INTEGRATED REPORT

Financial Review 2021

Year ended March 31, 2021

Contents

Summary and Forecast of Business Performance

Amounts less than ¥0.1 billion have been rounded down.

Overview of Business Performance

During the fiscal year ended March 31, 2021, the global economy rapidly deteriorated as corporate activities and personal consumption were restricted due to the impact of the novel coronavirus (COVID-19). Economic activity gradually picked up toward the latter half of the fiscal year mainly due to the effects of the economic measures taken by each country and region. However, a full recovery has yet to be realized as the resurgence of COVID-19 has led to signs of another economic slowdown.

The outlook for the Japanese economy remained uncertain as the COVID-19 pandemic continued despite various measures to prevent the spread of the virus while maintaining social and economic activities.

In the Japanese construction market, procurement costs for labor, materials and equipment remained stable overall. As for construction demand, while public-sector investment remained robust, private-sector capital investment continued to decrease due to the cautious stance toward investment taken by companies amid current economic trends, resulting in a more intensely competitive environment.

Against this backdrop, while taking necessary measures to prevent the spread of COVID-19 and ensure the safety of everyone involved in its businesses in Japan and overseas, the Kajima Group worked to keep its businesses operating and maintain production capacity.

As a result, the Kajima Group's consolidated financial results for the fiscal year ended March 31, 2021 were as follows.

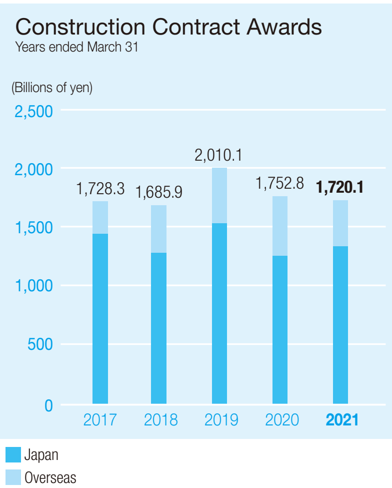
Construction contract awards totaled ¥1,720.1 billion, down 1.9% from ¥1,752.8 billion in the previous fiscal year, due to a decrease in contract awards overseas including North America and Southeast Asia, despite an increase in Japan. On a non-consolidated basis, contracts awarded to Kajima Corporation (hereinafter, the "Company"), including those for real estate development and other projects, totaled ¥1,265.2 billion, up 7.0% from ¥1,182.0 billion in the previous fiscal year, mainly due to an increase in building construction.

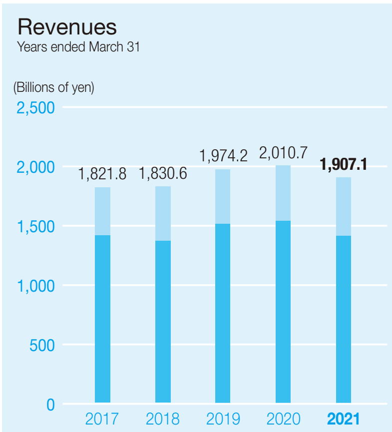
Consolidated revenues totaled ¥1,907.1 billion, down 5.2% from ¥2,010.7 billion in the previous fiscal year, mainly due to a decrease in revenues from building construction.

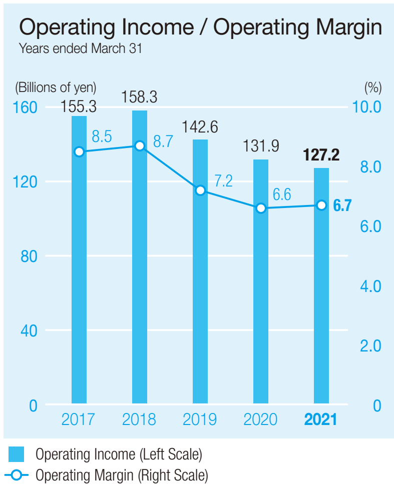
On the profit front, operating income totaled ¥127.2 billion, down 3.6% from ¥131.9 billion in the previous fiscal year, and net income attributable to owners of the parent was ¥98.5 billion, a decrease of 4.6% from ¥103.2 billion in the previous fiscal year, due to the impact of a decrease in gross profit in building construction.

As for the impact of COVID-19 on the financial results for the fiscal year ended March 31, 2021, in the domestic construction business (civil engineering and building construction), the Group took measures including temporarily closing construction sites from late April to May 6, 2020, but subsequently continued construction while taking thorough measures against the spread of the virus. In the real estate development and other businesses, both the sales and rental businesses were not significantly affected. Domestic subsidiaries and affiliates faced a decline in occupancy rates at hotels and other facilities they operate, but the impact on construction-related subsidiaries and affiliates was limited. Regarding overseas subsidiaries and affiliates, the impact of COVID-19 in Southeast Asia was significant, resulting in suspension of construction due to mandatory public restrictions and reduced productivity following the resumption of construction, as well as the continued decline in occupancy rates for those operating hotels and other facilities. On the other hand, the impact on the construction business in North America and Europe was minimal, and the distribution warehouse development business remained firm due to the growth in e-commerce.

Given that the impact of COVID-19 on financial results was smaller than expected overall, consolidated profits at all levels exceeded the forecast.







Overview of Performance by Business Segment

Results by business segment were as follows. (Segment results include intersegment sales and transfers.)

Civil Engineering

(Civil engineering in the construction business operated by the Company)

Revenues totaled ¥334.7 billion, up 16.2% from ¥288.0 billion in the previous fiscal year, due to steady progress in the completion of a large backlog of construction work.

Segment profit totaled ¥29.8 billion, an increase of 73.6% from ¥17.1 billion in the previous fiscal year, due to an increase in revenues and an improvement in the gross profit margin.

(Billions of yen)

(Years ended March 31)	2021	2020	2021/2020 (%)
Revenues	334.7	288.0	16.2
Segment profit	29.8	17.1	73.6

Building Construction

(Building construction in the construction business operated by the Company)

Revenues totaled ¥782.2 billion, down 18.3% from ¥957.5 billion in the previous fiscal year, due to a cycle of low volume in large-scale construction work.

Segment profit totaled ¥57.8 billion, a decrease of 32.2% from ¥85.3 billion recorded in the previous fiscal year, mainly due to the decline in revenues.

(Billions of yen)

(Years ended March 31)	2021	2020	2021/2020 (%)
Revenues	782.2	957.5	(18.3)
Segment profit	57.8	85.3	(32.2)

Real Estate Development and Other Businesses

(Real estate development business, architectural, structural and other design business and engineering business operated by the Company)

Revenues totaled ¥72.5 billion, up 22.1% from ¥59.4 billion in the previous fiscal year. Segment profit increased to ¥17.4 billion, up 104.6% from ¥8.5 billion in the previous fiscal year, due to favorable results in the real estate sales business including the delivery of large-scale properties.

(Billions of yen)

(Years ended March 31)	2021	2020	2021/2020 (%)
Revenues	72.5	59.4	22.1
Segment profit	17.4	8.5	104.6

Domestic Subsidiaries and Affiliates

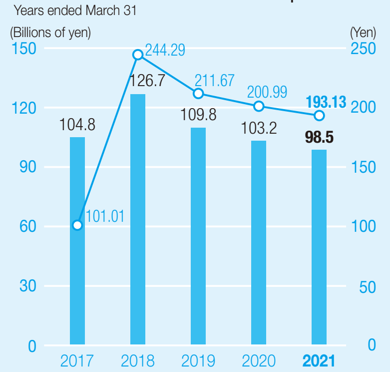
(Sales of construction materials, special construction and engineering services, comprehensive leasing business, building rental business and others mainly in Japan operated by domestic subsidiaries and affiliates)

Revenues and segment profit were roughly in line with the previous fiscal year's figures. Revenues were ¥378.0 billion, down 3.8% from ¥393.1 billion in the previous fiscal year, and segment profit was ¥17.1 billion, down 3.6% from ¥17.7 billion in the previous fiscal year.

(Billions of yen)

(Years ended March 31)	2021	2020	2021/2020 (%)
Revenues	378.0	393.1	(3.8)
Segment profit	17.1	17.7	(3.6)

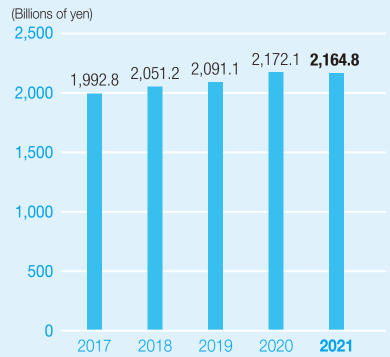
Net Income Attributable to Owners of the Parent / Basic Net Income per Share
Years ended March 31



Net Income Attributable to Owners of the Parent (Left Scale)
Basic Net Income per Share (Right Scale)

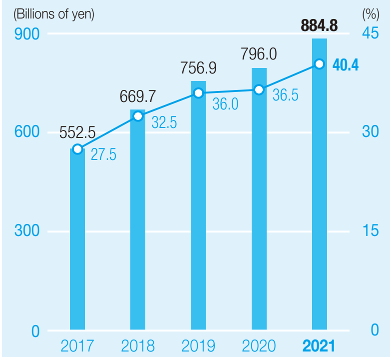
Note: The Company consolidated its shares at a rate of one share for every two shares, effective October 1, 2018. Accordingly, basic net income per share for the fiscal years ended March 31, 2018 and 2019 is calculated as if the consolidation of shares had been conducted at the beginning of the fiscal year ended March 31, 2018.

Total Assets
As of March 31



Note: From the beginning of the fiscal year ended March 31, 2019, the Company has applied "Partial Amendments to Accounting Standard for Tax Effect Accounting" (Statement No. 28 issued by the Accounting Standards Board of Japan on February 16, 2018). Accordingly, total assets as of March 31, 2018 were restated to reflect this change.

Total Equity / Owners' Equity Ratio
As of March 31



Total Equity (Left Scale)
Owners' Equity Ratio (Right Scale)

Overseas Subsidiaries and Affiliates

(Construction business, real estate development business and others overseas such as in North America, Europe, Asia, Oceania and other areas operated by overseas subsidiaries and affiliates)

Revenues totaled ¥489.1 billion, up 4.3% from ¥469.0 billion in the previous fiscal year and segment profit increased to ¥6.8 billion, an increase of 51.2% from ¥4.5 billion in the previous fiscal year, mainly as a result of revenues and segment profit mostly from North America compensating for the decline in Southeast Asia, which had been impacted by COVID-19.

(Billions of yen)

(Years ended March 31)	2021	2020	2021/2020 (%)
Revenues	489.1	469.0	4.3
Segment profit	6.8	4.5	51.2

Analysis of Financial Position

Assets, Liabilities and Equity

As of March 31, 2021, total assets were ¥2,164.8 billion, a decrease of ¥7.3 billion compared with ¥2,172.1 billion at the end of the previous fiscal year. Main factors included a decrease in notes and accounts receivable–trade, an increase in cash and deposits, an increase in investments in securities reflecting gains from higher market values of stockholdings, and an increase in inventories.

Total liabilities were ¥1,280.0 billion, a decrease of ¥96.0 billion compared with ¥1,376.0 billion at the end of the previous fiscal year. This was mainly due to a decrease in notes and accounts payable–trade, a decrease in advances received on construction projects in progress, and a decrease in interest-bearing debt.

Total equity was ¥884.8 billion, an increase of ¥88.7 billion compared with ¥796.0 billion at the end of the previous fiscal year.

As a result, the owners' equity ratio improved to 40.4%, up 3.9 points compared with 36.5% at the end of the previous fiscal year.

Cash Flows

Cash flows from operating activities resulted in a net cash inflow of ¥153.0 billion, compared with ¥53.0 billion in the previous fiscal year. The cash inflow resulted mainly from income before income taxes after adjustment for depreciation and amortization, and a net decrease in receivables, which exceeded the main cash outflows of a net decrease in payables, the payment of income taxes and a net increase in inventories.

Investing activities resulted in a net cash outflow of ¥65.4 billion, compared with ¥101.8 billion in the previous fiscal year. The main contributing factors were outflows of payment for purchases of property and equipment, disbursements for loans and payment for purchases of marketable and investment securities, which exceeded the main cash inflows of proceeds from collection of loans and proceeds from sales and redemption of marketable and investment securities.

Financing activities resulted in a net cash outflow of ¥39.1 billion, compared with ¥10.8 billion in the previous fiscal year. Primary cash outflows were cash dividends paid and payment for purchases of treasury stock as well as the net of financing and repayment of short-term borrowings, long-term debt, commercial paper and bonds.

As a result of the above, cash and cash equivalents totaled ¥300.9 billion, an increase of ¥45.3 billion, compared with ¥255.6 billion at the end of the previous fiscal year.

Statements of Cash Flows Highlights

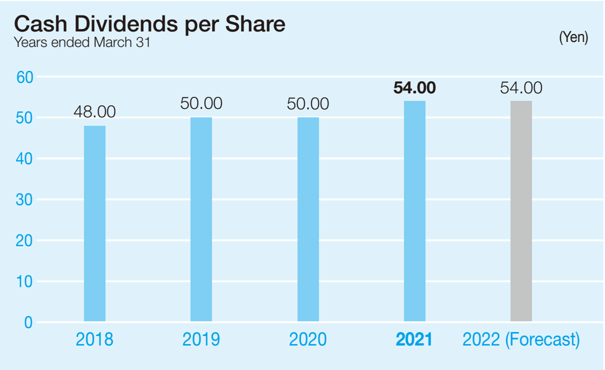
(Billions of yen)

(Years ended March 31)	2021	2020	2019
Net cash provided by operating activities	153.0	53.0	30.3
Net cash used in investing activities	(65.4)	(101.8)	(25.3)
Net cash used in financing activities	(39.1)	(10.8)	(75.0)
Cash and cash equivalents, end of year	300.9	255.6	315.4

Basic Profit Allocation Policy and Payment of Dividends*

The Company's basic policy is to strive for a dividend payout ratio of 30%, as well as to flexibly contribute to stockholder returns by acquiring its own shares and other means with consideration of business performance, financial condition and business environment. The Company will utilize internal reserves for investments that achieve sustainable growth and increase corporate value while maintaining financial soundness.

The Company paid an annual dividend of ¥54 per share for the fiscal year ended March 31, 2021, consisting of a year-end dividend of ¥29 per share and an interim (end of second quarter) dividend of ¥25 per share. The Company plans to pay an annual dividend of ¥54 per share (including an interim dividend of ¥27 per share) for the fiscal year ending March 31, 2022.



Note: The Company consolidated its shares at a rate of one share for every two shares, effective October 1, 2018. Accordingly, the above-mentioned dividends per share are calculated as if the consolidation of shares had been conducted at the beginning of the fiscal year ended March 31, 2018.

* The forecasts contained herein are based on information available as of the date of the announcement, May 14, 2021. Actual results may differ materially from the forecasts due to various factors.

Forecast for the Fiscal Year Ending March 31, 2022*

Economic trends will depend largely on whether COVID-19 is brought under control, and although expectations are high for the early widespread rollout of vaccines, the current high level of uncertainty is expected to continue in the near term. We also recognize that the impact of COVID-19 has accelerated changes to the economy and society, including the industrial structure and people's lifestyles, behavior, and values.

In the construction market, we expect private-sector capital investments in Japan and overseas to pick up in tandem with economic recovery. However, we anticipate that a return to pre-COVID levels will take time and that the intensely competitive environment could continue. Meanwhile, as demand associated with the resolution of social issues such as decarbonization and digitalization is expected to expand on a global basis, even more focused responses will be required going forward.

