

To Our Shareholders

Disclosure through the Internet relating to “Notice of the 162nd General Meeting of Shareholders”

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(From April 1, 2021 to March 31, 2022)

TAISEI CORPORATION

Note: The items above are provided to our shareholders by posting our website (<https://www.taisei.co.jp/>) in accordance with laws and regulations, and Article 16 of the Articles of Incorporation of Taisei Corporation.

Important note:

This document is English translation of “Disclosure through the Internet relating to Notice of the 162nd General Meeting of Shareholders” .

In the event that any of the information contained in these English translations is inconsistent with the information contained in the Japanese original document, the Japanese original document shall prevail.

Systems and Policies of the Company

In order to secure a system for properly and efficiently executing business and to ensure the reliability of financial reporting, the Company set out its “Fundamental Policy to Enhance Operational Compliance Systems” at the Board as follows:

Fundamental Policy to Enhance Operational Compliance Systems

- (1) Systems to ensure that Members of the Board and the employees carry out their duties in compliance with laws and regulations and the Articles of Incorporation**
 - (a) Members of the Board shall recognize that compliance is at the core of good management and shall faithfully comply with all compliance-related regulations, including the Action Guidelines for Taisei Personnel and the Taisei Group as a Whole.
 - (b) The Company shall ensure that all the executives and employees recognize their compliance-related obligations:
 - by implementing programs recommended by the Compliance Committee, such as strict disciplinary punishments for the executives and employees found to have violated a law or regulation, enhancement of systems to prevent collusive bidding practices, and ensuring the effective operation of the corporate ethics helpline system; and
 - by promoting compliance education and encouraging internal audits (self-audits) at the department level.
 - (c) The General Affairs Department shall guide the compliance-related activities of individual corporate bodies, and the Auditing Department shall ensure the effectiveness of internal audits by working closely with the individual corporate bodies.

- (2) Systems to retain and manage information regarding the performance of duties by Members of the Board**
 - (a) The Company shall codify the rules and procedures concerning information and shall develop systems to properly manage all information belonging to the Company in order to duly record and retain information relating to the performance of Members of the Board of their duties, to prevent any leakage or unauthorized use of such information, and to effectively use such information.

- (3) Risk management rules for controlling risks of loss and other related internal systems**
 - (a) The Company shall develop systems to properly manage primary risks, including those relating to quality, safety, environment, compliance, information and profit and loss, in accordance with the Company’s fundamental policy for development of risk management system.
 - (b) The Company shall develop systems to manage the risks in the event of an emergency or a large disaster, including arrangements to ensure the continuation of business operations.
 - (c) Each corporate body shall enhance its risk management capacity in an organized manner by providing its members with risk management education and other programs.
 - (d) The General Affairs Department will promote proper management of company-wide risks, and the Auditing Department will promote endeavors to continually improve the risk management system through internal audits.

(4) Systems to ensure the efficient performance of duties by Members of the Board

- (a) The Company shall establish the Management Committee as a decision-making body and adopt the executive officer system that enables the Company to operate its business in a swift manner. In addition, the Company shall make the decision-making function more vivid and fruitful and enhance the supervisory function of the Board by utilizing the committees within the Board and consulting the External Members of the Board.
- (b) The Company shall develop and enhance the rules and procedures regarding the delegation of decision making and other powers to managers and the execution of the duties, to facilitate more efficient decision making and management processes, responding to changes in the managerial environment.

(5) Systems to ensure proper operation of Group companies

- (a) The Company shall promote to establish internal rules in each Group company regarding reporting requirements to the Company in accordance with the Company's fundamental policy and operational guidelines concerning the Group operation.
- (b) The Company shall establish a risk management system in each group company, promoting to establish internal rules in each Group company for its risk management with respect to quality, safety, environment, compliance, information, profit and loss and large-scale disaster and other major risks in accordance with the business characteristics of each Group company.
In addition, the Company shall ensure the effectiveness of Group company's risk management system through an internal audit by the Auditing Department and a Group liaison meeting held by the Legal Department and other departments of each Group company, promotion of risk management education in each Group company, and provision of the Group helpline amongst other things.
- (c) The Company shall assist, advise and collaborate in the business of each Group company by clarifying the functions and roles of each company in the Group, assisting each Group company to implement an organizational structure appropriate for its business characteristics and size thereof and utilizing the management resources in the Group.
In addition, the Company shall hold Group management meetings from time to time to facilitate communication among its Group companies and promoting mutual understanding and cooperation with respect to issues related to technology, production, marketing and sales, transaction and other issues surrounding the Group.
- (d) The Company shall share within the Group its philosophy (objectives and goals to be pursued), spirit (key concepts all the executives and employees in our Group must adhere to), and code of conduct (the fundamental principles of conduct for the organization and standards of behavior and decisions criteria which the executives and employees in our Group shall adopt and strictly comply with), and the Company shall also establish a compliance system, promoting to enhance internal rules appropriate for the business characteristics of each Group company.
In addition, the Company shall ensure the effective operation of the compliance system of each Group company through internal audits conducted by the Auditing Department and Group liaison meetings held by the Legal Department and other departments of each Group company, including the promotion of compliance education for each Group company, and provision of the Group helpline.

- (6) **Systems regarding the employees supporting Audit & Supervisory Board Members, the independence of such employees from Members of the Board and ensuring effective instructions from Audit & Supervisory Board Members to such employees**
- (a) Audit & Supervisory Board Members and General Manager of Human Resources Department shall discuss in advance assignments, transfers, evaluations and other issues regarding the staff of the Audit & Supervisory Board Members' Department, whose primary role is to assist the performance of duties by Audit & Supervisory Board Members.
 - (b) Each department shall properly perform its duties in order to ensure that staff of the Audit & Supervisory Board Members' Department shall effectively follow the instructions from Audit & Supervisory Board Members.
- (7) **Systems for reporting to Audit & Supervisory Board Members and preventing the adverse treatment of persons who make reports**
- (a) For the purpose of auditing the internal controls of the Company and each Group company by Audit & Supervisory Board Members, the Company shall determine the matters that the executives and employees of the Company and each Group company, or any recipient of a report from such executive or employee of the Company, should report to Audit & Supervisory Board Members, and shall establish the following systems:
 - 1) A system in which Audit & Supervisory Board Members can receive reports from the executives and employees of the Company at any time;
 - 2) A system in which Audit & Supervisory Board Members can receive reports from the executives and employees of each Group company or a recipient of a report from such executive or employee; and
 - 3) A system in which Audit & Supervisory Board Members shall receive reports of any violation of law or regulation by any executive or employee of the Company through the corporate ethics helpline and the Group helpline.
 - (b) The Company shall establish a system to prevent any adverse treatment of a person who makes a report under the preceding paragraph based on the fact that he/she made such report.
- (8) **Matters concerning policies regarding the allocation of costs arising from the performance of duties by Audit & Supervisory Board Members and systems to ensure that Audit & Supervisory Board Members can effectively conduct the audit of the Company**
- (a) If an Audit & Supervisory Board Member claims costs arising from the performance of its duties, Members of the Board shall properly handle such claim in order to ensure that the audit is effectively conducted.
 - (b) Members of the Board representing the Company and Audit & Supervisory Board Members shall facilitate their mutual understanding, through periodic meetings, regarding the status of the audits conducted by Audit & Supervisory Board Members, and other important issues.
 - (c) The relationship amongst Audit & Supervisory Board Members shall be strengthened by measures such as:
 - Audit & Supervisory Board Members and General Manager of Auditing Department shall exchange documents regarding the cooperation between Audit & Supervisory Board Members and the Auditing Department; and
 - The Auditing Department and Accounting Auditor shall have regular meetings with Audit & Supervisory Board Members.
- (9) **Systems to ensure appropriateness of financial reports**
- (a) The Company shall develop internal controls sufficient to ensure the appropriateness of all financial reports.

