



ODAYASHI CORPORATION

NON-CONSOLIDATED
FINANCIAL STATEMENTS

Year Ended March 31, 2023

Independent Auditor's Report

The Board of Directors
OBAYASHI CORPORATION

Opinion

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

In our opinion, the accompanying non-consolidated financial statements present fairly, in all material respects, the non-consolidated financial position of the Company as at March 31, 2023, and its non-consolidated financial performance 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 Non-Consolidated Financial Statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the non-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 non-consolidated financial statements of the current period. These matters were addressed in the context of the audit of the non-consolidated financial statements as a whole, and in forming the auditor's opinion thereon, and we do not provide a separate opinion on these matters.

Estimation of total construction revenue and total construction costs in applying the method to recognize revenue by satisfying performance obligations over a certain period of time
Description is omitted because it is the same key audit matter described in the auditor's report of the consolidated financial statements (Estimation of total construction revenue and total construction costs in applying the method to recognize revenue by satisfying performance obligations over a certain period of time).

Assessment of indicators of impairment of investment and rental properties
Description is omitted because it is the same key audit matter described in the auditor's report of the consolidated financial statements (Assessment of indicators of impairment of investment and rental properties).

Other Information

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

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

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

Management is responsible for the preparation and fair presentation of these non-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 non-consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the non-consolidated financial statements, management is responsible for assessing the Company'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 Company's financial reporting process.

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

Our objectives are to obtain reasonable assurance about whether the non-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 non-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 non-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 non-consolidated financial statements is not expressing an opinion on the effectiveness of the Company'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 Company’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 non-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 Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the non-consolidated financial statements, including the disclosures, and whether the non-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.

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 non-consolidated financial statements in Japan, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Corporate Auditor and the Board of Corporate Auditors, we determine those matters that were of most significance in the audit of the non-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 Company 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 non-consolidated financial statements with respect to the year ended March 31, 2023 are presented solely for convenience. Our audit also included the translation of Japanese yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 2 to the non-consolidated financial statements.