Amid increasing uncertainty and rapid changes in the business environment, the Kajima Group has formulated the Kajima Group Vision, which clarifies the course it has charted to the future, and has launched the Kajima Group Medium-Term Business Plan FY2021–2023 – Forward-Looking Investment, which addresses the issues that we are currently facing, but also focuses on investments for the future.

The new Medium-Term Business Plan is linked to materiality, i.e., material issues in achieving sustainable growth together with society, as well as the Corporate Philosophy and Vision. The plan's three pillars are: "(1) Further strengthen core businesses; (2) Strive to create new value; and (3) Establish a strong management foundation and promote ESG measures for growth and transformation." For each pillar, the Group has set goals for 2030. In working to realize these goals, the Group aims to help resolve social issues and achieve medium- to long-term growth by developing and promoting new measures and making strategic investments while continuing to move forward with existing measures.

For the fiscal year ending March 31, 2022, the Group will continue to make efforts for business continuity, placing the highest priority on preventing the spread of COVID-19 and ensuring the safety of everyone involved in our businesses. In Japan, we expect our business performance to be impacted by an intensified competitive environment and the small number of large-scale construction projects that will be completed in both civil engineering and building construction. Overseas, in Southeast Asia we expect that revenues and profits, which had declined due to the impact of COVID-19, will take time to turn around, recovering gradually in stages.

Taking into account the above situation in Japan and overseas, the consolidated financial forecast for the fiscal year ending March 31, 2022 is as follows. Consolidated revenues are forecast to increase by 5.4% to ¥2,010.0 billion, compared with ¥1,907.1 billion in the fiscal year ended March 31, 2021. Operating income is forecast at ¥104.0 billion, down 18.3% from ¥127.2 billion. Net income attributable to owners of the parent is forecast at ¥80.0 billion, down 18.8% from ¥98.5 billion.

* The forecasts contained herein are based on information available as of the date of the announcement on May 14, 2021. Actual results may differ materially from the forecasts due to various factors.

Consolidated Balance Sheet

KAJIMA Corporation and Consolidated Subsidiaries

Note: In the financial statements and notes, all yen and U.S. dollar amounts are rounded to the nearest million yen and thousand dollars respectively, except where otherwise stated.

	As of March 31		
	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2021	2020	**2021**
ASSETS			
CURRENT ASSETS:			
Cash and cash equivalents (Note 18)	¥ **300,991**	¥ 255,646	$ **2,711,631**
Marketable securities (Notes 4 and 18)	**326**	111	**2,937**
Operational investments in securities (Notes 4 and 18)	**12,319**	12,356	**110,982**
Notes and accounts receivable—trade (Notes 9, 16 and 18)	**602,162**	734,159	**5,424,883**
Allowance for doubtful accounts (Note 18)	**(980)**	(855)	**(8,829)**
Inventories:			
Construction projects in progress	**54,938**	63,541	**494,937**
Development projects in progress, real estate for sale and other (Note 9)	**198,815**	155,689	**1,791,126**
Other current assets (Notes 9 and 18)	**94,372**	128,618	**850,198**
Total current assets	**1,262,943**	1,349,265	**11,377,865**
PROPERTY AND EQUIPMENT:			
Land (Notes 5, 7 and 9)	**232,311**	223,652	**2,092,892**
Buildings and structures (Notes 6, 7 and 9)	**125,753**	117,412	**1,132,910**
Machinery, equipment and other (Note 9)	**22,503**	23,819	**202,729**
Construction in progress (Notes 6 and 7)	**37,388**	26,166	**336,829**
Total property and equipment	**417,955**	391,049	**3,765,360**
INVESTMENTS AND OTHER ASSETS:			
Investments in securities (Notes 4, 9 and 18)	**287,873**	244,697	**2,593,451**
Investments in unconsolidated subsidiaries and affiliates (Notes 9 and 18)	**63,827**	66,256	**575,018**
Long-term loans receivable (Notes 8, 9 and 18)	**7,683**	6,585	**69,216**
Long-term loans to unconsolidated subsidiaries and affiliates (Notes 9 and 18)	**56,056**	44,348	**505,009**
Allowance for doubtful accounts (Note 18)	**(3,203)**	(3,504)	**(28,856)**
Deferred tax assets (Note 15)	**8,032**	18,636	**72,360**
Other (Note 13)	**63,641**	54,777	**573,343**
Total investments and other assets	**483,909**	431,795	**4,359,541**
TOTAL	¥ **2,164,807**	¥ 2,172,109	$ **19,502,766**

See notes to consolidated financial statements.

	As of March 31		
	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2021	2020	**2021**
LIABILITIES AND EQUITY			
CURRENT LIABILITIES:			
Short-term borrowings (Notes 10 and 18)	¥ **133,802**	¥ 99,799	$ **1,205,423**
Commercial paper (Notes 11 and 18)	**—**	45,000	**—**
Current portion of long-term debt (Notes 9, 10 and 18)	**21,425**	53,408	**193,018**
Notes and accounts payable—trade (Note 18)	**445,589**	520,653	**4,014,315**
Advances received:			
Construction projects in progress (Note 12)	**146,104**	162,088	**1,316,252**
Development projects in progress, real estate for sale and other	**12,171**	13,554	**109,649**
Income taxes payable (Note 18)	**27,624**	30,598	**248,865**
Accrued expenses	**42,302**	40,907	**381,099**
Other current liabilities (Note 3)	**161,063**	159,404	**1,451,019**
Total current liabilities	**990,080**	1,125,411	**8,919,640**
LONG-TERM LIABILITIES:			
Long-term debt (Notes 9, 10, 18 and 24.c)	**168,109**	133,598	**1,514,495**
Deferred tax liabilities (Note 15)	**990**	605	**8,919**
Deferred tax liabilities on revaluation surplus of land (Note 5)	**20,689**	19,859	**186,387**
Liability for retirement benefits (Note 13)	**62,575**	62,100	**563,739**
Equity loss in excess of investments in and loans to unconsolidated subsidiaries and affiliates	**1,205**	1,205	**10,856**
Other long-term liabilities (Note 9)	**36,352**	33,311	**327,496**
Total long-term liabilities	**289,920**	250,678	**2,611,892**
COMMITMENTS AND CONTINGENT LIABILITIES (Notes 17, 19 and 20)			
EQUITY (Notes 14 and 24.a):			
Common stock, authorized, 1,250,000,000 shares; issued, 528,656,011 shares	**81,447**	81,447	**733,757**
Capital surplus	**43,272**	43,368	**389,838**
Retained earnings	**654,129**	583,303	**5,893,054**
Treasury stock—at cost, 23,308,096 shares in 2021 and 16,077,858 shares in 2020 (Notes 16.b and 24.b)	**(26,172)**	(16,421)	**(235,784)**
Accumulated other comprehensive income:			
Unrealized gain on available-for-sale securities (Note 4)	**112,242**	84,212	**1,011,189**
Deferred loss on derivatives under hedge accounting (Note 19)	**(659)**	(240)	**(5,937)**
Revaluation surplus of land (Note 5)	**21,498**	19,436	**193,676**
Foreign currency translation adjustments	**(10,353)**	(1,400)	**(93,270)**
Defined retirement benefit plans (Note 13)	**(565)**	(1,919)	**(5,091)**
Total	**874,839**	791,786	**7,881,432**
Noncontrolling Interests	**9,968**	4,234	**89,802**
Total equity	**884,807**	796,020	**7,971,234**
TOTAL	¥ **2,164,807**	¥ 2,172,109	$ **19,502,766**

See notes to consolidated financial statements.

Consolidated Statement of Income

KAJIMA Corporation and Consolidated Subsidiaries

	Years Ended March 31		
	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2021	2020	**2021**
REVENUES:			
Construction projects (Notes 3 and 16.a)	¥ **1,673,595**	¥ 1,791,118	$ **15,077,433**
Real estate and other (Notes 7 and 16.a)	**233,582**	219,634	**2,104,342**
Total revenues	**1,907,177**	2,010,752	**17,181,775**
COST OF REVENUES:			
Construction projects (Note 3)	**1,477,580**	1,584,538	**13,311,532**
Real estate and other (Note 7)	**188,180**	178,092	**1,695,315**
Total cost of revenues	**1,665,760**	1,762,630	**15,006,847**
Gross profit	**241,417**	248,122	**2,174,928**
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES	**114,118**	116,135	**1,028,090**
Operating income	**127,299**	131,987	**1,146,838**
OTHER INCOME (EXPENSES):			
Interest and dividends	**10,758**	11,435	**96,919**
Interest expense	**(2,667)**	(3,523)	**(24,027)**
Foreign currency exchange gain	**13**	864	**117**
Equity in earnings of unconsolidated subsidiaries and affiliates	**3,527**	1,490	**31,775**
Equity in earnings of partnership	**1,627**	5,039	**14,658**
Provision for doubtful accounts	**(210)**	—	**(1,892)**
Loss on investments in silent partnership	**(911)**	(911)	**(8,207)**
Gain (loss) on sales or disposals of property and equipment—net (Note 7)	**2,076**	(436)	**18,703**
Gain on sales of marketable and investment securities—net (Note 4)	**6,849**	1	**61,703**
Valuation loss on marketable and investment securities—net (Note 4)	**(3,689)**	(1,353)	**(33,234)**
Gain on sales of investments in unconsolidated subsidiaries and affiliates	**1,262**	795	**11,369**
Loss on impairment of long-lived assets (Notes 6, 7 and 25)	**(946)**	(14)	**(8,523)**
Litigation settlement	**(34)**	(29)	**(306)**
Reversal of provision for loss on Anti-Monopoly Act	**—**	2,901	**—**
Reversal of foreign currency translation adjustments	**—**	1,136	**—**
Other—net	**294**	252	**2,648**
Other income —net	**17,949**	17,647	**161,703**
INCOME BEFORE INCOME TAXES	**145,248**	149,634	**1,308,541**
INCOME TAXES (Note 15)**:**			
Current	**47,459**	49,669	**427,559**
Deferred	**(979)**	(3,821)	**(8,820)**
Total income taxes	**46,480**	45,848	**418,739**

See notes to consolidated financial statements.

	Years Ended March 31		
	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2021	2020	**2021**
NET INCOME	**98,768**	103,786	**889,802**
NET INCOME ATTRIBUTABLE TO NONCONTROLLING INTERESTS	**(245)**	(544)	**(2,207)**
NET INCOME ATTRIBUTABLE TO OWNERS OF THE PARENT	**¥ 98,523**	¥ 103,242	**$ 887,595**
	Yen		U.S. Dollars
PER SHARE OF COMMON STOCK (Note 23):			
Basic net income	**¥ 193.13**	¥ 200.99	**$ 1.740**
Cash dividends applicable to the year	**54.00**	50.00	**0.486**

See notes to consolidated financial statements.

Consolidated Statement of Comprehensive Income

KAJIMA Corporation and Consolidated Subsidiaries

	Years Ended March 31		
	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2021	2020	**2021**
NET INCOME	¥ **98,768**	¥ 103,786	$ **889,802**
OTHER COMPREHENSIVE INCOME (LOSS) (Note 21)**:**			
Unrealized gain (loss) on available-for-sale securities	**28,023**	(26,766)	**252,459**
Deferred (loss) gain on derivatives under hedge accounting	**(429)**	124	**(3,865)**
Revaluation surplus of land (Note 5)	**—**	829	**—**
Foreign currency translation adjustments	**(9,797)**	(1,484)	**(88,261)**
Defined retirement benefit plans (Note 13)	**1,370**	(111)	**12,342**
Share of other comprehensive income (loss) in unconsolidated subsidiaries and affiliates	**294**	(191)	**2,649**
Total other comprehensive income (loss)	**19,461**	(27,599)	**175,324**
COMPREHENSIVE INCOME	¥ **118,229**	¥ 76,187	$ **1,065,126**
TOTAL COMPREHENSIVE INCOME (LOSS) ATTRIBUTABLE TO:			
Owners of the parent	¥ **118,534**	¥ 75,672	$ **1,067,874**
Noncontrolling interests	**(305)**	515	**(2,748)**

See notes to consolidated financial statements.

Consolidated Statement of Changes in Equity

KAJIMA Corporation and Consolidated Subsidiaries

Years Ended March 31, 2021 and 2020

	Thousands	Millions of Yen					
						Accumulated Other Comprehensive Income	
	Outstanding Number of Shares of Common Stock	Common Stock	Capital Surplus	Retained Earnings	Treasury Stock	Unrealized Gain on Available-for-Sale Securities	Deferred Loss on Derivatives under Hedge Accounting
BALANCE, MARCH 31, 2019 (as previously reported)	518,907	¥ 81,447	¥ 43,268	¥ 507,094	¥ (6,642)	¥ 111,417	¥ (371)
Cumulative effects due to revision of accounting standards for foreign subsidiaries and affiliates	—	—	—	(739)	—	(439)	—
BALANCE, APRIL 1, 2019 (as restated)	518,907	81,447	43,268	506,355	(6,642)	110,978	(371)
Net income attributable to owners of the parent	—	—	—	103,242	—	—	—
Cash dividends paid:							
Final for prior year, ¥26.00 per share	—	—	—	(13,491)	—	—	—
Interim for current year, ¥25.00 per share	—	—	—	(12,814)	—	—	—
Reversal of revaluation surplus of land	—	—	—	11	—	—	—
Purchase of treasury stock	(6,548)	—	—	—	(10,008)	—	—
Disposition of treasury stock as restricted stock remuneration	219	—	100	—	229	—	—
Net change in the year	—	—	—	—	—	(26,766)	131
BALANCE, MARCH 31, 2020	512,578	81,447	43,368	583,303	(16,421)	84,212	(240)
Net income attributable to owners of the parent	—	—	—	98,523	—	—	—
Cash dividends paid:							
Final for prior year, ¥25.00 per share	—	—	—	(12,814)	—	—	—
Interim for current year, ¥25.00 per share	—	—	—	(12,821)	—	—	—
Change in ownership interest of the parent due to transactions with noncontrolling interests	—	—	(147)	—	—	—	—
Reversal of revaluation surplus of land	—	—	—	(2,062)	—	—	—
Purchase of treasury stock	(7,474)	—	—	—	(10,007)	—	—
Disposition of treasury stock as restricted stock remuneration	244	—	51	—	256	—	—
Net change in the year	—	—	—	—	—	28,030	(419)
BALANCE, MARCH 31, 2021	**505,348**	**¥ 81,447**	**¥ 43,272**	**¥ 654,129**	**¥ (26,172)**	**¥ 112,242**	**¥ (659)**

	Millions of Yen					
		Accumulated Other Comprehensive Income				
	Revaluation Surplus of Land	Foreign Currency Translation Adjustments	Defined Retirement Benefit Plans	Total	Noncontrolling Interests	Total Equity
BALANCE, MARCH 31, 2019 (as previously reported)	¥ 18,618	¥ 250	¥ (1,803)	¥ 753,278	¥ 3,646	¥ 756,924
Cumulative effects due to revision of accounting standards for foreign subsidiaries and affiliates	—	—	—	(1,178)	(6)	(1,184)
BALANCE, APRIL 1, 2019 (as restated)	18,618	250	(1,803)	752,100	3,640	755,740
Net income attributable to owners of the parent	—	—	—	103,242	—	103,242
Cash dividends paid:						
Final for prior year, ¥26.00 per share	—	—	—	(13,491)	—	(13,491)
Interim for current year, ¥25.00 per share	—	—	—	(12,814)	—	(12,814)
Reversal of revaluation surplus of land	818	—	—	829	—	829
Purchase of treasury stock	—	—	—	(10,008)	—	(10,008)
Disposition of treasury stock as restricted stock remuneration	—	—	—	329	—	329
Net change in the year	—	(1,650)	(116)	(28,401)	594	(27,807)
BALANCE, MARCH 31, 2020	19,436	(1,400)	(1,919)	791,786	4,234	796,020
Net income attributable to owners of the parent	—	—	—	98,523	—	98,523
Cash dividends paid:						
Final for prior year, ¥25.00 per share	—	—	—	(12,814)	—	(12,814)
Interim for current year, ¥25.00 per share	—	—	—	(12,821)	—	(12,821)
Change in ownership interest of the parent due to transactions with noncontrolling interests	—	1	—	(146)	(1)	(147)
Reversal of revaluation surplus of land	2,062	—	—	—	—	—
Purchase of treasury stock	—	—	—	(10,007)	—	(10,007)
Disposition of treasury stock as restricted stock remuneration	—	—	—	307	—	307
Net change in the year	—	(8,954)	1,354	20,011	5,735	25,746
BALANCE, MARCH 31, 2021	**¥ 21,498**	**¥ (10,353)**	**¥ (565)**	**¥ 874,839**	**¥ 9,968**	**¥ 884,807**

See notes to consolidated financial statements.