Summary of Our Efforts under the Fundamental Policy to Enhance Operational Compliance Systems

(1) Efforts related to “Systems to ensure that Members of the Board and the employees carry out their duties in compliance with laws and regulations and the Articles of Incorporation”

The Board has established its internal compliance-related rules, including the “Group Action Guidelines”, taking account of enactments and revisions of laws and regulations, changes in social circumstances, compliance issues that actually occurred, and so forth.

In order to enhance compliance awareness on a company-wide scale, the Company provides the executives and employees with the training through e-learning and issues “Compliance News” periodically, which covers typical compliance issues.

In addition, while the Company’s internal rules are strictly applied in order to thoroughly prevent the Company’s executives and employees from engaging in bid rigging, the Company also provides the “training seminars for compliance with Anti-Monopoly Act” instructed by an external lawyer every year mainly to the executives and employees who belong to the marketing and sales divisions.

Furthermore, the Company conducts compliance questionnaire surveys to all the executives and employees every year to identify issues relating to compliance to be grasped in the Company and addresses various improvement measures.

Regarding the corporate ethics helpline system (whistleblowing system), the Company distributes “helpline cards” describing the outline of the system and listing contacts for reporting to all the executives and employees, makes continuous efforts to ensure that the executives and employees are aware of and understand the system through “Compliance News”, etc., and regularly reports the status of its compliance through the system to the management.

In order to make such measures for promoting compliance more effective, the Compliance Committee headed by an external lawyer reviews and verifies the status of implementing such measures and enhances them as appropriate.

(2) Efforts related to “Systems to retain and manage information regarding the performance of duties by Members of the Board”

The Company has established its internal information-related rules, including the “Fundamental Policy on Information Management”, to ensure the proper storage and management of corporate information.

In addition, the Company takes various information security measures appropriately as required to deal with such risks as data breaches, computer virus infections, and makes continuous efforts to ensure that the executives and employees understand information security rules and measures through periodical education by e-learning.

In the fiscal year 2021, the Company implemented a wider range of information security measures mainly by deploying new cyber security equipment and systems and vulnerability support services.

(3) Efforts related to “Risk management rules for controlling risks of loss and other related internal systems”

The Company has established its internal risk management-related rules including the “Risk Management Policy”, classified operational risks according to their levels of importance, established a company-wide risk management system clarifying the departments in charge, and reviews the system every year. The Company also regularly implements risk management training by e-learning, etc, and makes continuous efforts to ensure that the executives and employees understand the above matters.

In order to respond to emergencies and large-scale disasters, the Company has established its internal risk management-related rules including the “Policy on Business Continuity in Times of Disaster” and annually conducts drills for responding to disasters and e-learning in accordance with the rules.

In the fiscal year 2021, as our efforts based on the company-wide risk management system, the Company reviewed its policy, the “Emergency Alert Procedures for Typhoons and Other Disasters”, and added new rules for evacuation, so that the Company intensified its efforts to deal with climate-related disasters as they have become increasingly serious in recent years. For the response to the COVID-19 pandemic, the Company took infection prevention measures based on the “Business Continuity Plan upon Infectious Diseases Outbreak” which was always consistent with the government’s policy.

In addition, the Auditing Department conducts internal audits and promotes to continuously improve the risk management system.

(4) Efforts related to “Systems to ensure the efficient performance of duties by Members of the Board”

In order to make the decision-making function more vivid and fruitful and furthermore enhance the supervisory function of the Board, the Company has reviewed the scope of the Board’s business execution function, introduced swift decision-making by delegating substantial authority to the management (business execution side) since the fiscal year 2020, and promoted our measures for continuous improvement of the operation of the Board.

In the fiscal year 2021, based on the revision of its Corporate Governance Code, the Company reorganized its basic approach and policy towards the revised Code, amended the “Fundamental Corporate Governance Policy”, and established the “Fundamental Policy on Sustainable Development” and the “Human Resource Development Policy”.

Furthermore, the Company organized the “meetings for exchange of opinions” among Members of the Board and Audit & Supervisory Members, reviewed the matters to be brought before the Board based on the analysis of the Board’s agenda, and held meetings of the Board utilizing online meeting systems.

(5) Efforts related to “Systems to ensure proper operation of Group companies”

On the basis of our structure of values and policies including the “Taisei Group Philosophy”, the Company has been promoting the establishment of systems for reporting from Group companies to the Company, risk management systems, and compliance systems in accordance with its internal rules such as the “Fundamental Policy Concerning Group Operation” and the “Operational Guidelines Concerning Group Operation”.

In order to ensure the effectiveness of its risk management system, the Company conducts internal audits on the Group companies by its Auditing Department and provides support and guidance to the Group companies by its risk management related departments. With regard to the Group helpline system (whistleblowing system), the Company regularly monitors operation status of the system with its major domestic Group companies and makes continuous efforts to ensure that the executives and employees of such Group companies are aware of and understand the system.

In order to ensure the effectiveness of its compliance system, the Company carries out Group compliance questionnaire surveys to the executives and employees, etc. at all Group companies every year to grasp compliance issues to be addressed by the Group, and provides assistance and guidance to the Group companies so as to strive to promote compliance.

In addition, the Company provides assistance on structuring organizations and effective use of management resources of the Group companies and also conducts the inspection towards the CEO of the Group companies twice a year to share management goals of the whole Group, and by holding Group company liaison meetings whose themes including technology, production, and sales, the Company promotes smooth communication and mutual understanding among the Group companies and works on challenges shared by them.

