



ODAYASHI CORPORATION

NON-CONSOLIDATED
FINANCIAL STATEMENTS

Year Ended March 31, 2022

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

Basis for Opinion

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

Key Audit Matters

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

Estimation of total construction revenue and total construction costs in applying the method of satisfying a performance obligation and recognizing revenue over time

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

Assessment of indicators of impairment of investment and rental properties

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

Other Information

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

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

Responsibilities of Management, the Corporate Auditor and the Board of Corporate Auditors for the 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, 2022 are presented solely for convenience. Our audit also included the translation of Japanese yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 2 to the non-consolidated financial statements.

Ernst & Young ShinNihon LLC
Tokyo, Japan

July 28, 2022

Shuji Kaneko
Designated Engagement Partner
Certified Public Accountant

Takeshi Yoshida
Designated Engagement Partner
Certified Public Accountant

Non-Consolidated Balance Sheets

OBAYASHI CORPORATION

At March 31, 2022 and 2021

	Millions of yen		Thousands of U.S. dollars (Note 2)	
	2022	2021	2022	2021
Assets				
Current assets				
Cash and deposits	¥ 141,707	¥ 141,431	\$ 1,157,839	\$ 1,155,583
Notes receivable—trade	1,993	2,293	16,288	18,743
Electronically recorded monetary claims	9,628	18,818	78,671	153,759
Accounts receivable from completed construction contracts (Note 7)	679,269	581,160	5,550,037	4,748,432
Accounts receivable—real estate business and other	6,169	4,476	50,411	36,576
Short-term investment securities (Note 7)	48	16	397	137
Real estate for sale	10,156	3,611	82,986	29,508
Costs on uncompleted construction contracts	40,575	62,968	331,526	514,492
Costs on real estate business and other	3,993	3,995	32,627	32,649
Raw materials and supplies	1,935	2,147	15,811	17,547
Short-term loans receivable (Note 7)	66,087	61,964	539,973	506,284
Prepaid expenses	2,387	2,133	19,509	17,432
Accounts receivable—other (Note 7)	73,788	62,148	602,892	507,787
Other	15,276	18,815	124,819	153,732
Allowance for doubtful accounts	(79)	(72)	(645)	(588)
Total current assets	1,052,939	965,911	8,603,146	7,892,078
Noncurrent assets				
Property, plant and equipment				
Buildings	96,142	88,500	785,542	723,103
Accumulated depreciation	(43,000)	(41,310)	(351,343)	(337,529)
Buildings, net (Note 7)	53,141	47,190	434,199	385,573
Structures	5,876	5,578	48,017	45,581
Accumulated depreciation	(4,099)	(3,960)	(33,499)	(32,361)
Structures, net (Note 7)	1,776	1,617	14,518	13,219
Machinery and equipment	42,936	39,099	350,815	319,463
Accumulated depreciation	(33,747)	(31,153)	(275,734)	(254,541)
Machinery and equipment, net (Note 7)	9,189	7,945	75,080	64,922
Vehicles	634	669	5,188	5,472
Accumulated depreciation	(462)	(502)	(3,777)	(4,107)
Vehicles, net	172	167	1,411	1,364
Tools, furniture and fixtures	14,371	13,818	117,424	112,905
Accumulated depreciation	(11,001)	(10,618)	(89,888)	(86,758)
Tools, furniture and fixtures, net (Note 7)	3,370	3,200	27,536	26,146
Land (Note 7)	172,497	173,116	1,409,407	1,414,463
Leased assets	35	34	287	281
Accumulated depreciation	(13)	(11)	(109)	(92)
Leased assets, net	21	23	178	189
Construction in progress (Note 7)	16,102	18,585	131,567	151,851
Total property, plant and equipment	256,272	251,845	2,093,899	2,057,731
Intangible assets				
Software	1,998	1,922	16,329	15,710
Leasehold rights	14	22	121	181
Telephone subscription rights	412	412	3,372	3,372
Other	3,318	1,550	27,111	12,670
Total intangible assets	5,744	3,908	46,935	31,934
Investments and other assets				
Investment securities (Note 7)	320,600	326,421	2,619,501	2,667,059
Stocks of subsidiaries and affiliates (Notes 7 and 10)	90,100	88,684	736,174	724,603
Investments in capital	75	275	617	2,253
Investments in capital of subsidiaries and affiliates	40,942	34,833	334,521	284,609
Long-term loans receivable from employees	647	646	5,289	5,286
Long-term loans receivable from subsidiaries and affiliates	69,041	75,620	564,110	617,866
Claims provable in bankruptcy, claims provable in rehabilitation and other	580	2,982	4,738	24,371
Lease and guarantee deposits	5,559	6,453	45,426	52,727
Other (Note 7)	2,882	2,962	23,555	24,209
Allowance for doubtful accounts	(986)	(1,609)	(8,058)	(13,149)
Total investments and other assets	529,444	537,272	4,325,878	4,389,837
Total noncurrent assets	791,460	793,026	6,466,712	6,479,503
Total assets	¥ 1,844,400	¥ 1,758,937	\$ 15,069,859	\$ 14,371,582

