidated balance sheets at March 31, 2022 and 2021 of the Company and its subsidiaries.

(1) Defined benefit pension plans

The changes in the projected benefit obligation for the years ended March 31, 2022 and 2021 are as follows:

For the years ended March 31	Millions of yen		Thousands of U.S. dollars	
	2022	2021	2022	2021
At the beginning of current period	\ 97,634	\ 99,256	\$ 797,731	\$ 810,983
Service cost	5,019	5,066	41,010	41,392
Interest cost	595	602	4,865	4,923
Actuarial loss	(89)	(212)	(735)	(1,735)
Retirement benefit paid	(6,240)	(7,020)	(50,984)	(57,363)
Other	65	(57)	538	(468)
At the end of current period	\ 96,984	\ 97,634	\$ 792,424	\$ 797,731

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

The changes in plan assets for the years ended March 31, 2022 and 2021 are as follows:

For the years ended March 31	Millions of yen		Thousands of U.S. dollars	
	2022	2021	2022	2021
At the beginning of current period	\ 49,875	\ 46,658	\$ 407,516	\$ 381,224
Expected return on plan assets	1,204	1,123	9,840	9,180
Actuarial loss	52	4,586	427	37,473
Contributions by the Companies	1,382	1,474	11,291	12,044
Retirement benefits paid	(3,388)	(3,966)	(27,684)	(32,406)
Other	(83)	—	(686)	—
At the end of current period	\ 49,042	\ 49,875	\$ 400,706	\$ 407,516

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, 2022 and 2021 for the Company's and the consolidated subsidiaries' defined benefit plans:

At March 31	Millions of yen		Thousands of U.S. dollars	
	2022	2021	2022	2021
Retirement benefit obligation under the funded plans	\ 44,246	\ 45,634	\$ 361,517	\$ 372,862
Plan assets at fair value	(49,042)	(49,875)	(400,706)	(407,516)
	(4,796)	(4,241)	(39,189)	(34,653)
Retirement benefit obligation under the unfunded plans	52,738	51,999	430,907	424,868
Net liability for retirement benefits in the balance sheets	\ 47,942	\ 47,758	\$ 391,718	\$ 390,214
Liability for retirement benefits	\ 47,977	\ 47,758	\$ 392,008	\$ 390,214
Asset for retirement benefits	(35)	—	(290)	—
Net liability for retirement benefits in the balance sheets	\ 47,942	\ 47,758	\$ 391,718	\$ 390,214

The components of retirement benefit expense for the years ended March 31, 2022 and 2021 are as follows:

For the years ended March 31	Millions of yen		Thousands of U.S. dollars	
	2022	2021	2022	2021
Service cost	\ 5,019	\ 5,066	\$ 41,010	\$ 41,392
Interest cost	595	602	4,865	4,923
Expected return on plan assets	(1,204)	(1,123)	(9,840)	(9,180)
Amortization of actuarial loss	(963)	(445)	(7,871)	(3,642)
Amortization of prior service cost	3	1	31	11
Retirement benefit expense	\ 3,450	\ 4,100	\$ 28,195	\$ 33,504

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, 2022 and 2021 are as follows:

For the years ended March 31	Millions of yen		Thousands of U.S. dollars	
	2022	2021	2022	2021
Prior service cost	\ 1	\ (1)	\$ 15	\$ (10)
Actuarial gain (loss)	809	(4,355)	6,617	(35,589)
Total	\ 811	\ (4,357)	\$ 6,633	\$ (35,600)

Unrecognized prior service cost and unrecognized actuarial loss included in accumulated other comprehensive income (before tax effect) as of March 31, 2022 and 2021 are as follows:

At March 31	Millions of yen		Thousands of U.S. dollars	
	2022	2021	2022	2021
Unrecognized prior service cost	\ 19	\ 18	\$ 162	\$ 147
Unrecognized actuarial loss	(4,310)	(5,120)	(35,217)	(41,835)
Total	\ (4,290)	\ (5,102)	\$ (35,055)	\$ (41,688)

The fair value of plan assets, by major category, as a percentage of total plan assets as of March 31, 2022 and 2021 are as follows:

At March 31	2022	2021
General accounts	24.6%	26.2%
Stocks	28.8%	28.4%
Bonds	24.4%	23.4%
Cash on hand and in banks	5.4%	7.3%
Other	16.8%	14.7%
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	2022	2021
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, 2022 and 2021, pension expenses for defined contribution plans by the Company and consolidated subsidiaries are \3,586 million (US\$29,305 thousand) and \3,779 million (US\$30,882 thousand), respectively, including the expense for small and medium enterprises retirement benefit mutual aid schemes and multi-employer pension plans of foreign subsidiaries.

