



# **ODAYASHI CORPORATION**

NON-CONSOLIDATED  
FINANCIAL STATEMENTS

Year Ended March 31, 2019

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Building a better  
working world

Ernst & Young ShinNihon LLC  
Hibiya Mitsui Tower, Tokyo Midtown Hibiya  
1-1-2 Yurakucho, Chiyoda-ku  
Tokyo 100-0006, Japan

Tel: +81 3 3503 1720  
Fax: +81 3 3503 1828  
ey.com

## Independent Auditor's Report

The Board of Directors  
OBAYASHI CORPORATION

We have audited the accompanying non-consolidated financial statements of OBAYASHI CORPORATION which comprise the non-consolidated balance sheet as at March 31, 2019, and the non-consolidated statements of income, and changes in net assets for the year then ended and a summary of significant accounting policies and other explanatory information, all expressed in Japanese yen.

### *Management's Responsibility 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 designing and operating such internal control as management determines is necessary to enable the preparation and fair presentation of the non-consolidated financial statements that are free from material misstatement, whether due to fraud or error.

### *Auditor's Responsibility*

Our responsibility is to express an opinion on these non-consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the non-consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the non-consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the non-consolidated financial statements, whether due to fraud or error. The purpose of an audit of the non-consolidated financial statements is not to express an opinion on the effectiveness of the entity's internal control, but in making these risk assessments the auditor considers internal controls relevant to the entity's preparation and fair presentation of the non-consolidated financial statements in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the non-consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### *Opinion*

In our opinion, the non-consolidated financial statements referred to above present fairly, in all material respects, the non-consolidated financial position of OBAYASHI CORPORATION at March 31, 2019, and its non-consolidated financial performance for the year then ended in conformity with accounting principles generally accepted in Japan.

### *Convenience Translation*

We have reviewed the translation of these non-consolidated financial statements into U.S. dollars, presented for the convenience of readers, and, in our opinion, the accompanying non-consolidated financial statements have been properly translated on the basis described in Note 2.