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)	
	2022	2021	2022	2021
Liabilities				
Current liabilities				
Notes payable—trade	¥ 9,718	¥ 11,338	\$ 79,403	\$ 92,641
Electronically recorded obligations	126,941	103,571	1,037,186	846,239
Accounts payable for construction contracts	373,096	338,368	3,048,425	2,764,671
Accounts payable—real estate and other	1,626	803	13,286	6,565
Short-term loans payable	41,788	40,394	341,433	330,043
Lease obligations	9	7	77	62
Accounts payable—other	5,546	3,573	45,315	29,197
Accrued expenses	16,590	16,343	135,553	133,533
Income taxes payable	6,906	11,610	56,428	94,863
Advances received on uncompleted construction contracts	109,545	104,989	895,054	857,827
Deposits received—real estate and other	2,326	3,247	19,007	26,530
Deposits received	134,280	119,133	1,097,151	973,392
Unearned revenue	127	128	1,043	1,047
Provision for warranties for completed construction	2,556	2,593	20,884	21,186
Provision for loss on construction contracts	52,404	13,220	428,172	108,015
Deposits received from employees	27,415	27,226	223,997	222,459
Other	739	946	6,039	7,735
Total current liabilities	911,616	797,494	7,448,458	6,516,013
Noncurrent liabilities				
Bonds payable	40,000	40,000	326,824	326,824
Long-term loans payable	73,341	80,039	599,240	653,966
Lease obligations	14	17	119	146
Deferred tax liabilities (Note 11)	11,345	25,624	92,696	209,369
Deferred tax liabilities for land revaluation (Note 11)	15,054	15,305	123,000	125,058
Provision for retirement benefits	43,855	44,665	358,322	364,941
Provision for stock payments for directors	436	401	3,567	3,284
Provision for loss on business of subsidiaries and affiliates	3,126	2,157	25,545	17,624
Assets retirement obligations	6	6	52	52
Other	4,890	5,137	39,954	41,977
Total noncurrent liabilities	192,069	213,355	1,569,323	1,743,244
Total liabilities	1,103,686	1,010,850	9,017,782	8,259,257
Net assets				
Shareholders' equity				
Capital stock	57,752	57,752	471,874	471,874
Capital surplus				
Legal capital surplus	41,694	41,694	340,668	340,668
Total capital surpluses	41,694	41,694	340,668	340,668
Retained earnings				
Legal reserve	14,438	14,438	117,967	117,967
Other retained earnings				
Reserve for advanced depreciation of noncurrent assets	2,370	2,414	19,368	19,731
General reserve	435,000	315,000	3,554,211	2,573,739
Retained earnings brought forward	38,870	163,088	317,596	1,332,532
Total retained earnings	490,679	494,941	4,009,143	4,043,970
Treasury stock	(2,808)	(2,090)	(22,949)	(17,083)
Total shareholders' equity	587,317	592,297	4,798,736	4,839,430
Valuation and translation adjustments				
Valuation difference on available-for-sale securities	135,792	138,326	1,109,508	1,130,213
Deferred gains on hedges	23	11	195	94
Revaluation reserve for land	17,579	17,451	143,637	142,586
Total valuation and translation adjustments	153,396	155,789	1,253,340	1,272,894
Total net assets	740,713	748,087	6,052,077	6,112,324
Total liabilities and net assets	¥ 1,844,400	¥ 1,758,937	\$ 15,069,859	\$ 14,371,582