18. Deferred Tax Accounting

The major components of deferred tax assets and liabilities at March 31, 2022 and 2021 are summarized as follows:

At March 31	Millions of yen		Thousands of U.S. dollars	
	2022	2021	2022	2021
Deferred tax assets				
Provision for loss on construction contracts	\ 16,244	\ 4,064	\$ 132,730	\$ 33,208
Costs on uncompleted construction contracts	14,871	12,463	121,509	101,832
Liability for retirement benefits	14,684	14,620	119,983	119,461
Impairment loss	5,069	5,300	41,424	43,309
Accrued expenses (bonus)	4,870	4,780	39,795	39,059
Unrealized gain on noncurrent assets	4,702	4,827	38,421	39,446
Other	12,079	13,981	98,697	114,236
	72,523	60,038	592,561	490,553
Valuation allowance	(10,221)	(11,738)	(83,515)	(95,910)
Total deferred tax assets	62,302	48,300	509,045	394,643
Deferred tax liabilities				
Valuation difference on available-for-sale securities	(59,611)	(60,719)	(487,060)	(496,111)
Gain on assets traded within the Group	(3,814)	(3,738)	(31,169)	(30,548)
Deferred gains (losses) on hedges	(3,434)	(5)	(28,062)	(41)
Other	(3,534)	(2,940)	(28,875)	(24,022)
Total deferred tax liabilities	(70,394)	(67,403)	(575,167)	(550,723)
Net deferred tax assets (liabilities)	\ (8,092)	\ (19,102)	\$ (66,122)	\$ (156,080)

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	
	2022	2021	2022	2021
	\ (18,445)	\ (18,644)	\$ (150,706)	\$ (152,334)

Reconciliation between the statutory tax rates and the effective tax rates for the year ended March 31, 2022 and 2021 are as follows:

For the years ended March 31

	2022	2021
Statutory tax rates	30.5 %	30.5 %
Reconciliation:		
Permanent non-deductible items	0.9	0.4
Unrecognized tax benefits of tax-deficit subsidiaries	1.1	0.5
Tax loss carryforwards	(1.9)	(1.0)
Change in valuation allowance	(2.3)	(4.2)
Tax credit for research and development expenses	(1.4)	(0.5)
Other	(0.6)	(0.6)
Effective tax rates	26.3 %	25.1 %

19. 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	
	2022	2021	2022	2021
	\ 4,468	\ 4,481	\$ 36,506	\$ 36,619

(2) Estimated period of use

At March 31	2022	2021
	10 years 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

20. Investment and Rental Properties

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

Profit and impairment loss from these real estate properties for the year ended March 31, 2022 are ¥12,790 million (US\$104,508 thousand) and ¥607 million (US\$4,960 thousand), respectively. Profit and impairment loss from these real estate properties for the year ended March 31, 2021 are ¥13,111 million (US\$107,126 thousand) and ¥540 million (US\$4,414 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	
	2022	2021	2022	2021
Carrying value				
At the beginning of period	\ 411,386	\ 380,410	\$ 3,361,272	\$ 3,108,179
Increase (decrease)—net	8,955	30,976	73,173	253,092
At the end of period	420,341	411,386	3,434,446	3,361,272
Fair value at the end of period	647,803	650,764	5,292,945	5,317,138

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

2. "Increase (decrease)—net" for the year ended March 31, 2022 mainly consists of: increase in purchase of office buildings for lease (including land) and other in the amount of ¥29,867 million (US\$244,036 thousand) and decrease to reclassify as real estate for sale and other in the amount of ¥22,281 million (US\$182,052 thousand).

"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\$298,633 thousand) and depreciation cost in the amount of ¥4,134 million (US\$33,778 thousand).

3. Fair value at March 31, 2022 and 2021 was estimated in accordance with the "Real estate evaluation standards," and was adjusted using official indices.

