



# **ODAYASHI CORPORATION**

NON-CONSOLIDATED  
FINANCIAL STATEMENTS

Year Ended March 31, 2021

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## 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, 2021, 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 OBAYASHI CORPORATION as at March 31, 2021, 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.

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

deemed to be certain (the cost-to-cost method is used to estimate progress toward completion of construction). If it is likely that total construction costs associated with construction contracts will exceed total construction revenue and if the amount of the excess can be reasonably estimated, then the amount resulting from deducting the profit or loss already recorded for such construction contracts from the expected amount of the excess of costs over revenue (“Loss on construction contracts”) is accounted for as loss in the period in which Loss on construction contracts is expected, and a provision for Loss on construction contracts is recorded.

Net sales accounted for by the percentage-of-completion method made up 91.9%, or 1,130,519 million yen, of total net sales for the fiscal year ended March 31, 2021. The provision for Loss on construction contracts was 3,069 million yen for the fiscal year ended March 31, 2021.

In applying the percentage-of-completion method, revenues from construction contracts are determined by multiplying total construction revenue by progress toward completion of construction, which is based on total construction costs and corresponds to costs actually incurred up until the end of the fiscal year. Accordingly, it is necessary to reasonably estimate total construction revenue, total construction costs, and progress toward completion of construction as of the end of the fiscal year.

In addition to the construction contracts undertaken by the Company being individual in nature as they involve specifications and construction periods that vary by project, many such contracts span long construction periods, making it likely that construction details and the like will change during the course of construction due to certain facts coming to light and conditions at construction sites changing after the start of construction.

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

relating to estimates of total construction revenue and total construction costs.

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

(2) Evaluation of estimates of total construction revenue

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

- We compared the construction contract amounts, which are incorporated into estimates of total construction revenue, to construction contracts.
- Of additional construction contract amounts

construction is still in progress due to new agreements between counterparties, making estimates of additional contract amounts arising from changes in construction details uncertain until a final agreement is reached with the ordering party.

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

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

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

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

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

(3) Evaluation of estimates of total construction costs

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

- We compared estimates of total construction costs to operating budgets, which serve as the basis for calculating such estimates, and considered whether the details of estimated costs are consistent with construction deliverables, whether estimated costs were calculated by grouping such details by type of construction, and whether operating budgets are free from material reconciling items included in response to future uncertainty.
- We compared the most recent estimates of total construction costs for each quarter with the corresponding estimates of total construction costs for the preceding quarter, and evaluated whether the details of material quarter-to-quarter changes were reflected in such estimates in a timely manner by making inquiries of on-site construction managers regarding these changes and reconciling these changes to revised basis materials prepared by on-site construction personnel.
- After inquiring about construction progress from construction departments and on-site construction managers, we made inquiries on a quarterly basis about determinations of whether to revise total construction costs and, for

audit matters.	<p>construction projects for which the Company determined that revision is necessary, we evaluated the timeliness and appropriateness of these determinations and revised operating budgets.</p> <ul style="list-style-type: none"> <li>• We obtained operating budgets, and compared the estimated costs for each type of work to materials, such as quotations, from which costs are accumulated to serve as the basis for such estimated costs. Additionally, we confirmed 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.</li> <li>• We performed on-site observations for a portion of construction projects to consider if the status of construction is consistent with construction progress that we heard about in advance from construction departments or on-site construction managers, as well as with details of estimates of total construction costs and progress toward completion of construction.</li> <li>• We evaluated the accuracy of estimates of ongoing operating budgets and the process for estimating total construction costs by comparing the most recent estimates of total construction costs for each quarter to the corresponding estimates of total construction costs for the preceding quarter and considering the reasons for quarter-to-quarter changes in estimates on a quarterly basis.</li> </ul> <p>(4) Evaluation of the amount recorded for provision of Loss on construction contracts</p> <p>In addition to the procedures noted in (1) through (3) above, we obtained a schedule of provision for Loss on construction contracts prepared by the Company, recalculated the amount to be recorded for provision for Loss on construction contracts, and found that the amount was the same as that recorded by the Company.</p>
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Assessment of indicators of impairment of investment and rental properties	
Key audit matters	Auditor's response
As described in "(2) Impairment of investment and rental properties" under "4. Significant	We mainly performed the following procedures to evaluate the assessment of indicators of