*Ernst & Young ShinNihon LLC*

June 26, 2019  
Tokyo, Japan

## Non-Consolidated Balance Sheets

OBAYASHI CORPORATION

At March 31, 2019 and 2018

	Millions of yen		Thousands of U.S. dollars (Note 2)	
	2019	2018	2019	2018
<b>Assets</b>				
<b>Current assets</b>				
Cash and deposits	¥ 53,879	¥ 81,375	\$ 485,441	\$ 733,183
Notes receivable—trade (Note 5)	2,922	24,486	26,333	220,622
Electronically recorded monetary claims (Note 5)	8,371	11,962	75,427	107,775
Accounts receivable from completed construction contracts	678,744	540,130	6,115,363	4,866,482
Accounts receivable—real estate business and other	7,597	6,218	68,451	56,031
Short-term investment securities	143	30	1,294	270
Real estate for sale	3,576	3,667	32,220	33,040
Costs on uncompleted construction contracts	29,821	38,438	268,683	346,324
Costs on real estate business and other	4,843	4,084	43,640	36,798
Raw materials and supplies	2,585	4,098	23,294	36,925
Short-term loans receivable	34,621	21,430	311,933	193,080
Prepaid expenses	1,660	1,536	14,963	13,846
Accounts receivable—other (Note 5)	88,136	78,132	794,092	703,964
Other	14,207	7,522	128,010	67,780
Allowance for doubtful accounts	(79)	(67)	(711)	(603)
Total current assets	931,032	823,048	8,388,439	7,415,521
<b>Noncurrent assets</b>				
Property, plant and equipment				
Buildings	113,242	102,842	1,020,294	926,591
Accumulated depreciation	(51,473)	(54,188)	(463,769)	(488,231)
Buildings, net	61,768	48,653	556,525	438,359
Structures	6,305	6,307	56,810	56,833
Accumulated depreciation	(4,230)	(4,092)	(38,114)	(36,876)
Structures, net (Note 5)	2,075	2,215	18,696	19,956
Machinery and equipment	34,020	28,203	306,522	254,105
Accumulated depreciation	(25,371)	(23,242)	(228,594)	(209,414)
Machinery and equipment, net (Note 5)	8,649	4,960	77,927	44,691
Vehicles	568	406	5,122	3,659
Accumulated depreciation	(393)	(322)	(3,544)	(2,905)
Vehicles, net	175	83	1,578	754
Tools, furniture and fixtures	12,776	12,206	115,112	109,974
Accumulated depreciation	(10,272)	(10,163)	(92,552)	(91,573)
Tools, furniture and fixtures, net (Note 5)	2,503	2,042	22,559	18,400
Land	184,551	186,665	1,662,771	1,681,822
Leased assets	27	81	246	737
Accumulated depreciation	(13)	(58)	(123)	(527)
Leased assets, net	13	23	122	209
Construction in progress	2,070	15,243	18,655	137,339
Total property, plant and equipment	261,807	259,886	2,358,836	2,341,534
Intangible assets				
Software (Note 5)	1,608	1,683	14,493	15,164
Leasehold rights	22	4	199	41
Telephone subscription rights	412	412	3,719	3,719
Other	1,093	793	9,853	7,149
Total intangible assets	3,137	2,893	28,266	26,074
Investments and other assets				
Investment securities (Note 5)	348,474	360,677	3,139,695	3,249,641
Stocks of subsidiaries and affiliates (Note 8)	45,437	42,550	409,385	383,372
Investments in capital	270	270	2,435	2,435
Investments in capital of subsidiaries and affiliates	14,223	14,225	128,148	128,169
Long-term loans receivable from employees	547	449	4,935	4,049
Long-term loans receivable from subsidiaries and affiliates	85,827	67,385	773,289	607,134
Claims provable in bankruptcy, claims provable in rehabilitation and other	1,930	1,870	17,390	16,850
Lease and guarantee deposits	5,786	5,806	52,133	52,316
Long-term accounts receivable—other	—	425	—	3,833
Other (Note 5)	3,252	3,964	29,302	35,715
Allowance for doubtful accounts	(795)	(552)	(7,168)	(4,978)
Total investments and other assets	504,954	497,073	4,549,548	4,478,539
Total noncurrent assets	769,898	759,853	6,936,650	6,846,147
<b>Total assets</b>	<b>¥ 1,700,931</b>	<b>¥ 1,582,902</b>	<b>\$ 15,325,090</b>	<b>\$ 14,261,669</b>