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, 2022 and 2021

	Millions of yen		Thousands of U.S. dollars (Note 2)	
	2022	2021	2022	2021
Net sales				
Construction contracts	¥ 1,351,144	¥ 1,209,589	\$ 11,039,661	\$ 9,883,075
Real estate business and other	22,988	20,828	187,831	170,183
Total net sales	1,374,132	1,230,418	11,227,492	10,053,258
Cost of sales				
Construction contracts	1,271,945	1,048,878	10,392,561	8,569,971
Real estate business and other	17,596	15,727	143,775	128,500
Total cost of sales	1,289,542	1,064,606	10,536,337	8,698,472
Gross profit				
Construction contracts	79,198	160,710	647,100	1,313,103
Real estate business and other	5,391	5,101	44,055	41,682
Total gross profit	84,590	165,812	691,155	1,354,786
Selling, general and administrative expenses (Note 8)	80,165	72,371	654,998	591,316
Operating income	4,425	93,441	36,156	763,470
Other income (expenses)				
Interest and dividend income (Note 8)	14,712	11,305	120,206	92,370
Foreign exchange gains (losses), net	1,798	1,213	14,697	9,912
Interest expense	(852)	(891)	(6,963)	(7,286)
Gain on sales of investment securities	10,260	5,181	83,830	42,334
Gain on sales of noncurrent assets	274	1,285	2,241	10,499
Reversal of provision for loss on Antimonopoly Act	-	1,026	-	8,388
Loss on business of subsidiaries and affiliates (Note 8)	(4,951)	(668)	(40,453)	(5,464)
Loss on valuation of investment securities	(1,509)	(49)	(12,335)	(405)
Loss on sales and disposal of noncurrent assets	(875)	(3,647)	(7,149)	(29,801)
Other, net (Note 8)	(1,026)	(1,819)	(8,386)	(14,868)
Total other income (expenses)	17,830	12,934	145,686	105,678
Profit before income taxes	22,255	106,375	181,843	869,148
Income taxes (Note 11)				
Income taxes—current	16,837	26,526	137,568	216,740
Income taxes—deferred	(13,424)	(1,388)	(109,688)	(11,346)
Total income taxes	3,412	25,138	27,879	205,393
Profit	¥ 18,843	¥ 81,237	\$ 153,963	\$ 663,755

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, 2022

Millions of yen

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

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

For the year ended March 31, 2022

Thousands of U.S. dollars (Note 2)

	Shareholders' equity								
	Capital stock	Capital surplus		Retained earnings				Treasury stock	Total shareholders' equity
		Legal capital surplus	Legal reserve	Other retained earnings			Total retained earnings		
				Reserve for advanced depreciation of noncurrent assets	General reserve	Retained earnings brought forward			
Balance at the beginning of current period	\$ 471,874	\$ 340,668	\$ 117,967	\$ 19,731	\$ 2,573,739	\$ 1,332,532	\$ 4,043,970	\$ (17,083)	\$ 4,839,430
Changes during period									
Reversal of reserve for advanced depreciation of noncurrent assets				(363)		363	-		-
Provision of general reserve					980,472	(980,472)	-		-
Cash dividends paid						(187,740)	(187,740)		(187,740)
Profit						153,963	153,963		153,963
Reversal of revaluation reserve for land						(1,050)	(1,050)		(1,050)
Purchase of treasury stock								(6,484)	(6,484)
Disposal of treasury stock								617	617
Net changes in items other than those in shareholders' equity									
Total changes during period	-	-	-	(363)	980,472	(1,014,935)	(34,826)	(5,866)	(40,693)
Balance at the end of current period	\$ 471,874	\$ 340,668	\$ 117,967	\$ 19,368	\$ 3,554,211	\$ 317,596	\$ 4,009,143	\$ (22,949)	\$ 4,798,736

