INTEGRATED REPORT

Financial Review 2023

Year ended March 31, 2023

The consolidated financial statements of Kajima Corporation and its consolidated subsidiaries and the notes to consolidated financial statements are audited by Deloitte Touche Tohmatsu LLC. They have been prepared for the purpose of construction contract awards outside Japan.

Of the contents in the Financial Review (with the exception of the Summary and Forecast of Business Performance), the consolidated financial statements, notes to consolidated financial statements, and independent auditor's report, have been copied from documents prepared and issued for the aforementioned purpose.

Contents

Summary and Forecast of Business Performance

Amounts less than ¥0.1 billion have been rounded down.

Overview of Business Performance

In the fiscal year ended March 31, 2023, despite the easing of the various restrictions in many countries and regions that were intended to prevent the spread of COVID-19, and despite the increasing normalization of social and economic activities, the pace of global economic growth slowed and stagnated due to mounting geopolitical risks, including the situation in Ukraine, and rising inflation and interest rates, mainly in Europe and the United States. The Japanese economy continued to show ups and downs in reaction to COVID-19 trends, but the impact of COVID-19 on the economy is receding, and personal consumption, especially for services, is picking up, indicating a moderate recovery is underway.

In the domestic construction market, public investment remained steady, and corporate investment in both manufacturing and non-manufacturing industries steadily advanced, which led to a rise in construction demand. With regard to construction costs, material and equipment prices remained high overall, and labor costs showed an upward trend.

In this environment, the Kajima Group operated its business in Japan and overseas with a focus on the construction and real estate development businesses, under the Kajima Group Medium-Term Business Plan (FY2021-2023).

The Group's financial results for the fiscal year ended March 31, 2023 were as follows.

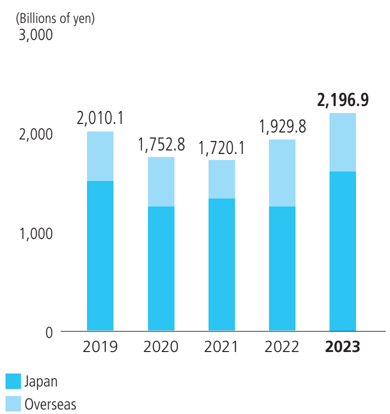
Consolidated construction contract awards increased 13.8% year on year to ¥2,196.9 billion (compared with ¥1,929.8 billion in the previous fiscal year) due to an increase in contract awards in the Company's building construction and the civil engineering businesses. Non-consolidated contract awards, including those for real estate development and other projects, increased 26.6% year on year to ¥1,535.7 billion (compared with ¥1,213.4 billion in the previous fiscal year).

Revenues increased 15.0% year on year to ¥2,391.5 billion (compared with ¥2,079.6 billion in the previous fiscal year) mainly due to higher revenues by the Company's construction business and its overseas subsidiaries and affiliates.

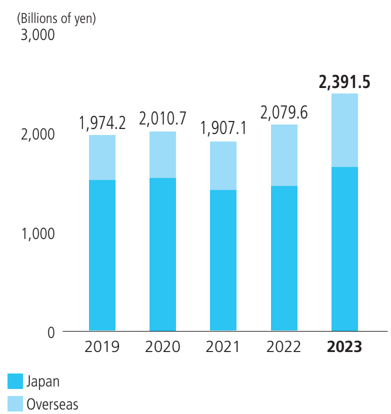
As for profit figures, operating income increased 0.1% year on year to ¥123.5 billion (compared with ¥123.3 billion in the previous fiscal year), as increased gross profit for the non-consolidated construction business, domestic subsidiaries and affiliates, and overseas subsidiaries and affiliates offset higher selling, general and administrative expenses such as R&D expenses. Net income attributable to owners of the parent climbed 7.6% to ¥111.7 billion (compared with ¥103.8 billion in the previous fiscal year) thanks to an improvement in other income – net. Also in the period under review, the Company sold cross-shareholdings (17 stocks, ¥10.0 billion), and recorded a gain on sales of marketable and investment securities as other income.

In the non-consolidated construction business during the fiscal year, mainly the building construction business was affected by rising prices of materials and equipment. To address this, we took measures to counter rising costs, conduct early procurement, and improve productivity, and we also held discussions with clients about changes in contract prices and design changes. As a result of these efforts, the gross profit margin for the building construction business remained within the range expected at the beginning of the period. The gross profit margin in civil engineering improved and exceeded the forecast due to the conclusion of additional amended contracts, cost reductions, and other factors. In the real estate and other businesses, revenues and gross profit from the real estate leasing business increased compared with the previous fiscal year. In addition, the planned sale of domestic real estate development assets (noncurrent assets)

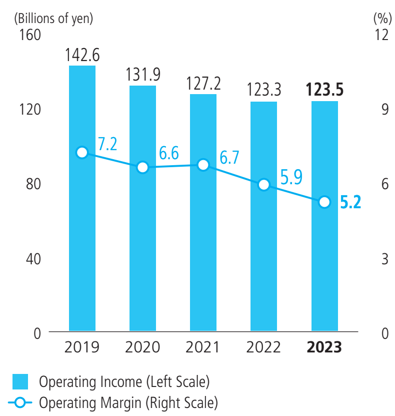
Construction Contract Awards
Years ended March 31



Revenues
Years ended March 31



Operating Income / Operating Margin
Years ended March 31



and other assets resulted in a gain on sales of property and equipment (¥4.9 billion) that was recorded as other income and contributed to earnings.

In domestic subsidiaries and affiliates, both construction business and real estate development and other businesses outperformed previous fiscal year due to orders for large-scale construction projects, and steady progress in construction. In addition, the construction equipment and materials sales business and the building leasing business performed well.

Overseas subsidiaries and affiliates continued to face a difficult business environment due to the slowdown in economic growth in the United States and Europe and broad foreign exchange rate fluctuations. However, as a result of conducting the business with thorough risk management, solid performance was achieved in the United States, mainly in the real estate business, and in Southeast Asia, performance recovery progressed as the impact of COVID-19 decreased.

Overview of Performance by Business Segment

Segment results were as follows. (Segment results include internal sales or transfers between segments.)

Civil Engineering

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

Revenues increased 11.0% year on year to ¥301.6 billion (compared with ¥271.8 billion in the previous fiscal year) due to steady progress in the construction of large-scale projects.

Segment profit jumped 48.9% to ¥29.3 billion (compared with ¥19.6 billion in the previous fiscal year) due to higher gross profit margin in addition to increased revenues.

(Billions of yen)

(Years ended March 31)	2023	2022	2023/2022 (%)
Revenues	**301.6**	271.8	11.0
Segment profit	**29.3**	19.6	48.9

Building Construction

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

Revenues increased 18.0% year on year to ¥1,086.2 billion (compared with ¥920.6 billion in the previous fiscal year) due to steady progress in large-scale construction projects including those ordered in the period under review.

Segment profit decreased 6.8% to ¥46.6 billion (compared with ¥50.1 billion in the previous fiscal year) due to a decline in the gross profit margin from the previous fiscal year, which was partly due to rising prices for materials and equipment, despite the impact of higher revenues.

(Billions of yen)

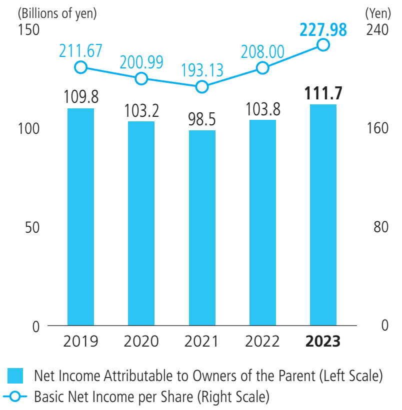
(Years ended March 31)	2023	2022	2023/2022 (%)
Revenues	**1,086.2**	920.6	18.0
Segment profit	**46.6**	50.1	(6.8)

Real Estate Development and Other

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

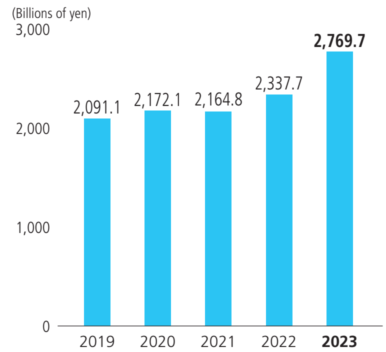
Despite the strong real estate leasing business, revenues declined 14.2% year on year to ¥44.9 billion (compared with ¥52.4 billion in the previous fiscal year) and segment profit decreased 36.3% to ¥7.1 billion (compared with ¥11.2 billion in the previous fiscal year) mainly due to fewer real estate sales projects in the period under review. In addition, the systematic sales of domestic real estate development assets (noncurrent

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

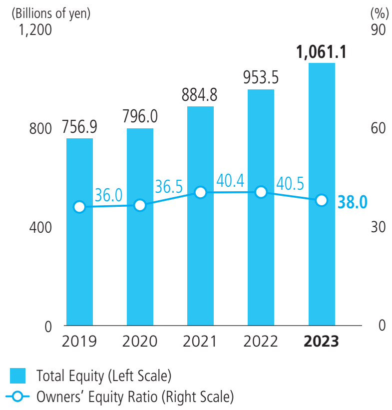


Note: The Company consolidated its shares at a rate of one share for every two shares, effective October 1, 2018. Accordingly, basic net income per share for the fiscal year ended March, 2019 is calculated as if the consolidation of shares had been conducted at the beginning of the fiscal year ended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

Total Assets
As of March 31



Total Equity / Owners' Equity Ratio
As of March 31



assets) and other assets resulted in the recording of a gain on sales of property and equipment of ¥4.9 billion as other income.

(Billions of yen)

(Years ended March 31)	2023	2022	2023/2022 (%)
Revenues	44.9	52.4	(14.2)
Segment profit	7.1	11.2	(36.3)

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 gross profit increased in both the construction business and real estate development and other businesses. Revenues rose 11.5% year on year to ¥352.6 billion (compared with ¥316.1 billion in the previous fiscal year), while segment profit increased 6.9% to ¥17.4 billion (compared with ¥16.2 billion in the previous fiscal year).

(Billions of yen)

(Years ended March 31)	2023	2022	2023/2022 (%)
Revenues	352.6	316.1	11.5
Segment profit	17.4	16.2	6.9

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 increased 18.5% to ¥739.2 billion (compared with ¥623.9 billion in the previous fiscal year), with increases in all regions due to exchange rate fluctuations and other factors.

Segment profit decreased 14.1% year on year to ¥22.7 billion (compared with ¥26.4 billion in the previous fiscal year) due to lower segment profit than the high level of the previous year in North America and Europe, despite solid performance in both the construction and real estate development and other businesses.

(Billions of yen)

(Years ended March 31)	2023	2022	2023/2022 (%)
Revenues	739.2	623.9	18.5
Segment profit	22.7	26.4	(14.1)

Analysis of Financial Position

Assets, Liabilities and Equity

Total assets at the end of the fiscal year increased ¥431.9 billion year on year to ¥2,769.7 billion (compared with ¥2,337.7 billion at the end of the previous fiscal year). Main factors included an increase in notes and accounts receivable – trade, an increase in inventories and an increase in property and equipment.

Total liabilities increased ¥324.3 billion year on year to ¥1,708.5 billion (compared with ¥1,384.1 billion at the end of the previous fiscal year). This was due to an increase in interest-bearing debt and an increase in notes and accounts payable – trade as well as an increase in advances received on construction projects in progress.

Total equity increased by ¥107.5 billion year on year to ¥1,061.1 billion (compared with ¥953.5 billion at the end of the previous fiscal year).

In addition, the owners' equity ratio dropped to 38.0%, down 2.5 points compared with 40.5% at the end of the previous fiscal year.

Cash Flows

Cash flows from operating activities in the fiscal year resulted in a net cash outflow of ¥29.1 billion (compared with a net cash inflow of ¥30.2 billion in the previous fiscal year). This was mainly due to an increase in receivables, an increase in inventories and an outflow in income taxes – paid, etc. These outflows were partially offset by income before income taxes with adjustments including depreciation and amortization, an increase in payables and an increase in advances received.

Cash flows from investing activities resulted in a net cash outflow of ¥81.7 billion (compared with ¥51.1 billion in the previous fiscal year). This was mainly due to payment for purchases of property and equipment, disbursements for loans, payment for investments in unconsolidated subsidiaries and affiliates and payment for purchases of intangible assets. These outflows were partially offset by inflows including proceeds from sales and redemption of marketable and investment securities and proceeds from sales of property and equipment.

Cash flows from financing activities resulted in a net cash inflow of ¥111.8 billion (compared with a net cash outflow of ¥20.9 billion in the previous fiscal year). This was mainly due to inflows of the net of financing and repayment of short-term borrowings, long-term debt, commercial paper and bonds. These inflows were partially offset by cash dividends paid and payment for purchases of treasury stock.

As a result, the balance of cash and cash equivalents at the end of the fiscal year increased by ¥14.5 billion year on year to ¥282.2 billion (¥267.7 billion at the end of the previous fiscal year).

(Billions of yen)

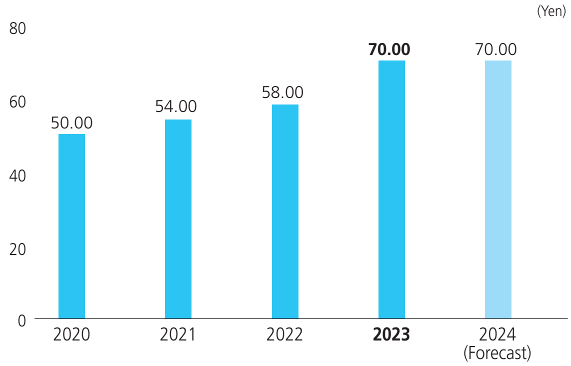
(Years ended March 31)	2023	2022	2021
Cash flows from operating activities	(29.1)	30.2	153.0
Cash flows from investing activities	(81.7)	(51.1)	(65.4)
Cash flows from financing activities	111.8	(20.9)	(39.1)
Cash and cash equivalents, end of year	282.2	267.7	300.9

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 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.

In consideration of the aforementioned policy, and in light of the business performance of the fiscal year under review, the Company paid an annual dividend of ¥70 per share, consisting of a year-end dividend of ¥41 per share and an interim (end of second quarter) dividend of ¥29 per share. The Company also plans to pay an annual dividend of ¥70 per share (including an interim dividend of ¥35 per share) for the fiscal year ending March 31, 2024.

Cash Dividends per Share
Years ended/ending March 31



* The forecasts contained herein are based on information available as of the date of the announcement on May 15, 2023. Actual results may differ materially from the forecasts due to various factors.