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)	
	2019	2018	2019	2018
<b>Liabilities</b>				
<b>Current liabilities</b>				
Notes payable—trade (Note 5)	¥ 14,924	¥ 17,506	\$ 134,469	\$ 157,734
Electronically recorded obligations (Note 5)	121,424	129,457	1,094,013	1,166,387
Accounts payable for construction contracts	402,701	351,144	3,628,269	3,163,745
Accounts payable—real estate and other	921	1,019	8,304	9,183
Short-term loans payable	36,726	60,395	330,894	544,154
Current portion of bonds	10,000	10,000	90,098	90,098
Lease obligations	6	12	60	108
Accounts payable—other (Note 5)	5,500	17,238	49,555	155,312
Accrued expenses	18,408	18,158	165,859	163,605
Income taxes payable	23,802	27,244	214,460	245,469
Advances received on uncompleted construction contracts	79,471	70,321	716,023	633,583
Deposits received—real estate and other	1,933	1,851	17,424	16,680
Deposits received	100,855	95,252	908,694	858,211
Unearned revenue	119	113	1,074	1,019
Provision for warranties for completed construction	3,972	3,770	35,787	33,967
Provision for loss on construction contracts	1,105	3,744	9,955	33,732
Provision for loss on Antimonopoly Act	4,145	4,145	37,345	37,345
Deposits received from employees	25,514	24,601	229,882	221,654
Other	850	740	7,665	6,675
Total current liabilities	852,385	836,716	7,679,839	7,538,669
<b>Noncurrent liabilities</b>				
Bonds payable	30,000	20,000	270,294	180,196
Long-term loans payable	73,282	47,418	660,257	427,227
Lease obligations	8	14	73	126
Deferred tax liabilities (Note 9)	36,785	39,414	331,429	355,121
Deferred tax liabilities for land revaluation (Note 9)	15,615	16,266	140,693	146,557
Provision for retirement benefits	46,320	46,560	417,340	419,502
Provision for stock payments for directors	381	259	3,433	2,337
Provision for loss on real estate business and other	993	993	8,946	8,946
Provision for loss on business of subsidiaries and affiliates	2,736	2,842	24,655	25,609
Provision for environmental measures	247	248	2,233	2,239
Assets retirement obligations	6	6	57	57
Other	4,921	3,940	44,339	35,500
Total noncurrent liabilities	211,297	177,964	1,903,754	1,603,424
Total liabilities	1,063,683	1,014,681	9,583,594	9,142,094
<b>Net assets</b>				
<b>Shareholders' equity</b>				
Capital stock	57,752	57,752	520,341	520,341
Capital surplus				
Legal capital surplus	41,694	41,694	375,659	375,659
Total capital surpluses	41,694	41,694	375,659	375,659
Retained earnings				
Legal reserve	14,438	14,438	130,084	130,084
Other retained earnings				
Reserve for advanced depreciation of noncurrent assets	2,545	2,603	22,930	23,455
General reserve	240,000	180,000	2,162,356	1,621,767
Retained earnings brought forward	119,533	100,841	1,076,977	908,563
Total retained earnings	376,516	297,882	3,392,349	2,683,871
Treasury stock	(2,132)	(1,929)	(19,209)	(17,385)
Total shareholders' equity	473,831	395,400	4,269,140	3,562,486
<b>Valuation and translation adjustments</b>				
Valuation difference on available-for-sale securities	149,866	158,860	1,350,267	1,431,303
Deferred gains on hedges	0	106	6	960
Revaluation reserve for land	13,549	13,854	122,081	124,825
Total valuation and translation adjustments	163,416	172,821	1,472,355	1,557,089
Total net assets	637,248	568,221	5,741,495	5,119,575
<b>Total liabilities and net assets</b>	<b>¥ 1,700,931</b>	<b>¥ 1,582,902</b>	<b>\$ 15,325,090</b>	<b>\$ 14,261,669</b>

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, 2019 and 2018

	Millions of yen		Thousands of U.S. dollars (Note 2)	
	2019	2018	2019	2018
<b>Net sales</b>				
Construction contracts (Note 6)	¥ 1,376,688	¥ 1,276,405	\$ 12,403,718	\$ 11,500,184
Real estate business and other	21,597	17,657	194,589	159,087
Total net sales	1,398,286	1,294,062	12,598,308	11,659,272
<b>Cost of sales</b>				
Construction contracts	1,191,386	1,102,430	10,734,175	9,932,700
Real estate business and other	16,272	14,644	146,608	131,940
Total cost of sales	1,207,658	1,117,074	10,880,784	10,064,640
<b>Gross profit</b>				
Construction contracts	185,302	173,975	1,669,543	1,567,484
Real estate business and other	5,325	3,013	47,980	27,146
Total gross profit	190,628	176,988	1,717,524	1,594,631
<b>Selling, general and administrative expenses (Note 6)</b>				
Operating income	67,361	67,261	606,911	606,010
	123,266	109,727	1,110,613	988,620
<b>Other income (expenses)</b>				
Interest and dividend income (Note 6)	13,878	10,483	125,046	94,455
Foreign exchange gains (losses), net	471	(686)	4,248	(6,185)
Interest expense	(760)	(1,041)	(6,856)	(9,385)
Gain on sales of noncurrent assets	3,495	3	31,491	34
Gain on sales of investment securities	2,539	6,069	22,883	54,684
Loss on sales and disposal of noncurrent assets (Note 6)	(164)	(433)	(1,479)	(3,902)
Loss on sales of investment securities	(586)	-	(5,287)	-
Loss on liquidation of investment securities	(167)	-	(1,505)	-
Loss on business of subsidiaries and affiliates (Note 6)	(1,672)	(2,256)	(15,071)	(20,331)
Provision for loss on Antimonopoly Act	-	(4,145)	-	(37,345)
Other, net	(1,056)	(2,484)	(9,515)	(22,387)
Total other income (expenses)	15,977	5,509	143,953	49,635
<b>Profit before income taxes</b>				
	139,244	115,236	1,254,566	1,038,256
<b>Income taxes (Note 9)</b>				
Income taxes—current	40,096	37,957	361,259	341,988
Income taxes—deferred	712	(3,398)	6,423	(30,619)
Total income taxes	40,809	34,558	367,683	311,368
<b>Profit</b>				
	¥ 98,435	¥ 80,677	\$ 886,882	\$ 726,887