<p>Accounting Estimates,” the Company recorded impairment loss of 289 million yen on investment and rental properties of 165,613 million yen for the fiscal year ended March 31, 2021 due to decreased profitability or property prices resulting from changes in the business environment. The Company’s investment and rental properties are mainly used for office buildings.</p> <p>In assessing indicators of impairment of investment and rental properties, estimates of net operating income and the capitalization rate for each individual investment and rental property that are used to determine market value are subject to uncertainty since they are greatly affected by factors such as the economic environment, changes in interest rates, competition in the real estate market, and the COVID-19 pandemic.</p> <p>In addition, considering that investment and rental properties are material as they account for approximately 10% of non-consolidated total assets, if the Company 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 Company’s operating results and financial position.</p> <p>Based on the above, we have determined that the assessment of indicators of impairment of investment and rental properties is a key audit matter.</p>	<p>impairment of investment and rental properties.</p> <p>(1) Evaluation of internal control</p> <p>We evaluated the design and operating effectiveness of internal controls relating to the recognition of impairment loss on non-current assets, including investment and rental properties.</p> <p>(2) Evaluation of determinations of whether there are indicators of impairment</p> <ul style="list-style-type: none"> <li>• We obtained materials prepared by the Company for considering whether assets are impaired, and evaluated the assessment of indicators of impairment for properties that we selected based on materiality by, for example, agreeing profit (loss) and carrying value by property to the Company’s accounting books.</li> <li>• 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 Company in light of factors that include the COVID-19 pandemic. Further, we agreed significant estimates of net operating income to source documents.</li> <li>• 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.</li> <li>• 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.</li> </ul>
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## **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 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, 2021 are presented solely for convenience. Our audit also included the translation of Japanese yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 2 to the non-consolidated financial statements.

Ernst & Young ShinNihon LLC  
Tokyo, Japan

June 25, 2021

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Shuji Kaneko  
Designated Engagement Partner  
Certified Public Accountant

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Kenji Sato  
Designated Engagement Partner  
Certified Public Accountant