Ernst & Young ShinNihon LLC
Tokyo, Japan

August 4, 2023

Shuji Kaneko
Designated Engagement Partner
Certified Public Accountant

Yoko Ito
Designated Engagement Partner
Certified Public Accountant

Takeshi Yoshida
Designated Engagement Partner
Certified Public Accountant

Non-Consolidated Balance Sheets

OBAYASHI CORPORATION
At March 31, 2023 and 2022

	Millions of yen		Thousands of U.S. dollars (Note 2)	
	2023	2022	2023	2022
Assets				
Current assets				
Cash and deposits	¥ 272,172	¥ 141,707	\$ 2,038,290	\$ 1,061,244
Notes receivable—trade	7,117	1,993	53,303	14,929
Electronically recorded monetary claims	18,176	9,628	136,121	72,108
Accounts receivable from completed construction contracts	602,057	679,269	4,508,780	5,087,015
Accounts receivable—real estate business and other	5,315	6,169	39,810	46,205
Short-term investment securities (Note 7)	69	48	518	364
Real estate for sale	2,936	10,156	21,990	76,062
Costs on uncompleted construction contracts	31,667	40,575	237,157	303,868
Costs on real estate business and other	2,755	3,993	20,632	29,905
Raw materials and supplies	2,662	1,935	19,936	14,492
Short-term loans receivable	66,644	66,087	499,097	494,924
Prepaid expenses	2,500	2,387	18,724	17,881
Accounts receivable—other (Note 7)	89,008	73,788	666,577	552,595
Other	15,914	15,276	119,179	114,406
Allowance for doubtful accounts	(75)	(79)	(561)	(591)
Total current assets	1,118,922	1,052,939	8,379,558	7,885,412
Noncurrent assets				
Property, plant and equipment				
Buildings	102,694	96,142	769,075	720,006
Accumulated depreciation	(45,825)	(43,000)	(343,182)	(322,031)
Buildings, net (Note 7)	56,869	53,141	425,893	397,975
Structures	6,239	5,876	46,725	44,011
Accumulated depreciation	(4,216)	(4,099)	(31,576)	(30,704)
Structures, net (Note 7)	2,022	1,776	15,149	13,307
Machinery and equipment	44,551	42,936	333,641	321,547
Accumulated depreciation	(36,392)	(33,747)	(272,540)	(252,731)
Machinery and equipment, net (Note 7)	8,158	9,189	61,101	68,816
Vehicles	678	634	5,084	4,755
Accumulated depreciation	(506)	(462)	(3,796)	(3,461)
Vehicles, net	172	172	1,288	1,293
Tools, furniture and fixtures	15,313	14,371	114,681	107,628
Accumulated depreciation	(11,633)	(11,001)	(87,123)	(82,389)
Tools, furniture and fixtures, net (Note 7)	3,679	3,370	27,558	25,239
Land (Note 7)	174,430	172,497	1,306,303	1,291,825
Leased assets	29	35	222	263
Accumulated depreciation	(16)	(13)	(122)	(100)
Leased assets, net	13	21	99	163
Construction in progress	21,323	16,102	159,692	120,591
Total property, plant and equipment	266,671	256,272	1,997,086	1,919,211
Intangible assets				
Software	4,519	1,998	33,847	14,966
Leasehold rights	14	14	111	111
Telephone subscription rights	412	412	3,091	3,091
Other	2,436	3,318	18,248	24,849
Total intangible assets	7,384	5,744	55,298	43,019
Investments and other assets				
Investment securities (Note 7)	291,510	320,600	2,183,110	2,400,964
Stocks of subsidiaries and affiliates (Notes 7 and 10)	112,912	90,100	845,593	674,757
Investments in capital	83	75	625	566
Investments in capital of subsidiaries and affiliates	90,000	40,942	674,006	306,613
Long-term loans receivable from employees	648	647	4,852	4,847
Long-term loans receivable from subsidiaries and affiliates	45,782	69,041	342,860	517,048
Claims provable in bankruptcy, claims provable in rehabilitation and other	650	580	4,867	4,343
Prepaid pension costs	370	—	2,776	—
Lease and guarantee deposits	5,905	5,559	44,225	41,636
Other (Note 7)	3,443	2,882	25,789	21,590
Allowance for doubtful accounts	(1,185)	(986)	(8,880)	(7,385)
Total investments and other assets	550,120	529,444	4,119,827	3,964,983
Total noncurrent assets	824,175	791,460	6,172,213	5,927,214
Total assets	¥ 1,943,098	¥ 1,844,400	\$ 14,551,772	\$ 13,812,627