In the fiscal year 2021, the Company conducted questionnaire surveys to all executives and employees of the Group companies regarding our structure of values and policies to confirm the level of awareness and to ensure that it is fully ingrained in the executives and employees. Furthermore, the Management Committee and the Governance System Review Committee are studying specific measures to invigorate the Group companies.

(6) Efforts related to “Systems regarding the employees supporting Audit & Supervisory Board Members, the independence of such employees from Members of the Board and ensuring effective instructions from Audit & Supervisory Board Members to such employees”

Audit & Supervisory Board Members and General Manager of Human Resources Department discuss in advance and determine assignments, transfers, evaluations and other issues regarding the staff of Audit & Supervisory Board Members’ Department whose primary role is to assist the performance of duties by Audit & Supervisory Board Members and allocate appropriate personnel. In addition, each department properly performs its duties such as provision of the required information so that Audit & Supervisory Board Members’ Department is able to properly perform duties instructed by Audit & Supervisory Board Members.

(7) Efforts related to “Systems for reporting to Audit & Supervisory Board Members and preventing the adverse treatment of persons who make reports”

The Company has established its system to provide information with Audit & Supervisory Board Members in accordance with “Matters to Be Reported to the Audit & Supervisory Board/Audit & Supervisory Board Members” and “Documents to Be Made Available to Audit & Supervisory Board Members”. Members of the Board and other managers in charge of the business line take actions such as timely and periodical report and provision of documents to Audit & Supervisory Board Members, and arrangement for Audit & Supervisory Board Members to attend important meetings, in accordance with its standards of application for or at the request of Audit & Supervisory Board Members.

In addition, operation status of the corporate ethics helpline system and the Group helpline system is regularly reported to meetings of the Management Committee and the Board which are attended by Audit & Supervisory Board Members.

The Company ensures that those who report or request for consultation are not treated in a disadvantageous manner by operating the systems and stipulating the provisions in its internal rules to that effect.

(8) Efforts related to “Matters concerning policies regarding the allocation of costs arising from the performance of duties by Audit & Supervisory Board Members and system to ensure that Audit & Supervisory Board Members can effectively conduct audits of the Company”

Costs arising from the performance of duties by Audit & Supervisory Board Members, including expenses incurred for auditing and obtaining opinions from external specialists, are treated properly to ensure the effectiveness of audits.

In addition, Members of the Board who are Representative Directors exchange opinions with Audit & Supervisory Board Members periodically, and the Auditing Department and the Accounting Auditor hold regular meetings and coordinate with Audit & Supervisory Board Members, to facilitate their mutual understanding and enhance the effectiveness of audits.

(9) Efforts related to “Systems to ensure appropriateness of financial reports”

The Company formulates evaluation policies in consultation with accounting auditors every year and conducts internal audits according to such policies. Through monitoring on a regular basis, the Company continuously studies and evaluates whether the procedures for reducing risks of false financial reporting are effective.

To ensure that the internal control systems for financial reporting are continuously effective, messages from President and Chief Executive Officer of the Company are posted towards the executives and employees, and educational activities by e-learning are also provided to them.

CONSOLIDATED STATEMENT OF CHANGES IN NET ASSETS (Year ended March 31, 2022)

	Millions of Yen				
	Shareholders' equity				
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance as of April 1, 2021	122,742	60,198	621,568	(85,916)	718,593
Cumulative effects of changes in accounting policies			178		178
Restated balance at beginning of year	122,742	60,198	621,747	(85,916)	718,772
Changes during the period					
Dividends			(26,598)		(26,598)
Profit attributable to owners of parent			71,436		71,436
Acquisition of treasury stock				(20,007)	(20,007)
Disposal of treasury stock				6	6
Cancellation of treasury stock		(105,018)		105,018	—
Transfer from retained earnings to capital surplus		75,202	(75,202)		—
Reversal of revaluation reserve for land			0		0
Changes other than shareholders' equity, net (*1)					
Total changes during the period	—	(29,816)	(30,364)	85,017	24,837
Balance as of March 31, 2022	122,742	30,382	591,383	(898)	743,609

	Millions of Yen							
	Accumulated other comprehensive income						Non-controlling interests	Total net assets
	Unrealized gains on available-for-sale securities, net of taxes	Unrealized losses on hedging derivatives, net of taxes	Revaluation reserve for land	Foreign currency translation adjustments	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance as of April 1, 2021	103,215	(15)	1,223	(3,847)	21,675	122,251	3,575	844,420
Cumulative effects of changes in accounting policies								178
Restated balance at beginning of year	103,215	(15)	1,223	(3,847)	21,675	122,251	3,575	844,599
Changes during the period								
Dividends								(26,598)
Profit attributable to owners of parent								71,436
Acquisition of treasury stock								(20,007)
Disposal of treasury stock								6
Cancellation of treasury stock								—
Transfer from retained earnings to capital surplus								—
Reversal of revaluation reserve for land			(0)			(0)		—
Changes other than shareholders' equity, net (*1)	(5,679)	7		1,944	6,754	3,026	372	3,398
Total changes during the period	(5,679)	7	(0)	1,944	6,754	3,026	372	28,236
Balance as of March 31, 2022	97,535	(8)	1,223	(1,903)	28,429	125,277	3,948	872,835

(*1)Note Excluding the reversal of revaluation reserve for land.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Basis of Presenting Consolidated Financial Statements:

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

1. Principal Accounting Policies

(1) Consolidation

- ① The number of consolidated subsidiaries 43 companies

Main consolidated subsidiaries	TAISEI YURAKU REAL ESTATE Co., Ltd. TAISEI ROTEC CORPORATION TAISEI U-LEC Co., Ltd.
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- ② Main non-consolidated subsidiaries
- | | |
|--|---|
| | EHIME HOSPITAL PARTNERS Ltd.
OMIYA CROSS POINT Co., Ltd. |
|--|---|

(The reason for excluding these subsidiaries from consolidation)

Non-consolidated subsidiaries are excluded from the scope of consolidation because these companies are small companies and the sums of each of the total assets, sales, net income (equal to share interest) and retained earnings (equal to share interest) of these companies have not had any significant impacts on the consolidated financial statements.

(2) Equity method

- ① The number of companies accounted for using the equity method.

Non-consolidated subsidiaries	17 companies
Affiliates	42 companies

Main affiliates accounted for using the equity method
CSCEC-TAISEI CONSTRUCTION, LTD.
P.T. INDOTAISEI INDAH DEVELOPMENT

- ② Changes of scope of the equity method

8 companies newly established were included in the scope of equity method.
3 liquidated companies were excluded from the scope of equity method.