Forecast for the Fiscal Year Ending March 31, 2024*

The global economic pace of growth has slowed, and uncertainty about the future remains high due to continued inflation, mainly in Europe and the United States, and geopolitical risks. At the same time, the Company anticipates further growth of investments to address sustainability issues such as achieving a carbon-free world, as well as economic revitalization through the creation of a social environment free of restrictions on people's activities and movement. Therefore, in the years ahead, it is important that we accurately assess changes in economic trends, social demands and needs to promote our business.

In the construction market, strong domestic construction demand is expected to continue for some time to come, and medium- to long-term construction investment related to digitalization and next-generation technologies is increasing both in Japan and overseas. To provide high-quality construction and real estate-related services while coping with rising material and labor costs, there are simultaneous needs to improve employment conditions for construction workers, reform work styles, and promote higher productivity in order to ensure sustainability in the construction industry.

In the fiscal year ending March 31, 2024, the domestic construction business is expected to make steady progress on abundant on-hand construction projects in both the civil engineering and building construction businesses. Profitability is also expected to improve, mainly for projects scheduled for completion, due to efforts to improve productivity and reduce costs, although the impact of rising construction costs will continue to require attention. The gross profit margin of the Company's construction business is forecast to be 16.1% for civil engineering and 9.7% for building construction. The gross profit margin of building construction in particular is expected to improve and exceed that of the current fiscal year. In the domestic real estate development business, revenues and profits are forecast to increase due to the sale of multiple properties. We expect that overseas business will continue to make a performance recovery in Southeast Asia. In the United States and Europe, the uncertain business environment is expected to continue, but we plan to steadily secure earnings while rigorously managing risks and taking needed measures.

Reflecting this outlook, results for the fiscal year ending March 31, 2024 are forecast to show on a consolidated basis higher revenues and operating income, and a high net income attributable to owners of the parent exceeding ¥100 billion for the third consecutive year.

(Billions of yen)

(Years ending/ ended March 31)	2024 (Forecast)	2023 (Results)	2024/2023 (%)
Revenues	**2,480.0**	2,391.5	3.7
Operating income	**142.0**	123.5	15.0
Net income attributable to owners of the parent	**105.0**	111.7	(6.1)

* The forecasts contained herein are based on information available as of the date of the announcement on May 15, 2023. 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)
	2023	2022	**2023**
ASSETS			
CURRENT ASSETS:			
Cash and cash equivalents (Note 20)	**¥ 282,253**	¥ 267,733	**$ 2,106,366**
Marketable securities (Notes 5 and 20)	**384**	187	**2,866**
Operational investments in securities (Notes 5 and 20)	**11,624**	11,898	**86,746**
Notes and accounts receivable—trade (Notes 4.a, 10, 17.c and 20)	**899,621**	726,564	**6,713,590**
Allowance for doubtful accounts (Note 20)	**(5,417)**	(1,958)	**(40,425)**
Inventories:			
Construction projects in progress	**9,955**	9,408	**74,290**
Development projects in progress, real estate for sale and other (Note 10)	**419,667**	261,831	**3,131,843**
Other current assets (Notes 10 and 20)	**133,497**	115,049	**996,246**
Total current assets	**1,751,584**	1,390,712	**13,071,522**
PROPERTY AND EQUIPMENT:			
Land (Notes 6, 7, 8 and 10)	**274,026**	239,280	**2,044,969**
Buildings and structures (Notes 7, 8 and 10)	**159,364**	158,112	**1,189,284**
Machinery, equipment and other (Notes 7 and 10)	**25,580**	21,079	**190,896**
Construction in progress (Notes 7 and 8)	**19,570**	9,110	**146,045**
Total property and equipment	**478,540**	427,581	**3,571,194**
INVESTMENTS AND OTHER ASSETS:			
Investments in securities (Notes 5, 10 and 20)	**270,615**	282,506	**2,019,515**
Investments in unconsolidated subsidiaries and affiliates (Notes 10 and 20)	**85,527**	73,365	**638,261**
Long-term loans receivable (Notes 9, 10 and 20)	**6,273**	5,225	**46,813**
Long-term loans to unconsolidated subsidiaries and affiliates (Notes 10 and 20)	**54,628**	64,652	**407,672**
Allowance for doubtful accounts (Note 20)	**(2,864)**	(3,177)	**(21,373)**
Deferred tax assets (Note 16)	**13,348**	10,145	**99,612**
Other (Notes 8, 10 and 14)	**112,067**	86,733	**836,321**
Total investments and other assets	**539,594**	519,449	**4,026,821**
TOTAL	**¥ 2,769,718**	¥ 2,337,742	**$ 20,669,537**

See notes to consolidated financial statements.

	As of March 31		
	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2023	2022	**2023**
LIABILITIES AND EQUITY			
CURRENT LIABILITIES:			
Short-term borrowings (Notes 10 and 11)	**¥ 223,754**	¥ 148,475	**$ 1,669,806**
Commercial paper (Note 12)	**40,000**	40,000	**298,507**
Current portion of long-term debt (Notes 10, 11 and 20)	**23,440**	28,259	**174,925**
Notes and accounts payable—trade	**603,868**	501,962	**4,506,478**
Advances received:			
Construction projects in progress (Notes 4.b, 13 and 17.c)	**149,818**	124,112	**1,118,045**
Development projects in progress, real estate for sale and other (Notes 4.b and 17.c)	**7,608**	5,919	**56,776**
Income taxes payable	**25,279**	22,702	**188,649**
Accrued expenses	**60,328**	56,076	**450,209**
Other current liabilities (Notes 3, 4.b and 17.c)	**185,673**	180,163	**1,385,620**
Total current liabilities	**1,319,768**	1,107,668	**9,849,015**
LONG-TERM LIABILITIES:			
Long-term debt (Notes 10, 11, 20 and 26.d)	**262,449**	150,480	**1,958,575**
Deferred tax liabilities (Note 16)	**254**	1,662	**1,896**
Deferred tax liabilities on revaluation surplus of land (Note 6)	**20,628**	20,689	**153,940**
Liability for retirement benefits (Note 14)	**62,099**	63,185	**463,425**
Equity loss in excess of investments in and loans to unconsolidated subsidiaries and affiliates	**1,205**	1,205	**8,993**
Other long-term liabilities (Note 10)	**42,170**	39,286	**314,701**
Total long-term liabilities	**388,805**	276,507	**2,901,530**
COMMITMENTS AND CONTINGENT LIABILITIES (Notes 19, 21 and 22)			
EQUITY (Notes 15 and 26.a):			
Common stock, authorized, 1,250,000,000 shares; issued, 528,656,011 shares	**81,447**	81,447	**607,813**
Capital surplus	**41,990**	42,314	**313,358**
Retained earnings	**813,653**	731,275	**6,072,037**
Treasury stock—at cost, 42,570,843 shares in 2023 and 36,217,562 shares in 2022 (Note 18)	**(55,673)**	(45,921)	**(415,470)**
Accumulated other comprehensive income:			
Unrealized gain on available-for-sale securities (Note 5)	**103,272**	105,356	**770,687**
Deferred loss on derivatives under hedge accounting (Note 21)	**(31)**	(731)	**(231)**
Revaluation surplus of land (Note 6)	**21,357**	21,498	**159,381**
Foreign currency translation adjustments	**44,820**	10,589	**334,477**
Defined retirement benefit plans (Note 14)	**1,596**	(122)	**11,910**
Total	**1,052,431**	945,705	**7,853,962**
Noncontrolling interests	**8,714**	7,862	**65,030**
Total equity	**1,061,145**	953,567	**7,918,992**
TOTAL	**¥ 2,769,718**	¥ 2,337,742	**$ 20,669,537**

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)
	2023	2022	**2023**
REVENUES:			
Construction projects (Notes 3 and 17)	**¥ 2,106,971**	¥ 1,797,794	**$ 15,723,664**
Real estate and other (Notes 8 and 17)	**284,608**	281,901	**2,123,940**
Total revenues	**2,391,579**	2,079,695	**17,847,604**
COST OF REVENUES:			
Construction projects (Note 3)	**1,910,877**	1,613,910	**14,260,276**
Real estate and other (Note 8)	**213,602**	210,070	**1,594,045**
Total cost of revenues	**2,124,479**	1,823,980	**15,854,321**
Gross profit	**267,100**	255,715	**1,993,283**
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES	**143,573**	132,332	**1,071,440**
Operating income	**123,527**	123,383	**921,843**
OTHER INCOME (EXPENSES):			
Interest and dividends	**16,514**	11,881	**123,239**
Interest expense	**(4,829)**	(2,363)	**(36,037)**
Foreign currency exchange loss	**(759)**	(523)	**(5,664)**
Equity in earnings of unconsolidated subsidiaries and affiliates	**5,625**	6,966	**41,978**
Equity in earnings of partnership	**17,116**	11,853	**127,731**
Provision for doubtful accounts	**(304)**	(21)	**(2,269)**
Gain (loss) on sales or disposals of property and equipment—net (Note 8)	**3,821**	(1,138)	**28,515**
Gain on sales of marketable and investment securities—net (Note 5)	**6,488**	13,511	**48,418**
Valuation loss on marketable and investment securities—net (Note 5)	**(1,405)**	(223)	**(10,485)**
Gain on sales of investments in unconsolidated subsidiaries and affiliates	**1,959**	4,181	**14,619**
Loss on impairment of long-lived assets (Notes 7, 8 and 27.c)	**(337)**	(16,453)	**(2,515)**
Litigation settlement	**(3)**	(1,611)	**(22)**
Other—net	**(158)**	927	**(1,179)**
Other income —net	**43,728**	26,987	**326,329**
INCOME BEFORE INCOME TAXES	**167,255**	150,370	**1,248,172**
INCOME TAXES (Note 16)**:**			
Current	**57,533**	48,961	**429,351**
Deferred	**(4,343)**	1,259	**(32,410)**
Total income taxes	**53,190**	50,220	**396,941**

See notes to consolidated financial statements.

	Years Ended March 31		
	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2023	2022	**2023**
NET INCOME	**114,065**	100,150	**851,231**
NET (INCOME) LOSS ATTRIBUTABLE TO NONCONTROLLING INTERESTS	**(2,276)**	3,717	**(16,985)**
NET INCOME ATTRIBUTABLE TO OWNERS OF THE PARENT	**¥ 111,789**	¥ 103,867	**$ 834,246**
	Yen		U.S. Dollars
PER SHARE OF COMMON STOCK (Note 25):			
Basic net income	**¥ 227.98**	¥ 208.00	**$ 1.701**
Cash dividends applicable to the year	**70.00**	58.00	**0.522**

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)	
	2023		2022		**2023**	
NET INCOME	¥	**114,065**	¥	100,150	$	**851,231**
OTHER COMPREHENSIVE INCOME (Note 23):						
Unrealized loss on available-for-sale securities		**(2,090)**		(6,883)		**(15,597)**
Deferred gain (loss) on derivatives under hedge accounting		**603**		(92)		**4,500**
Foreign currency translation adjustments		**36,511**		23,061		**272,470**
Defined retirement benefit plans (Note 14)		**1,696**		456		**12,657**
Share of other comprehensive loss in unconsolidated subsidiaries and affiliates		**(1,100)**		(1,037)		**(8,209)**
Total other comprehensive income		**35,620**		15,505		**265,821**
COMPREHENSIVE INCOME	¥	**149,685**	¥	115,655	$	**1,117,052**
TOTAL COMPREHENSIVE INCOME (LOSS) ATTRIBUTABLE TO:						
Owners of the parent	¥	**146,355**	¥	118,294	$	**1,092,201**
Noncontrolling interests		**3,330**		(2,639)		**24,851**

See notes to consolidated financial statements.

Consolidated Statement of Changes in Equity

KAJIMA Corporation and Consolidated Subsidiaries

Years Ended March 31, 2023 and 2022

	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, 2021(as previously reported)	505,348	¥ 81,447	¥ 43,272	¥ 654,129	¥ (26,172)	¥ 112,242	¥ (659)
Cumulative effects due to revision of accounting standards	—	—	—	1,404	—	—	—
BALANCE, APRIL 1, 2021 (as restated)	505,348	81,447	43,272	655,533	(26,172)	112,242	(659)
Net income attributable to owners of the parent	—	—	—	103,867	—	—	—
Cash dividends paid:							
Final for prior year, ¥29.00 per share	—	—	—	(14,655)	—	—	—
Interim for current year, ¥27.00 per share	—	—	—	(13,470)	—	—	—
Change in ownership interest of the parent due to transactions with noncontrolling interests	—	—	(1,003)	—	—	—	—
Purchase of treasury stock	(13,121)	—	—	—	(20,007)	—	—
Disposition of treasury stock as restricted stock remuneration	211	—	45	—	258	—	—
Net change in the year	—	—	—	—	—	(6,886)	(72)
BALANCE, MARCH 31, 2022	492,438	81,447	42,314	731,275	(45,921)	105,356	(731)
Net income attributable to owners of the parent	—	—	—	111,789	—	—	—
Cash dividends paid:							
Final for prior year, ¥31.00 per share	—	—	—	(15,265)	—	—	—
Interim for current year, ¥29.00 per share	—	—	—	(14,287)	—	—	—
Change in ownership interest of the parent due to transactions with noncontrolling interests	—	—	(370)	—	—	—	—
Reversal of revaluation surplus of land	—	—	—	141	—	—	—
Purchase of treasury stock	(6,566)	—	—	—	(10,026)	—	—
Disposition of treasury stock as restricted stock remuneration	213	—	46	—	274	—	—
Net change in the year	—	—	—	—	—	(2,084)	700
BALANCE, MARCH 31, 2023	**486,085**	**¥ 81,447**	**¥ 41,990**	**¥ 813,653**	**¥ (55,673)**	**¥ 103,272**	**¥ (31)**

	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, 2021(as previously reported)	¥ 21,498	¥ (10,353)	¥ (565)	¥ 874,839	¥ 9,968	¥ 884,807
Cumulative effects due to revision of accounting standards	—	—	—	1,404	1	1,405
BALANCE, APRIL 1, 2021 (as restated)	21,498	(10,353)	(565)	876,243	9,969	886,212
Net income attributable to owners of the parent	—	—	—	103,867	—	103,867
Cash dividends paid:						
Final for prior year, ¥29.00 per share	—	—	—	(14,655)	—	(14,655)
Interim for current year, ¥27.00 per share	—	—	—	(13,470)	—	(13,470)
Change in ownership interest of the parent due to transactions with noncontrolling interests	—	—	—	(1,003)	—	(1,003)
Purchase of treasury stock	—	—	—	(20,007)	—	(20,007)
Disposition of treasury stock as restricted stock remuneration	—	—	—	303	—	303
Net change in the year	—	20,942	443	14,427	(2,107)	12,320
BALANCE, MARCH 31, 2022	21,498	10,589	(122)	945,705	7,862	953,567
Net income attributable to owners of the parent	—	—	—	111,789	—	111,789
Cash dividends paid:						
Final for prior year, ¥31.00 per share	—	—	—	(15,265)	—	(15,265)
Interim for current year, ¥29.00 per share	—	—	—	(14,287)	—	(14,287)
Change in ownership interest of the parent due to transactions with noncontrolling interests	—	(1)	(0)	(371)	1	(370)
Reversal of revaluation surplus of land	(141)	—	—		—	—
Purchase of treasury stock	—	—	—	(10,026)	—	(10,026)
Disposition of treasury stock as restricted stock remuneration	—	—	—	320	—	320
Net change in the year	—	34,232	1,718	34,566	851	35,417
BALANCE, MARCH 31, 2023	**¥ 21,357**	**¥ 44,820**	**¥ 1,596**	**¥ 1,052,431**	**¥ 8,714**	**¥ 1,061,145**

See notes to consolidated financial statements.