	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	\$ 1,130,213	\$ 94	\$ 142,586	\$ 1,272,894	\$ 6,112,324
Changes during period					
Reversal of reserve for advanced depreciation of noncurrent assets					-
Provision of general reserve					-
Cash dividends paid					(187,740)
Profit					153,963
Reversal of revaluation reserve for land					(1,050)
Purchase of treasury stock					(6,484)
Disposal of treasury stock					617
Net changes in items other than those in shareholders' equity	(20,704)	101	1,050	(19,553)	(19,553)
Total changes during period	(20,704)	101	1,050	(19,553)	(60,246)
Balance at the end of current period	\$ 1,109,508	\$ 195	\$ 143,637	\$ 1,253,340	\$ 6,052,077

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

For the year ended March 31, 2021

Millions of yen

	Shareholders' equity								
	Capital stock	Capital surplus	Retained earnings					Treasury stock	Total shareholders' equity
		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	\$ 471,874	\$ 340,668	\$ 117,967	\$ 20,127	\$ 2,573,739	\$ 864,953	\$ 3,576,788	\$ (17,332)	\$ 4,371,998
Changes during period									
Reversal of reserve for advanced depreciation of noncurrent assets				(396)		396	-		-
Provision of general reserve							-		-
Cash dividends paid						(187,741)	(187,741)		(187,741)
Profit						663,755	663,755		663,755
Reversal of revaluation reserve for land						(8,831)	(8,831)		(8,831)
Purchase of treasury stock								(27)	(27)
Disposal of treasury stock								276	276
Net changes in items other than those in shareholders' equity									
Total changes during period	-	-	-	(396)	-	467,579	467,182	249	467,431
Balance at the end of current period	\$ 471,874	\$ 340,668	\$ 117,967	\$ 19,731	\$ 2,573,739	\$ 1,332,532	\$ 4,043,970	\$ (17,083)	\$ 4,839,430

	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	\$ 855,568	\$ (131)	\$ 133,754	\$ 989,191	\$ 5,361,190
Changes during period					
Reversal of reserve for advanced depreciation of noncurrent assets					-
Provision of general reserve					-
Cash dividends paid					(187,741)
Profit					663,755
Reversal of revaluation reserve for land					(8,831)
Purchase of treasury stock					(27)
Disposal of treasury stock					276
Net changes in items other than those in shareholders' equity	274,644	225	8,831	283,702	283,702
Total changes during period	274,644	225	8,831	283,702	751,134
Balance at the end of current period	\$ 1,130,213	\$ 94	\$ 142,586	\$ 1,272,894	\$ 6,112,324

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, 2022 and 2021

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 ¥122.39 to US\$1, the rate of exchange prevailing at March 31, 2022, and were then rounded down to the nearest thousand. These U.S. dollar amounts are not intended to imply that the Japanese yen amounts have been or could be converted, realized or settled in U.S. dollars at this or any other rate.

3. Summary of Significant Accounting Policies

(1) Short-term investment securities and investment securities

Securities are classified into three categories: held-to-maturity, stocks of subsidiaries and affiliates, and other securities. Held-to-maturity securities are carried at amortized cost. Stocks of subsidiaries and affiliates are carried at cost. Marketable securities classified as other securities are carried at fair value with changes in unrealized holding gain or loss, net of the applicable income taxes, included directly in net assets. Non-marketable securities classified as other securities are carried at cost. Cost of securities sold is determined by the moving average method.