(3) Summary of accounting policies

① Valuation of principal assets

【Securities】

- Debt securities intended to be held to maturity

Debt securities intended to be held to maturity are stated at amortized cost.

- Securities other than trading securities, held-to-maturity securities, and equity securities issued by subsidiaries and affiliates (hereafter “available-for-sale securities”)

Available-for-sale securities

Other than equity securities without market prices

Available-for-sale securities with market prices are stated at fair value as of the balance sheet date. The difference between the acquisition costs and the fair value is not reflected in income, but included directly in the net assets. Cost of selling available-for-sale securities is calculated by the moving-average method.

Equity securities without market prices

Available-for-sale securities with no market prices are stated at cost based on the moving-average method.

【Inventories】

- Cost on uncompleted contracts

Cost on uncompleted contracts is mainly stated at the specific-identification cost method.

- Real estate for sale and development project in progress

Real estate for sale and development project in progress are mainly stated at the specific-identification cost method or net realizable value.

- Other inventories

Cost on other inventories

Cost on other inventories is mainly stated at the specific identification cost method or net realizable value.

Raw materials and supplies

Raw materials and supplies are mainly stated at cost based on the moving-average method or net realizable value.

【Derivative financial instruments】

Derivative financial instruments are stated at fair value.

② Depreciation method of principal depreciable assets

【Buildings and structures】

Buildings and structures are depreciated mainly using the straight-line method.

【Other tangible fixed assets】

Other tangible fixed assets are depreciated mainly using the declining-balance method.

③ Allowance and provision

【Allowance for doubtful accounts】

Allowance for doubtful accounts is provided to reserve probable losses from bad debt. It consists of the estimated uncollectible amount of certain identified doubtful receivables and the amount estimated on the basis of the past default ratio for normal receivables.

【Provision for warranties on completed contracts】

Provision for warranties on completed contracts is provided as the amount estimated using an actual ratio of related losses during the past certain period.

【Provision for losses on construction contracts】

Provision for losses on construction contracts is provided with respect to construction projects for which eventual losses are reasonably estimated.

【Retirement benefits for directors and corporate auditors】

In the Company’s certain consolidated subsidiaries, retirement benefits for directors and corporate auditors are provided 100% of the amount that would be required to be paid under assumption that all directors and corporate auditors retired at the balance sheet date in accordance with relevant internal rules.

【Provision for share-based remuneration for directors】

Provision for share-based remuneration for directors is provided based on estimated amounts of share-based remuneration obligation at the end of the consolidated fiscal year in accordance with “Officers’ Share Benefit Regulation”.

【Provision for environmental measures】

Provision for environmental measures is provided based on estimated costs for disposal of Polychlorinated Biphenyl ("PCB") waste, which is stated in the Act on Special Measures Concerning Promotion of Proper Treatment of PCB Waste.

④ Other accounting policies on the consolidated financial statements**【Recognition of retirement benefit】**

Net defined benefit liability is provided for severance and retirement benefits for employees and executive officers of the Company's certain consolidated subsidiaries based on estimated amounts of projected benefit obligations and plan assets at the year-end.

In calculating projected benefit obligations, the method of attributing estimated amounts of retirement benefits to the period until this consolidated fiscal year is based on the benefit formula basis.

Past service costs are amortized using the straight-line method (some consolidated subsidiaries use the declining-balance method) over 1-10 years, which is not longer than an average remaining service period of the employees when the costs are incurred.

Actuarial gains and losses are amortized from the subsequent consolidated fiscal year (some consolidated subsidiaries amortize actuarial gains and losses from the current consolidated fiscal year) using the straight line method (some consolidated subsidiaries use the declining balance method) over 1-10 years, which is not longer than an estimated average remaining service period of the employees when the gains or losses are incurred.

【Revenue recognition of construction】

The main details of performance obligations related to revenue from contracts with customers in the Group's main projects and the ordinary timing of satisfaction of these performance obligations (i.e., ordinary timing of revenue recognition) are as follows.

Since the performance obligations under construction contracts in the Building Construction Business and the Civil Engineering Business are satisfied over time as the construction progress, revenue associated with construction contracts is recognized based on the progress towards satisfaction of performance obligations except that the contract amount is small or the period is very short. The progress is estimated by the percentage-of-completion method and the percentage at the end of the consolidated fiscal year is determined by the percentage of the cost incurred to the estimated total costs.

In addition, except the initial stages of the contracts, revenue is recognized by the cost recovery method when it is not possible to reasonably estimate the progress towards satisfaction of performance obligations, but it is probable that the costs incurred will be recovered. Regarding the construction projects of which the contract amount is small or the period is very short, revenue is recognized at the time of completion of construction.

In the current consolidated fiscal year, there are no construction contracts with a significant financing component in the transaction price, although the timing of receipt of the consideration for the transaction varies depending on the terms of the contracts.

【Hedge accounting】

Gains or losses resulting from hedging instruments are deferred until related losses or gains on hedged items are recognized. For interest rate swap contracts which meet certain conditions, net amount to be paid or received under the contract is added to or deducted from interest on liabilities when the swap contract has been concluded.

【Amortization of goodwill】

Goodwill, which is the excesses of investment cost over net equity of consolidated subsidiaries and affiliates accounted for using the equity method, is amortized over the period within 20 years for which the goodwill is expected to contribute to consolidated net income, using the straight-line method, or is charged to income in the year incurred if the amount of goodwill is immaterial.

【Income taxes】

Income taxes are calculated based on the Consolidated Taxation System.

【Application of tax effect accounting for the transition from the Consolidated Taxation System to the Group Tax Sharing System】

From the subsequent consolidated fiscal year, the Company and part of its domestic subsidiaries will transfer from the Consolidated Taxation System to the Group Tax Sharing System. Regarding the transition from the Consolidated Taxation System to the Group Tax Sharing System, established by "Act on Partial Amendment of the Income Tax Act and Others" (Act No.8 of 2020), and regarding items of the Non-Consolidated Taxation System that were revised in accordance with the transition to the Group Tax Sharing System, the Company and part of its domestic subsidiaries, in accordance with the treatment in paragraph 3 of "Practical Solution on the Treatment of Tax Effect Accounting for the Transition from the Consolidated Taxation System to the Group Tax Sharing System" (PITF No.39, March 31, 2020), did not apply the provisions in paragraph 44 of "Implementation Guidance on Tax Effect Accounting" (Accounting Standards Board of Japan (ASBJ) Guidance No.28, issued on February 16, 2018) and calculated the amount of deferred income tax assets and liabilities based on the provisions of tax laws before the amendment.