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

	Millions of yen		Thousands of U.S. dollars (Note 2)	
	2023	2022	2023	2022
Liabilities				
Current liabilities				
Notes payable—trade	¥ 10,265	¥ 9,718	\$ 76,877	\$ 72,779
Electronically recorded obligations	144,248	126,941	1,080,272	950,657
Accounts payable for construction contracts	388,976	373,096	2,913,025	2,794,104
Accounts payable—real estate and other	1,496	1,626	11,204	12,178
Short-term loans payable	44,199	41,788	331,004	312,948
Current portion of bonds payable	20,000	—	149,779	—
Lease obligations	7	9	55	70
Accounts payable—other (Note 7)	20,007	5,546	149,837	41,534
Accrued expenses	17,066	16,590	127,809	124,244
Income taxes payable	18,466	6,906	138,291	51,720
Advances received on uncompleted construction contracts	95,994	109,545	718,899	820,382
Deposits received—real estate and other	2,529	2,326	18,940	17,421
Deposits received	148,512	134,280	1,112,203	1,005,619
Unearned revenue	130	127	975	956
Provision for warranties for completed construction	2,453	2,556	18,370	19,141
Provision for loss on construction contracts	43,154	52,404	323,178	392,451
Deposits received from employees	27,205	27,415	203,742	205,310
Other	1,100	739	8,241	5,535
Total current liabilities	985,813	911,616	7,382,709	6,827,056
Noncurrent liabilities				
Bonds payable	50,000	40,000	374,447	299,558
Long-term loans payable	80,432	73,341	602,351	549,247
Lease obligations	7	14	54	109
Deferred tax liabilities (Note 11)	194	11,345	1,459	84,962
Deferred tax liabilities for land revaluation (Note 11)	15,030	15,054	112,559	112,739
Provision for retirement benefits	43,580	43,855	326,374	328,428
Provision for stock payments for directors	599	436	4,490	3,269
Provision for loss on business of subsidiaries and affiliates	3,418	3,126	25,603	23,414
Assets retirement obligations	557	6	4,172	48
Other	4,724	4,890	35,384	36,621
Total noncurrent liabilities	198,545	192,069	1,486,898	1,438,399
Total liabilities	1,184,358	1,103,686	8,869,608	8,265,456
Net assets				
Shareholders' equity				
Capital stock	57,752	57,752	432,507	432,507
Capital surplus				
Legal capital surplus	41,694	41,694	312,247	312,247
Total capital surpluses	41,694	41,694	312,247	312,247
Retained earnings				
Legal reserve	14,438	14,438	108,125	108,125
Other retained earnings				
Reserve for advanced depreciation of noncurrent assets	2,328	2,370	17,435	17,752
General reserve	435,000	435,000	3,257,694	3,257,694
Retained earnings brought forward	74,105	38,870	554,972	291,100
Total retained earnings	525,871	490,679	3,938,229	3,674,673
Treasury stock	(2,754)	(2,808)	(20,631)	(21,035)
Total shareholders' equity	622,563	587,317	4,662,352	4,398,392
Valuation and translation adjustments				
Valuation difference on available-for-sale securities	117,796	135,792	882,175	1,016,945
Deferred gains on hedges	0	23	5	179
Revaluation reserve for land	18,377	17,579	137,629	131,653
Total valuation and translation adjustments	136,173	153,396	1,019,811	1,148,778
Total net assets	758,739	740,713	5,682,163	5,547,171
Total liabilities and net assets	¥ 1,943,098	¥ 1,844,400	\$ 14,551,772	\$ 13,812,627

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

Non-Consolidated Statements of Income

OBAYASHI CORPORATION

For the years ended March 31, 2023 and 2022

	Millions of yen		Thousands of U.S. dollars (Note 2)	
	2023	2022	2023	2022
Net sales				
Construction contracts	¥ 1,348,115	¥ 1,351,144	\$ 10,095,973	\$ 10,118,656
Real estate business and other	38,913	22,988	291,420	172,160
Total net sales	1,387,028	1,374,132	10,387,394	10,290,817
Cost of sales				
Construction contracts	1,215,007	1,271,945	9,099,137	9,525,541
Real estate business and other	25,544	17,596	191,302	131,780
Total cost of sales	1,240,552	1,289,542	9,290,439	9,657,322
Gross profit				
Construction contracts	133,107	79,198	996,836	593,114
Real estate business and other	13,368	5,391	100,118	40,379
Total gross profit	146,476	84,590	1,096,954	633,494
Selling, general and administrative expenses (Note 8)	86,530	80,165	648,023	600,353
Operating income	59,945	4,425	448,931	33,140
Other income (expenses)				
Interest and dividend income (Note 8)	12,404	14,712	92,894	110,177
Interest expense	(938)	(852)	(7,031)	(6,382)
Gain on sales of investment securities	14,040	10,260	105,146	76,837
Gain on sales of noncurrent assets	4	274	36	2,054
Loss on business of subsidiaries and affiliates (Note 8)	(451)	(4,951)	(3,384)	(37,078)
Loss on valuation of investment securities	(377)	(1,509)	(2,824)	(11,306)
Loss on sales and disposal of noncurrent assets (Note 8)	(204)	(875)	(1,531)	(6,553)
Other, net	(279)	772	(2,093)	5,784
Total other income (expenses)	24,197	17,830	181,211	133,532
Profit before income taxes	84,142	22,255	630,142	166,672
Income taxes (Note 11)				
Income taxes—current	24,851	16,837	186,110	126,091
Income taxes—deferred	(3,266)	(13,424)	(24,462)	(100,537)
Total income taxes	21,584	3,412	161,647	25,553
Profit	¥ 62,558	¥ 18,843	\$ 468,495	\$ 141,118