(2) Inventories

Real estate held for sale, costs on uncompleted construction contracts and costs on real estate business and other are all stated at cost determined by the specific identification method.

Raw materials and supplies are stated at cost determined by the first-in first-out method.

Inventories are stated at the lower of cost or net realizable value.

(3) Property, plant and equipment

The Company calculates depreciation by the declining-balance method, while straight-line method is applied to the buildings and fixtures acquired on or after April 1, 1998 and facilities attached to the buildings and other non-building structures acquired on or after April 1, 2016.

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

(4) Intangible assets

Intangible fixed assets are amortized by the straight-line method. Computer software for internal use is amortized by the straight-line method over the estimated useful life of 5 years.

(5) Leased assets

Amortization of leased assets under finance leases that do not transfer ownership of the leased assets to the lessee is calculated by the straight-line method over the lease period with a residual value of zero.

(6) Foreign currency translation

Receivables and payables denominated in foreign currencies are translated into Japanese yen at the rate of exchange in effect at the balance sheet date. The resulting exchange gains and losses from translation are recognized in the non-consolidated statements of income.

(7) Allowance for doubtful accounts

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

(8) Provision for warranties for completed construction

Provision for warranties for completed construction is provided to cover expenses for defects claimed concerning completed work, based on the estimated amount of compensation to be paid in the future for the work completed during the fiscal year.

(9) Provision for loss on construction contracts

Provision for loss on construction contracts is provided at the estimated amount for the future losses on contract backlog at the balance sheet date which will probably be incurred and which can be reasonably estimated.

(10) Provision for retirement benefits

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

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

Actuarial differences are amortized commencing in the following years after the differences are recognized primarily by the straight-line method over a period 10 years which are shorter than the average remaining years of service of the employees. Prior service cost (PSC) is amortized by the straight-line method over a period of 10 years which is shorter than the average remaining years of service of the employees.

(11) Provision for stock payments for directors

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

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

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

(13) Recognizing revenues and costs of construction contracts

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

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

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

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

(14) Derivatives and hedge accounting

(a) Method of hedge accounting

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

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

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

(b) Hedging instruments and hedged items

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

(c) Hedging policy

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

(d) Assessment of hedge effectiveness

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

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

(15) Accounting treatment of retirement benefits

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

(16) Consumption taxes

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

(17) Income taxes

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

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

(18) Consolidated tax payment system

The Company applies the consolidated tax payment system.

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

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

(20) Accounting method for joint ventures in construction business

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

4. Significant Accounting Estimates

For the year ended March 31, 2022

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

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

Revenues from construction based on the method to recognize revenue by satisfying performance obligations over a certain period of time: \1,269,660 million (US\$10,373,888 thousand)

Provision for loss on construction contracts: \52,404 million (US\$428,172 thousand)

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

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

(2) Impairment of investment and rental properties

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

Impairment loss: \427 million (US\$3,490 thousand)

It should be noted that investment and rental properties recorded in the non-consolidated balance sheets is \163,910 million (US\$1,339,246 thousand) as of the fiscal year ended March 31, 2022.

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

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

For the year ended March 31, 2021

(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\$9,237,027 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\$2,362 thousand)

It should be noted that investment and rental properties recorded in the non-consolidated balance sheets is \165,613 million (US\$1,353,162 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. Change in Accounting Policies

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

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

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

Revenue recognition for construction contracts:

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

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

As a result, compared to the non-consolidated statements of income before the application of the Accounting Standard for Revenue Recognition, the impact on net sales and cost of sales is negligible, and there is no impact on operating income and income before income taxes and minority interests for the current period. There is no impact on the balance of retained earnings at the beginning of the period.