From the beginning of the subsequent consolidated fiscal year, the Company and part of its domestic subsidiaries will apply the "Practical Solution on the Accounting and Disclosure Under the Group Tax Sharing System" (PITF No.42, August 12, 2021), which defines the practical solutions on the accounting and disclosure regarding corporate tax, local corporate tax and tax effect accounting under the Group Tax Sharing System.

2. Changes in Accounting Policies

(1) Application of Accounting Standard for Revenue Recognition, etc.

The Group has applied the "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29, March 31, 2020; hereinafter the "Revenue Recognition Accounting Standard"), etc. from the beginning of the current consolidated fiscal year and recognize revenue with the amounts that are expected to be received in exchange for the promised goods or services when the control of such goods or services are transferred to customers.

Until the previous consolidated fiscal year, revenue associated with construction contracts of which the outcome can be reliably estimated was accounted for by the percentage-of-completion method; otherwise revenue was accounted for by the completed-contract-method. The accounting policy has been changed at the beginning of the current consolidated fiscal year, and revenue associated with construction contracts is recognized based on the progress towards satisfaction of performance obligation except that the contract amount is small or the period is very short. The progress is estimated by the percentage-of-completion method and the percentage at the end of the consolidated fiscal year is determined by the percentage of the cost incurred to the estimated total costs.

In addition, except the initial stages of the contracts, revenue is recognized by the cost recovery method when it is not possible to reasonably estimate the progress towards satisfaction of performance obligations, but it is probable that the costs incurred will be recovered. Regarding the construction projects of which the contract amount is small or the period is very short, revenue is recognized at the time of completion.

As a result, the application of the accounting standard has no significant impact on the consolidated financial statements.

Furthermore, the application of the Revenue Recognition Accounting Standard follows the transitional treatment stipulated in the proviso of Paragraph 84 of the Revenue Recognition Accounting Standard. The cumulative effects in the case of retroactively applying the new accounting policy to before the beginning of the current consolidated fiscal year are adjusted in retained earnings at the beginning of the current consolidated fiscal year, and the new accounting policy is applied from this initial balance.

(2) Application of Accounting Standard for Fair Value Measurement, etc.

The Group has applied the "Accounting Standard for Fair Value Measurement" (ASBJ Statement No.30, July 4, 2019; hereinafter the "Fair Value Measurement Accounting Standard"), etc. from the beginning of the current consolidated fiscal year. Accordingly, the Group will apply new accounting policies under the Fair Value Measurement Accounting Standard, etc. prospectively in accordance with the transitional treatment set out in Paragraph 19 of the same Standard and Paragraph 44-2 of the "Accounting Standard for Financial Instruments" (ASBJ Statement No.10, July 4, 2019). The application of the accounting standard has no impact on the consolidated financial statements.

6. Matters on Consolidated Statement of Changes in Net Assets

(1) Number of outstanding shares 200,803 thousand shares

(2) Dividends

① Dividends paid

Resolution	Type of stocks	Total amount of dividends	Dividends per share	Record date	Effective date
June 25, 2021 General Meeting of Shareholders	Common stock	¥ 13,386 Million	¥ 65.00	March 31, 2021	June 28, 2021
November 9, 2021 Board meeting	Common stock	¥ 13,211 Million	¥ 65.00	September 30, 2021	December 2, 2021

Note1: Total amount of dividends in accordance with the resolution of the General Meeting of Shareholders on June 25, 2021 includes ¥ 6 million which are dividends for the shares held by the Board Benefit Trust (BBT).

Note2: Total amount of dividends in accordance with the resolution of the Board on November 9, 2021 includes ¥ 6 million which are dividends for the shares held by the Board Benefit Trust (BBT).

② Dividends of the record date in the consolidated fiscal year ended March 31, 2022, which the effective date comes in the subsequent consolidated fiscal year

The Company will propose the policy of dividends on the common stocks at the General Meeting of Shareholders on June 28, 2022 as follows:

- Total amount of dividends ¥ 13,032 Million
- Dividends per share ¥ 65.00
- Record date March 31, 2022
- Effective date June 29, 2022

The dividends will be allocated from retained earnings.

Note: Total amount of dividends in accordance with the resolution of the General Meeting of Shareholders on June 28, 2022 includes ¥ 6 million which are dividends for the shares held by the Board Benefit Trust (BBT).

7. Matters on Financial Instruments

(1) Policies for using Financial Instruments

The Group restricts investments to low risk assets such as deposits, and raise funds by indirect finance such as borrowings from bank as well as by direct finance such as issuing corporate bonds and commercial papers.

Derivative financial instruments are employed mainly for hedging of the fluctuation of interest rate and foreign currency exchange, not for speculation.

(2) Fair Value of Financial Instruments

Millions of Yen

	Book value	Fair value	Difference
[ASSETS]			
Notes and accounts receivable trade	575,600	575,600	—
Investment securities			
Debt securities intended to be held to maturity	243	246	2
Available-for-sale securities	290,456	290,456	—
[LIABILITIES]			
Short-term borrowings	97,901	98,009	(108)
Short-term non-recourse loans payable	15	15	(0)
Straight bonds due within one year	20,000	20,020	(20)
Straight bonds	40,000	39,810	190
Long-term borrowings	66,279	66,499	(220)
Long-term non-recourse loans payable	128	138	(10)
[Derivative financial instruments]	—	—	—

Note: Descriptions of Cash and time deposits, Notes and accounts payable trade and deposit received are omitted because these financial instruments are cash and the fair values of them are almost equivalent to their book value due to the short term settlements.

Note: Equity securities without market prices (book value ¥ 86,733 million) and the investments in partnerships with a net equity interest (book value ¥ 2,838 million) are not included in the above [ASSETS] Investment securities – Available-for-sale securities.

(3) Fair value information of financial instruments by level of inputs

The fair values of financial instruments are categorized into the following three levels based on the observability and significance of the inputs used to calculate fair values.

Level 1: The fair values which are calculated by using observable inputs that reflect the quoted market prices for identical assets or liabilities in active markets

Level 2: The fair values which are calculated by using observable inputs that are not included in Level 1

Level 3: The fair values which are calculated by using unobservable inputs

If multiple inputs that have significant impact on calculation of fair values are used, the fair values are categorized in the lowest priority level in calculation of fair values among the levels to which these inputs belong.

① Financial instruments of which fair value is recognized in the consolidated balance sheet

Millions of Yen

	Fair value			
	Level 1	Level 2	Level 3	Total
[ASSETS]				
Investment securities				
Available-for-sale securities				
Stocks	289,301	—	—	289,301
Government bonds, etc.	—	195	—	195
Others	959	—	—	959

Note: In accordance with the Paragraph 2-6 of the "Implementation Guidance on Accounting Standard for Fair Value Measurement" (ASBJ Guidance No.31, July 4, 2019), the investment trusts to which transitional measures are applied are not included. The book value of the investment trusts is ¥1,183 million.