## Non-Consolidated Balance Sheets

OBAYASHI CORPORATION  
At March 31, 2021 and 2020

	Millions of yen		Thousands of U.S. dollars (Note 2)	
	2021	2020	2021	2020
<b>Assets</b>				
<b>Current assets</b>				
Cash and deposits	141,431	183,648	\$ 1,277,498	\$ 1,658,827
Notes receivable—trade	2,293	1,609	20,720	14,539
Electronically recorded monetary claims	18,818	10,324	169,981	93,254
Accounts receivable from completed construction contracts (Note 6)	581,160	604,250	5,249,395	5,457,956
Accounts receivable—real estate business and other	4,476	8,349	40,435	75,420
Short-term investment securities (Note 6)	16	154	151	1,394
Real estate for sale	3,611	3,512	32,621	31,729
Costs on uncompleted construction contracts	62,968	33,765	568,772	304,992
Costs on real estate business and other	3,995	4,144	36,093	37,438
Raw materials and supplies	2,147	2,199	19,398	19,864
Short-term loans receivable (Note 6)	61,964	79,583	559,697	718,846
Prepaid expenses	2,133	1,789	19,271	16,166
Accounts receivable—other (Note 6)	62,148	71,619	561,359	646,908
Other	18,815	17,598	169,951	158,956
Allowance for doubtful accounts	(72)	(76)	(650)	(686)
Total current assets	965,911	1,022,474	8,724,699	9,235,609
<b>Noncurrent assets</b>				
Property, plant and equipment				
Buildings	88,500	110,777	799,391	1,000,608
Accumulated depreciation	(41,310)	(50,983)	(373,138)	(460,516)
Buildings, net	47,190	59,793	426,252	540,092
Structures	5,578	5,639	50,390	50,942
Accumulated depreciation	(3,960)	(3,886)	(35,775)	(35,105)
Structures, net	1,617	1,753	14,614	15,836
Machinery and equipment	39,099	38,676	353,167	349,347
Accumulated depreciation	(31,153)	(28,660)	(281,395)	(258,876)
Machinery and equipment, net	7,945	10,016	71,771	90,471
Vehicles	669	603	6,049	5,454
Accumulated depreciation	(502)	(488)	(4,540)	(4,413)
Vehicles, net	167	115	1,508	1,040
Tools, furniture and fixtures	13,818	13,331	124,817	120,418
Accumulated depreciation	(10,618)	(10,642)	(95,911)	(96,131)
Tools, furniture and fixtures, net (Note 6)	3,200	2,688	28,905	24,286
Land	173,116	198,186	1,563,690	1,790,138
Leased assets	34	23	311	208
Accumulated depreciation	(11)	(15)	(102)	(141)
Leased assets, net	23	7	209	66
Construction in progress (Note 6)	18,585	8,960	167,871	80,933
Total property, plant and equipment	251,845	281,520	2,274,824	2,542,865
Intangible assets				
Software	1,922	1,889	17,368	17,063
Leasehold rights	22	22	200	200
Telephone subscription rights	412	412	3,728	3,728
Other	1,550	1,226	14,006	11,082
Total intangible assets	3,908	3,551	35,303	32,075
Investments and other assets				
Investment securities (Note 6)	326,421	278,000	2,948,436	2,511,065
Stocks of subsidiaries and affiliates (Note 9)	88,684	45,988	801,049	415,391
Investments in capital	275	272	2,490	2,459
Investments in capital of subsidiaries and affiliates	34,833	14,556	314,635	131,483
Long-term loans receivable from employees	646	636	5,844	5,752
Long-term loans receivable from subsidiaries and affiliates	75,620	47,991	683,052	433,491
Claims provable in bankruptcy, claims provable in rehabilitation and other	2,982	1,865	26,942	16,849
Lease and guarantee deposits	6,453	5,733	58,290	51,792
Other (Note 6)	2,962	3,025	26,763	27,324
Allowance for doubtful accounts	(1,609)	(945)	(14,536)	(8,544)
Total investments and other assets	537,272	397,124	4,852,969	3,587,066
Total noncurrent assets	793,026	682,195	7,163,097	6,162,007
<b>Total assets</b>	<b>1,758,937</b>	<b>1,704,670</b>	<b>\$ 15,887,796</b>	<b>\$ 15,397,617</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)	
	2021	2020	2021	2020
<b>Liabilities</b>				
<b>Current liabilities</b>				
Notes payable—trade	11,338	10,327	\$ 102,415	\$ 93,284
Electronically recorded obligations	103,571	119,469	935,518	1,079,125
Accounts payable for construction contracts	338,368	388,886	3,056,346	3,512,660
Accounts payable—real estate and other	803	1,149	7,257	10,381
Short-term loans payable	40,394	39,729	364,863	358,856
Lease obligations	7	4	69	41
Accounts payable—other (Note 6)	3,573	18,854	32,278	170,302
Accrued expenses	16,343	17,880	147,621	161,506
Income taxes payable	11,610	24,588	104,871	222,099
Advances received on uncompleted construction contracts	104,989	72,956	948,329	658,985
Deposits received—real estate and other	3,247	1,276	29,329	11,532
Deposits received	119,133	115,711	1,076,085	1,045,172
Unearned revenue	128	119	1,157	1,078
Provision for warranties for completed construction	2,593	3,867	23,421	34,929
Provision for loss on construction contracts	13,220	11,881	119,411	107,316
Provision for loss on Antimonopoly Act	—	4,145	—	37,440
Deposits received from employees	27,226	26,439	245,928	238,817
Other	946	1,075	8,551	9,717
<b>Total current liabilities</b>	<b>797,494</b>	<b>858,362</b>	<b>7,203,458</b>	<b>7,753,248</b>
<b>Noncurrent liabilities</b>				
Bonds payable	40,000	40,000	361,304	361,304
Long-term loans payable	80,039	69,443	722,960	627,251
Lease obligations	17	3	161	32
Deferred tax liabilities (Note 10)	25,624	12,000	231,457	108,393
Deferred tax liabilities for land revaluation (Note 10)	15,305	15,555	138,252	140,507
Provision for retirement benefits	44,665	45,293	403,442	409,121
Provision for stock payments for directors	401	433	3,630	3,919
Provision for loss on business of subsidiaries and affiliates	2,157	2,068	19,484	18,679
Provision for environmental measures	—	213	—	1,924
Assets retirement obligations	6	6	58	58
Other	5,137	5,134	46,405	46,375
<b>Total noncurrent liabilities</b>	<b>213,355</b>	<b>190,152</b>	<b>1,927,158</b>	<b>1,717,568</b>
<b>Total liabilities</b>	<b>1,010,850</b>	<b>1,048,514</b>	<b>9,130,616</b>	<b>9,470,816</b>
<b>Net assets</b>				
<b>Shareholders' equity</b>				
Capital stock	57,752	57,752	521,657	521,657
Capital surplus				
Legal capital surplus	41,694	41,694	376,609	376,609
Total capital surpluses	41,694	41,694	376,609	376,609
Retained earnings				
Legal reserve	14,438	14,438	130,413	130,413
Other retained earnings				
Reserve for advanced depreciation of noncurrent assets	2,414	2,463	21,813	22,251
General reserve	315,000	315,000	2,845,271	2,845,271
Retained earnings brought forward	163,088	105,861	1,473,115	956,206
Total retained earnings	494,941	437,763	4,470,613	3,954,142
Treasury stock	(2,090)	(2,121)	(18,885)	(19,160)
<b>Total shareholders' equity</b>	<b>592,297</b>	<b>535,088</b>	<b>5,349,994</b>	<b>4,833,248</b>
<b>Valuation and translation adjustments</b>				
Valuation difference on available-for-sale securities	138,326	104,712	1,249,451	945,831
Deferred gains on hedges	11	(16)	104	(145)
Revaluation reserve for land	17,451	16,370	157,629	147,866
<b>Total valuation and translation adjustments</b>	<b>155,789</b>	<b>121,067</b>	<b>1,407,185</b>	<b>1,093,552</b>
<b>Total net assets</b>	<b>748,087</b>	<b>656,156</b>	<b>6,757,179</b>	<b>5,926,800</b>
<b>Total liabilities and net assets</b>	<b>1,758,937</b>	<b>1,704,670</b>	<b>\$ 15,887,796</b>	<b>\$ 15,397,617</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, 2021 and 2020