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

Non-Consolidated Statements of Changes in Net Assets

OBAYASHI CORPORATION

For the year ended March 31, 2023

Millions of yen

	Shareholders' equity								
	Capital stock	Capital surplus	Retained earnings					Treasury stock	Total shareholders' equity
		Legal capital surplus	Legal reserve	Other retained earnings			Total retained earnings		
				Reserve for advanced depreciation of noncurrent assets	General reserve	Retained earnings brought forward			
Balance at the beginning of current period	¥ 57,752	¥ 41,694	¥ 14,438	¥ 2,370	¥ 435,000	¥ 38,870	¥ 490,679	¥ (2,808)	¥ 587,317
Changes during period									
Reversal of reserve for advanced depreciation of noncurrent assets				(42)		42	-		-
Provision of general reserve							-		-
Cash dividends paid						(26,567)	(26,567)		(26,567)
Profit						62,558	62,558		62,558
Reversal of revaluation reserve for land						(797)	(797)		(797)
Purchase of treasury stock								(3)	(3)
Disposal of treasury stock								57	57
Net changes in items other than those in shareholders' equity									
Total changes during period	-	-	-	(42)	-	35,234	35,192	53	35,246
Balance at the end of current period	¥ 57,752	¥ 41,694	¥ 14,438	¥ 2,328	¥ 435,000	¥ 74,105	¥ 525,871	¥ (2,754)	¥ 622,563

	Valuation and translation adjustments				Total net assets
	Valuation difference on available-for-sale securities	Deferred gains (losses) on hedges	Revaluation reserve for land	Total valuation and translation adjustments	
Balance at the beginning of current period	¥ 135,792	¥ 23	¥ 17,579	¥ 153,396	¥ 740,713
Changes during period					
Reversal of reserve for advanced depreciation of noncurrent assets					-
Provision of general reserve					-
Cash dividends paid					(26,567)
Profit					62,558
Reversal of revaluation reserve for land					(797)
Purchase of treasury stock					(3)
Disposal of treasury stock					57
Net changes in items other than those in shareholders' equity	(17,995)	(23)	797	(17,221)	(17,221)
Total changes during period	(17,995)	(23)	797	(17,221)	18,025
Balance at the end of current period	¥ 117,796	¥ 0	¥ 18,377	¥ 136,175	¥ 758,739

For the year ended March 31, 2023

Thousands of U.S. dollars (Note 2)

	Shareholders' equity								
	Capital stock	Capital surplus	Retained earnings					Treasury stock	Total shareholders' equity
		Legal capital surplus	Legal reserve	Other retained earnings			Total retained earnings		
				Reserve for advanced depreciation of noncurrent assets	General reserve	Retained earnings brought forward			
Balance at the beginning of current period	\$ 432,507	\$ 312,247	\$ 108,125	\$ 17,752	\$ 3,257,694	\$ 291,100	\$ 3,674,673	\$ (21,035)	\$ 4,398,392
Changes during period									
Reversal of reserve for advanced depreciation of noncurrent assets				(316)		316	-		-
Provision of general reserve							-		-
Cash dividends paid						(198,963)	(198,963)		(198,963)
Profit						468,495	468,495		468,495
Reversal of revaluation reserve for land						(5,976)	(5,976)		(5,976)
Purchase of treasury stock								(24)	(24)
Disposal of treasury stock								428	428
Net changes in items other than those in shareholders' equity									
Total changes during period	-	-	-	(316)	-	263,872	263,555	403	263,959
Balance at the end of current period	\$ 432,507	\$ 312,247	\$ 108,125	\$ 17,435	\$ 3,257,694	\$ 554,972	\$ 3,938,229	\$ (20,631)	\$ 4,662,352

	Valuation and translation adjustments				Total net assets
	Valuation difference on available-for-sale securities	Deferred gains (losses) on hedges	Revaluation reserve for land	Total valuation and translation adjustments	
Balance at the beginning of current period	\$ 1,016,945	\$ 179	\$ 131,653	\$ 1,148,778	\$ 5,547,171
Changes during period					
Reversal of reserve for advanced depreciation of noncurrent assets					-
Provision of general reserve					-
Cash dividends paid					(198,963)
Profit					468,495
Reversal of revaluation reserve for land					(5,976)
Purchase of treasury stock					(24)
Disposal of treasury stock					428
Net changes in items other than those in shareholders' equity	(134,769)	(173)	5,976	(128,967)	(128,967)
Total changes during period	(134,769)	(173)	5,976	(128,967)	134,992
Balance at the end of current period	\$ 882,175	\$ 5	\$ 137,629	\$ 1,019,811	\$ 5,682,163