Years Ended March 31, 2023 and 2022

	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, 2022	$ 607,813	$ 315,776	$ 5,457,276	$ (342,694)	$ 786,239	$ (5,455)
Net income attributable to owners of the parent	—	—	**834,246**	—	—	—
Cash dividends paid:						
Final for prior year, $0.23 per share	—	—	**(113,918)**	—	—	—
Interim for current year, $0.22 per share	—	—	**(106,619)**	—	—	—
Change in ownership interest of the parent due to transactions with noncontrolling interests	—	**(2,761)**	—	—	—	—
Reversal of revaluation surplus of land	—	—	**1,052**	—	—	—
Purchase of treasury stock	—	—	—	**(74,821)**	—	—
Disposition of treasury stock as restricted stock remuneration	—	**343**	—	**2,045**	—	—
Net change in the year	—	—	—	—	**(15,552)**	**5,224**
BALANCE, MARCH 31, 2023	**$ 607,813**	**$ 313,358**	**$ 6,072,037**	**$ (415,470)**	**$ 770,687**	**$ (231)**

	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, 2022	$ 160,433	$ 79,022	$ (910)	$ 7,057,500	$ 58,672	$ 7,116,172
Net income attributable to owners of the parent	—	—	—	**834,246**	—	**834,246**
Cash dividends paid:						
Final for prior year, $0.23 per share	—	—	—	**(113,918)**	—	**(113,918)**
Interim for current year, $0.22 per share	—	—	—	**(106,619)**	—	**(106,619)**
Change in ownership interest of the parent due to transactions with noncontrolling interests	—	**(7)**	**(0)**	**(2,768)**	**7**	**(2,761)**
Reversal of revaluation surplus of land	**(1,052)**	—	—	—	—	—
Purchase of treasury stock	—	—	—	**(74,821)**	—	**(74,821)**
Disposition of treasury stock as restricted stock remuneration	—	—	—	**2,388**	—	**2,388**
Net change in the year	—	**255,462**	**12,820**	**257,954**	**6,351**	**264,305**
BALANCE, MARCH 31, 2023	**$ 159,381**	**$ 334,477**	**$ 11,910**	**$ 7,853,962**	**$ 65,030**	**$ 7,918,992**

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)
	2023	2022	**2023**
OPERATING ACTIVITIES:			
Income before income taxes	**¥ 167,255**	¥ 150,370	**$ 1,248,172**
Adjustments for:			
Income taxes—paid	**(54,301)**	(54,067)	**(405,231)**
Depreciation and amortization	**24,712**	22,612	**184,418**
Increase in provision for doubtful accounts	**3,156**	1,117	**23,552**
Foreign currency exchange loss	**1,041**	1,327	**7,769**
Equity in earnings of unconsolidated subsidiaries and affiliates	**(5,625)**	(6,966)	**(41,978)**
Valuation loss on marketable and investment securities—net	**1,405**	223	**10,485**
(Gain) loss on sales or disposals of property and equipment—net	**(3,821)**	1,138	**(28,515)**
Gain on sales of marketable and investment securities—net	**(6,488)**	(13,511)	**(48,418)**
Gain on sales of investments in unconsolidated subsidiaries and affiliates	**(1,959)**	(4,181)	**(14,619)**
Loss on impairment of long-lived assets	**337**	16,453	**2,515**
Changes in operating assets and liabilities:			
Increase in operational investments in securities	**(2,944)**	—	**(21,970)**
Increase in receivables	**(154,642)**	(68,762)	**(1,154,045)**
Increase in inventories	**(140,649)**	(62,839)	**(1,049,619)**
Increase in payables	**87,943**	61,555	**656,291**
Increase (decrease) in advances received	**23,041**	(4,342)	**171,948**
(Decrease) increase in accrued expenses	**(135)**	11,569	**(1,007)**
Increase in liability for retirement benefits	**1,137**	1,052	**8,485**
Decrease (increase) in other assets	**17,073**	(21,511)	**127,410**
Increase (decrease) in other liabilities	**10,483**	(4,334)	**78,231**
Other—net	**3,865**	3,312	**28,842**
Net cash (used in) provided by operating activities	**(29,116)**	30,215	**(217,284)**
INVESTING ACTIVITIES:			
Decrease in time deposits excluding cash equivalents—net	**2,272**	1,883	**16,955**
Payment for purchases of marketable and investment securities	**(2,406)**	(7,431)	**(17,955)**
Payment for investments in unconsolidated subsidiaries and affiliates	**(20,685)**	(5,315)	**(154,366)**
Proceeds from sales and redemption of marketable and investment securities	**16,061**	17,648	**119,858**
Proceeds from sales and redemption of investments in unconsolidated subsidiaries and affiliates	**10,084**	4,231	**75,254**
Payment for purchases of property and equipment	**(60,737)**	(49,415)	**(453,261)**
Proceeds from sales of property and equipment	**11,825**	4,006	**88,246**
Payment for purchases of intangible assets	**(16,213)**	(3,672)	**(120,993)**
Proceeds from sales of intangible assets	**1,702**	—	**12,701**
Payment for purchases of shares of subsidiaries resulting in change in scope of consolidation—net (Note 24)	**—**	(2,688)	**—**
Disbursements for loans	**(27,645)**	(22,018)	**(206,306)**
Proceeds from collection of loans	**11,533**	22,618	**86,067**
Other—net	**(7,534)**	(11,013)	**(56,222)**
Net cash used in investing activities	**(81,743)**	(51,166)	**(610,022)**
FINANCING ACTIVITIES:			
Increase in short-term borrowings—net	**59,685**	8,061	**445,410**
Issuance of commercial paper—net	**—**	40,000	**—**
Proceeds from issuance of long-term debt	**114,096**	68,142	**851,463**
Repayment of long-term debt	**(46,404)**	(95,756)	**(346,299)**
Proceeds from issuance of bonds	**30,106**	10,000	**224,672**
Repayment of lease obligations	**(3,030)**	(2,281)	**(22,612)**
Payment for purchases of treasury stock	**(10,026)**	(20,007)	**(74,821)**
Cash dividends paid	**(29,552)**	(28,125)	**(220,537)**
Capital infusion from noncontrolling shareholders	**2,362**	1,695	**17,627**
Dividends paid to noncontrolling shareholders	**(4,936)**	(1,297)	**(36,836)**
Payment for purchases of shares of subsidiaries not resulting in change in scope of consolidation—net	**(277)**	(1,307)	**(2,067)**
Other—net	**(130)**	(55)	**(970)**
Net cash provided by (used in) financing activities	**111,894**	(20,930)	**835,030**
FOREIGN CURRENCY TRANSLATION ADJUSTMENTS ON CASH AND CASH EQUIVALENTS	**13,485**	8,623	**100,635**
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**14,520**	(33,258)	**108,359**
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	**267,733**	300,991	**1,998,007**
CASH AND CASH EQUIVALENTS, END OF YEAR	**¥ 282,253**	¥ 267,733	**$ 2,106,366**

See notes to consolidated financial statements.

Notes to Consolidated Financial Statements

KAJIMA Corporation and Consolidated Subsidiaries

Year Ended March 31, 2023

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, 2022, to conform to the classifications used in the consolidated financial statements for the year ended March 31, 2023.

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 ¥134 to $1, the approximate rate of exchange at March 31, 2023. 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, 2023, include the accounts of the Company and its 154 (148 in 2022) 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 34 (34 in 2022) subsidiaries were not consolidated as they would not have a material effect on the accompanying consolidated financial statements.

All unconsolidated subsidiaries and 108 (97 in 2022) 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, 2023, the Company had 1 special purpose entity (2 in 2022) which was established and is being operated for the purpose of liquidation of real estate, and as such is not consolidated in accordance with Japanese GAAP. The total assets and liabilities of such special purpose entities were ¥26,340 million ($196,567 thousand) and ¥26,335 million ($196,530 thousand), respectively, as of March 31, 2023, and ¥41,645 million and ¥41,636 million, respectively, as of March 31, 2022. The Company purchased real estate of ¥13,048 million ($97,373 thousand) in aggregate from a special purpose entity and received a refund of investment of ¥670 million ($5,000 thousand) during the year ended March 31, 2023. In addition, the Company recognized lease payments of ¥3,048 million ($22,746 thousand) and ¥3,581 million based on lease agreements of real estate for the years ended March 31, 2023 and 2022, respectively. Certain domestic subsidiaries recognized revenues of ¥102 million from repair works for the year ended March 31, 2022. The investment in silent partnership was ¥847 million ($6,321 thousand) and ¥6,352 million as of March 31, 2023 and 2022, respectively, and its related distributed profit was ¥5,423 million ($40,470 thousand) including profit due to liquidation of a special entity and ¥1,837 million for the years ended March 31, 2023 and 2022, 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, 2023

1) Number of consolidated subsidiaries	:	154 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 33 subsidiaries; Kajima Europe Ltd. (KE) and its 26 subsidiaries; Kajima Asia Pacific Holdings Pte. Ltd. (KAP) and its 48 subsidiaries; Kajima Australia Pty. Ltd. (KA) and its 25 subsidiaries; Chung-Lu Construction Co., Ltd. and 12 other subsidiaries of the Company
2) Number of unconsolidated subsidiaries accounted for using the equity method	:	34 ARTES Corporation, Japan Sea Works Co., Ltd., Kajima Institute Publishing Co., Ltd., and 31 other companies
3) Number of affiliates accounted for using the equity method	:	108 Engineering and Risk Services Corporation, Azuma Kanko Kaihatsu Co., Ltd., Katabami Kogyo Co., Ltd. and 105 other companies

(2) Changes for the year ended March 31, 2023

1)	Newly consolidated companies	: Eaton Real Estate Co., Ltd (a subsidiary of the Company) and its 2 subsidiaries, 1 subsidiary of KE, and 4 subsidiaries of KAP due to establishment and acquisition
2)	Companies excluded from consolidation	: 1 subsidiary of KE due to transfer to affiliates resulting from accepting additional contribution from the JV partner and 1 subsidiary of KA due to liquidation
3)	Companies newly accounted for using the equity method	: 15 affiliates due to establishment, acquisition and transfer from consolidated companies resulting from accepting additional contribution from the JV partner
4)	Companies excluded from the equity method	: 4 affiliates due to sales of interests and liquidation

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, 2023 and 2022, decreased by ¥22 million ($164 thousand) and ¥22 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 ¥3,450 million ($25,746 thousand) and ¥1,214 million for the years ended March 31, 2023 and 2022, 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.

The securities held by the Companies are mainly 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 60 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 ¥362,054 million ($2,701,896 thousand) and ¥340,949 million as of March 31, 2023 and 2022, 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, 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 Obligation — 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. Significant Basis for Recording Revenues and Costs — The main performance obligations of the Companies in their primary businesses and the point in time when the Companies typically satisfy the performance obligations (when the Companies typically recognize revenues) are as follows:

(1) Construction business

The Companies carry out civil engineering, building construction, equipment and other general construction work based on executed construction contracts, and have performance obligations to deliver products such as completed buildings to customers. When a control over the promised goods or services is transferred to the customer over time, revenue is recognized over time as the performance obligation to transfer the goods or services to the customer is satisfied. The progress of the satisfaction is primarily measured based on the ratio of the cumulative construction costs incurred by the end of the financial year against the total estimated construction costs.

(2) Real estate development and other

The Companies carry out real estate development, architectural, structural and other design and engineering services based on executed real estate sales and outsourcing contracts, and have performance obligations to provide services or deliver properties/deliverables to customers. When a control over the promised goods or services is transferred to the customer over time, revenue is recognized over time as the performance obligation to transfer the goods or services to the customer is satisfied. In other cases, revenue is recognized at a point in time when such properties/deliverables are delivered because it is considered that the performance obligation is to be satisfied at a point in time and the revenue is recognized at the time when the properties/deliverables are delivered. In case of applying the method to recognize revenue over time, the progress of the satisfaction of the performance obligation is primarily measured based on the ratio of the cumulative costs incurred by the end of the financial year against the total estimated costs.

In the construction, real estate development and other business, the alternative treatment is applied in case the duration of transaction, such as from the beginning of the transaction to the point when the performance obligation is expected to be fully satisfied, is distinctively short. In such cases, the revenue is recognized at the point when the performance obligations are fully satisfied rather than being recognized over time.

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, 2023 and 2022, totaled ¥18,219 million ($135,963 thousand) and ¥17,359 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 Company and certain domestic consolidated subsidiaries have applied the Group Tax Sharing System.

s. 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.

t. 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 currency 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.

u. 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.

v. 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 and 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.

w. 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, 2023 and 2022.

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.

x. Change in Accounting Policy — The Companies have applied “Implementation Guidance on Accounting Standard for Fair Value Measurement” (Guidance No. 31 issued by the Accounting Standards Board of Japan (“ASBJ”) on June 17, 2021, hereinafter, the “Guidance”) from the beginning of the year ended March 31, 2023. In accordance with the transitional treatment stipulated in paragraph 27-2 of the Guidance, the new accounting policy set forth by the Guidance is applied prospectively. The application of the new accounting policy had an immaterial impact on the consolidated financial statements for the year ended March 31, 2023.

In accordance with the transitional treatment stipulated in paragraph 27-3 of the Guidance, notes regarding investment trusts in matters relating to financial instruments categorized by fair value hierarchy are not disclosed for the year ended March 31, 2022 as comparative information.

3. SIGNIFICANT ACCOUNTING ESTIMATE

Estimate on total construction revenue, total construction costs and the progress of the contract concerning the method to recognize revenue over time as the performance obligation to transfer the promised goods or services to the customer is satisfied (hereinafter, "Percentage-of-Completion Method")

(1) Carrying amounts

	Millions of Yen		Thousands of U.S. Dollars
	2023	2022	**2023**
Construction revenue recognized by the Percentage-of-Completion Method	¥ **1,984,311**	¥ 1,680,573	$ **14,808,291**
Construction costs recognized by the Percentage-of-Completion Method	**1,808,322**	1,517,699	**13,494,940**
Provision for loss on construction projects in progress (recorded in other current liabilities)	**14,749**	13,837	**110,067**

(2) Information on the significant accounting estimate

The construction revenue is calculated by multiplying the total estimated construction revenue by the progress principally based on cumulative construction costs incurred by the end of the financial year against the total estimated 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 progress of the contract is principally estimated by the ratio of the cumulative construction costs incurred by the end of the financial year against the total estimated construction costs.