	Millions of yen		Thousands of U.S. dollars (Note 2)	
	2021	2020	2021	2020
<b>Net sales</b>				
Construction contracts (Note 7)	\ 1,209,589	\ 1,392,825	\$ 10,925,747	\$ 12,580,844
Real estate business and other	20,828	23,536	188,138	212,592
Total net sales	1,230,418	1,416,361	11,113,886	12,793,437
<b>Cost of sales</b>				
Construction contracts	1,048,878	1,213,460	9,474,110	10,960,709
Real estate business and other	15,727	18,799	142,057	169,810
Total cost of sales	1,064,606	1,232,259	9,616,168	11,130,519
<b>Gross profit</b>				
Construction contracts	160,710	179,365	1,451,636	1,620,135
Real estate business and other	5,101	4,736	46,080	42,782
Total gross profit	165,812	184,101	1,497,717	1,662,917
<b>Selling, general and administrative expenses (Note 7)</b>				
Operating income	72,371	71,082	653,700	642,056
	93,441	113,019	844,016	1,020,861
<b>Other income (expenses)</b>				
Interest and dividend income (Note 7)	11,305	11,570	102,115	104,513
Foreign exchange gains (losses), net	1,213	(1,213)	10,958	(10,965)
Interest expense	(891)	(801)	(8,055)	(7,240)
Gain on sales of investment securities	5,181	5,034	46,800	45,478
Gain on sales of noncurrent assets (Note 7)	1,285	104	11,607	945
Reversal of provision for loss on Antimonopoly Act	1,026	-	9,272	-
Loss on sales and disposal of noncurrent assets (Note 7)	(3,647)	(38)	(32,945)	(346)
Impairment loss	(787)	(118)	(7,112)	(1,071)
Loss on business of subsidiaries and affiliates (Note 7)	(668)	(123)	(6,040)	(1,118)
Other, net	(1,081)	(4,013)	(9,772)	(36,248)
Total other income (expenses)	12,934	10,400	116,827	93,945
<b>Profit before income taxes</b>				
	106,375	123,420	960,844	1,114,807
<b>Income taxes (Note 10)</b>				
Income taxes—current	26,526	39,961	239,606	360,960
Income taxes—deferred	(1,388)	(5,022)	(12,543)	(45,363)
Total income taxes	25,138	34,939	227,062	315,597
<b>Profit</b>				
	\ 81,237	\ 88,480	\$ 733,782	\$ 799,210