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

For the year ended March 31, 2022

Millions of yen

	Shareholders' equity								
	Capital stock	Capital surplus	Retained earnings					Treasury stock	Total shareholders' equity
		Legal capital surplus	Legal reserve	Other retained earnings			Total retained earnings		
				Reserve for advanced depreciation of noncurrent assets	General reserve	Retained earnings brought forward			
Balance at the beginning of current period	¥ 57,752	¥ 41,694	¥ 14,438	¥ 2,414	¥ 315,000	¥ 163,088	¥ 494,941	¥ (2,090)	¥ 592,297
Changes during period									
Reversal of reserve for advanced depreciation of noncurrent assets				(44)		44	-		-
Provision of general reserve					120,000	(120,000)	-		-
Cash dividends paid						(22,977)	(22,977)		(22,977)
Profit						18,843	18,843		18,843
Reversal of revaluation reserve for land						(128)	(128)		(128)
Purchase of treasury stock								(793)	(793)
Disposal of treasury stock								75	75
Net changes in items other than those in shareholders' equity									
Total changes during period	-	-	-	(44)	120,000	(124,217)	(4,262)	(718)	(4,980)
Balance at the end of current period	¥ 57,752	¥ 41,694	¥ 14,438	¥ 2,370	¥ 435,000	¥ 38,870	¥ 490,679	¥ (2,808)	¥ 587,317

	Valuation and translation adjustments				Total net assets
	Valuation difference on available-for-sale securities	Deferred gains (losses) on hedges	Revaluation reserve for land	Total valuation and translation adjustments	
Balance at the beginning of current period	¥ 138,326	¥ 11	¥ 17,451	¥ 155,789	¥ 748,087
Changes during period					
Reversal of reserve for advanced depreciation of noncurrent assets					-
Provision of general reserve					-
Cash dividends paid					(22,977)
Profit					18,843
Reversal of revaluation reserve for land					(128)
Purchase of treasury stock					(793)
Disposal of treasury stock					75
Net changes in items other than those in shareholders' equity	(2,534)	12	128	(2,393)	(2,393)
Total changes during period	(2,534)	12	128	(2,393)	(7,373)
Balance at the end of current period	¥ 135,792	¥ 23	¥ 17,579	¥ 153,396	¥ 740,713

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
		Legal capital surplus	Legal reserve	Other retained earnings			Total retained earnings		
				Reserve for advanced depreciation of noncurrent assets	General reserve	Retained earnings brought forward			
Balance at the beginning of current period	\$ 432,507	\$ 312,247	\$ 108,125	\$ 18,085	\$ 2,359,020	\$ 1,221,363	\$ 3,706,594	\$ (15,657)	\$ 4,435,691
Changes during period									
Reversal of reserve for advanced depreciation of noncurrent assets				(333)		333	-		-
Provision of general reserve					898,674	(898,674)	-		-
Cash dividends paid						(172,077)	(172,077)		(172,077)
Profit						141,118	141,118		141,118
Reversal of revaluation reserve for land						(962)	(962)		(962)
Purchase of treasury stock								(5,943)	(5,943)
Disposal of treasury stock								566	566
Net changes in items other than those in shareholders' equity									
Total changes during period	-	-	-	(333)	898,674	(930,262)	(31,921)	(5,377)	(37,298)
Balance at the end of current period	\$ 432,507	\$ 312,247	\$ 108,125	\$ 17,752	\$ 3,257,694	\$ 291,100	\$ 3,674,673	\$ (21,035)	\$ 4,398,392