Years Ended March 31, 2021 and 2020

	Thousands of U.S. Dollars (Note 1)					
					Accumulated Other Comprehensive Income	
	Common Stock	Capital Surplus	Retained Earnings	Treasury Stock	Unrealized Gain on Available-for-Sale Securities	Deferred Loss on Derivatives under Hedge Accounting
BALANCE, MARCH 31, 2020	$ 733,757	$ 390,703	$ 5,254,982	$ (147,937)	$ 758,667	$ (2,162)
Net income attributable to owners of the parent	—	—	**887,595**	—	—	—
Cash dividends paid:						
Final for prior year, $0.23 per share	—	—	**(115,441)**	—	—	—
Interim for current year, $0.23 per share	—	—	**(115,505)**	—	—	—
Change in ownership interest of the parent due to transactions with noncontrolling interests	—	**(1,324)**	—	—	—	—
Reversal of revaluation surplus of land	—	—	**(18,577)**	—	—	—
Purchase of treasury stock	—	—	—	**(90,153)**	—	—
Disposition of treasury stock as restricted stock remuneration	—	**459**	—	**2,306**	—	—
Net change in the year	—	—	—	—	**252,522**	**(3,775)**
BALANCE, MARCH 31, 2021	**$ 733,757**	**$ 389,838**	**$ 5,893,054**	**$ (235,784)**	**$ 1,011,189**	**$ (5,937)**

	Thousands of U.S. Dollars (Note 1)					
		Accumulated Other Comprehensive Income				
	Revaluation Surplus of Land	Foreign Currency Translation Adjustments	Defined Retirement Benefit Plans	Total	Noncontrolling Interests	Total Equity
BALANCE, MARCH 31, 2020	$ 175,099	$ (12,613)	$ (17,289)	$ 7,133,207	$ 38,144	$ 7,171,351
Net income attributable to owners of the parent	—	—	—	**887,595**	—	**887,595**
Cash dividends paid:						
Final for prior year, $0.23 per share	—	—	—	**(115,441)**	—	**(115,441)**
Interim for current year, $0.23 per share	—	—	—	**(115,505)**	—	**(115,505)**
Change in ownership interest of the parent due to transactions with noncontrolling interests	—	**9**	—	**(1,315)**	**(9)**	**(1,324)**
Reversal of revaluation surplus of land	**18,577**	—	—	—	—	—
Purchase of treasury stock	—	—	—	**(90,153)**	—	**(90,153)**
Disposition of treasury stock as restricted stock remuneration	—	—	—	**2,765**	—	**2,765**
Net change in the year	—	**(80,666)**	**12,198**	**180,279**	**51,667**	**231,946**
BALANCE, MARCH 31, 2021	**$ 193,676**	**$ (93,270)**	**$ (5,091)**	**$ 7,881,432**	**$ 89,802**	**$ 7,971,234**

See notes to consolidated financial statements.

Consolidated Statement of Cash Flows

KAJIMA Corporation and Consolidated Subsidiaries

	Years Ended March 31		
	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2021	2020	**2021**
OPERATING ACTIVITIES:			
Income before income taxes	**¥ 145,248**	¥ 149,634	**$ 1,308,541**
Adjustments for:			
Income taxes—paid	**(50,301)**	(36,688)	**(453,162)**
Depreciation and amortization	**19,080**	19,962	**171,892**
Increase in provision for doubtful accounts	**353**	112	**3,180**
Foreign currency exchange gain	**(371)**	(267)	**(3,342)**
Equity in earnings of unconsolidated subsidiaries and affiliates	**(3,527)**	(1,490)	**(31,775)**
Decrease in provision for loss on Anti-Monopoly Act	**—**	(2,901)	**—**
Payments related to Anti-Monopoly Act	**—**	(5,802)	**—**
Reversal of foreign currency translation adjustments	**—**	(1,136)	**—**
Valuation loss on marketable and investment securities—net	**3,689**	1,353	**33,234**
(Gain) loss on sales or disposals of property and equipment—net	**(2,076)**	436	**(18,703)**
Gain on sales of marketable and investment securities—net	**(6,849)**	(1)	**(61,703)**
Gain on sales of investments in unconsolidated subsidiaries and affiliates	**(1,262)**	(795)	**(11,369)**
Loss on impairment of long-lived assets	**946**	14	**8,523**
Changes in operating assets and liabilities:			
Decrease (increase) in receivables	**128,685**	(33,298)	**1,159,324**
Increase in inventories	**(41,112)**	(31,045)	**(370,378)**
Decrease in payables	**(72,154)**	(8,691)	**(650,036)**
(Decrease) increase in advances received	**(16,132)**	15,264	**(145,333)**
Increase in accrued expenses	**2,150**	2,921	**19,369**
Increase in liability for retirement benefits	**2,460**	1,770	**22,162**
Decrease (increase) in other assets	**33,697**	(13,299)	**303,577**
Increase (decrease) in other liabilities	**970**	(7,292)	**8,739**
Other—net	**9,604**	4,300	**86,521**
Net cash provided by operating activities	**153,098**	53,061	**1,379,263**
INVESTING ACTIVITIES:			
Decrease (increase) in time deposits excluding cash equivalents—net	**730**	(61)	**6,577**
Payment for purchases of marketable and investment securities	**(9,404)**	(2,764)	**(84,721)**
Payment for investments in unconsolidated subsidiaries and affiliates	**(3,989)**	(11,831)	**(35,937)**
Proceeds from sales and redemption of marketable and investment securities	**9,531**	133	**85,865**
Proceeds from sales and redemption of investments in unconsolidated subsidiaries and affiliates	**898**	798	**8,090**
Payment for purchases of property and equipment	**(46,362)**	(81,160)	**(417,676)**
Proceeds from sales of property and equipment	**4,219**	5,523	**38,009**
Payment for purchases of intangible assets	**(2,985)**	(2,699)	**(26,892)**
Purchases of shares of subsidiaries resulting in change in scope of consolidation—net (Note 22)	**—**	(377)	**—**
Disbursements for loans	**(35,492)**	(16,618)	**(319,748)**
Proceeds from collection of loans	**26,073**	4,126	**234,892**
Other—net	**(8,653)**	3,117	**(77,954)**
Net cash used in investing activities	**(65,434)**	(101,813)	**(589,496)**
FINANCING ACTIVITIES:			
Increase in short-term borrowings—net	**35,089**	14,950	**316,117**
(Repayment) issuance of commercial paper—net	**(45,000)**	10,000	**(405,405)**
Proceeds from issuance of long-term debt	**62,964**	24,760	**567,243**
Repayment of long-term debt	**(60,165)**	(30,833)	**(542,027)**
Proceeds from issuance of bonds	**—**	10,000	**—**
Repayment of lease obligations	**(2,002)**	(3,369)	**(18,036)**
Payment for purchases of treasury stock	**(10,007)**	(10,008)	**(90,153)**
Cash dividends paid	**(25,635)**	(26,305)	**(230,946)**
Capital infusion from noncontrolling shareholders	**7,338**	684	**66,108**
Dividends paid to noncontrolling shareholders	**(1,451)**	(692)	**(13,072)**
Other—net	**(241)**	(54)	**(2,171)**
Net cash used in financing activities	**(39,110)**	(10,867)	**(352,342)**
FOREIGN CURRENCY TRANSLATION ADJUSTMENTS ON CASH AND CASH EQUIVALENTS	**(3,209)**	(186)	**(28,901)**
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**45,345**	(59,805)	**408,514**
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	**255,646**	315,451	**2,303,117**
CASH AND CASH EQUIVALENTS, END OF YEAR	**¥ 300,991**	¥ 255,646	**$ 2,711,631**

See notes to consolidated financial statements.

Notes to Consolidated Financial Statements

KAJIMA Corporation and Consolidated Subsidiaries

Year Ended March 31, 2021

1. BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS

The accompanying consolidated financial statements of Kajima Corporation (the "Company") and its consolidated subsidiaries (together, the "Companies") have been prepared in accordance with the provisions set forth in the Japanese Financial Instruments and Exchange Act and its related accounting regulations and in accordance with accounting principles generally accepted in Japan ("Japanese GAAP"), which are different in certain respects as to the application and disclosure requirements of International Financial Reporting Standards ("IFRSs").

In preparing these consolidated financial statements, certain reclassifications and rearrangements have been made to the consolidated financial statements issued domestically in order to present them in a form which is more familiar to readers outside Japan. In addition, certain reclassifications have been made to the consolidated financial statements for the year ended March 31, 2020, to conform to the classifications used in the consolidated financial statements for the year ended March 31, 2021.

The consolidated financial statements are stated in Japanese yen, the currency of the country in which the Company is incorporated and mainly operates. The translations of Japanese yen amounts into U.S. dollar amounts are included solely for the convenience of readers outside Japan and have been made at the rate of ¥111 to $1, the approximate rate of exchange at March 31, 2021. Such translations should not be construed as representations that the Japanese yen amounts could be converted into U.S. dollars at that or any other rate.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Consolidation — The consolidated financial statements as of March 31, 2021, include the accounts of the Company and its 142 (144 in 2020) significant subsidiaries.

Under the control and influence concepts, those companies in which the Company, directly or indirectly, is able to exercise control over operations are fully consolidated, and those companies over which the Companies have the ability to exercise significant influence are accounted for by the equity method.

Another 35 (34 in 2020) subsidiaries were not consolidated as they would not have a material effect on the accompanying consolidated financial statements.

All unconsolidated subsidiaries and 84 (82 in 2020) affiliates were accounted for using the equity method.

(The Company, its subsidiaries and affiliates are collectively referred to as the "Group.")

Goodwill, the excess of the cost of acquisition over the fair value of the net assets of an acquired subsidiary or affiliate at the date of acquisition, is amortized using the straight-line method over its useful life that goodwill is expected to have an effect.

All significant intercompany balances and transactions have been eliminated in consolidation. All material unrealized profit included in assets resulting from intercompany transactions is also eliminated.

As of March 31, 2021, the Company had 2 special purpose entities (2 in 2020) which were established and are being operated for the purpose of liquidation of real estate, and as such are not consolidated in accordance with Japanese GAAP. The total assets and liabilities of such special purpose entities were ¥42,312 million ($381,189 thousand) and ¥42,303 million ($381,108 thousand), respectively, as of March 31, 2021, and ¥42,640 million and ¥42,631 million, respectively, as of March 31, 2020. The Company recognized lease payments of ¥3,589 million ($32,333 thousand) and ¥3,492 million based on lease agreements of real estate for the years ended March 31, 2021 and 2020, respectively. Certain domestic subsidiaries recognized revenues of ¥198 million from repair works for the year ended March 31, 2020. The investment in silent partnership was ¥6,266 million ($56,450 thousand) and ¥6,109 million as of March 31, 2021 and 2020, respectively, and its related distributed profit was ¥1,793 million ($16,153 thousand) and ¥1,639 million for the years ended March 31, 2021 and 2020, respectively.

The breakdown and changes of fully consolidated companies and companies accounted for using the equity method are summarized below:

(1) Breakdown as of March 31, 2021

1) Number of consolidated subsidiaries	:	142 Taiko Trading Co., Ltd.; Kajima Road Co., Ltd.; Kajima Leasing Corporation; Chemical Grouting Co., Ltd.; Kajima Tatemono Sogo Kanri Co., Ltd.; Kajima U.S.A. Inc. (KUSA) and its 29 subsidiaries; Kajima Asia Pacific Holdings Pte. Ltd. (KAP) and its 44 subsidiaries; Kajima Europe Ltd. (KE) and its 25 subsidiaries; Kajima Australia Pty. Ltd. (KA) and its 26 subsidiaries; Chung-Lu Construction Co., Ltd. and 8 subsidiaries of the Company
2) Number of unconsolidated subsidiaries accounted for using the equity method	:	35 ARTES Corporation, Japan Sea Works Co., Ltd. and 33 other companies
3) Number of affiliates accounted for using the equity method	:	84 Katabami Kogyo Co., Ltd. and 83 other companies

(2) Changes for the year ended March 31, 2021

1)	Newly consolidated companies	: 1 subsidiary of the Company and 1 subsidiary of KE due to establishment
2)	Companies excluded from consolidation	: 2 subsidiaries of KUSA, 1 subsidiary of KAP and 1 subsidiary of KE due to liquidation and transfer to affiliates resulting from sales of interests
3)	Companies newly accounted for using the equity method	: 1 subsidiary and 6 affiliates due to establishment, acquisition and transfer from consolidated companies resulting from sales of interests
4)	Companies excluded from the equity method	: 4 affiliates due to liquidation and sales of interests

b. Unification of Accounting Policies Applied to Foreign Subsidiaries for the Consolidated Financial Statements — Japanese accounting standards prescribe that the accounting policies and procedures applied to a parent company and its subsidiaries for similar transactions and events under similar circumstances should in principle be unified for the preparation of the consolidated financial statements. However, financial statements prepared by foreign subsidiaries in accordance with either IFRSs or accounting principles generally accepted in the United States of America (“U.S. GAAP”) tentatively may be used for the consolidation process, except for the following items that should be adjusted in the consolidation process so that net income is accounted for in accordance with Japanese GAAP, unless they are not material: (1) amortization of goodwill; (2) scheduled amortization of actuarial gain or loss of pensions that has been recorded in equity through other comprehensive income; (3) expensing capitalized costs of research and development; (4) cancellation of the fair value model of accounting for property, plant and equipment and investment properties and incorporation of the cost model of accounting; and (5) recording a gain or loss through profit or loss on the sale of an investment in an equity instrument for the difference between the acquisition cost and selling price, and recording impairment loss through profit or loss for other-than-temporary declines in the fair value of an investment in an equity instrument, where a foreign subsidiary elects to present in other comprehensive income subsequent changes in the fair value of an investment in an equity instrument.

c. Unification of Accounting Policies Applied to Foreign Affiliates for the Equity Method — Japanese accounting standards require adjustments to be made to conform the affiliate’s accounting policies for similar transactions and events under similar circumstances to those of the parent company when the affiliate’s financial statements are used in applying the equity method, unless it is impracticable to determine such adjustments. In addition, financial statements prepared by foreign affiliates in accordance with either IFRSs or U.S. GAAP tentatively may be used in applying the equity method if the following items are adjusted so that net income is accounted for in accordance with Japanese GAAP, unless they are not material: (1) amortization of goodwill; (2) scheduled amortization of actuarial gain or loss of pensions that has been recorded in equity through other comprehensive income; (3) expensing capitalized costs of research and development; (4) cancellation of the fair value model of accounting for property, plant and equipment and investment properties and incorporation of the cost model of accounting; and (5) recording a gain or loss through profit or loss on the sale of an investment in an equity instrument for the difference between the acquisition cost and selling price, and recording impairment loss through profit or loss for other-than-temporary declines in the fair value of an investment in an equity instrument, where a foreign affiliate elects to present in other comprehensive income subsequent changes in the fair value of an investment in an equity instrument.

d. Business Combinations — Business combinations are accounted for using the purchase method. Acquisition-related costs, such as advisory fees or professional fees, are accounted for as expenses in the periods in which the costs are incurred.

e. Cash Equivalents — Cash equivalents are short-term investments that are readily convertible into cash and exposed to insignificant risk of changes in value. Cash equivalents include time deposits and certificates of deposit, all of which mature or become due within three months of the date of acquisition.

f. Inventories — Construction projects in progress are stated at cost as determined on a specific project basis. Related general and administrative expenses and financial charges are principally excluded from such costs.