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, 2021

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	\ 2,463	\ 315,000	\ 105,861	\ 437,763	\ (2,121)	\ 535,088
Changes during period									
Reversal of reserve for advanced depreciation of noncurrent assets				(48)		48	-		-
Provision of general reserve					-	-	-		-
Cash dividends paid						(22,977)	(22,977)		(22,977)
Profit						81,237	81,237		81,237
Reversal of revaluation reserve for land						(1,080)	(1,080)		(1,080)
Purchase of treasury stock								(3)	(3)
Disposal of treasury stock								33	33
Net changes in items other than those in shareholders' equity									
Total changes during period	-	-	-	(48)	-	57,226	57,178	30	57,208
Balance at the end of current period	\ 57,752	\ 41,694	\ 14,438	\ 2,414	\ 315,000	\ 163,088	\ 494,941	\ (2,090)	\ 592,297

	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	\ 104,712	\ (16)	\ 16,370	\ 121,067	\ 656,156
Changes during period					
Reversal of reserve for advanced depreciation of noncurrent assets					-
Provision of general reserve					-
Cash dividends paid					(22,977)
Profit					81,237
Reversal of revaluation reserve for land					(1,080)
Purchase of treasury stock					(3)
Disposal of treasury stock					33
Net changes in items other than those in shareholders' equity	33,613	27	1,080	34,722	34,722
Total changes during period	33,613	27	1,080	34,722	91,931
Balance at the end of current period	\ 138,326	\ 11	\ 17,451	\ 155,789	\ 748,087

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
		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	\$ 521,657	\$ 376,609	\$ 130,413	\$ 22,251	\$ 2,845,271	\$ 956,206	\$ 3,954,142	\$ (19,160)	\$ 4,833,248
Changes during period									
Reversal of reserve for advanced depreciation of noncurrent assets				(438)		438	-		-
Provision of general reserve					-	-	-		-
Cash dividends paid						(207,547)	(207,547)		(207,547)
Profit						733,782	733,782		733,782
Reversal of revaluation reserve for land						(9,763)	(9,763)		(9,763)
Purchase of treasury stock								(30)	(30)
Disposal of treasury stock								305	305
Net changes in items other than those in shareholders' equity									
Total changes during period	-	-	-	(438)	-	516,909	516,470	275	516,746
Balance at the end of current period	\$ 521,657	\$ 376,609	\$ 130,413	\$ 21,813	\$ 2,845,271	\$ 1,473,115	\$ 4,470,613	\$ (18,885)	\$ 5,349,994

	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	\$ 945,831	\$ (145)	\$ 147,866	\$ 1,093,552	\$ 5,926,800
Changes during period					
Reversal of reserve for advanced depreciation of noncurrent assets					-
Provision of general reserve					-
Cash dividends paid					(207,547)
Profit					733,782
Reversal of revaluation reserve for land					(9,763)
Purchase of treasury stock					(30)
Disposal of treasury stock					305
Net changes in items other than those in shareholders' equity	303,620	249	9,763	313,633	313,633
Total changes during period	303,620	249	9,763	313,633	830,379
Balance at the end of current period	\$ 1,249,451	\$ 104	\$ 157,629	\$ 1,407,185	\$ 6,757,179

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

For the year ended March 31, 2020

Millions of yen

	Shareholders' equity								
	Capital stock	Capital surplus	Retained earnings					Treasury stock	Total shareholders' equity
		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	\ 2,545	\ 240,000	\ 119,533	\ 376,516	\ (2,132)	\ 473,831
Changes during period									
Reversal of reserve for advanced depreciation of noncurrent assets				(81)		81	-		-
Provision of general reserve					75,000	(75,000)	-		-
Cash dividends paid						(24,413)	(24,413)		(24,413)
Profit						88,480	88,480		88,480
Reversal of revaluation reserve for land						(2,820)	(2,820)		(2,820)
Purchase of treasury stock								(5)	(5)
Disposal of treasury stock								16	16
Net changes in items other than those in shareholders' equity									
Total changes during period	-	-	-	(81)	75,000	(13,672)	61,246	10	61,257
Balance at the end of current period	\ 57,752	\ 41,694	\ 14,438	\ 2,463	\ 315,000	\ 105,861	\ 437,763	\ (2,121)	\ 535,088