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 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. CONTRACT ASSETS AND LIABILITIES

Receivables from contracts with customers, contract assets, and contract liabilities as of March 31, 2023 and 2022, consisted of the following:

a. Receivables from contracts with customers and contract assets

	Millions of Yen		Thousands of U.S. Dollars
	2023	2022	**2023**
Notes receivable—trade	¥ **39,341**	¥ 17,741	$ **293,590**
Accounts receivable—trade	**401,624**	324,923	**2,997,194**
Contract assets	**455,368**	380,934	**3,398,269**

b. Contract liabilities

	Millions of Yen		Thousands of U.S. Dollars
	2023	2022	**2023**
Advances received:			
Construction projects in progress	¥ **149,818**	¥ 124,112	$ **1,118,045**
Development projects in progress, real estate for sale and other	**5,175**	3,432	**38,619**
Other current liabilities	**21,767**	18,089	**162,440**
Total	¥ **176,760**	¥ 145,633	$ **1,319,104**

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

Marketable securities, operational investments in securities and investments in securities as of March 31, 2023 and 2022, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2023	2022	**2023**
Current:			
Government and corporate bonds	**¥ 384**	¥ 187	**$ 2,866**
Preferred equity investment	**9,771**	9,771	**72,918**
Other	**1,853**	2,127	**13,828**
Total	**¥ 12,008**	¥ 12,085	**$ 89,612**
Non-Current:			
Equity securities	**¥ 259,863**	¥ 267,090	**$ 1,939,276**
Government and corporate bonds	**1,059**	899	**7,903**
Other	**9,693**	14,517	**72,336**
Total	**¥ 270,615**	¥ 282,506	**$ 2,019,515**

The costs and aggregate fair values related to the category of the securities classified as available-for-sale as of March 31, 2023 and 2022, were as follows:

As of March 31, 2023	Millions of Yen			
	Cost	Unrealized Gain	Unrealized Loss	Fair Value (Carrying Amount)
Available-for-sale:				
Equity securities	**¥ 107,846**	**¥ 150,938**	**¥ (5,940)**	**¥ 252,844**
Government and corporate bonds	**1,499**	**5**	**(61)**	**1,443**
Other	**1,772**	**649**	**(81)**	**2,340**
Total	**¥ 111,117**	**¥ 151,592**	**¥ (6,082)**	**¥ 256,627**

As of March 31, 2022	Millions of Yen			
	Cost	Unrealized Gain	Unrealized Loss	Fair Value (Carrying Amount)
Available-for-sale:				
Equity securities	¥ 111,021	¥ 154,073	¥ (5,492)	¥ 259,602
Government and corporate bonds	1,069	19	(2)	1,086
Other	1,682	588	(5)	2,265
Total	¥ 113,772	¥ 154,680	¥ (5,499)	¥ 262,953

As of March 31, 2023	Thousands of U.S. Dollars			
	Cost	Unrealized Gain	Unrealized Loss	Fair Value (Carrying Amount)
Available-for-sale:				
Equity securities	**$ 804,821**	**$ 1,126,403**	**$ (44,328)**	**$ 1,886,896**
Government and corporate bonds	**11,187**	**37**	**(455)**	**10,769**
Other	**13,223**	**4,844**	**(605)**	**17,462**
Total	**$ 829,231**	**$ 1,131,284**	**$ (45,388)**	**$ 1,915,127**

The above figures include marketable equity securities temporarily lent to financial institutions based on securities lending agreements in the amount of ¥213 million ($1,590 thousand) and ¥187 million as of March 31, 2023 and 2022, respectively.

The information for available-for-sale securities which were sold during the years ended March 31, 2023 and 2022, was as follows:

Year Ended March 31, 2023	Millions of Yen		
	Proceeds	Realized Gain	Realized Loss
Available-for-sale:			
Equity securities	**¥ 10,180**	**¥ 6,546**	**¥ (56)**
Government and corporate bonds	**31**	**0**	**(0)**
Other	**47**	**—**	**(2)**
Total	**¥ 10,258**	**¥ 6,546**	**¥ (58)**

Year Ended March 31, 2022	Millions of Yen		
	Proceeds	Realized Gain	Realized Loss
Available-for-sale:			
Equity securities	¥ 16,225	¥ 13,510	¥ (4)
Government and corporate bonds	33	1	(0)
Other	277	7	(3)
Total	¥ 16,535	¥ 13,518	¥ (7)

Year Ended March 31, 2023	Thousands of U.S. Dollars		
	Proceeds	Realized Gain	Realized Loss
Available-for-sale:			
Equity securities	**$ 75,970**	**$ 48,851**	**$ (418)**
Government and corporate bonds	**231**	**0**	**(0)**
Other	**351**	**—**	**(15)**
Total	**$ 76,552**	**$ 48,851**	**$ (433)**

The impairment losses on available-for-sale securities were ¥1,315 million ($9,813 thousand) and ¥227 million for the years ended March 31, 2023 and 2022, respectively.

6. 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.

7. LONG-LIVED ASSETS

For the year ended March 31, 2023, the Companies recognized impairment losses of the following assets:

Use	Type of assets	Location	Number of assets
Assets used for business	Land, Building and structures, etc.	Kochi Prefecture and others	4

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

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

As a result, the Companies recognized impairment losses of ¥337 million ($2,515 thousand) for the year ended March 31, 2023.

The recoverable amounts of such assets were measured at the anticipated net selling price at disposition. The Companies principally used the appraisal value, less the cost of disposal, for calculating the net selling price at disposition.

For the year ended March 31, 2022, the Companies recognized impairment losses of the following assets:

Use	Type of assets	Location	Number of assets
Assets used for business	Other (Mountain forests and trees)	Miyazaki Prefecture and others	4
Assets held for rent	Land, Buildings and structures	Nagano Prefecture	1
Assets held for rent	Construction in progress, Other (Right of use assets)	Yangon, Myanmar	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 assets 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 Companies recognized impairment losses of ¥16,453 million, which consisted of assets used for business of ¥216 million and assets held for rent of ¥16,237 million for the year ended March 31, 2022.

The recoverable amounts of such assets were measured at the anticipated net selling price at disposition. The Companies principally used the appraisal value, less the cost of disposal, for calculating the net selling price at disposition.

8. 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 ¥10,653 million ($79,500 thousand) and gain on sales or disposals of property and equipment—net was ¥3,924 million ($29,284 thousand) for the year ended March 31, 2023. The net of rental income and operating expenses for those rental properties was ¥8,500 million, loss on sales or disposals of property and equipment—net was ¥68 million, and loss on impairment of long-lived assets was ¥9,441 million for the year ended March 31, 2022.

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, 2022	**Increase/(Decrease)**	**As of March 31, 2023**	**As of March 31, 2023**
¥ 219,296	**¥ 33,075**	**¥ 252,371**	**¥ 471,962**

Millions of Yen

Carrying amount			Fair value
As of April 1, 2021	Increase/(Decrease)	As of March 31, 2022	As of March 31, 2022
¥ 226,344	¥ (7,048)	¥ 219,296	¥ 436,335

Thousands of U.S. Dollars

Carrying amount			Fair value
As of April 1, 2022	**Increase/(Decrease)**	**As of March 31, 2023**	**As of March 31, 2023**
$ 1,636,537	**$ 246,829**	**$ 1,883,366**	**$ 3,522,104**

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, 2023, primarily consisted of the purchase of real estate of ¥39,130 million ($292,015 thousand).

(3) Fair value of properties as of March 31, 2023 and 2022, 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.

9. LONG-TERM LOANS RECEIVABLE

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

10. PLEDGED ASSETS

As of March 31, 2023, the following assets of the Companies were pledged to secure the repayment of short-term borrowings of ¥398 million ($2,970 thousand), current portion of long-term debt of ¥2,403 million ($17,933 thousand), long-term debt of ¥131,016 million ($977,731 thousand) and other long-term liabilities of ¥2 million ($15 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	¥ **784**	$ **5,851**
Inventories:		
Development projects in progress, real estate for sale and other	**203,393**	**1,517,858**
Other current assets	**71**	**530**
Land	**22,569**	**168,425**
Buildings and structures	**1,653**	**12,336**
Machinery, equipment and other	**21**	**157**
Investments in securities and Investments in unconsolidated subsidiaries and affiliates	**10,947**	**81,694**
Long-term loans receivable and Long-term loans to unconsolidated subsidiaries and affiliates	**666**	**4,970**
Intangible assets (recorded in "other" in investments and other assets)	**13,997**	**104,455**
Total	¥ **254,101**	$ **1,896,276**

11. SHORT-TERM BORROWINGS AND LONG-TERM DEBT

Short-term borrowings as of March 31, 2023 and 2022, mainly consisted of bank overdrafts. The weighted-average interest rates of short-term borrowings as of March 31, 2023 and 2022, were 3.19% and 0.50%, respectively.

Long-term debt as of March 31, 2023 and 2022, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2023	2022	**2023**
Long-term loans, due 2023 – 2061	¥ **193,926**	¥ 121,430	$ **1,447,209**
Corporate bonds, due 2023 – 2028	**80,106**	50,000	**597,806**
Lease obligations	**11,857**	7,309	**88,485**
Total	**285,889**	178,739	**2,133,500**
Current portion included in current liabilities	**(23,440)**	(28,259)	**(174,925)**
Total	¥ **262,449**	¥ 150,480	$ **1,958,575**

Long-term loans as of March 31, 2023 and 2022, were primarily from banks and insurance companies. The weighted-average interest rates of long-term loans as of March 31, 2023 and 2022, were 4.02% and 1.65%, respectively. The Companies issue corporate bonds to meet the financial needs and the weighted-average interest rates for the outstanding balances of such corporate bonds as of March 31, 2023 and 2022, were 0.46% and 0.26%, 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, 2023, were as follows:

Years Ending March 31	Millions of Yen	Thousands of U.S. Dollars
2024	¥ **23,440**	$ **174,925**
2025	**87,410**	**652,313**
2026	**63,529**	**474,097**
2027	**33,735**	**251,754**
2028	**59,357**	**442,963**
2029 and thereafter	**18,418**	**137,448**
Total	¥ **285,889**	$ **2,133,500**

In addition, the Company entered into committed loan facility agreements aggregating ¥200,000 million ($1,492,537 thousand) with several Japanese banks. There were no outstanding balances under the committed loan facility agreements as of March 31, 2023.

12. COMMERCIAL PAPER

Commercial paper was represented by 28-day paper issued by the Company with the weighted-average interest rate of 0.00% and 69-day paper with the weighted-average interest rate of (0.01)% as of March 31, 2023 and 2022, respectively.

13. 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.

14. 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, 2023 and 2022, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2023	2022	**2023**
Balance at beginning of year	**¥ 72,409**	¥ 69,924	**$ 540,366**
Current service cost	**4,691**	4,730	**35,007**
Interest cost	**492**	378	**3,672**
Actuarial gains	**(2,430)**	(540)	**(18,134)**
Benefits paid	**(4,770)**	(3,983)	**(35,597)**
Increase due to acquisition of a newly consolidated subsidiary	**—**	1,750	**—**
Other	**89**	150	**664**
Balance at end of year	**¥ 70,481**	¥ 72,409	**$ 525,978**

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, 2023 and 2022, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2023	2022	**2023**
Balance at beginning of year	**¥ 11,915**	¥ 10,267	**$ 88,918**
Expected return on plan assets	**74**	60	**552**
Actuarial losses	**(126)**	(113)	**(940)**
Contributions from the employer	**191**	98	**1,425**
Benefits paid	**(254)**	(110)	**(1,896)**
Increase due to acquisition of a newly consolidated subsidiary	**—**	1,713	**—**
Refund of plan assets	**(535)**	—	**(3,993)**
Other	**56**	—	**419**
Balance at end of year	**¥ 11,321**	¥ 11,915	**$ 84,485**

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, 2023 and 2022, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2023	2022	**2023**
Balance at beginning of year	**¥ 1,380**	¥ 1,383	**$ 10,298**
Benefit cost	**212**	211	**1,582**
Benefits paid	**(156)**	(163)	**(1,164)**
Contributions to the funds	**(46)**	(50)	**(343)**
Other	**25**	(1)	**186**
Balance at end of year	**¥ 1,415**	¥ 1,380	**$ 10,559**

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, 2023 and 2022, was as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2023	2022	**2023**
Funded defined benefit obligation	**¥ 10,118**	¥ 10,909	**$ 75,507**
Plan assets	**(11,845)**	(12,438)	**(88,395)**
Total	**(1,727)**	(1,529)	**(12,888)**
Unfunded defined benefit obligation	**62,302**	63,403	**464,940**
Net liability for defined benefit obligation	**¥ 60,575**	¥ 61,874	**$ 452,052**

	Millions of Yen		Thousands of U.S. Dollars
	2023	2022	**2023**
Liability for retirement benefits	**¥ 62,099**	¥ 63,185	**$ 463,425**
Asset for retirement benefits	**(1,524)**	(1,311)	**(11,373)**
Net liability for defined benefit obligation	**¥ 60,575**	¥ 61,874	**$ 452,052**

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, 2023 and 2022, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2023	2022	**2023**
Service cost	**¥ 4,691**	¥ 4,730	**$ 35,007**
Interest cost	**492**	378	**3,672**
Expected return on plan assets	**(74)**	(60)	**(552)**
Recognized actuarial losses	**172**	201	**1,284**
Benefit cost in simplified method	**212**	211	**1,582**
Other	**(79)**	(15)	**(590)**
Net periodic benefit costs	**¥ 5,414**	¥ 5,445	**$ 40,403**

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, 2023 and 2022, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2023	2022	**2023**
Actuarial gains	**¥ 2,452**	¥ 593	**$ 18,299**

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, 2023 and 2022, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2023	2022	**2023**
Unrecognized actuarial gains (losses)	**¥ 2,315**	¥ (137)	**$ 17,276**

h. Plan assets

(1) Components of plan assets

Plan assets as of March 31, 2023 and 2022, consisted of the following:

	2023	2022
Equity investments	**56 %**	55 %
Debt investments	**16**	19
Cash and cash equivalents	**14**	11
General accounts with life insurance companies	**9**	9
Other	**5**	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, 2023 and 2022, were set forth as follows:

	2023	2022
Discount rate	**0.5% to 0.8%**	0.0% to 0.6%
Expected rate of return on plan assets	**1.0%**	1.0% to 2.5%

j. Defined contribution pension plans

The costs of defined contribution plans were ¥3,504 million ($26,149 thousand) and ¥3,216 million for the years ended March 31, 2023 and 2022, respectively.