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

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

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

6. Additional Information

Performance-linked stock compensation plan for directors and executive officers

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

7. Notes to Non-Consolidated Balance Sheets

(1) Pledged assets

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

At March 31	Millions of yen		Thousands of U.S. dollars	
	2022	2021	2022	2021
Assets pledged as collateral:				
Investment securities	¥ 703	¥ 143	\$ 5,748	\$ 1,170
Stocks of subsidiaries and affiliates	4,766	-	38,945	-
Total	¥ 5,470	¥ 143	\$ 44,694	\$ 1,170

There are no liabilities secured by the assets above at March 31, 2022.

(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	
	2022	2021	2022	2021
Short-term investment securities	¥ 48	¥ 16	\$ 397	\$ 137
Investment securities	95	143	778	1,171
Investments and other assets—other	328	362	2,683	2,958
Total	¥ 472	¥ 522	\$ 3,859	\$ 4,267

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

At March 31	Millions of yen		Thousands of U.S. dollars	
	2022	2021	2022	2021
Short-term loans receivable	¥ 66,087	¥ 61,964	\$ 539,973	\$ 506,284
Accounts receivable from completed construction contracts	12,133	17,707	99,136	144,680
Other (assets)	18,759	17,737	153,276	144,926

(4) Contingent liabilities

The Company is contingently liable for the following:

At March 31	Millions of yen		Thousands of U.S. dollars	
	2022	2021	2022	2021
Guarantees of long-term debt of customers, subsidiaries, affiliates and employees	¥ 47,900	¥ 22,119	\$ 391,379	\$ 180,725
Commitments of guarantees for short-term and long-term debt of customers and subsidiaries	22,474	21,763	183,627	177,821

(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	
	2022	2021	2022	2021
Buildings, net	¥ 164	¥ -	\$ 1,344	\$ -
Structures, net	2	-	23	-
Machinery and equipment, net	0	-	3	-
Tools, furniture and fixtures, net	4	-	39	-
Land	0	-	0	-
Construction in progress	-	7	-	63
Total	¥ 172	¥ 7	\$ 1,410	\$ 63

(6) Consumption tax receivable and payable

Consumption tax receivable and local consumption tax receivable are shown included in "Accounts receivable—other" at March 31, 2022 and 2021.

(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, 2022 and 2021, there are no outstanding balances under the agreement. This commitment line agreement includes financial covenants on net assets, ordinary income (loss) and the credit rating of the Company.

The total commitment lines available are as follows:

At March 31	Millions of yen		Thousands of U.S. dollars	
	2022	2021	2022	2021
Contract amount	¥ 30,000	¥ 180,000	\$ 245,118	\$ 1,470,708
Outstanding borrowings	-	-	-	-
Available amount	¥ 30,000	¥ 180,000	\$ 245,118	\$ 1,470,708

8. Notes to Non-Consolidated Statements of Income

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

For the years ended March 31	Millions of yen		Thousands of U.S. dollars	
	2022	2021	2022	2021
Employees' salaries and allowances	\ 27,685	\ 26,377	\$ 226,209	\$ 215,519
Retirement benefit expenses	967	1,082	7,902	8,844
Research and development expenses	15,363	13,311	125,530	108,761

(2) Transactions with subsidiaries and affiliates

For the years ended March 31	Millions of yen		Thousands of U.S. dollars	
	2022	2021	2022	2021
Dividend income	\ 7,046	\ 4,192	\$ 57,570	\$ 34,253

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

For the years ended March 31	Millions of yen		Thousands of U.S. dollars	
	2022	2021	2022	2021
Loss on liquidation of business of subsidiaries and affiliates	\ 2,835	\ -	\$ 23,168	\$ -
Loss on valuation of stocks of subsidiaries and affiliates	1,949	5	15,925	41
Provision for loss on business of subsidiaries and affiliates	166	89	1,359	727
Provision of allowance for doubtful accounts for subsidiaries and affiliates	-	574	-	4,695
Total	\ 4,951	\ 668	\$ 40,453	\$ 5,464