	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	\ 149,866	\ 0	\ 13,549	\ 163,416	\ 637,248
Changes during period					
Reversal of reserve for advanced depreciation of noncurrent assets					-
Provision of general reserve					-
Cash dividends paid					(24,413)
Profit					88,480
Reversal of revaluation reserve for land					(2,820)
Purchase of treasury stock					(5)
Disposal of treasury stock					16
Net changes in items other than those in shareholders' equity	(45,153)	(16)	2,820	(42,349)	(42,349)
Total changes during period	(45,153)	(16)	2,820	(42,349)	18,907
Balance at the end of current period	\ 104,712	\ (16)	\ 16,370	\ 121,067	\ 656,156

For the year ended March 31, 2020

Thousands of U.S. dollars (Note 2)

	Shareholders' equity								
	Capital stock	Capital surplus	Retained earnings					Treasury stock	Total shareholders' equity
		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	\$ 521,657	\$ 376,609	\$ 130,413	\$ 22,988	\$ 2,167,825	\$ 1,079,700	\$ 3,400,928	\$ (19,257)	\$ 4,279,937
Changes during period									
Reversal of reserve for advanced depreciation of noncurrent assets				(737)		737	-		-
Provision of general reserve					677,445	(677,445)	-		-
Cash dividends paid						(220,521)	(220,521)		(220,521)
Profit						799,210	799,210		799,210
Reversal of revaluation reserve for land						(25,475)	(25,475)		(25,475)
Purchase of treasury stock								(47)	(47)
Disposal of treasury stock								144	144
Net changes in items other than those in shareholders' equity									
Total changes during period	-	-	-	(737)	677,445	(123,494)	553,213	97	553,310
Balance at the end of current period	\$ 521,657	\$ 376,609	\$ 130,413	\$ 22,251	\$ 2,845,271	\$ 956,206	\$ 3,954,142	\$ (19,160)	\$ 4,833,248

	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	\$ 1,353,682	\$ 6	\$ 122,390	\$ 1,476,079	\$ 5,756,016
Changes during period					
Reversal of reserve for advanced depreciation of noncurrent assets					-
Provision of general reserve					-
Cash dividends paid					(220,521)
Profit					799,210
Reversal of revaluation reserve for land					(25,475)
Purchase of treasury stock					(47)
Disposal of treasury stock					144
Net changes in items other than those in shareholders' equity	(407,850)	(152)	25,475	(382,527)	(382,527)
Total changes during period	(407,850)	(152)	25,475	(382,527)	170,783
Balance at the end of current period	\$ 945,831	\$ (145)	\$ 147,866	\$ 1,093,552	\$ 5,926,800

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, 2021 and 2020

### 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 ¥110.71 to US\$1, the rate of exchange prevailing at March 31, 2021, and were then rounded down to the nearest thousand. These U.S. dollar amounts are not intended to imply that the Japanese yen amounts have been or could be converted, realized or settled in U.S. dollars at this or any other rate.

### 3. Summary of Significant Accounting Policies

#### (1) 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 loss on Antimonopoly Act

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

#### (11) 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.

(12) 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.

(13) 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.

(14) 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 is obliged to dispose by the Act on Special Measures Concerning Promotion of Proper Treatment of PCB Waste.

(15) 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.

(16) 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.

(17) 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.

(18) Consumption taxes

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

(19) 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.

(20) Consolidated tax payment system

The Company applies the consolidated tax payment system.

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

The Company does 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.

(22) Accounting method for joint ventures in construction business

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

#### 4. Significant Accounting Estimates

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

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

Revenues from construction contracts recognized by the percentage-of-completion method:

\1,130,519 million (US\$10,211,541 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: \289 million (US\$2,611 thousand)

It should be noted that investment and rental properties recorded in the non-consolidated balance sheets is \165,613 million

(US\$1,495,922 thousand) as of the fiscal year ended March 31, 2021.