21. Revenue Recognition

(1) Breakdown of revenue from contracts with customers

For the year ended March 31, 2022

Millions of yen

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

For the year ended March 31, 2022

Thousands of U.S. dollars

	Reporting segment				Real estate	Subtotal	Others (Note 2)	Total
	Domestic building construction	Overseas building construction	Domestic civil engineering	Overseas civil engineering				
Major regional markets								
Japan	\$ 8,660,392	\$ —	\$ 2,833,637	\$ —	\$ 189,422	\$ 11,683,452	\$ 515,840	\$ 12,199,292
North America	—	1,453,565	—	543,830	—	1,997,396	—	1,997,396
Asia	—	950,856	—	188,546	—	1,139,402	—	1,139,402
Others	—	37,107	—	—	—	37,107	658	37,766
Revenue from contracts with customers	\$ 8,660,392	\$ 2,441,529	\$ 2,833,637	\$ 732,376	\$ 189,422	\$ 14,857,358	\$ 516,499	\$ 15,373,857
Other revenue (Note 3)	\$ —	\$ —	\$ —	\$ —	\$ 310,000	\$ 310,000	\$ 27,268	\$ 337,268
Sales to third parties	\$ 8,660,392	\$ 2,441,529	\$ 2,833,637	\$ 732,376	\$ 499,422	\$ 15,167,358	\$ 543,767	\$ 15,711,126

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

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

3. Other revenue of ¥37,940 million (US\$310,000 thousand) in the real estate segment is revenue from real estate leasing business, etc.

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

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

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

(a) Construction business

1. Method of revenue recognition

In the construction business, construction work and civil engineering work are carried out in Japan and overseas based on construction contracts.

For construction contracts in which performance obligations are satisfied over a certain period of time, the total amount of construction revenue, the total amount of construction costs and the progress of satisfaction of performance obligations are estimated, and revenue is recognized over a certain period of time based on the progress. As a result of considering the nature of the performance obligation in the construction contract, it is judged that the generation of cost appropriately represents the progress of the construction. Therefore, the method of estimating the progress of satisfaction of performance obligations is calculated by the ratio of the generation cost to the estimated total construction cost (input method).

In addition, if the progress of satisfaction of performance obligations cannot be reasonably estimated at the initial stage of the contract, but costs incurred are expected to be recovered, revenue is recognized on a cost recovery basis.

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

2. Calculation of transaction price

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

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

3. Ordinary due date

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

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

1. Method of revenue recognition

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

2. Calculation of transaction price

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

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

3. Ordinary due date

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

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

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

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

At March 31	Millions of yen	Thousands of U.S. dollars
	2022	2022
Contract receivables (beginning balance)	¥ 354,176	\$ 2,893,831
Contract receivables (year-end balance)	¥ 366,541	\$ 2,994,861
Contract assets (beginning balance)	¥ 460,932	\$ 3,766,092
Contract assets (year-end balance)	¥ 543,254	\$ 4,438,713
Contract liabilities (beginning balance)	¥ 153,896	\$ 1,257,423
Contract liabilities (year-end balance)	¥ 138,808	\$ 1,134,146

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

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

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

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

The amount of revenue recognized in the current period from performance obligations that were satisfied or partially satisfied in prior periods is ¥54,309 million (US\$443,744 thousand).

(b) Transaction price allocated to the remaining performance obligations

At the end of the current consolidated fiscal year, the total transaction price allocated to unsatisfied or partially unsatisfied performance obligations is ¥3,267,685 million (US\$26,698,962 thousand). The total transaction value allocated to remaining performance obligations in the Companies' major construction projects is recognized as revenue in accordance with the progress of construction and is expected to be recognized within approximately four years.

22. Segment Information

(1) Segment information

(a) Overview of reportable segments

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

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

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

The overview of each reportable segment is as follows:

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

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

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

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

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

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

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

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

As described in "5. Changes in Accounting Policies," the Company adopted "Accounting Standard for Revenue Recognition" (ASBJ Statement No.29, revised March 31, 2020), etc. from the beginning of the current consolidated fiscal year and changed the accounting method for revenue recognition and the calculation method of segment income (loss).

As a result of this change, segment sales in the current consolidated fiscal year decreased by ¥23,243 million (US\$189,916 thousand) in "Domestic building construction" and increased by ¥1,157 million (US\$9,453 thousand) in "Domestic civil engineering" compared with the previous method. There is no impact on segment income (loss) from changes in sales.