15. 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, 2022, 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 based on the resolution was 6,549 thousand shares.

At the Board of Directors' Meeting held on July 14, 2022, the Company resolved to dispose of its own shares as restricted stock remuneration. The number of shares disposed of based on the resolution was 213 thousand shares.

16. 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, 2023 and 2022.

The tax effects of significant temporary differences which resulted in deferred tax assets and liabilities as of March 31, 2023 and 2022, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2023	2022	**2023**
Deferred tax assets:			
Valuation loss on property and equipment	**¥ 22,533**	¥ 19,829	**$ 168,157**
Liability for retirement benefits	**19,257**	19,695	**143,709**
Other	**65,444**	58,912	**488,388**
Subtotal	**107,234**	98,436	**800,254**
Valuation allowance	**(39,658)**	(34,216)	**(295,955)**
Total	**67,576**	64,220	**504,299**
Deferred tax liabilities:			
Unrealized gain on available-for-sale securities	**(45,014)**	(46,010)	**(335,925)**
Other	**(9,468)**	(9,727)	**(70,658)**
Total	**(54,482)**	(55,737)	**(406,583)**
Net deferred tax assets	**¥ 13,094**	¥ 8,483	**$ 97,716**

As of March 31, 2023, certain consolidated subsidiaries of the Company have tax loss carryforwards available to offset future taxable income, which will start expiring in 2023. As for the domestic consolidated subsidiaries, their tax loss carryforwards will gradually expire by 2033. 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 ¥3,652 million ($27,254 thousand) and ¥2,910 million as of March 31, 2023 and 2022, respectively.

A reconciliation between the normal effective statutory tax rate and the actual effective tax rate reflected in the accompanying consolidated statement of income for the year ended March 31, 2022, was as follows:

	2022
Normal effective statutory tax rate	30.5 %
Expenses not deductible for income tax purposes	0.5
Valuation allowance	4.3
Tax benefits not recognized on equity in earnings or losses of unconsolidated subsidiaries and affiliates	(1.0)
Tax credits for research and development	(0.7)
Other—net	(0.2)
Actual effective tax rate	33.4 %

Information for the year ended March 31, 2023, is not disclosed, because the difference was not more than 5% of the normal effective statutory tax rate.

In accordance with the "Practical Solution on the Accounting and Disclosure Under the Group Tax Sharing System" (Practical Solution No. 42 issued by ASBJ on August 12, 2021), the Company and certain domestic consolidated subsidiaries have adopted accounting treatment and disclosure of corporate and local corporate income taxes or relevant tax effect accounting from the beginning of the year ended March 31, 2023.

17. REVENUES

a. Disaggregation of Revenue

Revenues from contracts with customers on a disaggregated basis for the years ended March 31, 2023 and 2022, were as follows:

(1) Reportable segments

Year Ended March 31, 2023 — Millions of Yen

	Civil Engineering	Building Construction	Real Estate Development and Other	Domestic Subsidiaries and Affiliates	Overseas Subsidiaries and Affiliates	Total
Revenues:						
Construction projects	**¥ 301,623**	**¥ 1,073,734**	**¥ —**	**¥ 121,653**	**¥ 609,666**	**¥ 2,106,676**
Real estate and other	**—**	**—**	**20,682**	**106,207**	**113,685**	**240,574**
Revenues from contracts with customers	**301,623**	**1,073,734**	**20,682**	**227,860**	**723,351**	**2,347,250**
Other revenues	**—**	**—**	**20,481**	**8,930**	**14,918**	**44,329**
Total	**¥ 301,623**	**¥ 1,073,734**	**¥ 41,163**	**¥ 236,790**	**¥ 738,269**	**¥ 2,391,579**

Year Ended March 31, 2022 — Millions of Yen

	Civil Engineering	Building Construction	Real Estate Development and Other	Domestic Subsidiaries and Affiliates	Overseas Subsidiaries and Affiliates	Total
Revenues:						
Construction projects	¥ 271,840	¥ 915,217	¥ —	¥ 120,050	¥ 490,405	¥ 1,797,512
Real estate and other	—	—	29,634	91,029	121,965	242,628
Revenues from contracts with customers	271,840	915,217	29,634	211,079	612,370	2,040,140
Other revenues	—	—	18,673	10,109	10,773	39,555
Total	¥ 271,840	¥ 915,217	¥ 48,307	¥ 221,188	¥ 623,143	¥ 2,079,695

Year Ended March 31, 2023	Thousands of U.S. Dollars					
	Civil Engineering	Building Construction	Real Estate Development and Other	Domestic Subsidiaries and Affiliates	Overseas Subsidiaries and Affiliates	Total
Revenues:						
Construction projects	$ 2,250,918	$ 8,012,940	$ —	$ 907,859	$ 4,549,746	$ 15,721,463
Real estate and other	—	—	154,343	792,589	848,396	1,795,328
Revenues from contracts with customers	2,250,918	8,012,940	154,343	1,700,448	5,398,142	17,516,791
Other revenues	—	—	152,844	66,641	111,328	330,813
Total	$ 2,250,918	$ 8,012,940	$ 307,187	$ 1,767,089	$ 5,509,470	$ 17,847,604

Note: Revenues from lease transactions, etc. are included in other revenues.

(2) Geographical areas

Year Ended March 31, 2023	Millions of Yen						
	Japan	North America	Europe	Asia	Oceania	Other Areas	Total
Revenues:							
Construction projects	¥ 1,495,724	¥ 313,007	¥ 65,950	¥ 127,072	¥ 103,199	¥ 1,724	¥ 2,106,676
Real estate and other	126,710	95,135	4,462	14,099	94	74	240,574
Revenues from contracts with customers	1,622,434	408,142	70,412	141,171	103,293	1,798	2,347,250
Other revenues	28,970	5,007	448	9,904	—	—	44,329
Total	¥ 1,651,404	¥ 413,149	¥ 70,860	¥ 151,075	¥ 103,293	¥ 1,798	¥ 2,391,579

Year Ended March 31, 2022	Millions of Yen						
	Japan	North America	Europe	Asia	Oceania	Other Areas	Total
Revenues:							
Construction projects	¥ 1,306,440	¥ 274,638	¥ 37,434	¥ 80,622	¥ 96,740	¥ 1,638	¥ 1,797,512
Real estate and other	120,611	111,917	3,466	6,543	67	24	242,628
Revenues from contracts with customers	1,427,051	386,555	40,900	87,165	96,807	1,662	2,040,140
Other revenues	28,463	2,280	559	8,253	—	—	39,555
Total	¥ 1,455,514	¥ 388,835	¥ 41,459	¥ 95,418	¥ 96,807	¥ 1,662	¥ 2,079,695

Year Ended March 31, 2023	Thousands of U.S. Dollars						
	Japan	North America	Europe	Asia	Oceania	Other Areas	Total
Revenues:							
Construction projects	$ 11,162,119	$ 2,335,872	$ 492,164	$ 948,299	$ 770,142	$ 12,867	$ 15,721,463
Real estate and other	945,597	709,963	33,299	105,216	701	552	1,795,328
Revenues from contracts with customers	12,107,716	3,045,835	525,463	1,053,515	770,843	13,419	17,516,791
Other revenues	216,194	37,366	3,343	73,910	—	—	330,813
Total	$ 12,323,910	$ 3,083,201	$ 528,806	$ 1,127,425	$ 770,843	$ 13,419	$ 17,847,604

Note: Revenues from lease transactions, etc. are included in other revenues.

b. Basic Information to Understand Revenues from Contracts with Customers

(1) Information regarding contracts and performance obligations

The Companies operate businesses in the construction, real estate development and other businesses for domestic and overseas customers. In the construction business, the Companies carry out civil engineering, building construction, equipment and other general construction work based on executed construction contracts, and have performance obligations to deliver products such as completed buildings to customers. In addition, in the real estate development and other businesses, the Companies carry out real estate development, architectural, structural and other design and engineering services based on executed real estate sales and outsourcing contracts, and have performance obligations to provide services or deliver properties/deliverables to customers.

Because the payment conditions for the promised considerations with customers differ by each contract, there is no material relationship between the timing of satisfaction and the timing of payment for the performance obligations.

(2) Information regarding determination of the transaction price

Variable consideration based on price indexing clauses stipulated in contracts is included in the transaction price only to the extent where it is probable that, resolution of uncertainty over variable consideration will not cause significant reduction of revenue. In addition, for the financing components included in the promised considerations with customers, adjustment regarding the interest rate is not made as it is considered immaterial.

(3) Information regarding allocation of the transaction prices to performance obligations

When multiple performance obligations exist in a contract, such as partial delivery of a constructed product, the transaction price is allocated to each performance obligation. If the amount for each performance obligation is specified in the contract, such amount is considered as the individual transaction price. If the amount is not specified, the transaction price is allocated in a reasonable manner based on estimates.

(4) Information regarding the timing of the satisfaction of performance obligations

In the construction business, because building construction is mainly performed on the customer's land, it is considered that the customer has control of the constructed product as the work progresses. Therefore, the Companies consider the performance obligations to be satisfied over time, and estimate the progress of the satisfaction of the performance obligations, and recognize revenue based on the progress.

In sales of properties in the real estate development business, as the Companies have performance obligations to deliver properties based on real estate sales contracts, it is considered that the performance obligations are to be satisfied at a point in time and the revenue is recognized at the time when the properties are delivered. In addition, in the case of design services and other businesses, assets without an alternative use to the Companies, such as the design drawings are created as the work progresses and the Companies are considered to have an enforceable right to receive payment for the work completed to date. Therefore, the Companies consider the performance obligations to be satisfied over time, and estimate the progress of the satisfaction of the performance obligations, and recognize revenue based on the progress.

The progress of the satisfaction is primarily measured based on the ratio of the cumulative costs incurred by the end of financial year against the estimated total costs.

In cases where the progress of the satisfaction of performance obligations cannot be reasonably estimated, such as in the early stage of the contract when the operational budget has not yet been compiled, but at the same time, where the costs incurred to satisfy the performance obligations are expected to be recovered, the revenue is recognized only to the extent of the costs incurred to date that are expected to be recovered.

The alternative treatment is applied in case the duration of transaction, such as from the beginning of the transaction to the point when the performance obligation is expected to be fully satisfied, is distinctively short. In such cases, the revenue is recognized at the point when the performance obligations are fully satisfied rather than being recognized over time.

c. Contract Balances

Receivables from contracts with customers, contract assets and contract liabilities at the beginning and end of the years ended March 31, 2023 and 2022 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2023	2022	**2023**
Receivables from contracts with customers:			
Balance at beginning of year	¥ **342,664**	¥ 337,138	$ **2,557,194**
Balance at end of year	**440,965**	342,664	**3,290,784**
Contract assets:			
Balance at beginning of year	**380,934**	290,549	**2,842,791**
Balance at end of year	**455,368**	380,934	**3,398,269**
Contract liabilities:			
Balance at beginning of year	**145,633**	132,756	**1,086,813**
Balance at end of year	**176,760**	145,633	**1,319,104**

Contract assets are the rights of the Companies related to the performance obligations satisfied based on construction contracts in the construction business and outsourcing contracts in the real estate development and other businesses. Contract assets are transferred to receivables from contracts with customers when such rights become unconditional. Considerations for such performance obligations have been invoiced and received in accordance with the payment condition set out in the individual agreements.

Contract liabilities are the advances received from customers before the provision of services based on construction contracts in the construction business and real estate sales contracts and outsourcing contracts in the real estate development and other businesses. Contract liabilities are released upon revenue recognition.

The amounts of revenues recognized in the years ended March 31, 2023 and 2022, which were included in the balance of contract liabilities at the beginning of the years, were ¥133,195 million ($993,993 thousand) and ¥122,877 million, respectively. In addition, changes in contract assets are mainly due to revenue recognition (an increase in contract assets) and transfers to receivables (a decrease in contract assets). The balance at the end of the year fluctuates due to the effect of the timing of the completion of large-scale construction projects in the construction business.

Revenues recognized for performance obligations satisfied (or partially satisfied) in the past years were immaterial.

d. Transaction Prices Allocated to Remaining Performance Obligations

The following table shows the summary of the transaction prices allocated to remaining performance obligations in the construction business that are unsatisfied as of March 31, 2023:

	Millions of Yen	Thousands of U.S. Dollars
	2023	**2023**
Transaction prices allocated to remaining performance obligations (construction business):		
Within one year	¥ **1,832,937**	$ **13,678,634**
After one to three years	**841,059**	**6,276,560**
After three years	**123,330**	**920,373**
Total	¥ **2,797,326**	$ **20,875,567**

18. RELATED PARTY TRANSACTIONS

Transactions of the Company with directors of the Company

Transactions for the years ended March 31, 2023 and 2022, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2023	2022	**2023**
Disposals of own shares	¥ **30**	¥ 30	$ **224**

Notes:

(1) The transactions are contribution-in-kind provided to the Company with monetary remuneration receivables by directors based on restricted stock remuneration plan.

(2) The disposal prices for the own shares were the closing price of a share of the Company's common stock in the Tokyo Stock Exchange on each business day immediately before the Board of Directors' Meeting at which the resolution of the disposal was made.

19. 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, 2023 and 2022, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2023	2022	**2023**
Due within one year	**¥ 7,793**	¥ 8,250	**$ 58,157**
Due after one year	**33,967**	34,846	**253,485**
Total	**¥ 41,760**	¥ 43,096	**$ 311,642**

b. Operating leases as a lessor

The minimum rental receivables under noncancelable operating leases as of March 31, 2023 and 2022, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2023	2022	**2023**
Due within one year	**¥ 20,603**	¥ 19,139	**$ 153,754**
Due after one year	**95,131**	118,741	**709,933**
Total	**¥ 115,734**	¥ 137,880	**$ 863,687**

20. 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 21 for more details regarding derivatives.

In addition, the Company entered into committed loan facility agreements aggregating ¥200,000 million ($1,492,537 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 as follows. The fair values of cash and cash equivalents, other current assets (time deposits due after three months of the date of acquisition), short-term borrowings, commercial paper, notes and accounts payable—trade and income taxes payable are not disclosed because the maturities of the said financial instruments are short and the carrying values approximate fair value. In addition, the fair values of investments in partnerships and other similar entities in which the net amount of equity interest is recorded on the consolidated balance sheet are not disclosed. The carrying amounts of such investments, including operational investments in securities, were ¥9,205 million ($68,694 thousand) and ¥14,379 million as of March 31, 2023 and 2022, respectively. Also, please see Note 21 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, 2023 and 2022, were as follows. However, financial instruments that do not have a quoted market price in an active market are not included.