(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. Additional Information

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

As a result of the new application of the "Accounting Standard for Disclosures about Accounting Policies, Accounting Changes and Error Corrections" (ASBJ Statement No. 24, March 31, 2020), the accounting principles and procedures adopted in cases where the provisions of the relevant accounting standards are not clear are described in "(22) Accounting method for joint ventures in construction business" in "3. Summary of Significant Accounting Policies," the accounting method for joint ventures in the construction business is mainly based on the accounting method for recognizing assets, liabilities, income and expenses in proportion to the investment of the members.

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

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

(3) Performance-linked stock compensation plan for directors and executive officers

As for the performance-linked stock compensation plan for the Directors through the BIP Trust, see Note 6 of "Notes to Consolidated Financial Statements."

## 6. 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	
	2021	2020	2021	2020
Assets pledged as collateral:				
Investment securities	\ 143	\ -	\$ 1,293	\$ -

There are no liabilities secured by the assets above at March 31, 2021.

### (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	
	2021	2020	2021	2020
Short-term investment securities	\ 16	\ 154	\$ 151	\$ 1,394
Investment securities	143	159	1,295	1,439
Investments and other assets—other	362	216	3,271	1,954
Total	\ 522	\ 530	\$ 4,717	\$ 4,788

### (3) Receivables from subsidiaries and affiliates (excusing receivables separately disclosed)

At March 31	Millions of yen		Thousands of U.S. dollars	
	2021	2020	2021	2020
Short-term loans receivable	\ 61,964	\ 79,583	\$ 559,697	\$ 718,846
Accounts receivable from completed construction contracts	17,707	20,398	159,944	184,252
Other (assets)	17,737	16,474	160,215	148,810

### (4) Contingent liabilities

The Company is contingently liable for the following:

At March 31	Millions of yen		Thousands of U.S. dollars	
	2021	2020	2021	2020
Guarantees of long-term debt of customers, subsidiaries, affiliates and employees	\ 22,119	\ 7,820	\$ 199,792	\$ 70,635
Commitments of guarantees for short-term and long-term debt of customers and subsidiaries	21,763	22,136	196,581	199,952

### (5) 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	
	2021	2020	2021	2020
Tools, furniture and fixtures, net	\ -	\ 0	\$ -	\$ 0
Construction in progress	7	27	70	246
Total	\ 7	\ 27	\$ 70	\$ 246

### (6) Consumption tax receivable and payable

Consumption tax receivable and local consumption tax receivable are shown included in "Accounts receivable—other" at March 31, 2021 while consumption tax payable and local consumption tax payable are shown included in "Accounts payable—other" at March 31, 2020.

### (7) Commitment lines

The Company has a commitment line agreement with syndicated financial institutions to ensure timely access to funds in case of emergency. At March 31, 2021 and 2020, there are no outstanding balances under the agreement. This commitment line agreement includes financial covenants on net assets, ordinary income (loss) and the credit rating of the Company.

The total commitment lines available are as follows:

At March 31	Millions of yen		Thousands of U.S. dollars	
	2021	2020	2021	2020
Contract amount	\ 180,000	\ 50,000	\$ 1,625,869	\$ 451,630
Outstanding borrowings	-	-	-	-
Available amount	\ 180,000	\ 50,000	\$ 1,625,869	\$ 451,630

## 7. 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	
	2021	2020	2021	2020
	\ 1,130,519	\ 1,313,777	\$ 10,211,541	\$ 11,866,840

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

For the years ended March 31	Millions of yen		Thousands of U.S. dollars	
	2021	2020	2021	2020
Employees' salaries and allowances	\ 26,377	\ 26,962	\$ 238,256	\$ 243,544
Retirement benefit expenses	1,082	898	9,777	8,116
Research and development expenses	13,311	13,457	120,236	121,557

(3) Transactions with subsidiaries and affiliates

For the years ended March 31	Millions of yen		Thousands of U.S. dollars	
	2021	2020	2021	2020
Dividend income	\ 4,192	\ 2,367	\$ 37,867	\$ 21,384