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

For the year ended March 31, 2022

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

For the year ended March 31, 2022

	Thousands of U.S. dollars							
	Reporting segment						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	\$ 8,660,392	\$ 2,441,529	\$ 2,833,637	\$ 732,376	\$ 499,422	\$ 15,167,358	\$ 543,767	\$ 15,711,126
Intersegment sales and transfers	288,891	394	161,882	—	9,420	460,588	73,494	534,083
Segment sales	\$ 8,949,284	\$ 2,441,923	\$ 2,995,519	\$ 732,376	\$ 508,842	\$ 15,627,947	\$ 617,262	\$ 16,245,209
Operating income (loss)								
Operating income (loss) from sales to third parties (Note 2)	\$ (72,722)	\$ 6,686	\$ 194,966	\$ 16,768	\$ 166,641	\$ 312,340	\$ 23,073	\$ 335,414
Intersegment operating income and transfers	477	—	(1,125)	—	482	(165)	(826)	(991)
Segment income (loss)	\$ (72,245)	\$ 6,686	\$ 193,841	\$ 16,768	\$ 167,123	\$ 312,175	\$ 22,247	\$ 334,422

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

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

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

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	\$ 7,882,048	\$ 2,487,038	\$ 2,796,009	\$ 588,322	\$ 346,649	\$ 14,100,069	\$ 336,514	\$ 14,436,583
Intersegment sales and transfers	391,137	264	145,171	—	8,759	545,332	73,973	619,306
Segment sales	\$ 8,273,185	\$ 2,487,303	\$ 2,941,181	\$ 588,322	\$ 355,409	\$ 14,645,401	\$ 410,488	\$ 15,055,890
Operating income (loss)								
Operating income (loss) from sales to third parties (Note 2)	\$ 489,878	\$ 28,154	\$ 370,856	\$ (1,723)	\$ 97,537	\$ 984,703	\$ 21,604	\$ 1,006,307
Intersegment operating income and transfers	502	—	873	—	(314)	1,062	(849)	213
Segment income (loss)	\$ 490,380	\$ 28,154	\$ 371,730	\$ (1,723)	\$ 97,223	\$ 985,765	\$ 20,755	\$ 1,006,520

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.

(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, 2022

Millions of yen

Thousands of U.S. dollars

Net sales		
Total reportable segment	¥ 1,912,704	\$ 15,627,947
Sales from "Others"	75,546	617,262
Elimination of intersegment transactions	(65,366)	(534,083)
Sales in the statements of income	¥ 1,922,884	\$ 15,711,126
Operating income		
Total reportable segment	¥ 38,207	\$ 312,175
Income from "Others"	2,722	22,247
Elimination of intersegment transactions	121	991
Operating income in the statements of income	¥ 41,051	\$ 335,414

For the year ended March 31, 2021

Millions of yen

Thousands of U.S. dollars

Net sales		
Total reportable segment	¥ 1,792,450	\$ 14,645,401
Sales from "Others"	50,239	410,488
Elimination of intersegment transactions	(75,796)	(619,306)
Sales in the statements of income	¥ 1,766,893	\$ 14,436,583
Operating income		
Total reportable segment	¥ 120,647	\$ 985,765
Income from "Others"	2,540	20,755
Elimination of intersegment transactions	(26)	(213)
Operating income in the statements of income	¥ 123,161	\$ 1,006,307

(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, 2022

Millions of yen					Thousands of U.S. dollars				
Japan	North America (Note)	Asia	Others	Total	Japan	North America (Note)	Asia	Others	Total
¥ 1,532,268	¥ 244,461	¥ 139,451	¥ 6,703	¥ 1,922,884	\$ 12,519,557	\$ 1,997,396	\$ 1,139,402	\$ 54,770	\$ 15,711,126

Note: Net sales in the United States is ¥230,179 million (US\$1,880,701 thousand).

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	\$ 11,351,735	\$ 2,206,716	\$ 821,600	\$ 56,531	\$ 14,436,583

Note: Net sales in the United States is ¥253,057 million (US\$2,067,629 thousand).

Tangible assets by region

For the year ended March 31, 2022

Millions of yen					Thousands of U.S. dollars				
Japan	North America (Note)	Asia	Others	Total	Japan	North America (Note)	Asia	Others	Total
¥ 542,267	¥ 5,111	¥ 34,328	¥ 41,599	¥ 623,306	\$ 4,430,651	\$ 41,760	\$ 280,487	\$ 339,890	\$ 5,092,790

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	\$ 4,415,170	\$ 36,953	\$ 216,538	\$ 309,331	\$ 4,977,993

(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, 2022 and 2021.