Japanese accounting standards require that inventories held for sale in the ordinary course of business be measured at the lower of cost or net selling value, which is defined as the selling price less additional estimated manufacturing costs and estimated direct selling expenses. The replacement cost may be used in place of the net selling value, if appropriate.

As a result, gross profit for the years ended March 31, 2021 and 2020, decreased by ¥220 million ($1,982 thousand) and ¥240 million, respectively.

However, in the case of certain overseas subsidiaries, construction projects in progress, development projects in progress and real estate for sale are stated at cost, when not in excess of net realizable value.

g. Capitalization of Interest — Interest costs incurred for real estate development projects conducted by certain overseas subsidiaries have been capitalized as part of the development costs of such projects. Interest expenses capitalized were ¥1,048 million ($9,441 thousand) and ¥608 million for the years ended March 31, 2021 and 2020, respectively.

h. Marketable Securities, Operational Investments in Securities and Investments in Securities — Marketable securities, operational investments in securities and investments in securities are classified and accounted for, depending on management’s intent, as follows:

(1) Trading securities, which are held for the purpose of earning capital gains in the near term, are reported at fair value, and the related unrealized gains and losses are included in earnings;

(2) Held-to-maturity debt securities, for which there is a positive intent and ability to hold to maturity, are reported at amortized cost; and

(3) Available-for-sale securities, which are not classified as either of the aforementioned securities, are reported at fair value, with unrealized gains and losses, net of applicable taxes, reported in a separate component of equity.

All securities held by the Companies are classified as available-for-sale securities. The cost of securities sold is determined based on the moving-average method. Nonmarketable available-for-sale securities are mainly stated at amortized cost or at cost determined by the moving-average method according to their nature. For other-than-temporary declines in fair value, available-for-sale securities are reduced to net realizable value by a charge to income.

i. Property and Equipment — Property and equipment are principally stated at cost, net of accumulated depreciation. Depreciation has been principally computed using the declining-balance method while the straight-line method is applied to buildings acquired on or after April 1, 1998, and building improvements and structures acquired on or after April 1, 2016.

The estimated useful lives for buildings and structures range from 2 to 50 years, and for machinery, equipment and other, range from 2 to 20 years.

However, in the accounts of certain overseas subsidiaries, depreciation is principally calculated using the straight-line method over the estimated useful lives of the respective assets.

Accumulated depreciation totaled ¥327,861 million ($2,953,703 thousand) and ¥322,274 million as of March 31, 2021 and 2020, respectively.

j. Long-Lived Assets — The Companies review their long-lived assets for impairment whenever events or changes in circumstances indicate the carrying amount of an asset or asset group may not be recoverable. An impairment loss is recognized if the carrying amount of an asset or asset group exceeds the sum of the undiscounted future cash flows expected to result from the continued use and eventual disposition of the asset or asset group. The impairment loss would be measured as the amount by which the carrying amount of the asset exceeds its recoverable amount, which is the higher of the discounted cash flows from the continued use and eventual disposition of the asset or the net selling price at disposition.

k. Allowance for Doubtful Accounts — Allowance for doubtful accounts provided by the Company and its domestic consolidated subsidiaries is stated in amounts considered to be appropriate based on each company's past credit loss experience and an evaluation of potential losses in the receivables and others outstanding. However, the overseas consolidated subsidiaries provide for such possible losses using management's estimate.

l. Retirement Benefits — The Company, its domestic consolidated subsidiaries, and certain overseas consolidated subsidiaries have funded and/or unfunded retirement benefit plans covering their employees. In addition, the Company and certain domestic and overseas consolidated subsidiaries have defined contribution plans.

The Company accounts for the liability for retirement benefits based on the projected benefit obligations and plan assets at the balance sheet date. The projected benefit obligations are attributed to periods on a benefit formula basis. Actuarial gains and losses that are yet to be recognized in profit or loss are recognized within equity (accumulated other comprehensive income), after adjusting for tax effects and are recognized in profit or loss on a straight-line basis over 10 years no longer than the expected average remaining service period of the employees. The discount rate is determined using a single weighted-average discount rate reflecting the estimated timing and amount of benefit payment.

m. Asset Retirement Obligations — An asset retirement obligation is recorded for a legal obligation imposed either by law or contract that results from the acquisition, construction, development and normal operation of a tangible fixed asset and is associated with the retirement of such tangible fixed asset. The asset retirement obligation is recognized as the sum of the discounted cash flows required for the future asset retirement and is recorded in the period in which the obligation is incurred if a reasonable estimate can be made. If a reasonable estimate of the asset retirement obligation cannot be made in the period the asset retirement obligation is incurred, the liability should be recognized when a reasonable estimate of the asset retirement obligation can be made. Upon initial recognition of a liability for an asset retirement obligation, an asset retirement cost is capitalized by increasing the carrying amount of the related fixed asset by the amount of the liability. The asset retirement cost is subsequently allocated to expense through depreciation over the remaining useful life of the asset. Over time, the liability is accreted to its present value each period. Any subsequent revisions to the timing or the amount of the original estimate of undiscounted cash flows are reflected as an adjustment to the carrying amount of the liability and the capitalized amount of the related asset retirement cost.

n. Construction Contracts — Construction revenue and construction costs are recognized by the percentage-of-completion method (the stage of completion of the contract is estimated by cost-to-cost approach) if the outcome of a construction contract can be estimated reliably. When total construction revenue, total construction costs and the stage of completion of the contract at the balance sheet date can be reliably measured, the outcome of a construction contract is deemed to be estimated reliably. If the outcome of a construction contract cannot be reliably estimated, the completed-contract method should be applied. When it is probable that the total construction costs will exceed total construction revenue, an estimated loss on the contract should be immediately recognized by providing for a loss on such construction contracts.

In the overseas consolidated subsidiaries, construction projects are mainly recorded using the percentage-of-completion method.

The revenues posted by way of the percentage-of-completion method for the years ended March 31, 2021 and 2020, were ¥1,551,820 million ($13,980,360 thousand) and ¥1,660,126 million, respectively.

The Companies provided for foreseeable losses on a contract backlog, which was recorded in other current liabilities. The accrual for foreseeable losses on the contract backlog was ¥14,120 million ($127,207 thousand) and ¥12,515 million as of March 31, 2021 and 2020, respectively.

o. Costs of Research and Development and Debenture Issuance — All research and development costs and debenture issuance costs are charged to income as incurred. Costs of research and development for the years ended March 31, 2021 and 2020, totaled ¥15,029 million ($135,396 thousand) and ¥16,443 million, respectively.

p. Leases — Finance lease transactions are capitalized by recognizing lease assets and lease obligations in the balance sheet.

All other leases are mainly accounted for as operating leases.

q. Bonuses to Directors — Bonuses to directors are accrued at the end of the year to which such bonuses are attributable.

r. Income Taxes — The provision for income taxes is computed based on the pretax income included in the consolidated statement of income. The asset and liability approach is used to recognize deferred tax assets and liabilities for the expected future tax consequences of temporary differences between the carrying amounts and the tax bases of assets and liabilities. Deferred income taxes are measured by applying currently enacted income tax rates to the temporary differences.

The Company files a tax return under the Consolidated Corporate-Tax System, which allows companies to base tax payments on the combined profits or losses of the parent company and its wholly owned domestic subsidiaries.

The current Consolidated Corporate-Tax System provided by Corporate Tax Act of Japan will be replaced by the Group Tax Sharing System established by virtue of "Act on Partial Revision of the Income Tax Act" (Act No. 8 of 2020) from the financial year beginning on or after April 1, 2022. Concerning the transition to the new Group Tax Sharing System and related revisions made to Non-consolidated Corporate-Tax System, the Company and certain domestic subsidiaries did not adopt Paragraph 44 of "Implementation Guidance on Tax Effect Accounting" (Guidance No. 28 issued by the Accounting Standards Board of Japan ("ASBJ") on February 16, 2018) pursuant to Paragraph 3 of "Practical Solution on the Treatment of Tax Effect Accounting for the Transition from the Consolidated Corporate-Tax System to the Group Tax Sharing System" (Practical Issues Task Force No. 39 issued by ASBJ on March 31, 2020). Accordingly, deferred tax assets and deferred tax liabilities, as of March 31, 2021 and 2020, were computed based on the previous Corporate Tax Act.

s. Foreign Currency Transactions — All short-term and long-term monetary receivables and payables denominated in foreign currencies are translated into Japanese yen at the exchange rates as of the balance sheet date. The foreign exchange gains and losses from translation are recognized in the consolidated statement of income to the extent that they are not hedged by forward exchange contracts or currency swaps.

t. Foreign Currency Financial Statements — The balance sheet accounts and revenue and expense accounts of the overseas consolidated subsidiaries are translated into Japanese yen at the current exchange rates as of each balance sheet date except for equity, which is translated at the historical exchange rate.

Differences arising from such translation are shown as "Foreign currency translation adjustments" under accumulated other comprehensive income in a separate component of equity.

u. Derivatives and Hedging Activities — The Companies use derivative financial instruments to manage their exposures to fluctuations in foreign exchange and interest rates. Foreign exchange forward contracts, currency swaps and interest rate swaps are principally utilized by the Companies to reduce the risks arising from the factors mentioned above. The Companies do not enter into derivatives for trading or speculative purposes.

Derivative financial instruments are classified and accounted for as follows:

(1) All derivatives are recognized as either assets or liabilities and measured at fair value, and gains or losses on derivative transactions are recognized in the consolidated statement of income; and

(2) For derivatives used for hedging purposes, if such derivatives qualify for hedge accounting because of high correlation and effectiveness between the hedging instruments and the hedged items, gains or losses on derivatives are deferred until maturity of the hedged transactions.

The derivative instruments applied for forecasted or committed transactions are measured at fair value, but the unrealized gains/losses are deferred until the underlying transactions are completed.

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

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.

v. Per Share Information — Basic net income per share is computed by dividing net income attributable to common stockholders by the weighted-average number of common shares outstanding for the period.

Diluted net income per share is not disclosed because the Companies did not have dilutive shares for the years ended March 31, 2021 and 2020.

Cash dividends per share presented in the accompanying consolidated statement of income are dividends applicable to the respective financial years including dividends to be paid after the end of the year.

w. New Accounting Pronouncements

(1) On March 31, 2020 and March 26, 2021, the ASBJ issued ASBJ Statement No. 29, "Revised Accounting Standard for Revenue Recognition," and ASBJ Guidance No. 30, "Revised Implementation Guidance on Accounting Standard for Revenue Recognition," respectively. The core principle of the standard and guidance is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. An entity should recognize revenue in accordance with that core principle by applying the following steps:

Step 1: Identify the contract(s) with a customer
Step 2: Identify the performance obligations in the contract
Step 3: Determine the transaction price
Step 4: Allocate the transaction price to the performance obligations in the contract
Step 5: Recognize revenue when (or as) the entity satisfies a performance obligation

The Company and its domestic subsidiaries will apply the accounting standard and guidance for financial years beginning on or after April 1, 2021. The application of the accounting standard and guidance is expected to increase retained earnings by approximately ¥1.4 billion ($13 million) on the consolidated balance sheet at the beginning of the financial year ending March 31, 2022.

(2) The ASBJ issued following statements:
ASBJ Statement No. 30, "Accounting Standard for Fair Value Measurement," July 4, 2019
ASBJ Guidance No. 31, "Implementation Guidance on Accounting Standard for Fair Value Measurement," July 4, 2019
ASBJ Statement No. 9, "Revised Accounting Standard for Measurement of Inventories," July 4, 2019
ASBJ Statement No. 10, "Revised Accounting Standard for Financial Instruments," July 4, 2019
ASBJ Guidance No. 19, "Revised Implementation Guidance on Disclosures about Fair Value of Financial Instruments," March 31, 2020

The standards and guidance above were developed to improve the comparability of financial statements in Japan and abroad, and are applied to fair value of following items:

Financial Instruments in "Accounting Standard for Financial Instruments"
Inventories for trading purposes in "Accounting Standard for Measurement of Inventories"

The Company and its domestic subsidiaries will apply the accounting standards and guidance for financial years beginning on or after April 1, 2021. The application of the accounting standards and guidance is expected to have an immaterial impact on the consolidated financial statements.

x. Accounting Principles and Procedures Adopted where the Relevant Accounting Standards are not Specified

Joint ventures, which the Company and its certain domestic consolidated subsidiaries form with other companies for the purpose of winning and managing construction projects, are not accounted as separate entities, but the construction revenue and the construction costs arising in the joint ventures are proportioned to individual financial statements in accordance with the share in the joint venture.

3. SIGNIFICANT ACCOUNTING ESTIMATE

Estimate on Total Construction Revenue, Total Construction Costs and the Stage of Completion of the Contract Concerning the Percentage-of-Completion Method

(1) Carrying amounts

	Millions of Yen	Thousands of U.S. Dollars
	2021	2021
Construction revenue recognized by the percentage-of-completion method............	¥ 1,551,820	$ 13,980,360
Construction costs recognized by the percentage-of-completion method.................	1,375,920	12,395,676
Provision for loss on construction projects in progress (recorded in other current liabilities)............	14,120	127,207

(2) Information on the significant accounting estimate

The construction revenue is calculated by multiplying the total construction revenue by the percentage of completion of the contract based on the cumulative construction costs incurred by the end of the financial year against the total construction costs.

The estimation of the total construction revenue and the total construction costs is based on the operational budget which is compiled at the beginning of the construction and updated in a timely manner. At the same time, the stage of completion of the contract is estimated using the cost-to-cost approach.

As construction progresses, the aforementioned estimation is influenced by factors such as 1) the variation orders regarding changes in construction methods or scope, 2) the fluctuations of the price in the construction materials and labor market and 3) the changes of construction costs led by condition changes related to projects. Such factors could have a material impact on the amount of construction revenue, construction costs and provision for loss on construction projects in progress in the consolidated financial statements for the following financial year.