	Millions of Yen		
As of March 31, 2023	Carrying Amount	Fair Value	Unrealized Gain (Loss)
ASSETS			
Notes and accounts receivable—trade	¥ **899,621**	¥	¥
Allowance for doubtful accounts	**(4,516)**		
	895,105	**894,498**	**(607)**
Marketable securities and investments in securities			
Available-for-sale securities	**256,627**	**256,627**	**—**
Long-term loans receivable	**6,273**		
Long-term loans to unconsolidated subsidiaries and affiliates	**54,628**		
Allowance for doubtful accounts	**(1,294)**		
	59,607	**59,295**	**(312)**
Total	¥ **1,211,339**	¥ **1,210,420**	¥ **(919)**
LIABILITIES			
Current portion of long-term debt	¥ **23,440**	¥ **23,440**	¥ **(0)**
Long-term debt	**262,449**	**259,230**	**(3,219)**
Total	¥ **285,889**	¥ **282,670**	¥ **(3,219)**

As of March 31, 2022		Millions of Yen Carrying Amount		Fair Value		Unrealized Gain (Loss)
ASSETS						
Notes and accounts receivable—trade	¥	726,564	¥		¥	
Allowance for doubtful accounts		(1,466)				
		725,098		724,970		(128)
Marketable securities and investments in securities						
Available-for-sale securities		262,953		262,953		—
Long-term loans receivable		5,225				
Long-term loans to unconsolidated subsidiaries and affiliates		64,652				
Allowance for doubtful accounts		(1,576)				
		68,301		68,103		(198)
Total	¥	1,056,352	¥	1,056,026	¥	(326)
LIABILITIES						
Current portion of long-term debt	¥	28,259	¥	28,259	¥	—
Long-term debt		150,480		152,911		2,431
Total	¥	178,739	¥	181,170	¥	2,431

As of March 31, 2023		Thousands of U.S. Dollars Carrying Amount		Fair Value		Unrealized Gain (Loss)
ASSETS						
Notes and accounts receivable—trade	$	**6,713,590**	$		$	
Allowance for doubtful accounts		**(33,702)**				
		6,679,888		**6,675,358**		**(4,530)**
Marketable securities and investments in securities						
Available-for-sale securities		**1,915,127**		**1,915,127**		**—**
Long-term loans receivable		**46,813**				
Long-term loans to unconsolidated subsidiaries and affiliates		**407,672**				
Allowance for doubtful accounts		**(9,657)**				
		444,828		**442,500**		**(2,328)**
Total	$	**9,039,843**	$	**9,032,985**	$	**(6,858)**
LIABILITIES						
Current portion of long-term debt	$	**174,925**	$	**174,925**	$	**(0)**
Long-term debt		**1,958,575**		**1,934,553**		**(24,022)**
Total	$	**2,133,500**	$	**2,109,478**	$	**(24,022)**

(2) Carrying amount of financial instruments that do not have a quoted market price in an active market

		Millions of Yen				Thousands of U.S. Dollars
		2023		2022		**2023**
Investments in securities						
Available-for-sale:						
Equity securities	¥	**7,019**	¥	7,488	$	**52,380**
Preferred equity investment		**9,771**		9,771		**72,918**
Investments in unconsolidated subsidiaries and affiliates		**85,527**		73,365		**638,261**
Total	¥	**102,317**	¥	90,624	$	**763,559**

The carrying amounts mentioned above include the carrying amounts of operational investments in securities that do not have a quoted market price in active markets.

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

As of March 31, 2023	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	**¥ 282,253**	**¥ —**	**¥ —**	**¥ —**
Marketable securities and investments in securities				
Available-for-sale securities with contractual maturities				
Government and corporate bonds	**386**	**978**	**142**	**—**
Notes and accounts receivable—trade	**828,129**	**70,713**	**7**	**772**
Other current assets				
Time deposits due after three months of the date of acquisition	**3,527**	**—**	**—**	**—**
Long-term loans receivable	**39,600**	**5,520**	**5**	**748**
Long-term loans to unconsolidated subsidiaries and affiliates	**70**	**5,045**	**35,715**	**13,868**
Total	**¥ 1,153,965**	**¥ 82,256**	**¥ 35,869**	**¥ 15,388**

As of March 31, 2022	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	¥ 267,733	¥ —	¥ —	¥ —
Marketable securities and investments in securities				
Available-for-sale securities with contractual maturities				
Government and corporate bonds	186	746	140	—
Notes and accounts receivable—trade	685,732	39,065	1,017	750
Other current assets				
Time deposits due after three months of the date of acquisition	5,571	—	—	—
Long-term loans receivable	3,354	4,320	4	901
Long-term loans to unconsolidated subsidiaries and affiliates	72	26,966	24,729	12,957
Total	¥ 962,648	¥ 71,097	¥ 25,890	¥ 14,608

As of March 31, 2023	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	**$ 2,106,366**	**$ —**	**$ —**	**$ —**
Marketable securities and investments in securities				
Available-for-sale securities with contractual maturities				
Government and corporate bonds	**2,881**	**7,299**	**1,060**	**—**
Notes and accounts receivable—trade	**6,180,067**	**527,709**	**53**	**5,761**
Other current assets				
Time deposits due after three months of the date of acquisition	**26,321**	**—**	**—**	**—**
Long-term loans receivable	**295,522**	**41,194**	**37**	**5,582**
Long-term loans to unconsolidated subsidiaries and affiliates	**522**	**37,649**	**266,530**	**103,493**
Total	**$ 8,611,679**	**$ 613,851**	**$ 267,680**	**$ 114,836**

Please see Note 11 for annual maturities of long-term debt.

e. Financial instruments categorized by fair value hierarchy

The fair value of financial instruments is categorized into the following three levels, depending on the observability and significance of the inputs used in making fair value measurements:

Level 1: Fair values measured by using quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: Fair values measured by using inputs other than quoted prices included within Level 1 that are observable for the assets or liabilities, either directly or indirectly.

Level 3: Fair values measured by using unobservable inputs for the assets or liabilities.

If multiple inputs are used that have a significant impact on the measurement of fair value, the fair value is categorized at the lowest level in the fair value measurement among the levels to which each of these inputs belongs.

(1) The financial assets and liabilities measured at the fair values in the consolidated balance sheet

	Millions of Yen			
	Fair value			
As of March 31, 2023	Level 1	Level 2	Level 3	Total
ASSETS				
Marketable securities and investments in securities				
Available-for-sale:				
Equity securities	**¥ 246,476**	**¥ —**	**¥ 6,368**	**¥ 252,844**
Government and corporate bonds	**1,197**	**246**	**—**	**1,443**
Other	**920**	**1,420**	**—**	**2,340**
Derivative transactions:				
To which hedge accounting is not applied	**—**	**175**	**—**	**175**
To which hedge accounting is applied	**—**	**212**	**—**	**212**
Total	**¥ 248,593**	**¥ 2,053**	**¥ 6,368**	**¥ 257,014**
LIABILITIES				
Derivative transactions:				
To which hedge accounting is applied	**¥ —**	**¥ 169**	**¥ —**	**¥ 169**
Total	**¥ —**	**¥ 169**	**¥ —**	**¥ 169**

	Millions of Yen			
	Fair value			
As of March 31, 2022	Level 1	Level 2	Level 3	Total
ASSETS				
Marketable securities and investments in securities				
Available-for-sale:				
Equity securities	¥ 254,099	¥ —	¥ 5,503	¥ 259,602
Government and corporate bonds	782	304	—	1,086
Other	388	—	—	388
Derivative transactions:				
To which hedge accounting is not applied	—	404	—	404
To which hedge accounting is applied	—	140	—	140
Total	¥ 255,269	¥ 848	¥ 5,503	¥ 261,620
LIABILITIES				
Derivative transactions:				
To which hedge accounting is not applied	¥ —	¥ 121	¥ —	¥ 121
To which hedge accounting is applied	—	848	—	848
Total	¥ —	¥ 969	¥ —	¥ 969

	Thousands of U.S. Dollars			
	Fair value			
As of March 31, 2023	Level 1	Level 2	Level 3	Total
ASSETS				
Marketable securities and investments in securities				
Available-for-sale:				
Equity securities	**$ 1,839,374**	**$ —**	**$ 47,522**	**$ 1,886,896**
Government and corporate bonds	**8,933**	**1,836**	**—**	**10,769**
Other	**6,865**	**10,597**	**—**	**17,462**
Derivative transactions:				
To which hedge accounting is not applied	**—**	**1,306**	**—**	**1,306**
To which hedge accounting is applied	**—**	**1,582**	**—**	**1,582**
Total	**$ 1,855,172**	**$ 15,321**	**$ 47,522**	**$ 1,918,015**
LIABILITIES				
Derivative transactions:				
To which hedge accounting is applied	**$ —**	**$ 1,261**	**$ —**	**$ 1,261**
Total	**$ —**	**$ 1,261**	**$ —**	**$ 1,261**

The above figures as of March 31, 2022 do not include the fair values of investment trusts. The carrying amounts of investment trusts were ¥1,877 million as of March 31, 2022.

(2) The financial assets and liabilities not measured at the fair values in the consolidated balance sheet

	Millions of Yen			
	Fair value			
As of March 31, 2023	Level 1	Level 2	Level 3	Total
ASSETS				
Notes and accounts receivable—trade	¥ —	¥ **894,498**	¥ —	¥ **894,498**
Long-term loans receivable and Long-term loans to unconsolidated subsidiaries and affiliates	—	**6,914**	**52,381**	**59,295**
Total	¥ —	¥ **901,412**	¥ **52,381**	¥ **953,793**
LIABILITIES				
Corporate bonds	¥ —	¥ **80,099**	¥ —	¥ **80,099**
Long-term loans	—	**170,082**	—	**170,082**
Derivative transactions:				
To which hedge accounting is applied	—	**39**	—	**39**
Total	¥ —	¥ **250,220**	¥ —	¥ **250,220**

	Millions of Yen			
	Fair value			
As of March 31, 2022	Level 1	Level 2	Level 3	Total
ASSETS				
Notes and accounts receivable—trade	¥ —	¥ 724,970	¥ —	¥ 724,970
Long-term loans receivable and Long-term loans to unconsolidated subsidiaries and affiliates	—	32,444	35,659	68,103
Total	¥ —	¥ 757,414	¥ 35,659	¥ 793,073
LIABILITIES				
Corporate bonds	¥ —	¥ 49,956	¥ —	¥ 49,956
Long-term loans	—	97,648	—	97,648
Derivative transactions:				
To which hedge accounting is applied	—	77	—	77
Total	¥ —	¥ 147,681	¥ —	¥ 147,681

	Thousands of U.S. Dollars			
	Fair value			
As of March 31, 2023	Level 1	Level 2	Level 3	Total
ASSETS				
Notes and accounts receivable—trade	$ —	$ **6,675,358**	$ —	$ **6,675,358**
Long-term loans receivable and Long-term loans to unconsolidated subsidiaries and affiliates	—	**51,597**	**390,903**	**442,500**
Total	$ —	$ **6,726,955**	$ **390,903**	$ **7,117,858**
LIABILITIES				
Corporate bonds	$ —	$ **597,754**	$ —	$ **597,754**
Long-term loans	—	**1,269,268**	—	**1,269,268**
Derivative transactions:				
To which hedge accounting is applied	—	**291**	—	**291**
Total	$ —	$ **1,867,313**	$ —	$ **1,867,313**

The above figures do not include the current portion of long-term loans.

Notes:

(1) Description of valuation methodologies and inputs used for measurement of the fair value of assets and liabilities

Marketable securities and Investments in securities

The fair values of listed equity securities, listed investment trusts and government and corporate bonds are measured at the quoted market prices. The fair values of listed equity securities, listed investment trusts and government bonds are categorized as Level 1, because they are traded in active markets. The fair values of corporate bonds are categorized as Level 2, as the quoted market prices of corporate bonds are not considered to be observed in active markets due to low market transactions. The fair values of unlisted investment trusts are measured at net asset value per unit, and are categorized as Level 2. In addition, the fair values of unlisted equity securities held by certain overseas subsidiaries are principally measured by adjusted net asset method, and are categorized as Level 3.

Derivative transactions

The fair values of interest rate swaps and foreign currency forward contracts are measured by using discounted present value techniques considering observable inputs such as interest rates and foreign currency exchange rate, and are categorized as Level 2.

Notes and accounts receivable—trade

The carrying amounts of notes and accounts receivable—trade with short maturities approximate fair value, and are categorized as Level 2.

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, and are categorized as Level 2.

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

The carrying amounts of long-term loans receivable and long-term loans to unconsolidated subsidiaries and affiliates with fluctuating interest rates approximate fair value because the variable interest rates reflect market rates in a short period of time and the credit standings of the borrowers are not substantially changed, and are categorized as Level 2.

The fair values of long-term loans receivable and long-term loans to unconsolidated subsidiaries and affiliates with fixed interest rates are principally measured by discounting the cash flows at the Companies' assumed corporate discount rates by adding the credit spread to the appropriate indexes, such as the yield of government bonds, and are categorized as Level 2 or Level 3 depending on the materiality of the effect of unobservable inputs in the measurement of fair value.

Corporate bonds

The fair values of corporate bonds issued by the Company are principally measured at the quoted market prices. The fair values of these corporate bonds are categorized as Level 2, as the quoted market prices of corporate bonds are not considered to be observed in active markets due to low market transactions. The fair values of other corporate bonds are measured by discounting the cash flows related to the debt at discount rates that take into account the remaining periods of the bonds and credit risks, and are categorized as Level 2.

Long-term loans

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, and are categorized as Level 2.

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 rates, and are categorized as Level 2.

(2) Information about the fair value of Level 3 financial assets and liabilities, that are measured at the fair values in the consolidated balance sheet

1) Quantitative information about significant unobservable inputs

As of March 31, 2023	Valuation technique	Significant unobservable inputs
Marketable securities and investments in securities		
Available-for-sale:		
Equity securities (unlisted equity securities)	Adjusted net asset method	Net asset value

As of March 31, 2022	Valuation technique	Significant unobservable inputs
Marketable securities and investments in securities		
Available-for-sale:		
Equity securities (unlisted equity securities)	Adjusted net asset method	Net asset value

2) Reconciliation of beginning and ending balances

	Millions of Yen		Thousands of U.S. Dollars
	Marketable securities and investments in securities Available-for-sale: Equity securities (unlisted equity securities)		
	2023	2022	**2023**
Balance at beginning of year	**¥ 5,503**	¥ 4,388	**$ 41,067**
Fair value gain recognized in other comprehensive income	**677**	508	**5,052**
Increase due to purchases	**188**	607	**1,403**
Balance at end of year	**¥ 6,368**	¥ 5,503	**$ 47,522**

Fair value gain recognized in other comprehensive income is included in unrealized loss on available-for-sale securities and foreign currency translation adjustments in other comprehensive income in the consolidated statement of comprehensive income.