	Valuation and translation adjustments				Total net assets
	Valuation difference on available-for-sale securities	Deferred gains (losses) on hedges	Revaluation reserve for land	Total valuation and translation adjustments	
Balance at the beginning of current period	\$ 1,035,922	\$ 86	\$ 130,691	\$ 1,166,700	\$ 5,602,391
Changes during period					
Reversal of reserve for advanced depreciation of noncurrent assets					-
Provision of general reserve					-
Cash dividends paid					(172,077)
Profit					141,118
Reversal of revaluation reserve for land					(962)
Purchase of treasury stock					(5,943)
Disposal of treasury stock					566
Net changes in items other than those in shareholders' equity	(18,977)	92	962	(17,922)	(17,922)
Total changes during period	(18,977)	92	962	(17,922)	(55,220)
Balance at the end of current period	\$ 1,016,945	\$ 179	\$ 131,653	\$ 1,148,778	\$ 5,547,171

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

Notes to Non-Consolidated Financial Statements

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

1. Basis of Presenting Non-consolidated Financial Statements

The accompanying non-consolidated financial statements were prepared based on the accounts maintained by OBAYASHI CORPORATION (the "Company") 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 non-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 non-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 non-consolidated financial statements and notes thereto were translated from the original Japanese yen into U.S. dollars on the basis of ¥133.53 to US\$1, the rate of exchange prevailing at March 31, 2023, and were then rounded down to the nearest thousand. These U.S. dollar amounts are not intended to imply that the Japanese yen amounts have been or could be converted, realized or settled in U.S. dollars at this or any other rate.

3. Summary of Significant Accounting Policies

(1) Short-term investment securities and investment securities

Securities are classified into three categories: held-to-maturity, stocks of subsidiaries and affiliates, and other securities. Held-to-maturity securities are carried at amortized cost. Stocks of subsidiaries and affiliates are carried at 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.

(2) Inventories

Real estate held for sale, costs on uncompleted construction contracts and costs on real estate business and other 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.

(3) Property, plant and equipment

The Company calculates 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 the buildings and other non-building structures acquired on or after April 1, 2016.

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

(4) 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.

(5) 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.

(6) 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 non-consolidated statements of income.

(7) Allowance for doubtful accounts

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

(8) 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.

(9) 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.

(10) Provision for retirement benefits

Provision for retirement benefits is provided mainly at an amount calculated based on the projected benefit obligation and the fair value of the pension plan assets, as adjusted for unrecognized actuarial differences and unrecognized prior service cost.

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

Actuarial differences are amortized commencing in the following years after the differences are recognized primarily by the straight-line method over a period 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.

(11) 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.

(12) Provision for loss on business of subsidiaries and affiliates

Provision for loss on business of subsidiaries and affiliates is provided for the estimated losses which exceed investments in capital of and loans receivable from subsidiaries and affiliates.

(13) Recognizing revenues and costs of construction contracts

In the construction business, which is the Company's principal business, the Company performs 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 Company applies 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.

(14) 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 or currency options are used to hedge the foreign currency fluctuations, are translated at the contracted rate if the foreign exchange forward contracts or currency options 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 and foreign exchange risks related to loans payable, interest rate swaps or interest rate/currency swaps are employed as hedging instruments.

(c) Hedging policy

The Company utilizes 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.

The evaluation of hedge effectiveness is omitted for interest rate swaps as they meet certain criteria under the short-cut method.

(15) Accounting treatment of retirement benefits

The treatment of unrecognized actuarial differences and unrecognized prior service cost in the non-consolidated balance sheet differs from that in the consolidated balance sheet.

(16) Consumption taxes

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

(17) Income taxes

The Company applies 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.

(18) Accounting method for joint ventures in construction business

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

4. Significant Accounting Estimates

For the year ended March 31, 2023

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

(a) The amounts recorded in the non-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: \1,242,167 million (US\$9,302,538 thousand)

Provision for loss on construction contracts: \43,154 million (US\$323,178 thousand)

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

As for the method of calculating the amounts in (a), see Note 4 of "Significant Accounting Estimates" in the consolidated financial statements.

(2) Impairment of investment and rental properties

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

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

It should be noted that investment and rental properties recorded in the non-consolidated balance sheets is \171,585 million (US\$1,284,996 thousand) as of the fiscal year ended March 31, 2023.

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

As for the method of calculating the amounts in (a), see Note 4 of "Significant Accounting Estimates" in the consolidated financial statements.