4. MARKETABLE SECURITIES, OPERATIONAL INVESTMENTS IN SECURITIES AND INVESTMENTS IN SECURITIES

Marketable securities, operational investments in securities and investments in securities as of March 31, 2021 and 2020, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2021	2020	**2021**
Current:			
Government and corporate bonds	**¥ 326**	¥ 111	**$ 2,937**
Preferred equity investment	**10,156**	10,156	**91,496**
Other	**2,163**	2,200	**19,486**
Total	**¥ 12,645**	¥ 12,467	**$ 113,919**
Non-Current:			
Equity securities	**¥ 275,020**	¥ 233,469	**$ 2,477,658**
Government and corporate bonds	**766**	905	**6,901**
Other	**12,087**	10,323	**108,892**
Total	**¥ 287,873**	¥ 244,697	**$ 2,593,451**

The costs and aggregate fair values related to the category of the securities classified as available-for-sale as of March 31, 2021 and 2020, were as follows:

As of March 31, 2021	Millions of Yen			
	Cost	Unrealized Gain	Unrealized Loss	Fair Value (Carrying Amount)
Available-for-sale:				
Equity securities	**¥ 109,547**	**¥ 161,871**	**¥ (2,676)**	**¥ 268,742**
Government and corporate bonds	**1,054**	**38**	**—**	**1,092**
Other	**1,560**	**554**	**(1)**	**2,113**
Total	**¥ 112,161**	**¥ 162,463**	**¥ (2,677)**	**¥ 271,947**

As of March 31, 2020	Millions of Yen			
	Cost	Unrealized Gain	Unrealized Loss	Fair Value (Carrying Amount)
Available-for-sale:				
Equity securities	¥ 107,528	¥ 130,798	¥ (10,846)	¥ 227,480
Government and corporate bonds	995	21	(0)	1,016
Other	1,372	481	(6)	1,847
Total	¥ 109,895	¥ 131,300	¥ (10,852)	¥ 230,343

As of March 31, 2021	Thousands of U.S. Dollars			
	Cost	Unrealized Gain	Unrealized Loss	Fair Value (Carrying Amount)
Available-for-sale:				
Equity securities	**$ 986,910**	**$ 1,458,297**	**$ (24,108)**	**$ 2,421,099**
Government and corporate bonds	**9,495**	**343**	**—**	**9,838**
Other	**14,054**	**4,991**	**(9)**	**19,036**
Total	**$ 1,010,459**	**$ 1,463,631**	**$ (24,117)**	**$ 2,449,973**

The above figures include marketable equity securities temporarily lent to financial institutions based on securities lending agreements in the amount of ¥244 million ($2,198 thousand) and ¥214 million as of March 31, 2021 and 2020, respectively.

The information for available-for-sale securities which were sold during the years ended March 31, 2021 and 2020, was as follows:

Year Ended March 31, 2021

	Millions of Yen		
	Proceeds	Realized Gain	Realized Loss
Available-for-sale:			
Equity securities	**¥ 9,561**	**¥ 6,866**	**¥ (12)**
Government and corporate bonds	**19**	**1**	**(0)**
Other	**32**	**—**	**(6)**
Total	**¥ 9,612**	**¥ 6,867**	**¥ (18)**

Year Ended March 31, 2020

	Millions of Yen		
	Proceeds	Realized Gain	Realized Loss
Available-for-sale:			
Equity securities	¥ 477	¥ 59	¥ (58)
Government and corporate bonds	34	1	(0)
Other	27	—	(1)
Total	¥ 538	¥ 60	¥ (59)

Year Ended March 31, 2021

	Thousands of U.S. Dollars		
	Proceeds	Realized Gain	Realized Loss
Available-for-sale:			
Equity securities	**$ 86,135**	**$ 61,856**	**$ (108)**
Government and corporate bonds	**171**	**9**	**(0)**
Other	**289**	**—**	**(54)**
Total	**$ 86,595**	**$ 61,865**	**$ (162)**

The impairment losses on available-for-sale securities were ¥2,810 million ($25,315 thousand) and ¥1,674 million for the years ended March 31, 2021 and 2020, respectively.

5. REVALUATION OF LAND

Under the "Law of Land Revaluation," the Company and a domestic consolidated subsidiary adopted a one-time revaluation of their own-use land in Japan to a value based on real estate appraisal information as of March 31, 2002.

The resulting land revaluation excess represents unrealized appreciation of land and is stated, net of income taxes, as a component of equity. Continuous readjustment is not permitted unless the land value subsequently declines significantly such that the amount of the decline in value should be removed from the land revaluation excess account and related deferred tax liabilities.

6. LONG-LIVED ASSETS

For the year ended March 31, 2021, the Company and a foreign consolidated subsidiary recognized losses on impairment of the following assets:

Use	Type of assets	Location	Number of assets
Assets used for business	Buildings	New York, U.S.A	1
Assets held for rent	Construction in progress	Nagano Prefecture	1

For purposes of evaluating and measuring impairment, assets used for business and assets held for rent are individually evaluated.

The carrying amounts of certain asset used for business and asset held for rent were devalued to their recoverable amounts, due to substantial declines in their fair market value.

As a result, the Company and a foreign consolidated subsidiary recognized impairment losses of ¥946 million ($8,523 thousand), which consisted of assets used for business of ¥623 million ($5,613 thousand) and assets held for rent of ¥323 million ($2,910 thousand) for the year ended March 31, 2021.

The recoverable amounts of such assets were measured at the anticipated net selling price at disposition. The Company and a foreign consolidated subsidiary principally used the appraisal value, less the cost of disposal, for calculating the net selling price at disposition.

For the year ended March 31, 2020, information about impairment losses of assets is not disclosed since the effect was immaterial.

7. INVESTMENT PROPERTY

The Companies own certain rental properties such as office buildings and commercial facilities in Tokyo, other areas in Japan and overseas (Indonesia and others). The net of rental income and operating expenses for those rental properties was ¥8,081million ($72,802 thousand), gain on sales or disposals of property and equipment—net was ¥1,220 million ($10,991 thousand), and loss on impairment of long-lived assets was ¥323 million ($2,910 thousand) for the year ended March 31, 2021. The net of rental income and operating expenses for those rental properties was ¥9,982 million, gain on sales or disposals of property and equipment—net was ¥444 million, and loss on impairment of long-lived assets was ¥14 million for the year ended March 31, 2020.

In addition, the carrying amounts, changes in such balances and fair values of such properties were as follows:

Millions of Yen			
Carrying amount			Fair value
As of April 1, 2020	**Increase/(Decrease)**	**As of March 31, 2021**	**As of March 31, 2021**
¥ 198,513	**¥ 27,831**	**¥ 226,344**	**¥ 425,475**

Millions of Yen			
Carrying amount			Fair value
As of April 1, 2019	Increase/(Decrease)	As of March 31, 2020	As of March 31, 2020
¥ 148,339	¥ 50,174	¥ 198,513	¥ 381,310

Thousands of U.S. Dollars			
Carrying amount			Fair value
As of April 1, 2020	**Increase/(Decrease)**	**As of March 31, 2021**	**As of March 31, 2021**
$ 1,788,405	**$ 250,730**	**$ 2,039,135**	**$ 3,833,108**

Notes:

(1) Carrying amount recognized in the consolidated balance sheet is net of accumulated depreciation, if any.

(2) Increase during the financial year ended March 31, 2021, primarily consists of the construction of buildings and other of ¥21,931 million ($197,577 thousand). Increase during the financial year ended March 31, 2020, primarily consists of the purchase of real estate of ¥49,966 million.

(3) Fair value of properties as of March 31, 2021 and 2020, was measured as follows:

1) Fair value of domestic properties is principally measured by the Companies in accordance with its Real Estate Appraisal Standard, including adjustments using indexes.

2) Fair value of overseas properties is principally measured by third-party appraisal reports.

8. LONG-TERM LOANS RECEIVABLE

Long-term loans receivable primarily consists of loans to business partners and customers of the Companies.

9. PLEDGED ASSETS

As of March 31, 2021, the following assets of the Companies were pledged to secure the repayment of current portion of long-term debt of ¥4,071 million ($36,676 thousand), long-term debt of ¥44,762 million ($403,261 thousand) and other long-term liabilities of ¥2 million ($18 thousand) and to assure the performance by the Companies under certain agreements.

	Millions of Yen	Thousands of U.S. Dollars
Notes and accounts receivable—trade	¥ **689**	$ **6,207**
Inventories:		
Development projects in progress, real estate for sale and other	**67,666**	**609,604**
Other current assets	**77**	**693**
Land	**59**	**532**
Buildings and structures	**622**	**5,604**
Machinery, equipment and other	**5**	**45**
Investments in securities and Investments in unconsolidated subsidiaries and affiliates	**6,961**	**62,712**
Long-term loans receivable and long-term loans to unconsolidated subsidiaries and affiliates	**812**	**7,315**
Total	¥ **76,891**	$ **692,712**

10. SHORT-TERM BORROWINGS AND LONG-TERM DEBT

Short-term borrowings as of March 31, 2021 and 2020, mainly consisted of bank overdrafts. The weighted-average interest rates of short-term borrowings as of March 31, 2021 and 2020, were 0.45% and 1.11%, respectively.

Long-term debt as of March 31, 2021 and 2020, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2021	2020	**2021**
Long-term loans, due 2021 – 2077	¥ **133,231**	¥ 132,087	$ **1,200,279**
Corporate bonds, due 2021 – 2026	**50,000**	50,000	**450,450**
Lease obligations	**6,303**	4,919	**56,784**
Total	**189,534**	187,006	**1,707,513**
Current portion included in current liabilities	**(21,425)**	(53,408)	**(193,018)**
Total	¥ **168,109**	¥ 133,598	$ **1,514,495**

Long-term loans as of March 31, 2021 and 2020, were primarily from banks and insurance companies. The weighted-average interest rates of long-term loans as of March 31, 2021 and 2020, were 1.98% and 1.62%, respectively. The Company issues corporate bonds to meet its financial needs and the weighted-average interest rates for the outstanding balances of such corporate bonds as of March 31, 2021 and 2020, were 0.23% and 0.23%, respectively. Certain short-term and long-term bank loans of the Company and its domestic consolidated subsidiaries are made under agreements which, as is customary in Japan, provide that the bank may, under certain conditions, require the borrower to provide collateral (or additional collateral) or guarantors with respect to the loans, and that the bank may treat any collateral, whether furnished as security for short-term or long-term loans or otherwise, as collateral for all indebtedness to such bank. However, the Company and its domestic consolidated subsidiaries have never received such a request.

The aggregate annual maturities of long-term debt (including current portion) as of March 31, 2021, were as follows:

Years Ending March 31	Millions of Yen	Thousands of U.S. Dollars
2022	¥ **21,425**	$ **193,018**
2023	**40,758**	**367,188**
2024	**19,953**	**179,757**
2025	**32,808**	**295,568**
2026	**15,170**	**136,667**
2027 and thereafter	**59,420**	**535,315**
Total	¥ **189,534**	$ **1,707,513**

A loan agreement includes financial covenant primarily on net assets and interest-bearing debt.
The outstanding balance of such loan as of March 31, 2020 was included in the consolidated balance sheet as follows:

	Millions of Yen
	2020
Current portion of long-term debt	¥ 15,000

In addition, the Company entered into committed loan facility agreements aggregating ¥250,000 million ($2,252,252 thousand) with several Japanese banks. There were no outstanding balances under the committed loan facility agreements as of March 31, 2021.

11. COMMERCIAL PAPER

Commercial paper was represented by 92- to 184- day paper issued by the Company with the weighted-average interest rate of 0.06% as of March 31, 2020.

12. ADVANCES RECEIVED ON CONSTRUCTION PROJECTS IN PROGRESS

The Companies normally receive payments from customers on a progress basis in accordance with the terms of the respective construction contracts.

13. RETIREMENT BENEFITS

The Company, its domestic consolidated subsidiaries, and certain overseas consolidated subsidiaries have funded and/or unfunded defined benefit plans covering their employees. In addition, the Company, certain domestic and overseas consolidated subsidiaries have defined contribution plans.

Under the defined benefit pension plans, which are all funded, employees terminating their employment are entitled to either a lump-sum payment or an annuity, determined based on the rate of pay at the time of termination and years of service.

The severance lump-sum payment plans, which are mostly unfunded, except for a certain plan that is deemed to be funded where a consolidated subsidiary contributes qualified plan assets to an employee retirement benefit trust, provide for a lump-sum payment to terminated employees, determined based on accumulated points allocated each month according to an employee's job classification and performance, or on the rate of pay at the time of termination and years of service.

Certain consolidated subsidiaries account for their retirement benefit plans using the simplified method.

a. Changes in defined benefit obligation

The changes in defined benefit obligation for the years ended March 31, 2021 and 2020, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2021	2020	**2021**
Balance at beginning of year	**¥ 68,889**	¥ 67,530	**$ 620,622**
Current service cost	**4,850**	4,789	**43,694**
Interest cost	**378**	290	**3,405**
Actuarial gains	**(94)**	(300)	**(847)**
Benefits paid	**(4,015)**	(3,954)	**(36,171)**
Increase due to change in measurement of retirement benefit obligations from the simplified method to the standard method	**—**	490	**—**
Other	**(84)**	44	**(757)**
Balance at end of year	**¥ 69,924**	¥ 68,889	**$ 629,946**

Note: Retirement benefit plans accounted for using the simplified method are excluded.

b. Changes in plan assets

The changes in plan assets for the years ended March 31, 2021 and 2020, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2021	2020	2021
Balance at beginning of year	¥ 8,771	¥ 9,577	$ 79,018
Expected return on plan assets	54	60	486
Actuarial gains (losses)	1,521	(650)	13,703
Contributions from the employer	97	94	874
Benefits paid	(176)	(310)	(1,586)
Balance at end of year	¥ 10,267	¥ 8,771	$ 92,495

Note: Retirement benefit plans accounted for using the simplified method are excluded.

c. Changes in net defined benefit liability accounted for using the simplified method

The changes in net defined benefit liability accounted for using the simplified method for the years ended March 31, 2021 and 2020, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2021	2020	2021
Balance at beginning of year	¥ 1,340	¥ 1,571	$ 12,072
Benefit cost	195	288	1,756
Benefits paid	(89)	(138)	(802)
Contributions to the funds	(52)	(53)	(468)
Decrease due to change in measurement of retirement benefit obligations from the simplified method to the standard method	—	(337)	—
Other	(11)	9	(99)
Balance at end of year	¥ 1,383	¥ 1,340	$ 12,459

d. Reconciliation with the consolidated balance sheet

Reconciliation between the liability recorded in the consolidated balance sheet and the balances of defined benefit obligation and plan assets as of March 31, 2021 and 2020, was as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2021	2020	2021
Funded defined benefit obligation	¥ 9,025	¥ 9,127	$ 81,307
Plan assets	(10,749)	(9,222)	(96,838)
Total	(1,724)	(95)	(15,531)
Unfunded defined benefit obligation	62,764	61,553	565,441
Net liability for defined benefit obligation	¥ 61,040	¥ 61,458	$ 549,910

	Millions of Yen		Thousands of U.S. Dollars
	2021	2020	2021
Liability for retirement benefits	¥ 62,575	¥ 62,100	$ 563,739
Asset for retirement benefits	(1,535)	(642)	(13,829)
Net liability for defined benefit obligation	¥ 61,040	¥ 61,458	$ 549,910

Notes: (1) Retirement benefit plans accounted for using the simplified method are included.