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, 2019

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	¥ 2,603	¥ 180,000	¥ 100,841	¥ 297,882	¥ (1,929)	¥ 395,400
Changes of items during period									
Reversal of reserve for advanced depreciation of noncurrent assets				(58)		58	-		-
Provision of general reserve					60,000	(60,000)	-		-
Dividends from surplus						(20,105)	(20,105)		(20,105)
Profit						98,435	98,435		98,435
Reversal of revaluation reserve for land						304	304		304
Purchase of treasury stock								(298)	(298)
Disposal of treasury stock								96	96
Net changes in items other than those in shareholders' equity									
Total changes of items during period	-	-	-	(58)	60,000	18,692	78,633	(202)	78,431
Balance at the end of current period	¥ 57,752	¥ 41,694	¥ 14,438	¥ 2,545	¥ 240,000	¥ 119,533	¥ 376,516	¥ (2,132)	¥ 473,831

	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	¥ 158,860	¥ 106	¥ 13,854	¥ 172,821	¥ 568,221
Changes of items during period					
Reversal of reserve for advanced depreciation of noncurrent assets					-
Provision of general reserve					-
Dividends from surplus					(20,105)
Profit					98,435
Reversal of revaluation reserve for land					304
Purchase of treasury stock					(298)
Disposal of treasury stock					96
Net changes in items other than those in shareholders' equity	(8,994)	(105)	(304)	(9,404)	(9,404)
Total changes of items during period	(8,994)	(105)	(304)	(9,404)	69,026
Balance at the end of current period	¥ 149,866	¥ 0	¥ 13,549	¥ 163,416	¥ 637,248

For the year ended March 31, 2019

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	\$ 520,341	\$ 375,659	\$ 130,084	\$ 23,455	\$ 1,621,767	\$ 908,563	\$ 2,683,871	\$ (17,385)	\$ 3,562,486
Changes of items during period									
Reversal of reserve for advanced depreciation of noncurrent assets				(524)		524	-		-
Provision of general reserve					540,589	(540,589)	-		-
Dividends from surplus						(181,148)	(181,148)		(181,148)
Profit						886,882	886,882		886,882
Reversal of revaluation reserve for land						2,743	2,743		2,743
Purchase of treasury stock								(2,689)	(2,689)
Disposal of treasury stock								865	865
Net changes in items other than those in shareholders' equity									
Total changes of items during period	-	-	-	(524)	540,589	168,413	708,477	(1,823)	706,654
Balance at the end of current period	\$ 520,341	\$ 375,659	\$ 130,084	\$ 22,930	\$ 2,162,356	\$ 1,076,977	\$ 3,392,349	\$ (19,209)	\$ 4,269,140