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 non-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: \1,269,660 million (US\$9,508,426 thousand)

Provision for loss on construction contracts: \52,404 million (US\$392,451 thousand)

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

As for the method of calculating the amounts in (a), see Note 4 of "Significant Accounting Estimates" in the consolidated financial statements.

(2) Impairment of investment and rental properties

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

Impairment loss: \427 million (US\$3,198 thousand)

It should be noted that investment and rental properties recorded in the non-consolidated balance sheets is \163,910 million (US\$1,227,517 thousand) as of the fiscal year ended March 31, 2022.

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

As for the method of calculating the amounts in (a), see Note 4 of "Significant Accounting Estimates" in the consolidated financial statements.

5. Change in Accounting Policies

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

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

6. Additional Information

Performance-linked stock compensation plan for directors and executive officers

As for the performance-linked stock compensation plan for the Directors through the BIP Trust, see Note 7 of "Notes to Consolidated Financial Statements."

7. Notes to Non-Consolidated Balance Sheets

(1) Pledged assets

Assets pledged as collateral for advances received on uncompleted construction contracts are as follows:

At March 31	Millions of yen		Thousands of U.S. dollars	
	2023	2022	2023	2022
Assets pledged as collateral:				
Investment securities	¥ 785	¥ 703	\$ 5,882	\$ 5,269
Stocks of subsidiaries and affiliates	6,232	4,766	46,678	35,696
Total	¥ 7,018	¥ 5,470	\$ 52,560	\$ 40,965

Notes: 1. There are no liabilities secured by the assets above at March 31, 2023.

2. "Stocks of subsidiaries and affiliates" are pledged as collateral for debts of subsidiaries and affiliates.

(2) Deposited assets

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

At March 31	Millions of yen		Thousands of U.S. dollars	
	2023	2022	2023	2022
Short-term investment securities	¥ 69	¥ 48	\$ 518	\$ 364
Investment securities	26	95	198	713
Investments and other assets—other	372	328	2,793	2,459
Total	¥ 468	¥ 472	\$ 3,510	\$ 3,537

(3) Contingent liabilities

The Company is contingently liable for the following:

At March 31	Millions of yen		Thousands of U.S. dollars	
	2023	2022	2023	2022
Guarantees of long-term debt of customers, subsidiaries, affiliates and employees	¥ 64,209	¥ 47,900	\$ 480,859	\$ 358,727
Commitments of guarantees for short-term and long-term debt of customers and subsidiaries	20,028	22,474	149,990	168,307

(4) Directly-deducted advanced depreciation

Advanced depreciation for tax purposes is charged directly to the following non-current assets:

At March 31	Millions of yen		Thousands of U.S. dollars	
	2023	2022	2023	2022
Buildings, net	¥ 154	¥ 164	\$ 1,156	\$ 1,232
Structures, net	1	2	12	21
Machinery and equipment, net	0	0	1	2
Tools, furniture and fixtures, net	1	4	7	35
Land	-	0	-	0
Total	¥ 157	¥ 172	\$ 1,178	\$ 1,292

(5) Consumption tax receivable and payable

At March 31, 2023, Consumption tax payable and local consumption tax payable are shown included in "Accounts payable—other".

At March 31, 2022, Consumption tax receivable and local consumption tax receivable are shown included in "Accounts receivable—other".

(6) Commitment lines

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

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

The total commitment lines available are as follows:

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

8. Notes to Non-Consolidated Statements of Income

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

For the years ended March 31	Millions of yen		Thousands of U.S. dollars	
	2023	2022	2023	2022
Employees' salaries and allowances	¥ 29,467	¥ 27,685	\$ 220,678	\$ 207,337
Retirement benefit expenses	999	967	7,485	7,243
Research and development expenses	14,901	15,363	111,597	115,058

(2) Transactions with subsidiaries and affiliates

For the years ended March 31	Millions of yen		Thousands of U.S. dollars	
	2023	2022	2023	2022
Dividend income	¥ 4,105	¥ 7,046	\$ 30,749	\$ 52,767

(3) Breakdown of "Loss on business of subsidiaries and affiliates"