(2) Asset for retirement benefits is included in "other" in investments and other assets in the consolidated balance sheet.

e. Periodic benefit costs

The components of net periodic benefit costs for the years ended March 31, 2021 and 2020, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2021	2020	**2021**
Service cost	**¥ 4,850**	¥ 4,789	**$ 43,694**
Interest cost	**378**	290	**3,405**
Expected return on plan assets	**(54)**	(60)	**(486)**
Recognized actuarial losses	**330**	206	**2,973**
Benefit cost in simplified method	**195**	288	**1,757**
Amount expensed due to change in measurement of retirement benefit obligations from the simplified method to the standard method	**—**	153	**—**
Other	**(12)**	7	**(109)**
Net periodic benefit costs	**¥ 5,687**	¥ 5,673	**$ 51,234**

f. Other comprehensive income

Amounts recognized in other comprehensive income (before income tax effect) in respect of defined retirement benefit plans for the years ended March 31, 2021 and 2020, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2021	2020	**2021**
Actuarial gains (losses)	**¥ 1,944**	¥ (136)	**$ 17,514**

g. Accumulated other comprehensive income

Amounts recognized in accumulated other comprehensive income (before income tax effect) in respect of defined retirement benefit plans as of March 31, 2021 and 2020, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2021	2020	**2021**
Unrecognized actuarial losses	**¥ (730)**	¥ (2,674)	**$ (6,577)**

h. Plan assets

(1) Components of plan assets

Plan assets as of March 31, 2021 and 2020, consisted of the following:

	2021	2020
Equity investments	**53 %**	48 %
Debt investments	**20**	23
Cash and cash equivalents	**12**	13
General accounts with life insurance companies	**9**	10
Other	**6**	6
Total	**100 %**	100 %

(2) Method of determining the expected rate of return on plan assets

The expected rate of return on plan assets is determined considering the long-term rates of return which are expected currently and in the future from the various components of the plan assets.

i. Assumptions

Assumptions used for the years ended March 31, 2021 and 2020, were set forth as follows:

	2021	2020
Discount rate	**0.1% to 0.6%**	0.0% to 0.5%
Expected rate of return on plan assets	**1.0% to 2.5%**	1.0% to 2.5%

j. Defined contribution pension plans

The costs of defined contribution plans were ¥2,912 million ($26,234 thousand) and ¥2,850 million for the years ended March 31, 2021 and 2020, respectively.

14. EQUITY

Japanese companies are subject to the Companies Act of Japan (the "Companies Act"). The significant provisions in the Companies Act that affect financial and accounting matters are summarized below:

a. Dividends

Under the Companies Act, companies can pay dividends at any time during the financial year in addition to the year-end dividend upon resolution at the stockholders' meeting. Additionally, for companies that meet certain criteria including: (1) having a Board of Directors; (2) having independent auditors; (3) having an Audit & Supervisory Board; and (4) the term of service of the directors being prescribed as one year rather than the normal two-year term by its articles of incorporation, the Board of Directors may declare dividends (except for dividends-in-kind) at any time during the financial year if the company has prescribed so in its articles of incorporation. However, such article is not stipulated in the articles of incorporation of the Company.

Semiannual interim dividends can be paid once a year upon resolution by the Board of Directors as stipulated in the articles of incorporation of the Company.

b. Increases/decreases and transfer of common stock, reserve and surplus

The Companies Act requires that an amount equal to 10% of dividends must be appropriated as a legal reserve (a component of retained earnings) or as additional paid-in capital (a component of capital surplus), depending on the equity account charged upon the payment of such dividends until the aggregate amount of legal reserve and additional paid-in capital equals 25% of the common stock. Under the Companies Act, the total amount of additional paid-in capital and legal reserve may be reversed without limitation. The Companies Act also provides that common stock, legal reserve, additional paid-in capital, other capital surplus and retained earnings can be transferred among the accounts within equity under certain conditions upon resolution of the stockholders.

c. Treasury stock and treasury stock acquisition rights

The Companies Act also provides for companies to purchase treasury stock and dispose of such treasury stock by resolution of the Board of Directors. The amount of treasury stock purchased cannot exceed the amount available for distribution to the stockholders, which is determined by a specific formula.

Under the Companies Act, stock acquisition rights are presented as a separate component of equity.

At the Board of Directors' Meeting held on November 10, 2020, the Company resolved matters related to acquisition of its own shares in accordance with Article 156 of the Companies Act, applicable pursuant to Article 165, Paragraph 3 of the said Act. The number of shares acquired for the year ended March 31, 2021, based on the resolution was 7,469 thousand shares.

At the Board of Directors' Meeting held on July 14, 2020, the Company resolved to dispose of its own shares as restricted stock remuneration. The number of shares disposed of for the year ended March 31, 2021, based on the resolution was 244 thousand shares.

15. INCOME TAXES

The Company and its domestic subsidiaries are subject to Japanese national and local income taxes which, in the aggregate, resulted in a normal effective statutory tax rate of approximately 30.5% for the years ended March 31, 2021 and 2020.

The tax effects of significant temporary differences which resulted in deferred tax assets and liabilities as of March 31, 2021 and 2020, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2021	2020	**2021**
Deferred tax assets:			
Liability for retirement benefits	**¥ 19,426**	¥ 19,527	**$ 175,009**
Valuation loss on property and equipment	**15,336**	14,798	**138,162**
Other	**56,044**	54,420	**504,901**
Subtotal	**90,806**	88,745	**818,072**
Valuation allowance	**(27,758)**	(24,948)	**(250,072)**
Total	**63,048**	63,797	**568,000**
Deferred tax liabilities:			
Unrealized gain on available-for-sale securities	**(48,376)**	(38,565)	**(435,820)**
Other	**(7,630)**	(7,201)	**(68,739)**
Total	**(56,006)**	(45,766)	**(504,559)**
Net deferred tax assets	**¥ 7,042**	¥ 18,031	**$ 63,441**

As of March 31, 2021, certain consolidated subsidiaries of the Company have tax loss carryforwards available to offset future taxable income, which will start expiring in 2021. As for the domestic consolidated subsidiaries, their tax loss carryforwards will gradually expire by 2031. Due to the uncertainty in the realization of such tax loss carryforwards, the Companies have established a valuation allowance to offset part of the related deferred tax assets in the amount of ¥1,623 million ($14,622 thousand) and ¥1,565 million as of March 31, 2021 and 2020 respectively.

Reconciliation between the normal effective statutory tax rate and the actual effective tax rate reflected in the accompanying consolidated statement of income for the years ended March 31, 2021 and 2020 is not disclosed, because the differences were not more than 5% of the normal effective statutory tax rate.

16. RELATED PARTY TRANSACTIONS

a. Transactions of the Company with affiliates

Transactions for the year ended March 31, 2020 were as follows:

	Millions of Yen
	2020
Construction and other revenues	¥ 41,544

For the year ended March 31, 2020, the Company recognized construction and other revenues under several contracts with an affiliate. The contracts are entered into an arm's-length basis and in the normal course of business. The outstanding balance of notes and accounts receivable—trade from the affiliate as of March 31, 2020 was ¥45,535 million.

b. Transaction of the Company with directors of the Company

Transaction for the year ended March 31, 2021 was as follows:

	Millions of Yen	Thousands of U.S. Dollars
	2021	**2021**
Disposal of own shares	**¥ 15**	**$ 135**

Notes:

1) The transaction is a contribution-in-kind provided to the Company with monetary remuneration receivables by a director based on the restricted stock remuneration plan.
2) The disposal price for the own shares was the closing price of a share of the Company's common stock in the Tokyo Stock Exchange on the business day immediately before the Board of Directors' Meeting at which the resolution of the disposal was made.

17. LEASES

The Companies have a number of operating lease agreements, primarily for office space and computer equipment, which are renewable upon expiration and mainly cancelable.

a. Operating leases as a lessee

The minimum rental commitments under noncancelable operating leases as of March 31, 2021 and 2020, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2021	2020	**2021**
Due within one year	**¥ 7,703**	¥ 7,181	**$ 69,396**
Due after one year	**36,185**	43,006	**325,991**
Total	**¥ 43,888**	¥ 50,187	**$ 395,387**

b. Operating leases as a lessor

The minimum rental receivables under noncancelable operating leases as of March 31, 2021 and 2020, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2021	2020	**2021**
Due within one year	**¥ 15,907**	¥ 13,948	**$ 143,306**
Due after one year	**98,673**	59,739	**888,946**
Total	**¥ 114,580**	¥ 73,687	**$ 1,032,252**

18. FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES

a. Policy for financial instruments

The Companies use financial instruments, mainly loans from banks, commercial paper and bonds, based on their capital financing plans for construction and development businesses. Cash surpluses, if any, are invested in low-risk financial assets such as deposits. It is the Companies' policy to use derivatives only for actual operating requirements, not for speculation.

b. Nature, extent of risks arising from financial instruments, and risk management for financial instruments

Receivables, such as notes and accounts receivable—trade, are exposed to customer credit risks. The Companies thoroughly enforce credit risk management, which principally includes credit research at the time of obtaining work and timely monitoring of credit standings.

Payment terms of payables, such as notes and accounts payable—trade, are within one year.

Although marketable securities and investments in securities are exposed to the risk of market price fluctuations, the Companies use the internal management system to recognize their fair values periodically.

Loans from banks, commercial paper and bonds are used to raise funds for construction and development business.

Derivatives mainly include foreign exchange forward contracts, currency swaps and interest rate swaps, which are used to manage exposure to market risks from changes in foreign currency exchange rates of future demand and collection of foreign-currency-denominated funds, and from changes in interest rates of loans from banks and bonds. Please see Note 19 for more details regarding derivatives.

In addition, the Company entered into committed loan facility agreements aggregating ¥250,000 million ($2,252,252 thousand) with several Japanese banks to manage exposure to liquidity risks on raising funds.

c. Fair values of financial instruments

Fair values of financial instruments are based on quoted prices in active markets. If a quoted price is not available, other rational valuation techniques are used instead. Also, please see Note 19 for the details of the fair values of derivatives.

(1) Fair value of financial instruments

The carrying amount, fair value and unrealized gain (loss) of financial instruments as of March 31, 2021 and 2020, were as follows. However, financial instruments whose fair value cannot be reliably determined are not included.

	Millions of Yen		
As of March 31, 2021	Carrying Amount	Fair Value	Unrealized Gain (Loss)
ASSETS			
Cash and cash equivalents	¥ **300,991**	¥ **300,991**	¥ **—**
Marketable securities and investments in securities			
Available-for-sale securities	**271,947**	**271,947**	**—**
Notes and accounts receivable—trade	**602,162**		
Allowance for doubtful accounts	**(561)**		
	601,601	**601,701**	**100**
Other current assets			
Time deposits due after three months of the date of acquisition	**6,642**	**6,642**	**—**
Long-term loans receivable	**7,683**		
Long-term loans to unconsolidated subsidiaries and affiliates	**56,056**		
Allowance for doubtful accounts	**(1,534)**		
	62,205	**62,144**	**(61)**
Total	¥ **1,243,386**	¥ **1,243,425**	¥ **39**
LIABILITIES			
Short-term borrowings	¥ **133,802**	¥ **133,802**	¥ **—**
Current portion of long-term debt	**21,425**	**21,424**	**(1)**
Notes and accounts payable—trade	**445,589**	**445,589**	**—**
Income taxes payable	**27,624**	**27,624**	**—**
Long-term debt	**168,109**	**172,814**	**4,705**
Total	¥ **796,549**	¥ **801,253**	¥ **4,704**

As of March 31, 2020	Millions of Yen Carrying Amount	Fair Value	Unrealized Gain (Loss)
ASSETS			
Cash and cash equivalents	¥ 255,646	¥ 255,646	¥ —
Marketable securities and investments in securities			
Available-for-sale securities	230,343	230,343	—
Notes and accounts receivable—trade	734,159		
Allowance for doubtful accounts	(497)		
	733,662	733,740	78
Other current assets			
Time deposits due after three months of the date of acquisition	7,317	7,317	—
Long-term loans receivable	6,585		
Long-term loans to unconsolidated subsidiaries and affiliates	44,348		
Allowance for doubtful accounts	(1,833)		
	49,100	49,075	(25)
Total	¥ 1,276,068	¥ 1,276,121	¥ 53
LIABILITIES			
Short-term borrowings	¥ 99,799	¥ 99,799	¥ —
Commercial paper	45,000	45,000	—
Current portion of long-term debt	53,408	53,408	—
Notes and accounts payable—trade	520,653	520,653	—
Income taxes payable	30,598	30,598	—
Long-term debt	133,598	133,394	(204)
Total	¥ 883,056	¥ 882,852	¥ (204)

As of March 31, 2021	Thousands of U.S. Dollars Carrying Amount	Fair Value	Unrealized Gain (Loss)
ASSETS			
Cash and cash equivalents	**$ 2,711,631**	**$ 2,711,631**	**$ —**
Marketable securities and investments in securities			
Available-for-sale securities	**2,449,973**	**2,449,973**	**—**
Notes and accounts receivable—trade	**5,424,883**		
Allowance for doubtful accounts	**(5,054)**		
	5,419,829	**5,420,730**	**901**
Other current assets			
Time deposits due after three months of the date of acquisition	**59,838**	**59,838**	**—**
Long-term loans receivable	**69,216**		
Long-term loans to unconsolidated subsidiaries and affiliates	**505,009**		
Allowance for doubtful accounts	**(13,820)**		
	560,405	**559,855**	**(550)**
Total	**$ 11,201,676**	**$ 11,202,027**	**$ 351**
LIABILITIES			
Short-term borrowings	**$ 1,205,423**	**$ 1,205,423**	**$ —**
Current portion of long-term debt	**193,018**	**193,009**	**(9)**
Notes and accounts payable—trade	**4,014,315**	**4,014,315**	**—**
Income taxes payable	**248,865**	**248,865**	**—**
Long-term debt	**1,514,495**	**1,556,883**	**42,388**
Total	**$ 7,176,116**	**$ 7,218,495**	**$ 42,379**

ASSETS

Cash and cash equivalents and Other current assets (Time deposits due after three months of the date of acquisition)

The carrying amounts of cash and cash equivalents and other current assets (time deposits due after three months of the date of acquisition) approximate fair value because of their short maturities.

Marketable securities and Investments in securities

The fair values of marketable securities and investments in securities, consisting of available-for-sale securities whose fair value can be reliably determined, are mainly measured at the quoted market price of the stock exchange for the equity instruments, and at the quoted price obtained from the financial institution for certain debt instruments. The information on the fair values of marketable securities and investments in securities by classification is included in Note 4.

Notes and accounts receivable—trade

The carrying amounts of notes and accounts receivable—trade with short maturities approximate fair value.
The fair values of notes and accounts receivable—trade with maturities of over one year are measured at the amount to be received at maturity, discounted at the Companies' assumed corporate discount rate with consideration for the remaining terms and credit risks.

Long-term loans receivable and Long-term loans to unconsolidated subsidiaries and affiliates

The fair values of long-term loans receivable and long-term loans to unconsolidated subsidiaries and affiliates are principally measured by discounting the cash flows at the Companies' assumed corporate discount rate by adding the credit spread to the appropriate indexes, such as the yield of government bonds. In addition, the fair values of certain doubtful long-term loans receivable are equivalent to the carrying amount after deduction of allowance for doubtful accounts quoted by the estimated amount to be received subject to collateral and guarantee.

LIABILITIES

Short-term borrowings, Commercial paper, Notes and accounts payable—trade and Income taxes payable

The carrying amounts of short-term borrowings, commercial paper, notes and accounts payable—trade and income taxes payable approximate fair value because of their short maturities.

Current portion of long-term debt

The carrying amounts of the current portion of long-term loans approximate fair value because of their short maturities. The fair values of the current portion of long-term bonds are principally measured at market price.