	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	\$ 1,431,303	\$ 960	\$ 124,825	\$ 1,557,089	\$ 5,119,575
Changes of items during period					
Reversal of reserve for advanced depreciation of noncurrent assets					-
Provision of general reserve					-
Dividends from surplus					(181,148)
Profit					886,882
Reversal of revaluation reserve for land					2,743
Purchase of treasury stock					(2,689)
Disposal of treasury stock					865
Net changes in items other than those in shareholders' equity	(81,036)	(953)	(2,743)	(84,733)	(84,733)
Total changes of items during period	(81,036)	(953)	(2,743)	(84,733)	621,920
Balance at the end of current period	\$ 1,350,267	\$ 6	\$ 122,081	\$ 1,472,355	\$ 5,741,495

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

For the year ended March 31, 2018

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	¥ 2,667	¥ 110,000	¥ 112,863	¥ 239,969	¥ (1,964)	¥ 337,451
Changes of items during period									
Reversal of reserve for advanced depreciation of noncurrent assets				(64)		64	-		-
Provision of general reserve					70,000	(70,000)	-		-
Dividends from surplus						(23,696)	(23,696)		(23,696)
Profit						80,677	80,677		80,677
Reversal of revaluation reserve for land						932	932		932
Purchase of treasury stock								(8)	(8)
Disposal of treasury stock								43	43
Net changes in items other than those in shareholders' equity									
Total changes of items during period	-	-	-	(64)	70,000	(12,022)	57,913	35	57,948
Balance at the end of current period	¥ 57,752	¥ 41,694	¥ 14,438	¥ 2,603	¥ 180,000	¥ 100,841	¥ 297,882	¥ (1,929)	¥ 395,400

	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	¥ 140,103	¥ 11	¥ 14,787	¥ 154,902	¥ 492,354
Changes of items during period					
Reversal of reserve for advanced depreciation of noncurrent assets					-
Provision of general reserve					-
Dividends from surplus					(23,696)
Profit					80,677
Reversal of revaluation reserve for land					932
Purchase of treasury stock					(8)
Disposal of treasury stock					43
Net changes in items other than those in shareholders' equity	18,756	94	(932)	17,918	17,918
Total changes of items during period	18,756	94	(932)	17,918	75,867
Balance at the end of current period	¥ 158,860	¥ 106	¥ 13,854	¥ 172,821	¥ 568,221



For the year ended March 31, 2018

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	\$ 520,341	\$ 375,659	\$ 130,084	\$ 24,032	\$ 991,080	\$ 1,016,881	\$ 2,162,078	\$ (17,701)	\$ 3,040,377
Changes of items during period									
Reversal of reserve for advanced depreciation of noncurrent assets				(576)		576	-		-
Provision of general reserve					630,687	(630,687)	-		-
Dividends from surplus						(213,497)	(213,497)		(213,497)
Profit						726,887	726,887		726,887
Reversal of revaluation reserve for land						8,403	8,403		8,403
Purchase of treasury stock								(75)	(75)
Disposal of treasury stock								391	391
Net changes in items other than those in shareholders' equity									
Total changes of items during period	-	-	-	(576)	630,687	(108,317)	521,793	315	522,108
Balance at the end of current period	\$ 520,341	\$ 375,659	\$ 130,084	\$ 23,455	\$ 1,621,767	\$ 908,563	\$ 2,683,871	\$ (17,385)	\$ 3,562,486

	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	\$ 1,262,309	\$ 106	\$ 133,228	\$ 1,395,644	\$ 4,436,021
Changes of items during period					
Reversal of reserve for advanced depreciation of noncurrent assets					-
Provision of general reserve					-
Dividends from surplus					(213,497)
Profit					726,887
Reversal of revaluation reserve for land					8,403
Purchase of treasury stock					(75)
Disposal of treasury stock					391
Net changes in items other than those in shareholders' equity	168,994	854	(8,403)	161,445	161,445
Total changes of items during period	168,994	854	(8,403)	161,445	683,554
Balance at the end of current period	\$ 1,431,303	\$ 960	\$ 124,825	\$ 1,557,089	\$ 5,119,575

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, 2019 and 2018

### 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 ¥110.99 to US\$1, the rate of exchange prevailing at March 31, 2019, 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.