(3) Impairment loss on noncurrent assets by reportable segment

For the year ended March 31, 2022

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

For the year ended March 31, 2022

Thousands of U.S. dollars							
Domestic building construction	Overseas building construction	Domestic civil engineering	Overseas civil engineering	Real estate	Others	Total	
\$ -	\$ -	\$ 163	\$ -	\$ 4,947	\$ -	\$ 5,111	

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	
¥ -	¥ -	¥ -	¥ -	¥ 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 (Note)	Total	
\$ -	\$ -	\$ -	\$ -	\$ 4,415	\$ 5,296	\$ 9,712	

Note: Impairment loss of real estate reclassified as "held for development", which is not divided by reporting segment, is included ¥498 million (US\$4,071 thousand) in "Others."

(4) Amortization and balance of goodwill by reportable segment

For the year ended March 31, 2022

Millions of yen

	Domestic building construction	Overseas building construction	Domestic civil engineering	Overseas civil engineering	Real estate	Others	Total
Amortization amount	¥ 100	¥ —	¥ —	¥ —	¥ 167	¥ —	¥ 267
Balance	693	—	—	—	544	—	1,237

For the year ended March 31, 2022

Thousands of U.S. dollars

	Domestic building construction	Overseas building construction	Domestic civil engineering	Overseas civil engineering	Real estate	Others	Total
Amortization amount	\$ 818	\$ —	\$ —	\$ —	\$ 1,368	\$ —	\$ 2,186
Balance	5,666	—	—	—	4,448	—	10,114

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
Amortization amount	¥ —	¥ —	¥ —	¥ —	¥ 125	¥ —	¥ 125
Balance	—	—	—	—	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	Total
Amortization amount	\$ —	\$ —	\$ —	\$ —	\$ 1,026	\$ —	\$ 1,026
Balance	—	—	—	—	5,816	—	5,816

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

None.

23. Related Party Transactions

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

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

Details of transactions with related parties and the respective balances as of and for the years ended March 31, 2022 and 2021 are as follows:

For the year ended March 31, 2022

Classification	Related party and address	Capital	Type of business	% of voting rights held (held by others)	Relationship	Nature of transaction	Amount of transaction (Note 1)			Balance at the end of the year	
							Millions of yen	Thousands of U.S. dollars	Accounts	Millions of yen	Thousands of U.S. dollars
Companies with majority of the voting rights owned by the directors and their close relatives of a material subsidiary company	759 Winston Churchill GP Inc. (Note 2), Ontario, Canada	CA\$100	Acquisition, development, management, operation and sale of real estate	25.0	Construction contract Concurrent director	Construction contract by Kenaidan (Note 3)	¥1,682	\$13,749	Accounts receivable from completed construction contracts	¥609	\$4,979
								Advances received on uncompleted construction contracts	¥48	\$399	
Companies with majority of the voting rights owned by the directors and their close relatives of a material subsidiary company	2645 Royal Windsor GP Inc. (Note 2), Ontario, Canada	CA\$2	Acquisition, development, management, operation and sale of real estate	-	Construction contract Concurrent director	Construction contract by Kenaidan (Note 3)	¥250	\$2,048	Accounts receivable from completed construction contracts	¥189	\$1,551

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

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

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

For the year ended March 31, 2021

Classification	Related party and address	Capital		% of voting rights held (held by others)	Relationship	Nature of transaction	Amount of transaction (Note 1)			Balance at the end of the year	
		Millions of yen	Type of business				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	\$3,006	Accounts receivable from completed construction contracts	¥260	\$2,124

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.

24. Amounts per Share

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

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

Net assets and profit per share for the years ended March 31, 2022 and 2021 are as follows:

For the years ended March 31	Yen		U.S. dollars	
	2022	2021	2022	2021
Net assets per share	¥ 1,333.10	¥ 1,297.25	\$ 10.89	\$ 10.59
Basic profit attributable to owners of parent per share	54.55	137.64	0.44	1.12

(1) Diluted profit attributable to owners of parent is not presented for the years ended March 31, 2022 and 2021 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	
	2022	2021	2022	2021
Net assets	¥ 988,913	¥ 961,979	\$ 8,080,018	\$ 7,859,951
Amounts deducted from net assets (Non-controlling interests)	33,222	30,970	271,444	253,051
Net assets applicable to shareholders of common stock	955,691	931,008	7,808,574	7,606,899
Number of shares of common stock at the year-end (Thousands of shares)	716,896	717,675	716,896	717,675

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, 2022 and 2021 are 4,613 thousand and 3,833 thousand, including 1,148 thousand and 372 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	
	2022	2021	2022	2021
Basic profit attributable to owners of parent	¥ 39,127	¥ 98,780	\$ 319,692	\$ 807,097
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	39,127	98,780	319,692	807,097
Average number of shares issued and outstanding during the period (Thousands of shares)	717,251	717,664	717,251	717,664

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, 2022 and 2021 are 4,258 thousand and 3,845 thousand, including 794 thousand and 385 thousand shares in the BIP Trust, respectively.