Long-term debt

The carrying amounts of long-term loans with fluctuating interest rates approximate fair value because the variable interest rates reflect market rates in a short period of time and the credit standing of the Company is not substantially changed. The fair values of long-term loans with fixed interest rates are measured by discounting the cash flows related to the debt at the Companies' assumed corporate borrowing rate. In addition, the fair values of long-term bonds are principally measured at market price.

DERIVATIVES

Information on the fair values of derivatives is included in Note 19.

(2) Carrying amount of financial instruments whose fair value cannot be reliably determined

	Millions of Yen		Thousands of U.S. Dollars
	2021	2020	**2021**
Investments in securities			
Available-for-sale:			
Equity securities	**¥ 6,278**	¥ 5,990	**$ 56,559**
Preferred equity investment	**10,156**	10,156	**91,496**
Other	**12,137**	10,675	**109,342**
Investments in unconsolidated subsidiaries and affiliates	**63,827**	66,256	**575,018**
Total	**¥ 92,398**	¥ 93,077	**$ 832,415**

The carrying amounts mentioned above include the carrying amounts of operational investments in securities, whose fair value cannot be reliably determined, because there are no quoted prices in active markets.

d. Maturity analysis for financial assets and securities with contractual maturities

As of March 31, 2021	Millions of Yen Due within one year	Due after one year through five years	Due after five years through ten years	Due after ten years
Cash and cash equivalents	¥ 300,991	¥ —	¥ —	¥ —
Marketable securities and investments in securities				
Available-for-sale securities with contractual maturities				
Government and corporate bonds	323	551	180	—
Notes and accounts receivable—trade	565,110	36,319	54	679
Other current assets				
Time deposits due after three months of the date of acquisition	6,642	—	—	—
Long-term loans receivable	2,291	6,016	839	828
Long-term loans to unconsolidated subsidiaries and affiliates	75	40,070	3,746	12,240
Total	¥ 875,432	¥ 82,956	¥ 4,819	¥ 13,747

As of March 31, 2021	Thousands of U.S. Dollars Due within one year	Due after one year through five years	Due after five years through ten years	Due after ten years
Cash and cash equivalents	$ 2,711,631	$ —	$ —	$ —
Marketable securities and investments in securities				
Available-for-sale securities with contractual maturities				
Government and corporate bonds	2,909	4,964	1,621	—
Notes and accounts receivable—trade	5,091,081	327,198	486	6,118
Other current assets				
Time deposits due after three months of the date of acquisition	59,838	—	—	—
Long-term loans receivable	20,640	54,198	7,559	7,459
Long-term loans to unconsolidated subsidiaries and affiliates	676	360,991	33,748	110,270
Total	$ 7,886,775	$ 747,351	$ 43,414	$ 123,847

Please see Note 10 for annual maturities of long-term debt.

19. DERIVATIVES

The Companies enter into derivative financial instruments ("derivatives"), including principally foreign exchange forward contracts, currency swap agreements and interest rate swap agreements.

The Companies do not hold or issue derivatives for trading or speculative purposes and it is the Companies' policy to use derivatives only for the purpose of reducing market risks and financing costs in accordance with internal regulations.

All derivative transactions are entered into to hedge interest and foreign currency exposures incorporated within the Companies' business. Accordingly, market risk in these derivatives is basically offset by opposite movements in the value of hedged assets or liabilities.

Because the counterparties to these derivatives are limited to major domestic or overseas financial institutions, the Companies do not anticipate any losses arising from credit risk.

a. Derivative transactions to which hedge accounting is not applied

	Millions of Yen			
As of March 31, 2021	Contract Amount	Contract Amount due after One Year	Fair Value	Unrealized Gain (Loss)
Foreign exchange forward contracts				
Selling:				
Euro forward	**¥ 2,142**	**¥ 826**	**¥ (7)**	**¥ (7)**
U.S. Dollar forward	**1,099**	**84**	**97**	**97**
Currency swaps				
Buy—Japanese Yen /				
Sell—Australian Dollar	**2,959**	**—**	**(416)**	**(416)**
Total	**¥ 6,200**	**¥ 910**	**¥ (326)**	**¥ (326)**

	Millions of Yen			
As of March 31, 2020	Contract Amount	Contract Amount due after One Year	Fair Value	Unrealized Gain (Loss)
Foreign exchange forward contracts				
Selling:				
Euro forward	¥ 135	¥ —	¥ 2	¥ 2
U.S. Dollar forward	300	—	(11)	(11)
Currency swaps				
Buy—Japanese Yen /				
Sell—Australian Dollar	1,449	1,449	106	106
Total	¥ 1,884	¥ 1,449	¥ 97	¥ 97

	Thousands of U.S. Dollars			
As of March 31, 2021	Contract Amount	Contract Amount due after One Year	Fair Value	Unrealized Gain (Loss)
Foreign exchange forward contracts				
Selling:				
Euro forward	**$ 19,297**	**$ 7,441**	**$ (63)**	**$ (63)**
U.S. Dollar forward	**9,901**	**757**	**874**	**874**
Currency swaps				
Buy—Japanese Yen /				
Sell—Australian Dollar	**26,658**	**—**	**(3,748)**	**(3,748)**
Total	**$ 55,856**	**$ 8,198**	**$ (2,937)**	**$ (2,937)**

b. Derivative transactions to which hedge accounting is applied

As of March 31, 2021	Hedged item	Contract Amount	Contract Amount due after One Year	Fair Value
		Millions of Yen		
Foreign exchange forward contracts				
Buying:				
U.S. Dollar forward	Accounts payable—trade	**¥ 343**	**¥ —**	**¥ 9**
Euro forward	Accounts payable—trade	**14**	**—**	**1**
Selling:				
Euro forward	Accounts receivable—trade	**18,250**	**2,243**	**(682)**
Total		**¥ 18,607**	**¥ 2,243**	**¥ (672)**
Interest rate swaps				
Pay—fix / Receive—float	Long-term debt	**¥ 2,485**	**¥ 2,485**	**¥ (90)**
Total		**¥ 2,485**	**¥ 2,485**	**¥ (90)**

As of March 31, 2020	Hedged item	Contract Amount	Contract Amount due after One Year	Fair Value
		Millions of Yen		
Foreign exchange forward contracts				
Buying:				
U.S. Dollar forward	Accounts payable—trade	¥ 69	¥ —	¥ (1)
Thai Baht forward	Accounts payable—trade	9	—	(1)
Selling:				
Euro forward	Accounts receivable—trade	4,618	88	72
Total		¥ 4,696	¥ 88	¥ 70
Interest rate swaps				
Pay—fix / Receive—float	Current portion of long-term debt	¥ 22,494	¥ 324	¥ (153)
Total		¥ 22,494	¥ 324	¥ (153)

As of March 31, 2021	Hedged item	Contract Amount	Contract Amount due after One Year	Fair Value
		Thousands of U.S. Dollars		
Foreign exchange forward contracts				
Buying:				
U.S. Dollar forward	Accounts payable—trade	**$ 3,090**	**$ —**	**$ 81**
Euro forward	Accounts payable—trade	**126**	**—**	**9**
Selling:				
Euro forward	Accounts receivable—trade	**164,414**	**20,207**	**(6,144)**
Total		**$ 167,630**	**$ 20,207**	**$ (6,054)**
Interest rate swaps				
Pay—fix / Receive—float	Long-term debt	**$ 22,387**	**$ 22,387**	**$ (811)**
Total		**$ 22,387**	**$ 22,387**	**$ (811)**

The fair value of derivative transactions is mainly measured at the quoted price obtained from the financial institution.

The contract amounts of derivatives which are shown in the above table do not represent the amounts exchanged by the parties and do not measure the exposure to credit or market risk.

20. COMMITMENTS AND CONTINGENT LIABILITIES

As of March 31, 2021, contingent liabilities for loans guaranteed, including related items of a similar nature, amounted to ¥12,986 million ($116,991 thousand).

21. OTHER COMPREHENSIVE INCOME (LOSS)

The components of other comprehensive income (loss) for the years ended March 31, 2021 and 2020, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2021	2020	**2021**
Unrealized gain (loss) on available-for-sale securities:			
Gains (losses) arising during the year	**¥ 44,203**	¥ (40,192)	**$ 398,225**
Reclassification adjustments to profit or loss	**(3,884)**	1,679	**(34,991)**
Amount before income tax effect	**40,319**	(38,513)	**363,234**
Income tax effect	**(12,296)**	11,747	**(110,775)**
Total	**¥ 28,023**	¥ (26,766)	**$ 252,459**
Deferred (loss) gain on derivatives under hedge accounting:			
(Losses) gains arising during the year	**¥ (889)**	¥ 199	**$ (8,009)**
Reclassification adjustments to profit or loss	**482**	(52)	**4,342**
Amount before income tax effect	**(407)**	147	**(3,667)**
Income tax effect	**(22)**	(23)	**(198)**
Total	**¥ (429)**	¥ 124	**$ (3,865)**
Revaluation surplus of land:			
Adjustments arising during the year	**¥ —**	¥ —	**$ —**
Reclassification adjustments to profit or loss	**—**	—	**—**
Amount before income tax effect	**—**	—	**—**
Income tax effect	**—**	829	**—**
Total	**¥ —**	¥ 829	**$ —**
Foreign currency translation adjustments:			
Adjustments arising during the year	**¥ (9,773)**	¥ (348)	**$ (88,045)**
Reclassification adjustments to profit or loss	**(24)**	(1,136)	**(216)**
Amount before income tax effect	**(9,797)**	(1,484)	**(88,261)**
Income tax effect	**—**	—	**—**
Total	**¥ (9,797)**	¥ (1,484)	**$ (88,261)**
Defined retirement benefit plans:			
Adjustments arising during the year	**¥ 1,614**	¥ (342)	**$ 14,541**
Reclassification adjustments to profit or loss	**330**	206	**2,973**
Amount before income tax effect	**1,944**	(136)	**17,514**
Income tax effect	**(574)**	25	**(5,172)**
Total	**¥ 1,370**	¥ (111)	**$ 12,342**
Share of other comprehensive income (loss) in unconsolidated subsidiaries and affiliates:			
Gains (losses) arising during the year	**¥ 123**	¥ (249)	**$ 1,108**
Reclassification adjustments to profit or loss	**115**	51	**1,036**
Adjustment for acquisition cost of assets	**56**	7	**505**
Total	**¥ 294**	¥ (191)	**$ 2,649**
Total other comprehensive income (loss)	**¥ 19,461**	¥ (27,599)	**$ 175,324**

22. SUPPLEMENTAL CASH FLOW INFORMATION

The components of assets acquired and liabilities assumed of consolidated subsidiaries which were acquired through the interests and share acquisitions during the year ended March 31, 2020, as well as reconciliation between the acquisition cost and the payment for the acquisition were as follows:

	Millions of Yen	
	2020	
Current assets	¥	386
Non-current assets		324
Goodwill		118
Current liabilities		(120)
Noncontrolling interests		(83)
Acquisition cost		625
Cash and cash equivalents of subsidiaries		(248)
Net payment for acquisition	¥	377

23. NET INCOME PER SHARE

Basic net income per share ("EPS") for the years ended March 31, 2021 and 2020, was as follows:

		Millions of Yen	Thousand of Shares		Yen		U.S. Dollars
		Net Income Attributable to Owners of the Parent	Weighted—Average Shares		EPS		
For the year ended March 31, 2021:							
Basic EPS							
Net income attributable to common stockholders	¥	**98,523**	**510,144**	¥	**193.13**	$	**1.740**
For the year ended March 31, 2020:							
Basic EPS							
Net income attributable to common stockholders	¥	103,242	513,668	¥	200.99		

24. SUBSEQUENT EVENTS

a. Appropriation of Retained Earnings

On June 25, 2021, the stockholders of the Company approved the appropriation of retained earnings to pay a dividend of ¥29.00 ($0.261) per share (final for the year ended March 31, 2021) for a total amount of ¥14,683 million ($132,279 thousand).

b. Acquisition of Own Shares

The Company, at the Board of Directors' Meeting held on May 14, 2021, resolved matters related to acquisition of its own shares in accordance with Article 156 of the Companies Act, applicable pursuant to Article 165, Paragraph 3 of the said Act, and the acquisition has been completed.

(1) Reason for acquiring own shares

To expand shareholder returns and improve capital efficiency

(2) Details relating to the acquisition

1) Type of shares to be acquired: Common Stock of the Company
2) Aggregate number of shares to be acquired: 8,300,000 shares (upper limit)
(The ratio to the aggregate number of issued shares (excluding own shares): 1.6%)
3) Aggregate acquisition price of shares: 10,000,000,000 Japanese yen (upper limit)
4) Acquisition period: May 17, 2021 to September 30, 2021

(3) Results of the acquisition

1) Type of shares acquired:	Common Stock of the Company
2) Aggregate number of shares acquired:	6,651,000 shares
3) Aggregate acquisition price of shares:	9,999,931,600 Japanese yen
4) Acquisition period:	May 17, 2021 to June 15, 2021(on a trade basis)
5) Acquisition method:	Market purchase on the Tokyo Stock Exchange

c. Issuance of Unsecured Bonds

The Company, at the Board of Directors' Meeting held on June 7, 2021, resolved to issue unsecured bonds with the following terms and conditions:

1) Issue amount:	Maximum of ¥10,000 million ($90,090 thousand)
2) Maturity:	3 to 10 years
3) Issue price:	¥100 ($0.901) for face value of ¥100 ($0.901)
4) Redemption price:	¥100 ($0.901) for face value of ¥100 ($0.901)
5) Interest rate:	Not more than the yield of a government bond plus 1.0%
6) Interest payment:	At the end of every six-month period
7) Redemption schedule:	Redemption at maturity
8) Issue date:	Any date between the date of resolution at the Board of Directors' Meeting and March 31, 2022
9) Use of proceeds:	Capital investment, bond redemptions and working capital

In addition, the Board of Directors resolved that the General Manager of the Treasury Division (Senior Managing Director) of the Company be authorized to determine the issue amount, maturity, interest rate, issue date and other matters in accordance with the above terms and conditions.

25. SEGMENT INFORMATION

a. Segment Information

An entity is required to report financial and descriptive information about its reportable segments. Reportable segments are operating segments or aggregations of operating segments that meet specified criteria. Operating segments are components of an entity about which separate financial information is available and such information is evaluated regularly by the chief operating decision maker in deciding how to allocate resources and in assessing performance. Generally, segment information is required to be reported on the same basis as is used internally for evaluating operating segment performance and deciding how to allocate resources to operating segments.

(1) Description of reportable segments

The Group's reportable segments are those for which separate financial information is available and regular evaluation by the Board of Directors of the Company is being performed in order to decide how resources are allocated among the Group and to assess performance of each reportable segment.

The Group operates in a wide and multilateral business. The Company organizes management divisions for each operating segment, such as civil engineering, building construction, real estate development and other, which strategize and develop their business. Also, the Company's domestic and overseas subsidiaries and affiliates cooperate with the Company to expand the range of the Group's business.

Therefore, the Group consists of five reportable segments as follows:

Civil Engineering:	Civil engineering in the construction business operated by the Company
Building Construction:	Building construction in the construction business operated by the Company
Real Estate Development and Other:	Real estate development business, architectural, structural and other design business and engineering business operated by the Company
Domestic Subsidiaries and Affiliates:	Sales of construction materials, special construction and engineering services, comprehensive leasing business, building rental business and others mainly in Japan operated by domestic subsidiaries and affiliates
Overseas Subsidiaries and Affiliates:	Construction business, real estate development business and others overseas such as in North America, Europe, Asia, Oceania and other areas operated by overseas subsidiaries and affiliates

(2) Methods of measurement for the amounts of sales, profit (loss), assets, liabilities and other items for each reportable segment

The accounting policies of each reportable segment are consistent with those disclosed in Note 2, "Summary of Significant Accounting Policies." The profit (loss) of each reportable segment is measured by its operating income (loss). The contracts between the reportable segments are entered into on an arm's-length basis and in the normal course of business.