For the years ended March 31	Millions of yen		Thousands of U.S. dollars	
	2023	2022	2023	2022
Provision for loss on business of subsidiaries and affiliates	¥ 292	¥ 969	\$ 2,188	\$ 7,260
Provision of allowance for doubtful accounts for subsidiaries and affiliates	159	-	1,194	-
Loss on liquidation of business of subsidiaries and affiliates	0	2,835	1	21,235
Loss on valuation of stocks of subsidiaries and affiliates	-	1,949	-	14,597
Reversal of bad debts expenses of subsidiaries and affiliates	-	(803)	-	(6,014)
Total	¥ 451	¥ 4,951	\$ 3,384	\$ 37,078

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

For the years ended March 31	Millions of yen		Thousands of U.S. dollars	
	2023	2022	2023	2022
Land	¥ 89	¥ 451	\$ 667	\$ 3,378
Others	115	423	863	3,174
Total	¥ 204	¥ 875	\$ 1,531	\$ 6,553

9. Notes to Non-Consolidated Statements of Changes in Net Assets

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. The retained earnings account in the accompanying non-consolidated balance sheet at March 31, 2023 includes a legal reserve of ¥14,438 million (\$108,125 thousand).

10. Stocks of Subsidiaries and Affiliates with Fair Value

Stocks of subsidiaries and affiliates
None.

Note: Carrying value of stocks of subsidiaries and affiliates

At March 31	Millions of yen		Thousands of U.S. dollars	
	2023	2022	2023	2022
Stocks of subsidiaries	¥ 106,368	¥ 85,082	\$ 796,591	\$ 637,182
Stocks of affiliates	6,543	5,017	49,001	37,575

The fair values for these securities are not stated because they have no quoted market prices available. Thus, they are not included in "Stocks of subsidiaries and affiliates."

11. Deferred Tax Accounting

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

At March 31	Millions of yen		Thousands of U.S. dollars	
	2023	2022	2023	2022
Deferred tax assets				
Costs on uncompleted construction contracts \	18,570	14,871	\$ 139,073	\$ 111,371
Provision for retirement benefits	13,292	13,375	99,544	100,170
Provision for loss on construction contracts	13,161	15,983	98,569	119,697
Accrued expenses (bonus)	4,200	4,113	31,453	30,804
Loss on valuation of investments in subsidiaries and affiliates	2,732	2,732	20,466	20,466
Impairment loss	2,563	2,573	19,196	19,271
Other	12,046	10,652	90,218	79,775
	66,567	64,302	498,523	481,559
Valuation allowance	(10,798)	(11,806)	(80,870)	(88,420)
Total deferred tax assets	55,769	52,495	417,653	393,138
Deferred tax liabilities				
Valuation difference on available-for-sale securities	(51,695)	(59,592)	(387,141)	(446,285)
Gain on assets traded within the Group	(2,371)	(2,683)	(17,758)	(20,096)
Reserve for advanced depreciation of noncurrent assets	(1,021)	(1,040)	(7,651)	(7,790)
Other	(875)	(524)	(6,560)	(3,928)
Total deferred tax liabilities	(55,964)	(63,840)	(419,112)	(478,101)
Net deferred tax assets (liabilities) \	(194) \	(11,345) \	\$ (1,459) \$	\$ (84,962)

In addition to the above, the Company recognized deferred tax liabilities related to revaluation reserve for land on the non-consolidated balance sheets as follows:

At March 31	Millions of yen		Thousands of U.S. dollars	
	2023	2022	2023	2022
	\ (15,030)	\ (15,054)	\$ (112,559)	\$ (112,739)

Reconciliation between the statutory tax rates and the effective tax rates for the year ended March 31, 2023 and 2022 are as follows:

For the years ended March 31

	2023	2022
Statutory tax rate	30.5 %	30.5 %
Reconciliation:		
Permanent non-deductible items	0.7	1.6
Permanent non-taxable items	(2.0)	(11.5)
Change in valuation allowance	(1.5)	(2.3)
Tax credit for research and development expenses	(1.2)	(3.4)
Other	(0.8)	0.4
Effective tax rate	25.7 %	15.3 %

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

12. Revenue Recognition

As for the information as a basis to understand revenue from contracts with customers, see Note 21 of "Notes to Consolidated Financial Statements."

13. Subsequent Event

None.