(4) The breakdown of "Gain on sales of noncurrent assets"

For the years ended March 31	Millions of yen		Thousands of U.S. dollars	
	2021	2020	2021	2020
Buildings	\ 149	\ 23	\$ 1,346	\$ 208
Land	1,130	66	10,213	600
Others	5	15	48	136
Total	\ 1,285	\ 104	\$ 11,607	\$ 945

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

For the years ended March 31	Millions of yen		Thousands of U.S. dollars	
	2021	2020	2021	2020
Buildings	\ 877	\ 10	\$ 7,926	\$ 90
Land	2,253	7	20,358	71
Others	516	20	4,660	184
Total	\ 3,647	\ 38	\$ 32,945	\$ 346

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

For the years ended March 31	Millions of yen		Thousands of U.S. dollars	
	2021	2020	2021	2020
Provision of allowance for doubtful accounts for subsidiaries and affiliates	\ 574	\ 123	\$ 5,190	\$ 1,118
Provision for loss on business of subsidiaries and affiliates	89	-	804	-
Loss on valuation of stocks of subsidiaries and affiliates	5	-	45	-
Total	\ 668	\ 123	\$ 6,040	\$ 1,118

## 8. 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, 2021 includes a legal reserve of ¥14,438 million (\$130,413 thousand).

## 9. 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 is extremely difficult to determine

At March 31	Millions of yen		Thousands of U.S. dollars	
	2021	2020	2021	2020
Stocks of subsidiaries	\ 86,063	\ 43,676	\$ 777,376	\$ 394,514
Stocks of affiliates	2,620	2,311	23,673	20,876

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."

## 10. Deferred Tax Accounting

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

At March 31	Millions of yen		Thousands of U.S. dollars	
	2021	2020	2021	2020
<b>Deferred tax assets</b>				
Provision for retirement benefits	\ 13,622	\ 13,814	\$ 123,050	\$ 124,782
Costs on uncompleted construction contracts	12,463	10,443	112,575	94,331
Accrued expenses (bonus)	4,049	4,513	36,580	40,764
Provision for loss on construction contracts	4,032	3,623	36,420	32,731
Impairment loss	2,572	7,523	23,238	67,960
Loss on assets traded within the Group	2,532	2,542	22,876	22,967
Bad debts expenses and allowance for doubtful accounts	2,269	2,071	20,500	18,708
Loss on valuation of investments in subsidiaries and affiliates	2,112	2,112	19,080	19,080
Other	7,681	8,498	69,380	76,767
	<b>51,336</b>	<b>55,144</b>	<b>463,702</b>	<b>498,094</b>
Valuation allowance	(12,096)	(17,101)	(109,264)	(154,469)
<b>Total deferred tax assets</b>	<b>39,239</b>	<b>38,042</b>	<b>354,437</b>	<b>343,624</b>
<b>Deferred tax liabilities</b>				
Valuation difference on available-for-sale securities	(60,704)	(45,953)	(548,320)	(415,077)
Gain on assets traded within the Group	(2,588)	(2,554)	(23,383)	(23,072)
Reserve for advanced depreciation of noncurrent assets	(1,059)	(1,081)	(9,572)	(9,765)
Other	(511)	(454)	(4,618)	(4,104)
<b>Total deferred tax liabilities</b>	<b>(64,864)</b>	<b>(50,042)</b>	<b>(585,894)</b>	<b>(452,018)</b>
<b>Net deferred tax assets (liabilities)</b>	<b>\ (25,624)</b>	<b>\ (12,000)</b>	<b>\$ (231,457)</b>	<b>\$ (108,393)</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	
	2021	2020	2021	2020
	\ (15,305)	\ (15,555)	\$ (138,252)	\$ (140,507)

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

For the years ended March 31

	2021	2020
Statutory tax rate	30.5 %	30.5 %
Reconciliation:		
Permanent non-taxable items	(1.8)	(1.0)
Change in valuation allowance	(5.2)	(0.7)
Tax credit for research and development expenses	(0.7)	(1.2)
Other	0.8	0.7
<b>Effective tax rate</b>	<b>23.6 %</b>	<b>28.3 %</b>

## 11. Subsequent Event

None.