② Financial instruments of which fair value is not recognized in the consolidated balance sheet

Millions of Yen

	Fair value			
	Level 1	Level 2	Level 3	Total
[ASSETS]				
Notes and accounts receivable trade	–	575,600	–	575,600
Investment securities				
Debt securities intended to be held to maturity				
Government bonds, etc.	246	–	–	246
[LIABILITIES]				
Short-term borrowings	–	98,009	–	98,009
Short-term non-recourse loans payable	–	15	–	15
Straight bonds due within one year	–	20,020	–	20,020
Straight bonds	–	39,810	–	39,810
Long-term borrowings	–	66,499	–	66,499
Long-term non-recourse loans payable	–	138	–	138

Note: The calculation methods of the fair value and the inputs

• Notes and accounts receivable trade

The fair values of these financial instruments are almost equivalent to the book value, due to the short term settlements; although, the fair value of notes and accounts receivable, trade due over one year are based on the present value of discounted cash flows using the interest rate determined by the factors of the estimated collection terms and credit risks, with respect to each receivable categorized by collection terms. These financial instruments are classified as Level 2.

• Investment securities

The fair values of the stocks are based on the quoted market prices, and the stocks are traded in active markets. Therefore, these financial institutions are classified as Level 1. The bonds based on the quoted market prices are classified as Level 1, and the bonds based on the present value of discounted future cash flows are classified as Level 2.

• Short-term borrowings

The fair values of these financial instruments are almost equivalent to the book value, due to the short term settlements; although the fair value of long-term borrowings due within one year are based on the same method for long-term borrowings.

• Short-term non-recourse loans payable, Long-term borrowings and Long-term non-recourse loans payable

The fair values of these loans and borrowings are based on the present value of discounted cash flows using the supposed interest rate which may be applicable to the same kind of loans and borrowings. These financial instruments are classified as Level 2.

• Straight bonds due within one year and Straight bonds

The fair values of the marketable bonds are based on the quoted market prices, otherwise the fair values of the bonds without the quoted market prices are based on the present value of discounted cash flows using the interest rate determined by the factors of the estimated redemption terms and issuer's credit risk. These financial instruments are classified as Level 2.

8. Matters on Investment and Rental Property

(1) Context of investment and rental property

The Company and certain consolidated subsidiaries hold some office buildings for rent in Tokyo and other areas.

(2) Fair value of investment and rental property

Millions of Yen

Book value	Fair value
92,157	126,323

Note1: The book value is the amount after accumulated depreciation and impairment losses on fixed assets are deducted from the cost of acquisition.

Note2: The book value includes asset retirement obligations (¥177 million).

Note3: The fair value of investment and rental property as of March 31, 2022 is mainly calculated by the Company according to the Japanese Real Estate Appraisal Standards. (it may include adjustments using official indices.)

9. Matters on Per Share Data

(1) Net assets per share	¥ 4,335.78
(2) Net income per share	¥ 350.88

Note: The treasury shares held by the Board Benefit Trust (BBT) in the net assets are included in the number of treasury stock, which is excluded from the number of outstanding shares at the end of the consolidated fiscal year and the average number of shares during the period for calculating the net assets per share and the net income per share.

The number of treasury stock held by BBT at the end of the consolidated fiscal year excluded for calculation of net assets per shares was 104 thousand shares, and the number of treasury stock held by BBT during the period excluded for the calculation of net income per shares was 104 thousand shares.

10. Revenue Recognition

(1) Disaggregation of revenue from contracts with customers

Millions of Yen

	Civil engineering		Building construction		Real estate development	Subtotal	Others (Note)	Total
	Domestic	Overseas	Domestic	Overseas				
Revenue from contracts with customers	401,934	12,625	920,010	64,934	117,710	1,517,215	10,565	1,527,781
Other revenue	–	–	–	–	15,233	15,233	226	15,459
Sales on third party	401,934	12,625	920,010	64,934	132,943	1,532,449	10,791	1,543,240

Note: "Others" includes the incidental business of construction business such as cooperative research, technical service, environmental measurement, and logistics business, and also, leisure-related business and other service business.

(2) Information to understand the amount of revenues for the current and subsequent consolidated fiscal years

① Balances of contract assets and contract liabilities

	Balance as of April 1, 2021	Balance as of March 31, 2022
Receivable from contracts with customers	226,394	212,792
Contract assets	325,828	362,648
Contract liabilities	185,329	160,252

Contract assets are unbilled rights to the consideration for revenue recognized as construction progresses and are transferred to receivables from contracts with customers when the rights to the consideration become billable.

Contract liabilities consist mainly of advances received from customers, which are reversed as revenue is recognized as construction progresses.

Balance of the contract liability at the beginning of the current consolidated fiscal year is mostly recognized as revenue in the current consolidated fiscal year, and therefore the amount carried forward to the subsequent consolidated fiscal years is not material.

In addition, the amount of revenue recognized in the current consolidated fiscal year for performance obligations that were satisfied (or partially satisfied) in the past consolidated fiscal years is not material.

② Transaction price allocated to the remaining performance obligations

The total transaction price allocated to the remaining performance obligations in the current consolidated fiscal year is ¥ 2,595,912 million. These remaining performance obligations are expected to be recognized as revenue generally within five years.

11. Others

Performance-based share remuneration plan for directors

① Overview

The Company introduced the performance-based share remuneration plan “Board Benefit Trust (the “BBT”)” for directors.

The Company’s common stock are acquired through the BBT with money contributed by the Company (the “Stock”). The directors will have the Stock and the amounts converted at fair value of the Stock which are provided through the BBT when directors retire in accordance with “Officers’ Share Benefit Regulation”.

② Treasury stock held by the BBT

The shares held by the BBT are reported by the book value of the BBT (excluding the incidental expenses) as part of the treasury stock in the net assets. At the end of the consolidated fiscal year, the book value of treasury stock held by the BBT was ¥ 385 million and the number of the shares was 104 thousand shares.