The net book value of inventories in the consolidated balance sheets is written down if the net realizable value declines.

#### (3) Property, plant and equipment

The Company calculates depreciation by the declining-balance method, while straight-line method is applied to buildings excluding building 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.

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

Depreciation 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

The 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

The 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

The 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 loss on Antimonopoly Act

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

#### (11) Provision for retirement benefits

The 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.

In calculating retirement benefits obligations, the benefit formula method is used to allocate expected retirement benefit payments in the period until the end of the current fiscal year.

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.

(12) Provision for stock payments for directors

The 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.

(13) Provision for loss on real estate business and other

The provision for loss on real estate business and other is provided for the estimated losses to be incurred in liquidating real estate and restructuring the real estate related business.

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

The 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.

(15) Provision for environmental measures

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

(16) Recognizing revenues and costs of construction contracts

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

(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 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 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.

(18) 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.

(19) Consumption taxes

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

(20) 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.

(21) Consolidated tax payment system

The Company applies the consolidated tax payment system.

#### 4. 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 5 of "Notes to Consolidated Financial Statements."

## 5. Notes to Non-Consolidated Balance Sheets

### (1) Deposited assets

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

At March 31	Millions of yen		Thousands of U.S. dollars	
	2019	2018	2019	2018
Investment securities	¥ 445	¥ 471	\$ 4,009	\$ 4,244
Investments and other assets—other	81	41	735	373

### (2) Contingent liabilities

The Company was contingently liable for the following:

At March 31	Millions of yen		Thousands of U.S. dollars	
	2019	2018	2019	2018
Guarantees of long-term debt of customers, subsidiaries, affiliates and employees	¥ 5,829	¥ 7,994	\$ 52,527	\$ 72,030
Commitments of guarantees for short-term and long-term debt of customers and subsidiaries	32,253	44,000	290,597	396,438

### (3) Matured notes

As financial institutions are closed at March 31, 2019, notes included the matured notes.

The matured notes were as follows:

At March 31	Millions of yen		Thousands of U.S. dollars	
	2019	2018	2019	2018
Notes receivable—trade	¥ 324	¥ 11	\$ 2,920	\$ 103
Electronically recorded monetary claims	74	5	674	47
Notes payable—trade	459	1,039	4,142	9,369
Electronically recorded obligations	7,608	11,075	68,551	99,790

### (4) Directly-deducted advanced depreciation

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

	Millions of yen		Thousands of U.S. dollars	
	2019	2018	2019	2018
Structures, net	¥ -	¥ 0	\$ -	\$ 2
Machinery and equipment, net	559	10	5,042	94
Tools, furniture and fixtures, net	0	-	4	-
Software	-	17	-	153
Total	¥ 560	¥ 27	\$ 5,046	\$ 250

### (5) Consumption tax receivable and payable

Consumption tax receivable and local consumption tax receivable are shown included in "Accounts receivable—other" at March 31, 2019 while consumption tax payable and local consumption tax payable are shown included in "Accounts payable—other" at March 31, 2018.

### (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, 2019 and 2018, there were 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 were as follows:

At March 31	Millions of yen		Thousands of U.S. dollars	
	2019	2018	2019	2018
Contract amount	¥ 50,000	¥ 50,000	\$ 450,491	\$ 450,491
Outstanding borrowings	-	-	-	-
Available amount	¥ 50,000	¥ 50,000	\$ 450,491	\$ 450,491

## 6. Notes to Non-Consolidated Statements of Income

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

For the years ended March 31	Millions of yen		Thousands of U.S. dollars	
	2019	2018	2019	2018
	¥ 1,278,153	¥ 1,185,839	\$ 11,515,936	\$ 10,684,202

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

For the years ended March 31	Millions of yen		Thousands of U.S. dollars	
	2019	2018	2019	2018
Employees' salaries and allowances	¥ 26,437	¥ 28,057	\$ 238,195	\$ 252,793
Retirement benefit expenses	1,060	1,253	9,553	11,290
Research and development expenses	12,025	10,314	108,348	92,927