25. Corporate Bonds

At March 31 Issued by	Issue type	Issue date	Millions of yen		Thousands of U.S. dollars		Interest rate (%)	Collateral	Maturity
			2022	2021	2022	2021			
Obayashi Corp.	20th unsecured straight bond	May 9, 2013	\ 10,000	\ 10,000	\$ 81,706	\$ 81,706	0.970	None	May 9, 2023
Obayashi Corp.	22th unsecured straight bond	Sept. 13, 2018	10,000	10,000	81,706	81,706	0.385	None	Sept. 13, 2028
Obayashi Corp.	23th unsecured straight bond	Oct. 25, 2018	10,000	10,000	81,706	81,706	0.130	None	Oct. 25, 2023
Obayashi Corp.	24th unsecured straight bond	June 20, 2019	10,000	10,000	81,706	81,706	0.110	None	June 20, 2024
Total			\ 40,000	\ 40,000	\$ 326,824	\$ 326,824			

The annual redemption schedule of corporate bonds subsequent to March 31, 2022 is as follows:

	Millions of yen	Thousands of U.S. dollars
Less than 1 year	\ —	\$ —
Over 1 year less than 2 years	20,000	163,412
Over 2 years less than 3 years	10,000	81,706
Over 3 years less than 4 years	—	—
Over 4 years less than 5 years	—	—

26. Loans

At March 31	Millions of yen		Thousands of U.S. dollars		Average interest rate (%)	Maturity
	2022	2021	2022	2021		
Short-term loans payable	\ 43,206	\ 38,210	\$ 353,019	\$ 312,198	0.43	—
Current portion of long-term loans payable	19,579	16,424	159,974	134,198	0.47	—
Current portion of nonrecourse loans payable	14,122	7,445	115,391	60,832	1.16	—
Current portion of lease obligations	294	740	2,403	6,047	—	—
Long-term loans payable (excluding current portion)	94,590	101,722	772,865	831,134	0.60	2023 ~ 2038
Nonrecourse loans payable (excluding current portion)	68,937	62,151	563,262	507,815	1.38	2023 ~ 2039
Lease obligations (excluding current portion)	144	296	1,183	2,421	—	2023 ~ 2027
Total	\ 240,875	\ 226,990	\$ 1,968,100	\$ 1,854,649		

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, 2022 is as follows:

	Millions of yen	Thousands of U.S. dollars
Long-term loans payable		
Over 1 year less than 2 years	\ 16,537	\$ 135,123
Over 2 years less than 3 years	12,641	103,287
Over 3 years less than 4 years	19,019	155,404
Over 4 years less than 5 years	16,549	135,222
Nonrecourse loans payable		
Over 1 year less than 2 years	\ 7,824	\$ 63,932
Over 2 years less than 3 years	7,538	61,591
Over 3 years less than 4 years	7,593	62,043
Over 4 years less than 5 years	6,887	56,271
Lease obligations		
Over 1 year less than 2 years	\ 44	\$ 364
Over 2 years less than 3 years	57	465
Over 3 years less than 4 years	4	38
Over 4 years less than 5 years	0	3

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

27. Subsequent Event

Issuance of bonds

The Company resolved at its board of director's meeting held on March 11, 2022 to issue straight bonds, and based on this resolution, issued bonds (Obayashi Sustainability-Linked Bonds) on April 27, 2022 as follows.
Sustainability-linked bonds mean bonds whose terms of issue change depending on whether preset sustainability and other ESG targets are achieved or not.

	Obayashi Corporation's 25th Series of Unsecured Bond	Obayashi Corporation's 26th Series of Unsecured Bond
(1) Issue amount	20 billion yen	10 billion yen
(2) Issue price	¥100 per ¥100 of bonds	¥100 per ¥100 of bonds
(3) Issue date	April 27, 2022	April 27, 2022
(4) Redemption period	5 years	7 years
(5) Redemption date	April 27, 2027	April 27, 2029
(6) Coupon rate	0.25% per annum	0.38% per annum
(7) Purpose of bonds	redemption of bonds and repayment of loans	redemption of bonds and repayment of loans