NON-CONSOLIDATED STATEMENT OF CHANGES IN NET ASSETS

(Year ended March 31, 2022)

	Millions of Yen			
	Shareholders' equity			
	Common stock	Capital surplus		
Additional paid-in-capital		Other capital surplus	Total capital surplus	
Balance as of April 1, 2021	122,742	30,686	29,816	60,502
Changes during the period				
Provision of other reserve				
Dividends				
Net income				
Acquisition of treasury stock				
Disposal of treasury stock				
Cancellation of treasury stock			(105,018)	(105,018)
Transfer from retained earnings to capital surplus			75,202	75,202
Changes other than shareholders' equity, net				
Total changes during the period	—	—	(29,816)	(29,816)
Balance as of March 31, 2022	122,742	30,686	—	30,686

	Millions of Yen					
	Shareholders' equity					
	Retained earnings				Treasury stock	Total shareholders' equity
	Other retained earnings			Total retained earnings		
Reserve for tax deferral on replacement of fixed assets	Other reserve	Retained earnings carried forward				
Balance as of April 1, 2021	1,414	332,500	137,776	471,690	(85,916)	569,019
Changes during the period						
Provision of other reserve		31,000	(31,000)	—		—
Dividends			(26,598)	(26,598)		(26,598)
Net income			57,743	57,743		57,743
Acquisition of treasury stock					(20,007)	(20,007)
Disposal of treasury stock					6	6
Cancellation of treasury stock					105,018	—
Transfer from retained earnings to capital surplus			(75,202)	(75,202)		—
Changes other than shareholders' equity, net						
Total changes during the period	—	31,000	(75,056)	(44,056)	85,017	11,144
Balance as of March 31, 2022	1,414	363,500	62,719	427,634	(898)	580,163

	Millions of Yen			
	Accumulated gains from valuation			Total net assets
	Unrealized gains on available-for-sale securities, net of taxes	Unrealized losses on hedging derivatives, net of taxes	Total accumulated gains from valuation	
Balance as of April 1, 2021	100,568	7	100,575	669,594
Changes during the period				
Provision of other reserve				–
Dividends				(26,598)
Net income				57,743
Acquisition of treasury stock				(20,007)
Disposal of treasury stock				6
Cancellation of treasury stock				–
Transfer from retained earnings to capital surplus				–
Changes other than shareholders' equity, net	(5,568)	(7)	(5,575)	(5,575)
Total changes during the period	(5,568)	(7)	(5,575)	5,569
Balance as of March 31, 2022	95,000	–	95,000	675,164

NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENTS

Basis of Presenting Non-consolidated Financial Statements:

The accompanying Non-consolidated financial statements of Taisei Corporation (the “Company”) has been prepared in accordance with the provisions set forth in the Japanese Companies Act and its related accounting regulations, and in conformity with accounting principles generally accepted in Japan (“Japanese GAAP”), which are different in certain respects as to application and disclosure requirements of International Financial Reporting Standards.

1. Principal Accounting Policies

(1) Valuation of assets

【Securities】

- Debt securities intended to be held to maturity

Debt securities intended to be held to maturity are stated at amortized cost.

- Equity securities of the Company’s subsidiaries and affiliates

Equity securities of the Company’s subsidiaries and affiliates are stated at cost based on the moving-average method.

- Securities other than trading securities, held-to-maturity securities, and equity securities issued by subsidiaries and affiliates (hereafter, “available-for-sale securities”)

Available-for-sale securities

Other than equity securities without market prices

Available-for-sale securities with market prices are stated at fair value as of the balance sheet date. The difference between the acquisition costs and the fair value is not reflected in income, but included directly in net assets. Cost of selling available-for-sale securities is calculated by the moving-average method.

Equity securities without market prices

Available-for-sale securities with no market prices are stated at cost based on the moving-average method.

【Inventories】

- Real estates for sale

Real estates for sale are stated at the specific-identification cost method or net realizable value.

- Cost on uncompleted contracts

Cost on uncompleted contracts is stated at the specific-identification cost method.

- Cost on development projects in progress

Cost on development projects in progress is stated at the specific-identification cost method or net realizable value.

- Raw materials and supplies

Raw materials and supplies are stated at cost based on the moving-average method or net realizable value.

【Derivative financial instruments】

Derivative financial instruments are stated at fair value.

(2) Depreciation method of fixed assets

【Tangible fixed assets】

- Buildings and structures

Buildings and structures are depreciated using the straight-line method.

- Other tangible fixed assets

Other tangible fixed assets are depreciated using the declining-balance method.

(3) Allowance and provision

【Allowance for doubtful accounts】

Allowance for doubtful accounts is provided to reserve probable losses from bad debt. It consists of the estimated uncollectible amount of certain identified doubtful receivables and the amount estimated on the basis of the past default ratio for normal receivables.

【Provision for warranties on completed contracts】

Provision for warranties on completed contracts is provided as the amount estimated using an actual ratio of related losses during the past certain period.

【Provision for losses on construction contracts】

Provision for losses on construction contracts is provided with respect to construction projects for which eventual losses are reasonably estimated.

【Provision for retirement benefits】

Provision for retirement benefits are provided for their severance and retirement benefits based on estimated amounts of projected benefit obligations and plan assets at the year-end.

Past service costs are amortized using the straight-line method over 10 years, which is not longer than an average remaining service period of the employees when the costs are incurred.

Actuarial gains and losses are amortized from the subsequent fiscal year using the straight-line method over 10 years, which is not longer than an average remaining service period of the employees when the gains and losses are incurred.

【Provision for share-based remuneration for directors】

Provision for share-based remuneration for directors is provided based on estimated amounts of share-based remuneration obligation at the end of the fiscal year, in accordance with “Officers’ Share Benefit Regulation”.

(4) Revenue and cost recognition

【Revenue recognition of construction】

The main details of performance obligations related to revenue from contracts with customers in the main projects and the ordinary timing of satisfaction of these performance obligations (i.e., ordinary timing of revenue recognition) are as follows.

Since the performance obligations under construction contracts in the Building Construction Business and the Civil Engineering Business are satisfied over time as the construction progress, revenue associated with construction contracts is recognized based on the progress towards satisfaction of performance obligations except that the contract amount is small or the period is very short. The progress is estimated by the percentage-of-completion method and the percentage at the end of the fiscal year is determined by the percentage of the cost incurred to the estimated total costs.

In addition, except the initial stages of the contracts, revenue is recognized by the cost recovery method when it is not possible to reasonably estimate the progress towards satisfaction of performance obligations, but it is probable that the costs incurred will be recovered. Regarding the construction projects of which the contract amount is small or the period is very short, revenue is recognized at the time of completion of construction.

In the current fiscal year, there are no construction contracts with a significant financing component in the transaction price, although the timing of receipt of the consideration for the transaction varies depending on the terms of a contracts.

(5) Other accounting policies on the non-consolidated financial statements

【Retirement benefits for employees】

The accounting treatment on unrecognized actuarial gains and losses and unrecognized past service cost with respect to retirement benefits is different from that applied in the consolidated financial statements.