(3) Transactions with subsidiaries and affiliates

For the years ended March 31	Millions of yen		Thousands of U.S. dollars	
	2019	2018	2019	2018
Dividend income	¥ 4,705	¥ 1,594	\$ 42,391	\$ 14,367

(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	
	2019	2018	2019	2018
Demolition and removal costs	¥ 121	¥ 332	\$ 1,097	\$ 2,991
Others	42	101	381	910
Total	¥ 164	¥ 433	\$ 1,479	\$ 3,902

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

For the years ended March 31	Millions of yen		Thousands of U.S. dollars	
	2019	2018	2019	2018
Bad debts written off of subsidiaries and affiliates	¥ 1,672	¥ 820	\$ 15,071	\$ 7,388
Provision for loss on business of subsidiaries and affiliates	-	1,436	-	12,943
Total	¥ 1,672	¥ 2,256	\$ 15,071	\$ 20,331

## 7. 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, 2019 included a legal reserve of ¥14,438 million (\$130,084 thousand).

## 8. Stocks of Subsidiaries and Affiliates with Fair Value

Stocks of subsidiaries and affiliates  
None.

Note: Carrying value of stocks of subsidiaries and affiliates for which fair value was extremely difficult to determine

At March 31	Millions of yen		Thousands of U.S. dollars	
	2019	2018	2019	2018
Stocks of subsidiaries	¥ 43,619	¥ 40,832	\$ 393,004	\$ 367,890
Stocks of affiliates	1,818	1,718	16,381	15,481

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 "Stocks of subsidiaries and affiliates."

## 9. Deferred Tax Accounting

The major components of deferred tax assets and liabilities at March 31, 2019 and 2018 are summarized as follows:

At March 31	Millions of yen		Thousands of U.S. dollars	
	2019	2018	2019	2018
<b>Deferred tax assets</b>				
Provision for retirement benefits	¥ 14,127	¥ 14,200	\$ 127,288	\$ 127,948
Impairment loss	8,279	8,361	74,598	75,339
Costs on uncompleted construction contracts	8,196	7,227	73,844	65,122
Accrued expenses (bonus)	4,426	4,341	39,880	39,115
Loss on valuation of investments in subsidiaries and affiliates	2,058	1,982	18,542	17,860
Bad debts expenses and allowance for doubtful accounts	1,867	1,912	16,830	17,229
Loss on assets traded within the Group	1,548	1,562	13,955	14,078
Other	9,722	9,799	87,599	88,295
	<b>50,227</b>	<b>49,389</b>	<b>452,540</b>	<b>444,989</b>
Valuation allowance	(17,077)	(16,545)	(153,867)	(149,072)
<b>Total deferred tax assets</b>	<b>33,149</b>	<b>32,843</b>	<b>298,673</b>	<b>295,917</b>
<b>Deferred tax liabilities</b>				
Valuation difference on available-for-sale securities	(65,768)	(69,715)	(592,563)	(628,126)
Gain on assets traded within the Group	(2,597)	(902)	(23,403)	(8,129)
Reserve for advanced depreciation of noncurrent assets	(1,116)	(1,142)	(10,063)	(10,293)
Other	(452)	(498)	(4,073)	(4,489)
<b>Total deferred tax liabilities</b>	<b>(69,935)</b>	<b>(72,258)</b>	<b>(630,102)</b>	<b>(651,039)</b>
<b>Net deferred tax assets (liabilities)</b>	<b>¥ (36,785)</b>	<b>¥ (39,414)</b>	<b>\$ (331,429)</b>	<b>\$ (355,121)</b>

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	
	2019	2018	2019	2018
	¥ (15,615)	¥ (16,266)	\$ (140,693)	\$ (146,557)

Reconciliations between the statutory tax rates and the effective tax rates for the years ended March 31, 2019 and 2018 are not disclosed, because the differences are not more than 5% of the statutory tax rates.

## 10. Subsequent Event

None.