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

For the years ended March 31	Millions of yen		Thousands of U.S. dollars	
	2022	2021	2022	2021
Other expenses				
Impairment loss	\ 427	\ 787	\$ 3,490	\$ 6,434

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

Shareholders' equity

The Corporation Law of Japan provides that an amount equal to 10% of the amount to be disbursed as distributions of capital surplus (other than legal capital surplus) and retained earnings (other than legal reserve) be transferred to legal capital surplus or legal reserve, until the sum of legal capital surplus and legal reserve equals 25% of the capital stock account. Such distributions can be made at any time by resolution of the shareholders, or by the Board of Directors if certain conditions are met. The retained earnings account in the accompanying non-consolidated balance sheet at March 31, 2022 includes a legal reserve of \14,438 million (\$117,967 thousand).

10. Stocks of Subsidiaries and Affiliates with Fair Value

Stocks of subsidiaries and affiliates

None.

Note: Carrying value of stocks of subsidiaries and affiliates

At March 31	Millions of yen		Thousands of U.S. dollars	
	2022 *1	2021 *2	2022 *1	2021 *2
Stocks of subsidiaries	\ 85,082	\ 86,063	\$ 695,179	\$ 703,188
Stocks of affiliates	5,017	2,620	40,995	21,414

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

*2 It is extremely difficult to determine the fair values for these securities, since they have no quoted market prices available. Thus, they are not included in "Stocks of subsidiaries and affiliates."

11. Deferred Tax Accounting

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

At March 31	Millions of yen		Thousands of U.S. dollars	
	2022	2021	2022	2021
Deferred tax assets				
Provision for loss on construction contracts	¥ 15,983	¥ 4,032	\$ 130,592	\$ 32,944
Costs on uncompleted construction contracts	14,871	12,463	121,509	101,832
Provision for retirement benefits	13,375	13,622	109,288	111,307
Accrued expenses (bonus)	4,113	4,049	33,608	33,089
Loss on valuation of investments in subsidiaries and affiliates	2,732	2,112	22,329	17,259
Impairment loss	2,573	2,572	21,026	21,020
Other	10,652	12,483	87,036	101,996
	64,302	51,336	525,390	419,449
Valuation allowance	(11,806)	(12,096)	(96,468)	(98,837)
Total deferred tax assets	52,495	39,239	428,922	320,612
Deferred tax liabilities				
Valuation difference on available-for-sale securities	(59,592)	(60,704)	(486,906)	(495,992)
Gain on assets traded within the Group	(2,683)	(2,588)	(21,926)	(21,152)
Reserve for advanced depreciation of noncurrent assets	(1,040)	(1,059)	(8,499)	(8,659)
Other	(524)	(511)	(4,286)	(4,177)
Total deferred tax liabilities	(63,840)	(64,864)	(521,618)	(529,981)
Net deferred tax assets (liabilities)	¥ (11,345)	¥ (25,624)	\$ (92,696)	\$ (209,369)

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	
	2022	2021	2022	2021
	¥ (15,054)	¥ (15,305)	\$ (123,000)	\$ (125,058)

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

For the years ended March 31

	2022	2021
Statutory tax rate	30.5 %	30.5 %
Reconciliation:		
Permanent non-deductible items	1.6	0.3
Permanent non-taxable items	(11.5)	(1.8)
Per-capita inhabitant tax	1.4	0.3
Change in valuation allowance	(2.3)	(5.2)
Tax credit for research and development expenses	(3.4)	(0.7)
Origination of temporary differences at previous tax reporting	(4.0)	(0.2)
Income taxes payable (for the past years)	3.4	(0.1)
Other	(0.4)	0.5
Effective tax rate	15.3 %	23.6 %

12. Revenue Recognition

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

13. Subsequent Event

Issuance of bonds

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

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