21. 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, 2023	Contract Amount	Contract Amount due after One Year	Fair Value	Unrealized Gain (Loss)
Foreign exchange forward contracts				
Selling:				
Euro forward	**¥ 2,306**	**¥ —**	**¥ 87**	**¥ 87**
Japanese Yen forward	**587**	**—**	**88**	**88**
Total	**¥ 2,893**	**¥ —**	**¥ 175**	**¥ 175**

	Millions of Yen			
As of March 31, 2022	Contract Amount	Contract Amount due after One Year	Fair Value	Unrealized Gain (Loss)
Foreign exchange forward contracts				
Buying:				
U.S. Dollar forward	¥ 51	¥ —	¥ 8	¥ 8
Selling:				
Euro forward	6,310	2,066	334	334
Japanese Yen forward	1,462	282	56	56
U.S. Dollar forward	280	—	6	6
Total	¥ 8,103	¥ 2,348	¥ 404	¥ 404
Interest rate swaps				
Pay—fix / Receive—float	¥ 15,873	¥ 15,873	¥ (121)	¥ (121)
Total	¥ 15,873	¥ 15,873	¥ (121)	¥ (121)

	Thousands of U.S. Dollars			
As of March 31, 2023	Contract Amount	Contract Amount due after One Year	Fair Value	Unrealized Gain (Loss)
Foreign exchange forward contracts				
Selling:				
Euro forward	**$ 17,209**	**$ —**	**$ 649**	**$ 649**
Japanese Yen forward	**4,381**	**—**	**657**	**657**
Total	**$ 21,590**	**$ —**	**$ 1,306**	**$ 1,306**

b. Derivative transactions to which hedge accounting is applied

As of March 31, 2023	Hedged Item	Contract Amount (Millions of Yen)	Contract Amount due after One Year (Millions of Yen)	Fair Value (Millions of Yen)
Foreign exchange forward contracts				
Buying:				
Chinese Yuan forward	Accounts payable—trade	**¥ 3,944**	**¥ 257**	**¥ (22)**
U.S. Dollar forward	Accounts payable—trade	**1,063**	**22**	**19**
Euro forward	Accounts payable—trade	**21**	**—**	**1**
Selling:				
Euro forward	Accounts receivable—trade	**13,312**	**27**	**45**
Total		**¥ 18,340**	**¥ 306**	**¥ 43**
Interest rate swaps				
Pay—fix / Receive—float	Long-term debt	**¥ 3,933**	**¥ 3,933**	**¥ (39)**
Total		**¥ 3,933**	**¥ 3,933**	**¥ (39)**

As of March 31, 2022	Hedged Item	Contract Amount (Millions of Yen)	Contract Amount due after One Year (Millions of Yen)	Fair Value (Millions of Yen)
Foreign exchange forward contracts				
Buying:				
U.S. Dollar forward	Accounts payable—trade	¥ 185	¥ —	¥ 20
Euro forward	Accounts payable—trade	8	—	0
Thai Baht forward	Accounts payable—trade	1	—	0
Selling:				
Euro forward	Accounts receivable—trade	43,151	4,880	(728)
Total		¥ 43,345	¥ 4,880	¥ (708)
Interest rate swaps				
Pay—fix / Receive—float	Long-term debt	¥ 3,959	¥ 3,959	¥ (77)
Total		¥ 3,959	¥ 3,959	¥ (77)

As of March 31, 2023	Hedged Item	Contract Amount (Thousands of U.S. Dollars)	Contract Amount due after One Year (Thousands of U.S. Dollars)	Fair Value (Thousands of U.S. Dollars)
Foreign exchange forward contracts				
Buying:				
Chinese Yuan forward	Accounts payable—trade	**$ 29,433**	**$ 1,918**	**$ (164)**
U.S. Dollar forward	Accounts payable—trade	**7,933**	**164**	**142**
Euro forward	Accounts payable—trade	**157**	**—**	**7**
Selling:				
Euro forward	Accounts receivable—trade	**99,343**	**202**	**336**
Total		**$ 136,866**	**$ 2,284**	**$ 321**
Interest rate swaps				
Pay—fix / Receive—float	Long-term debt	**$ 29,351**	**$ 29,351**	**$ (291)**
Total		**$ 29,351**	**$ 29,351**	**$ (291)**

22. COMMITMENTS AND CONTINGENT LIABILITIES

As of March 31, 2023, contingent liabilities for loans guaranteed, including related items of a similar nature, amounted to ¥15,960 million ($119,104 thousand).

23. OTHER COMPREHENSIVE INCOME

The components of other comprehensive income for the years ended March 31, 2023 and 2022, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2023	2022	**2023**
Unrealized loss on available-for-sale securities:			
Gains arising during the year	¥ **2,862**	¥ 2,983	$ **21,358**
Reclassification adjustments to profit or loss	**(6,079)**	(13,084)	**(45,366)**
Amount before income tax effect	**(3,217)**	(10,101)	**(24,008)**
Income tax effect	**1,127**	3,218	**8,411**
Total	¥ **(2,090)**	¥ (6,883)	$ **(15,597)**
Deferred gain (loss) on derivatives under hedge accounting:			
Gains (losses) arising during the year	¥ **523**	¥ (560)	$ **3,903**
Reclassification adjustments to profit or loss	**73**	471	**545**
Amount before income tax effect	**596**	(89)	**4,448**
Income tax effect	**7**	(3)	**52**
Total	¥ **603**	¥ (92)	$ **4,500**
Foreign currency translation adjustments:			
Adjustments arising during the year	¥ **36,507**	¥ 23,061	$ **272,440**
Reclassification adjustments to profit or loss	**4**	—	**30**
Amount before income tax effect	**36,511**	23,061	**272,470**
Income tax effect	**—**	—	**—**
Total	¥ **36,511**	¥ 23,061	$ **272,470**
Defined retirement benefit plans:			
Adjustments arising during the year	¥ **2,280**	¥ 392	$ **17,015**
Reclassification adjustments to profit or loss	**172**	201	**1,284**
Amount before income tax effect	**2,452**	593	**18,299**
Income tax effect	**(756)**	(137)	**(5,642)**
Total	¥ **1,696**	¥ 456	$ **12,657**
Share of other comprehensive loss in unconsolidated subsidiaries and affiliates:			
Losses arising during the year	¥ **(871)**	¥ (1,213)	$ **(6,500)**
Reclassification adjustments to profit or loss	**(129)**	117	**(963)**
Adjustment for acquisition cost of assets	**(100)**	59	**(746)**
Total	¥ **(1,100)**	¥ (1,037)	$ **(8,209)**
Total other comprehensive income	¥ **35,620**	¥ 15,505	$ **265,821**

24. SUPPLEMENTAL CASH FLOW INFORMATION

Year Ended March 31, 2022

The components of assets acquired and liabilities assumed of a consolidated subsidiary of KUSA which was acquired through the share acquisition during the year ended March 31, 2022, as well as reconciliation between the acquisition cost and the payment for the said acquisition were as follows:

	Millions of Yen
	2022
Current assets	¥ 1,026
Non-current assets	13
Goodwill	2,895
Current liabilities	(911)
Acquisition cost	3,023
Accounts payable	(262)
Cash and cash equivalents of the subsidiary	(142)
Net payment for acquisition	¥ 2,619

The components of assets acquired and liabilities assumed of a consolidated subsidiary of KUSA which was acquired through the share acquisition during the year ended March 31, 2022, as well as reconciliation between the acquisition cost and the payment for the said acquisition were as follows:

	Millions of Yen
	2022
Current assets	¥ 978
Non-current assets	13
Goodwill	475
Current liabilities	(808)
Non-current liabilities	(36)
Acquisition cost	622
Cash and cash equivalents of the subsidiary	(553)
Net payment for acquisition	¥ 69

25. NET INCOME PER SHARE

Basic net income per share ("EPS") for the years ended March 31, 2023 and 2022, 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, 2023:				
Basic EPS				
Net income attributable to common stockholders	**¥ 111,789**	**490,342**	**¥ 227.98**	**$ 1.701**
For the year ended March 31, 2022:				
Basic EPS				
Net income attributable to common stockholders	¥ 103,867	499,372	¥ 208.00	

26. SUBSEQUENT EVENTS

a. Appropriation of Retained Earnings

On June 28, 2023, the stockholders of the Company approved the appropriation of retained earnings to pay a dividend of ¥41.00 ($0.306) per share (final for the year ended March 31, 2023) for a total amount of ¥19,968 million ($149,015 thousand).

b. Acquisition of Own Shares

The Company, at the Board of Directors' Meeting held on May 15, 2023, 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:	7 million shares (upper limit) (The ratio to the aggregate number of issued shares (excluding own shares): 1.4%)
3) Aggregate acquisition price of shares:	¥10,000 million ($74,627 thousand) (upper limit)
4) Acquisition period:	May 16, 2023 to September 30, 2023
5) Acquisition method:	Market purchase on the Tokyo Stock Exchange

(3) Results of the acquisition based on the above resolution

1) Type of shares acquired:	Common Stock of the Company
2) Aggregate number of shares acquired:	4,904,700 shares
3) Aggregate acquisition price of shares:	¥9,999,890,700 ($74,626,050)
4) Acquisition period:	May 16, 2023 to May 23, 2023 (on a trade basis)
5) Acquisition method:	Market purchase on the Tokyo Stock Exchange

c. Introduction of Performance-Linked Stock Remuneration Plan (RS Trust) for Directors and Executive Officers

The Company, at the Board of Board of Directors' Meeting held on May 15, 2023, resolved to introduce a performance-linked stock remuneration plan (the "Plan") for Directors (excluding Outside Directors; the same applies hereinafter) of the Company using a trust structure and abolish the current remuneration framework of restricted stock remuneration. This proposal concerning the Plan was submitted to the 126th Ordinary Stockholders' Meeting of the Company held on June 28, 2023, and was approved and resolved as originally proposed at the Stockholders' Meeting.

(1) Introduction of the Plan

The Plan makes interrelation between the remuneration of Directors and the Company's performance as well as stock value clearer. Therefore, the Plan enhances motivation of Directors to contribute to improve the performance and corporate value over the medium- to long-term by sharing the benefit and risk of stock value fluctuations with stockholders, at the same time, attached transfer restrictions until retirement (when he or she ceases to hold the office of either Director or Executive Officer of the Company; the "Retirement") incentivize Directors to sustainably improve corporate value even after deliveries of the stocks.

The Company also plans to introduce a similar performance-linked stock remuneration plan for its Executive Officers.

(2) Overview of the Plan

1) Structure of the Plan

The Plan is a stock remuneration plan under which the Company establishes a trust (hereinafter, the "Trust") through monetary contributions. The Trust acquires the Company's common stocks (hereinafter, the "Company's Stocks") for delivery of stocks by the Trust to each Director, corresponding to the points awarded by the Company to that Director. (The stocks delivered to each Director will carry transfer restrictions, effective until the Retirement, based on a transfer restriction agreement concluded between each Director and the Company, as described in (3) below)

Under the Plan, the Company's Stocks will be delivered to Directors in office during the three fiscal years from the fiscal year ending March 31, 2024 to the fiscal year ending March 31, 2026 (hereinafter, the "Targeted Period"; the Targeted Period may be extended as set forth in 4) below.) Directors will receive the Company's Stocks, in principle, at a predesignated time of each fiscal year during the trust period.

2) Establishment of the Trust

The Company shall establish the Trust by contributing the funds needed to acquire the number of the Company's Stocks reasonably expected to be needed for delivery by the Trust, in accordance with 6) below, for a certain period of time into the future. The Trust shall use the funds contributed by the Company to acquire the Company's Stocks as described in 5) below.

Sumitomo Mitsui Trust Bank, Ltd., the trustee under the Plan, shall entrust (re-entrust) management of the trust property to Custody Bank of Japan, Ltd.

3) Trust period

The trust period shall be about three years from August 2023 (planned) to August 2026 (planned). The Company may extend the trust period as described in 4) below.

4) Maximum amount of money to be contributed to the Trust to fund the acquisition of stocks

During the Targeted Period, the Company shall contribute a total amount of money not exceeding ¥900 million ($6,716 thousand) as remuneration for Directors in office during the Targeted Period to fund the acquisition of the number of the Company's Stocks necessary to deliver to Directors based on the Plan. This contribution shall establish the Trust, of which the beneficiaries shall be the Directors who satisfy certain requirements.

Note: The amount of money that the Company entrusts to the Trust shall be the total of necessary expenses such as trust fees and remuneration for the trust administrator, in addition to funds for the acquisition of the Company's Stocks, as set forth above. When the Company introduces the performance-linked stock remuneration plan for its Executive Officers similar to the Plan as stated above, it shall also entrust the Trust the funds necessary to acquire the number of the Company's Stocks needed to deliver to Executive Officers under that plan.

The Company's Board of Directors may decide to continue the Plan by extending the Targeted Period for up to five fiscal years at each time and extending the trust period for a corresponding period (or effectively extending the trust period through the establishment of another trust with the same purpose, to which the Trust property is transferred; the same applies hereinafter). In such a case, the Company shall contribute an additional amount of money not exceeding ¥300 million ($2,239 thousand), multiplied by the number of years extended, to the Trust during the extended Targeted Period, as funds for the acquisition of the Company's Stocks to be delivered to Directors under the Plan. The Company shall then continue to award points and deliver the Company's Stocks as set forth in 6) below.

5) Method used to acquire the Company's Stocks by the Trust

The Company shall make the initial acquisition of the Company's Stocks by the Trust through the disposal of treasury stock by the Company or purchases on stock markets, within the maximum amount of funds for the acquisition of stocks set forth in 4) above.

During the trust period, in case the number of the Company's Stocks held in the Trust falls short of the number corresponding to the points awarded to Directors during the trust period, due to reasons such as an increase in the number of Directors, the Company may entrust additional funds to the Trust for the additional acquisition of the Company's Stocks, within the maximum amount set forth in 4) above.

6) Calculation method and maximum number of the Company's Stocks to be delivered to Directors

(i) Method used to award points to Directors

Based on the Stock Delivery Regulations established by the Company's Board of Directors, the Company shall award points to each Director on the day (once each fiscal year, in principle) designated for the award of points under the Stock Delivery Regulations during the trust period, based on factors such as position and the degree of achievement of performance targets.

The total number of points that the Company awards to Directors shall not exceed 600,000 points per fiscal year.

(ii) Delivery of the Company's Stocks in accordance with the number of points awarded

The number of stocks to be delivered shall correspond to the points awarded as described in (i) above. Directors shall follow the procedures set forth in (iii) below to receive the Company's Stocks. Each point shall correspond to one of the Company's Stocks. However, in an event such as a stock split or stock consolidation of the Company's Stocks, where adjustment is deemed reasonable, the number of the Company's Stocks to be delivered per point may be reasonably adjusted in accordance with the stock split ratio, consolidation ratio, or the like.