(3) Information about revenues, profit (loss), assets, liabilities and other items is as follows:

Year Ended March 31, 2021 — Millions of Yen

	Civil Engineering	Building Construction	Real Estate Development and Other	Domestic Subsidiaries and Affiliates	Overseas Subsidiaries and Affiliates	Total	Reconciliations	Consolidated
Revenues:								
Sales to external customers	**¥ 334,792**	**¥ 781,327**	**¥ 68,888**	**¥ 233,946**	**¥ 488,224**	**¥ 1,907,177**	**¥ —**	**¥ 1,907,177**
Intersegment sales or transfers	**—**	**927**	**3,628**	**144,104**	**891**	**149,550**	**(149,550)**	**—**
Total	**¥ 334,792**	**¥ 782,254**	**¥ 72,516**	**¥ 378,050**	**¥ 489,115**	**¥ 2,056,727**	**¥ (149,550)**	**¥ 1,907,177**
Segment profit	**¥ 29,859**	**¥ 57,835**	**¥ 17,453**	**¥ 17,116**	**¥ 6,864**	**¥ 129,127**	**¥ (1,828)**	**¥ 127,299**
Other:								
Depreciation	**¥ 1,250**	**¥ 2,921**	**¥ 1,698**	**¥ 6,254**	**¥ 7,049**	**¥ 19,172**	**¥ (92)**	**¥ 19,080**
Amortization of goodwill	**—**	**—**	**—**	**—**	**649**	**649**	**—**	**649**

Year Ended March 31, 2020 — Millions of Yen

	Civil Engineering	Building Construction	Real Estate Development and Other	Domestic Subsidiaries and Affiliates	Overseas Subsidiaries and Affiliates	Total	Reconciliations	Consolidated
Revenues:								
Sales to external customers	¥ 288,099	¥ 955,280	¥ 55,713	¥ 243,206	¥ 468,454	¥ 2,010,752	¥ —	¥ 2,010,752
Intersegment sales or transfers	—	2,277	3,689	149,965	625	156,556	(156,556)	—
Total	¥ 288,099	¥ 957,557	¥ 59,402	¥ 393,171	¥ 469,079	¥ 2,167,308	¥ (156,556)	¥ 2,010,752
Segment profit	¥ 17,195	¥ 85,321	¥ 8,530	¥ 17,750	¥ 4,539	¥ 133,335	¥ (1,348)	¥ 131,987
Other:								
Depreciation	¥ 875	¥ 2,907	¥ 3,338	¥ 6,294	¥ 6,644	¥ 20,058	¥ (96)	¥ 19,962
Amortization of goodwill	—	—	—	—	962	962	—	962

Year Ended March 31, 2021 — Thousands of U.S. Dollars

	Civil Engineering	Building Construction	Real Estate Development and Other	Domestic Subsidiaries and Affiliates	Overseas Subsidiaries and Affiliates	Total	Reconciliations	Consolidated
Revenues:								
Sales to external customers	**$ 3,016,144**	**$ 7,038,982**	**$ 620,613**	**$ 2,107,622**	**$ 4,398,414**	**$ 17,181,775**	**$ —**	**$ 17,181,775**
Intersegment sales or transfers	**—**	**8,351**	**32,685**	**1,298,234**	**8,027**	**1,347,297**	**(1,347,297)**	**—**
Total	**$ 3,016,144**	**$ 7,047,333**	**$ 653,298**	**$ 3,405,856**	**$ 4,406,441**	**$ 18,529,072**	**$ (1,347,297)**	**$ 17,181,775**
Segment profit	**$ 269,000**	**$ 521,036**	**$ 157,234**	**$ 154,198**	**$ 61,838**	**$ 1,163,306**	**$ (16,468)**	**$ 1,146,838**
Other:								
Depreciation	**$ 11,261**	**$ 26,315**	**$ 15,298**	**$ 56,342**	**$ 63,505**	**$ 172,721**	**$ (829)**	**$ 171,892**
Amortization of goodwill	**—**	**—**	**—**	**—**	**5,847**	**5,847**	**—**	**5,847**

Notes:

(1) The amount of reconciliations in segment profit, which was loss of ¥1,828 million ($16,469 thousand) and loss of ¥1,348 million for the years ended March 31, 2021 and 2020, respectively, mainly consists of the elimination of intersegment transactions.

(2) Consolidated segment profit is equal to operating income in the consolidated statement of income.

(3) Assets are not allocated to operating segments.

b. Related Information

(1) Information about products and services

Year Ended March 31, 2021	Millions of Yen			
	Construction	Real Estate	Other	Total
Sales to external customers	**¥ 1,673,595**	**¥ 98,485**	**¥ 135,097**	**¥ 1,907,177**

Year Ended March 31, 2020	Millions of Yen			
	Construction	Real Estate	Other	Total
Sales to external customers	¥ 1,791,118	¥ 87,389	¥ 132,245	¥ 2,010,752

Year Ended March 31, 2021	Thousands of U.S. Dollars			
	Construction	Real Estate	Other	Total
Sales to external customers	**$ 15,077,433**	**$ 887,252**	**$ 1,217,090**	**$ 17,181,775**

(2) Information about geographical areas

1) Revenues

Millions of Yen						
2021						
Japan	North America	Europe	Asia	Oceania	Other Areas	Total
¥ 1,416,752	**¥ 268,146**	**¥ 29,164**	**¥ 100,942**	**¥ 91,754**	**¥ 419**	**¥ 1,907,177**

Millions of Yen						
2020						
Japan	North America	Europe	Asia	Oceania	Other Areas	Total
¥ 1,540,022	¥ 234,295	¥ 29,554	¥ 107,976	¥ 98,770	¥ 135	¥ 2,010,752

Thousands of U.S. Dollars						
2021						
Japan	North America	Europe	Asia	Oceania	Other Areas	Total
$ 12,763,532	**$ 2,415,730**	**$ 262,739**	**$ 909,387**	**$ 826,613**	**$ 3,774**	**$ 17,181,775**

Note: Revenues are classified by country or region based on the location of customers.

2) Property and equipment

Millions of Yen						
2021						
Japan	North America	Europe	Asia	Oceania	Other Areas	Total
¥ 340,108	**¥ 9,172**	**¥ 2,047**	**¥ 65,467**	**¥ 1,157**	**¥ 4**	**¥ 417,955**

Millions of Yen						
2020						
Japan	North America	Europe	Asia	Oceania	Other Areas	Total
¥ 309,941	¥ 10,898	¥ 2,477	¥ 66,298	¥ 1,426	¥ 9	¥ 391,049

Thousands of U.S. Dollars						
2021						
Japan	North America	Europe	Asia	Oceania	Other Areas	Total
$ 3,064,036	**$ 82,631**	**$ 18,441**	**$ 589,793**	**$ 10,423**	**$ 36**	**$ 3,765,360**

c. Information about impairment losses of assets

	Millions of Yen	Thousands of U.S. Dollars
	2021	**2021**
Impairment losses of assets	**¥ 946**	**$ 8,523**

Notes:
(1) Impairment losses of assets of ¥946 million ($8,523 thousand) for the year ended March 31, 2021, consisted of assets used for business of ¥623 million ($5,613 thousand) and assets held for rent of ¥323 million ($2,910 thousand). Please see Note 6 for more details. Information about impairment losses of assets for the year ended March 31, 2020 is not disclosed since the effect was immaterial.
(2) Impairment losses of assets are not allocated to operating segments.

d. Information about goodwill
(1) Amortization of goodwill for the years ended March 31, 2021 and 2020

Millions of Yen		Thousands of U.S. Dollars
2021	2020	**2021**
¥ 649	¥ 962	**$ 5,847**

(2) Carrying amounts of goodwill as of March 31, 2021 and 2020

Millions of Yen		Thousands of U.S. Dollars
2021	2020	**2021**
¥ 801	¥ 1,448	**$ 7,216**

Note: Goodwill is not allocated to operating segments.

Deloitte.

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of Kajima Corporation:

Opinion

We have audited the consolidated financial statements of Kajima Corporation and its consolidated subsidiaries (the "Group"), which comprise the consolidated balance sheet as of March 31, 2021, and the consolidated statement of income, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies, all expressed in Japanese yen.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of March 31, 2021, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with accounting principles generally accepted in Japan.

Convenience Translation

Our audit also comprehended the translation of Japanese yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made in accordance with the basis stated in Note 1 to the consolidated financial statements. Such U.S. dollar amounts are presented solely for the convenience of readers outside Japan.

Basis for Opinion

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

Key Audit Matters

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

The Revenue Recognition by Applying the Percentage-of-Completion Method	
Key Audit Matter Description	**How the Key Audit Matter Was Addressed in the Audit**
As described in Note 2, "SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, n. Construction Contracts," the Group's construction revenue and construction costs are recognized by the percentage-of-completion method (the stage of completion of the contract is estimated by a cost-to-cost approach) if the outcome of a construction contract as of March 31, 2021, can be estimated reliably. If the outcome of a construction contract cannot be reliably estimated, the completed-contract method is applied. The amount of construction revenue recognized by applying the percentage-of-completion method for the year ended March 31, 2021, was ¥1,551,820 million ($13,980,360 thousand) of which ¥1,035,570 million ($9,329,459 thousand) was accounted for by Kajima Corporation (the "Company"). As described in Note 3, "SIGNIFICANT ACCOUNTING ESTIMATE—Estimate on Total Construction Revenue, Total Construction Costs and the Stage of Completion of the Contract Concerning the Percentage-of-Completion Method," when applying the percentage-of-completion method, construction revenue is calculated by multiplying the percentage of completion of the contract, which is calculated based on costs incurred to date against total estimated construction costs, by estimated total construction revenue. Total estimated construction revenue, total estimated construction costs, and the stage of completion of the contract are affected by significant predictions and decisions made by management based on the business environment. The Company designs and operates internal controls over this estimation process, such as reviewing and approving an initial operational budget related to the total construction revenue and the total construction costs. The Company also designs and operates internal controls, such as reviewing and approving the revised operational budget which has been estimated at the end of each period given the actual progress of construction. The Company's construction contracts are becoming larger from the total amount of contract perspective and becoming longer from the construction term perspective especially in recent years. Therefore, if the following example situations occur, the impact on the entire consolidated financial statements increases.	Our audit procedures related to testing the reasonableness of accounting estimates for total construction revenue, total construction costs, and percentage-of-completion included the following, among others: First, we obtained an understanding of the business environment of the Company and its industry. Then we assessed the design and operating effectiveness of controls over the processes for estimating total construction revenue and total construction costs in relation to recognizing revenue by applying the percentage-of-completion method. We also involved our IT specialists to assist us to assess the controls over operational processes and IT systems related to the calculation of the construction costs and the stage of completion of the contract for each construction contract. When assessing the design and operating effectiveness of the controls, we paid particular attention to whether the operational budgets were revised and approved when the construction began and the revisions to the operational budgets after beginning construction, and whether the changes in each construction's situation were appropriately reflected and approved in a timely manner. Next, we assessed the reasonableness of accounting estimates included in the last financial year's total construction revenue and total construction costs by comparing the accounting estimates included in last financial year's total construction revenue and total construction costs with this financial year's finalized amounts or revised estimates. Further, we used data analysis tools to perform a risk assessment analysis for all construction projects where the Company applied the percentage-of-completion method. We performed this assessment to identify any construction projects that might include the risks mentioned in Key Audit Matter Description. We performed the following audit procedures to the at-risk construction projects we identified through our analysis: **Audit procedures for total construction revenue** (1) We tested the amount of the total construction revenue by matching it with contracts related to total construction revenue and relevant documents as well as testing amounts received in advance.

(1) The percentage-of-completion method may be applied based on an estimate of the total construction revenue where final agreement on a revised construction contract with a customer is not reached regarding a change in construction method or a change in the scope of construction. Under such circumstances, construction revenue might not be recognized appropriately at the end of each period if the percentage-of-completion method is applied based on incomplete or insufficiently reasonable estimates of unconfirmed or revised portions, or if feasibility of that contract is not high. (2) The total construction costs may increase significantly if an unexpected event that could not have been anticipated when the project initially began occurs, market conditions related to materials and outsourcing costs fluctuate from the beginning of construction, or additional outsourcing costs are expected to occur due to process delays. Uncertainty is involved in these forecasts and estimates. In such cases, it may take time to revise the total construction costs, and there is a possibility that the total construction costs are not adjusted or revised in a timely manner. If the percentage-of-completion method is applied under such circumstances, construction revenue might not be recognized appropriately at the end of each reporting period. (3) As the stage of completion of the contract as at a financial year-end is calculated based on the total construction costs, it might not be calculated appropriately if total construction costs are not revised in a timely manner as mentioned in (2). We determined that the Company's revenue recognition by applying the percentage-of-completion method is our Key Audit Matter because accounting estimates for total construction revenue, total construction costs, and the stage of completion of the contract are subject to uncertainty and management's significant forecasts and judgments.	(2) If the total construction revenue included accounting estimates, we assessed reasonableness and feasibility of the estimates by inquiring of appropriate construction managers and inspecting evidences and project management materials. **Audit procedures for total construction costs** (3) If a construction project's gross margin ratio was significantly higher or lower than previous ratios, we inquired of appropriate construction managers and inspected evidences and project management materials to evaluate whether the gross margin ratio was reasonable. (4) If estimated total construction costs were significantly higher or lower than the total construction costs in previous financial year, we inquired of appropriate construction managers and inspected evidences and project management materials to evaluate whether the estimate was reasonable. **Audit procedures for the stage of completion of the contract (actual costs incurred)** (5) If the monthly trend analysis showed that the actual monthly costs increased or decreased significantly as compared to costs in the previous month, we inquired of appropriate construction managers and inspected evidences and project management materials to evaluate whether the increase or decrease was reasonable. (6) We tested the actual costs incurred by matching them with invoices and other evidences. We also visited several construction sites and observed the consistency between the construction progress and accounting estimates.

Responsibilities of Management and Audit & Supervisory Board Members and the Audit & Supervisory Board for the Consolidated Financial Statements

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

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern in accordance with accounting principles generally accepted in Japan and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Audit & Supervisory Board members and the Audit & Supervisory Board are responsible for overseeing the Directors' execution of duties relating to the design and operating effectiveness of the controls over the Group's financial reporting process.

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with auditing standards generally accepted in Japan will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks. The procedures selected depend on the auditor's judgment. In addition, we obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain, when performing risk assessment procedures, an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate whether the overall presentation and disclosures of the consolidated financial statements are in accordance with accounting principles generally accepted in Japan, as well as the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with Audit & Supervisory Board members and the Audit & Supervisory Board 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 Audit & Supervisory Board members and the Audit & Supervisory Board with a statement that we have complied with relevant ethical requirements regarding independence, and 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 Audit & Supervisory Board members and the Audit & Supervisory Board, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Interest Required to Be Disclosed by the Certified Public Accountants Act of Japan

Our firm and its designated engagement partners do not have any interest in the Group which is required to be disclosed pursuant to the provisions of the Certified Public Accountants Act of Japan.

Deloitte Touche Tohmatsu LLC

June 25, 2021