(iii) Delivery of the Company's Stocks to Directors

Each Director shall gain beneficiary rights to the Trust and receive the Company's Stocks from the Trust each fiscal year during the trust period, in principle, subject to the conclusion of the transfer restriction agreement set forth in (3) below and the completion of other designated procedures.

However, in case where the Company's Stocks held in the Trust have been converted to cash, such as where it has accepted and settled a tender offer for the Company's Stocks, money (the amount converted to cash) may be delivered in lieu of the Company's Stocks.

7) Exercise of voting rights

Based on instructions of the trust administrator, who is independent of the Company and its officers, no voting rights pertaining to the Company's Stocks held in the Trust shall be exercised. This regulation is designed for the exercise of voting rights associated to the Company's Stocks held in the Trust, to ensure the neutrality with regard to the Company's management.

8) Treatment of dividends

Dividends pertaining to the Company's Stocks held in the Trust shall be received by the Trust, and allocated to fund the acquisition of the Company's Stocks, as well as for trust fees payable to the trustee of the Trust.

(3) Transfer restriction agreement pertaining to the Company's Stocks delivered to Directors

When the Company's Stocks are delivered to Directors, as described in (2) 6) (iii) above, each Director shall conclude a transfer restriction agreement with the Company, containing the items shown below.

(i) Directors must not transfer, establish right of pledge or otherwise dispose of the Company's Stocks received under the Plan, from the date on which they receive until the date of the Retirement.
(ii) The Company may acquire the Company's Stocks without consideration where certain causes arise.
(iii) Content of the conditions for lifting the transfer restrictions preestablished by the Company's Board of Directors

However, no transfer restrictions shall be applied to the Company's Stocks if these are delivered on or after the date of the Retirement. Moreover, in this case, a certain proportion of the Company's Stocks to be delivered to Directors may be sold and converted into cash within the Trust, and withheld by the Company for the purpose of paying withholding tax, etc.

d. Issuance of Unsecured Bonds

The Company, at the Board of Directors' Meeting held on June 13, 2023, resolved to issue unsecured bonds with the following terms and conditions:

(1) Issue amount:	Maximum of ¥20,000 million ($149,254 thousand)
(2) Maturity:	3 to 10 years
(3) Issue price:	¥100 ($0.746) for face value of ¥100 ($0.746)
(4) Redemption price:	¥100 ($0.746) for face value of ¥100 ($0.746)
(5) Interest rate:	Not more than yield of 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, 2024
(9) Use of proceeds:	Capital investments, investments and loans, R&D investments, working capital, loan repayments, bond redemptions and commercial paper redemptions, etc.

In addition, the Board of Directors resolved that the General Manager of the Treasury Division (Director, Senior Executive Officer) 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.

27. 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, 2023	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	**¥ 301,623**	**¥ 1,073,734**	**¥ 41,163**	**¥ 236,790**	**¥ 738,269**	**¥ 2,391,579**	**¥ —**	**¥ 2,391,579**
Intersegment sales or transfers	**—**	**12,472**	**3,782**	**115,866**	**969**	**133,089**	**(133,089)**	**—**
Total	**¥ 301,623**	**¥ 1,086,206**	**¥ 44,945**	**¥ 352,656**	**¥ 739,238**	**¥ 2,524,668**	**¥ (133,089)**	**¥ 2,391,579**
Segment profit	**¥ 29,302**	**¥ 46,678**	**¥ 7,195**	**¥ 17,418**	**¥ 22,738**	**¥ 123,331**	**¥ 196**	**¥ 123,527**
Other:								
Depreciation	**¥ 1,204**	**¥ 4,336**	**¥ 3,375**	**¥ 6,755**	**¥ 9,148**	**¥ 24,818**	**¥ (106)**	**¥ 24,712**
Amortization of goodwill	**—**	**—**	**—**	**—**	**646**	**646**	**—**	**646**

Year Ended March 31, 2022	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	¥ 271,840	¥ 915,217	¥ 48,307	¥ 221,188	¥ 623,143	¥ 2,079,695	¥ —	¥ 2,079,695
Intersegment sales or transfers	—	5,455	4,105	94,957	804	105,321	(105,321)	—
Total	¥ 271,840	¥ 920,672	¥ 52,412	¥ 316,145	¥ 623,947	¥ 2,185,016	¥ (105,321)	¥ 2,079,695
Segment profit	¥ 19,684	¥ 50,109	¥ 11,297	¥ 16,293	¥ 26,461	¥ 123,844	¥ (461)	¥ 123,383
Other:								
Depreciation	¥ 1,317	¥ 4,459	¥ 2,890	¥ 6,310	¥ 7,742	¥ 22,718	¥ (106)	¥ 22,612
Amortization of goodwill	—	—	—	—	542	542	—	542

Year Ended March 31, 2023	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	**$ 2,250,918**	**$ 8,012,940**	**$ 307,187**	**$ 1,767,089**	**$ 5,509,470**	**$ 17,847,604**	**$ —**	**$ 17,847,604**
Intersegment sales or transfers	**—**	**93,075**	**28,223**	**864,672**	**7,231**	**993,201**	**(993,201)**	**—**
Total	**$ 2,250,918**	**$ 8,106,015**	**$ 335,410**	**$ 2,631,761**	**$ 5,516,701**	**$ 18,840,805**	**$ (993,201)**	**$ 17,847,604**
Segment profit	**$ 218,672**	**$ 348,343**	**$ 53,694**	**$ 129,985**	**$ 169,687**	**$ 920,381**	**$ 1,462**	**$ 921,843**
Other:								
Depreciation	**$ 8,985**	**$ 32,358**	**$ 25,187**	**$ 50,410**	**$ 68,269**	**$ 185,209**	**$ (791)**	**$ 184,418**
Amortization of goodwill	**—**	**—**	**—**	**—**	**4,821**	**4,821**	**—**	**4,821**

Notes:

(1) The amount of reconciliations in segment profit, which was profit of ¥196 million ($1,462 thousand) and loss of ¥461 million for the years ended March 31, 2023 and 2022, respectively, mainly consisted 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, 2023	Millions of Yen			
	Construction	Real Estate	Other	Total
Sales to external customers	**¥ 2,106,971**	**¥ 160,568**	**¥ 124,040**	**¥ 2,391,579**

Year Ended March 31, 2022	Millions of Yen			
	Construction	Real Estate	Other	Total
Sales to external customers	¥ 1,797,794	¥ 165,404	¥ 116,497	¥ 2,079,695

Year Ended March 31, 2023	Thousands of U.S. Dollars			
	Construction	Real Estate	Other	Total
Sales to external customers	**$ 15,723,664**	**$ 1,198,269**	**$ 925,671**	**$ 17,847,604**

(2) Information about geographical areas

1) Revenues

Millions of Yen						
2023						
Japan	North America	Europe	Asia	Oceania	Other Areas	Total
¥ 1,651,404	**¥ 413,149**	**¥ 70,860**	**¥ 151,075**	**¥ 103,293**	**¥ 1,798**	**¥ 2,391,579**

Millions of Yen						
2022						
Japan	North America	Europe	Asia	Oceania	Other Areas	Total
¥ 1,455,514	¥ 388,835	¥ 41,459	¥ 95,418	¥ 96,807	¥ 1,662	¥ 2,079,695

Thousands of U.S. Dollars						
2023						
Japan	North America	Europe	Asia	Oceania	Other Areas	Total
$ 12,323,910	**$ 3,083,201**	**$ 528,806**	**$ 1,127,425**	**$ 770,843**	**$ 13,419**	**$ 17,847,604**

Notes:

(1) Revenues are classified by country or region based on the location of customers.

(2) Revenues in North America for the year ended March 31, 2023, solely consisted of revenues in the U.S.A.

2) Property and equipment

Millions of Yen						
2023						
Japan	North America	Europe	Asia	Oceania	Other Areas	Total
¥ 398,308	**¥ 15,186**	**¥ 2,128**	**¥ 61,084**	**¥ 1,804**	**¥ 30**	**¥ 478,540**

Millions of Yen						
2022						
Japan	North America	Europe	Asia	Oceania	Other Areas	Total
¥ 361,417	¥ 9,782	¥ 2,195	¥ 52,858	¥ 1,320	¥ 9	¥ 427,581

Thousands of U.S. Dollars						
2023						
Japan	North America	Europe	Asia	Oceania	Other Areas	Total
$ 2,972,448	**$ 113,328**	**$ 15,881**	**$ 455,851**	**$ 13,463**	**$ 223**	**$ 3,571,194**

c. Information about impairment losses of assets

	Millions of Yen		Thousands of U.S. Dollars
	2023	2022	**2023**
Impairment losses of assets	**¥ 337**	¥ 16,453	**$ 2,515**

Notes:
(1) Impairment losses of assets of ¥337 million ($2,515 thousand) for the year ended March 31, 2023, consisted of assets used for business of ¥337 million ($2,515 thousand). Impairment losses of assets of ¥16,453 million for the year ended March 31, 2022, consisted of assets used for business of ¥216 million and assets held for rent of ¥ 16,237 million. Please see Note 7 for more details.
(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, 2023 and 2022

Millions of Yen		Thousands of U.S. Dollars
2023	2022	**2023**
¥ 646	¥ 542	**$ 4,821**

(2) Carrying amounts of goodwill as of March 31, 2023 and 2022

Millions of Yen		Thousands of U.S. Dollars
2023	2022	**2023**
¥ 1,398	¥ 3,699	**$ 10,433**

Note: Goodwill is not allocated to operating segments.

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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, 2023, 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, 2023, 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 Matter

A key audit matter is a matter that, in our professional judgment, was of most significance in our audit of the consolidated financial statements of the current period. The matter was 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 the matter.

Revenue Recognition from Construction Contracts over Time	
Key Audit Matter Description	**How the Key Audit Matter Was Addressed in the Audit**
As described in Note 2n. "SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—Significant Basis for Recording Revenues and Costs" to the consolidated financial statements, the Group's construction revenue and construction costs are recognized as the Group satisfies a performance obligation by transferring the promised goods or services to a customer if the control of those goods or services is transferred over time (hereinafter referred to as "the Percentage-of-Completion Method"). The Group measures progress towards complete satisfaction of a performance obligation, which is mainly based on the proportion that contract costs incurred for work performed to the date of the end of the year bear to the estimated total contract costs. As described in Note 3. "SIGNIFICANT ACCOUNTING ESTIMATE" to the consolidated financial statements, the Group recognized construction revenue of ¥1,984,311 million ($14,808,291 thousand) by applying the Percentage-of-Completion Method out of total construction revenue of ¥2,106,971 million ($15,723,664 thousand) for the year ended March 31, 2023. Out of the construction revenue balance under the Percentage-of-Completion Method, ¥1,301,837 million ($9,715,201 thousand) was recorded by Kajima Corporation (the "Company"). When applying the Percentage-of-Completion Method, construction revenue is calculated by multiplying the total estimated construction revenue by the progress principally based on the cumulative construction costs incurred by the end of the year against the total estimated construction costs. Total estimated construction revenue, total estimated construction costs, and the progress toward completion are affected by significant predictions and judgments made by management based on the business environment. The Company designs and operates internal controls such as reviewing and approving of operational budget related to the total construction revenues and the total construction costs at the beginning of the construction. The Company also designs and operates internal controls for modification and approval of the revised budget which includes estimation at the end of each period based on the actual progress of construction.	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 Information Technology ("IT") specialists to assist us with assessing the general IT controls and automated controls over IT systems used in the calculation of the construction costs and percentage of completion for each construction contract. When assessing the design and operating effectiveness of the controls, we paid particular attention to whether the operational budget was appropriately reviewed and approved at the beginning of the construction and whether budget was modified and approved after beginning construction to reflect changes in each construction's situation in an appropriate and timely manner. Next, we assessed the reasonableness of accounting estimates included in last year's total construction revenue and total construction costs by comparing the accounting estimates included in last year's total construction revenue and total construction costs with this year's finalized amounts or updated 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 the Key Audit Matter Description. We performed the following one or more audit procedures to the at-risk construction projects depending on the result of our analysis: **Audit procedures for total construction revenue** (1) We inspected evidence such as construction contracts and tested cash receipts for the total construction revenue.

In addition to the Company's construction contracts becoming higher in monetary value and longer in contractual terms, the construction costs are rising in the recent years mainly due to construction materials and labor market increasing. Therefore, if the following situations occur, there might be material impact to the consolidated financial statements. (1) The total construction revenue may include the estimates if the final agreement has not been reached regarding the construction contract with the customer on a scope change or a change in the construction method. Construction revenues might not be recognized appropriately at the end of each period if the Percentage-of-Completion Method is applied based on a contract that is to be revised due to modification, incomplete or unreasonable estimates, or if the feasibility of that contract is not high. (2) The total construction costs may increase significantly if unanticipated events occur, such as an unexpected event or construction delay that happened after the operational budget was initially complied, or construction materials and labor market fluctuate significantly during the construction progress. 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 updated in a timely manner. If the Percentage-of-Completion Method is applied under such circumstances, construction revenues might not be recognized appropriately at the end of each reporting period. (3) As percentage of completion at year-end is calculated based on the total construction costs, it might not be calculated appropriately if the total construction costs are not updated in a timely manner as mentioned in (2). We determined that the Company's revenue recognition by applying the Percentage-of-Completion Method was our key audit matter because accounting estimates for total construction revenues, total construction costs, and percentage of completion involved uncertainty and significantly relying on management forecasts and judgments.	(2) If the total construction revenue included accounting estimates, we assessed the basis and feasibility of the estimates by inquiring of appropriate construction managers and inspecting evidence 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 with appropriate construction managers and inspected evidence 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 year, we inquired of appropriate construction managers and inspected evidence and project management materials to evaluate whether the estimate was reasonable. This evaluation includes the impact of construction cost increase has been appropriately reflected in the estimated total construction costs. **Audit procedures for percentage of completion (actual costs incurred)** (5) If the monthly trend analysis showed that the actual monthly costs increased or decreased significantly compared to the costs in previous month, we inquired of appropriate construction managers and inspected evidence such as invoices and project management materials to evaluate whether the increase or decrease was reasonable. (6) We inspected evidence such as invoices for the actual costs incurred. We also visited several construction sites and observed the consistency between the construction progress and accounting estimates.

Other Information

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

We determined that no such information existed and therefore, we did not perform any work thereon.

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

July 24, 2023

The consolidated financial statements of Kajima Corporation and its consolidated subsidiaries and the notes to consolidated financial statements are audited by Deloitte Touche Tohmatsu LLC. They have been prepared for the purpose of construction contract awards outside Japan.

Of the contents in the Financial Review (with the exception of the Summary and Forecast of Business Performance), the consolidated financial statements, notes to consolidated financial statements, and independent auditor’s report, have been copied from documents prepared and issued for the aforementioned purpose.