【Hedge accounting】

Gains or losses resulting from hedging instruments are deferred until related losses or gains on hedged items are recognized. For interest rate swap contracts which meet certain conditions, net amount to be paid or received under the contract is added to or deducted from interest on liabilities when the swap contract has been concluded.

【Income taxes】

Income taxes are calculated based on the Consolidated Taxation System.

【Application of tax effect accounting for the transition from the Consolidated Taxation System to the Group Tax Sharing System】

From the subsequent fiscal year, the Company will transfer from the Consolidated Taxation System to the Group Tax Sharing System. Regarding the transition from the Consolidated Taxation System to the Group Tax Sharing System, established by “Act on Partial Amendment of the Income Tax Act and Others” (Act No.8 of 2020), and regarding items of the Non-Consolidated Taxation System that were revised in accordance with the transition to the Group Tax Sharing System, the Company, in accordance with the treatment in paragraph 3 of “Practical Solution on the Treatment of Tax Effect Accounting for the Transition from the Consolidated Taxation System to the Group Tax Sharing System” (PITF No.39, March 31, 2020), did not apply the provisions in paragraph 44 of “Implementation Guidance on Tax Effect Accounting” (Accounting Standards Board of Japan (ASBJ) Guidance No.28, issued on February 16, 2018) and calculated the amount of deferred income tax assets and liabilities based on the provisions of tax laws before the amendment.

From the beginning of the subsequent fiscal year, the Company will apply the “Practical Solution on the Accounting and Disclosure Under the Group Tax Sharing System” (PITF No.42, August 12, 2021) ,which defines the practical solutions on the accounting and disclosure regarding corporate tax, local corporate tax and tax effect accounting under the Group Tax Sharing System.

2. Changes in Accounting Policies

(1) Application of Accounting Standard for Revenue Recognition, etc.

The Company has applied the "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29, March 31, 2020; hereinafter the "Revenue Recognition Accounting Standard"), etc. from the beginning of the current fiscal year and recognize revenue with the amounts that are expected to be received in exchange for the promised goods or services when the control of such goods or services are transferred to customers.

Until the previous fiscal year, revenue associated with construction contracts of which the outcome can be reliably estimated was accounted for by the percentage-of-completion method; otherwise revenue was accounted for by the completed-contract-method. The accounting policy has been changed at the beginning of the current fiscal year, and revenue associated with construction contracts is recognized based on the progress towards satisfaction of performance obligation except that the contract amount is small or the period is very short. The progress is estimated by the percentage-of-completion method and the percentage at the end of the fiscal year is determined by the percentage of the cost incurred to the estimated total costs.

In addition, except the initial stages of the contracts, revenue is recognized by the cost recovery method when it is not possible to reasonably estimate the progress towards satisfaction of performance obligations, but it is probable that the costs incurred will be recovered. Regarding the construction projects of which the contract amount is small or the period is very short, revenue is recognized at the time of completion.

As a result, the application of the accounting standard has no significant impact on the financial statements.

Furthermore, the application of the Revenue Recognition Accounting Standard follows the transitional treatment stipulated in the proviso of Paragraph 84 of the Revenue Recognition Accounting Standard. However, there is no cumulative effect in the case of retroactively applying the new accounting policy to before the beginning of the current fiscal year.

(2) Application of Accounting Standard for Fair Value Measurement, etc.

The Company has applied the "Accounting Standard for Fair Value Measurement" (ASBJ Statement No.30, July 4, 2019; hereinafter the "Fair Value Measurement Accounting Standard"), etc. from the beginning of the current fiscal year. Accordingly, the Company will apply new accounting policies under the Fair Value Measurement Accounting Standard, etc. prospectively in accordance with the transitional treatment set out in Paragraph 19 of the same Standard and Paragraph 44-2 of the "Accounting Standard for Financial Instruments" (ASBJ Statement No.10, July 4, 2019). The application of the accounting standard has no impact on the financial statements.

3. Matters on Accounting Estimates

Net sales of construction business recognized over time

① Carrying amounts in the current year's financial statements. ¥1,023,351 Million

② Information on the nature of significant accounting estimates for identified items

The disclosure is omitted since the same information is included in "NOTES TO CONSOLIDATED FINANCIAL STATEMENTS 3. Matters on Accounting Estimates".

4. Matters on Non-consolidated Balance Sheet

(1) Pledged assets and related debt

① Pledged assets

Investments to subsidiaries and affiliates	¥ 1,931 Million
Long-term loans receivable	680 Million
<hr/>	
Total	2,612 Million

② Debt related to the assets ¥ — Million

The above assets are pledged as collateral for borrowings and others of subsidiaries and affiliates.

(2) Accumulated depreciation of tangible fixed assets ¥ 66,514 Million

(3) Receivables from and payables to subsidiaries and affiliates

Receivables from subsidiaries and affiliates:

Short-term	¥ 5,609 Million
Long-term	¥ 10,322 Million

Payables to subsidiaries and affiliates:

Short-term	¥ 89,868 Million
Long-term	¥ 14 Million

(4) Cost of uncompleted contracts in relation to

provision for losses on construction contracts	¥ 3,434 Million
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5. Matters on Non-consolidated Statement of Income

(1) Sales to subsidiaries and affiliates ¥ 15,034 Million

(2) Purchase from subsidiaries and affiliates included in cost of sales ¥ 59,839 Million

(3) Provision for losses on construction contracts included in cost of sales ¥ 13,155 Million

(4) Transactions other than operating transactions with subsidiaries and affiliates ¥ 1,302 Million

(5) Research and development expenses ¥ 15,143 Million

6. Matters on Non-consolidated Statement of Changes in Net Assets

Type and number of treasury stock at the end of the fiscal year - Common stock 404 thousand shares

Note: The number of treasury shares of common stock at the end of the fiscal year includes 104 thousand shares held by the Board Benefit Trust (BBT)

7. Matters on Deferred Income Taxes

Significant components of deferred income tax assets and liabilities

Deferred income tax assets:

Disallowed portion of expenses and losses

Retirement benefits for employees ¥ 29,975 Million

Investments in subsidiaries and affiliates 11,542 Million

Inventories 11,035 Million

Accrued bonuses 4,476 Million

Bad debt losses and allowance for doubtful accounts 3,129 Million

Others 5,834 Million

Subtotal 65,994 Million

Valuation allowance (15,914) Million

Total deferred income tax assets 50,080 Million

Deferred income tax liabilities:

Unrealized gains on available-for-sale securities ¥ (41,887) Million

Gains on securities contribution to employee retirement benefit trust (16,463) Million

Others (2,584) Million

Total deferred income tax liabilities (60,936) Million

Net deferred income tax assets and liabilities ¥ (10,855) Million

8. Matters on Per Share Data

(1) Net assets per share ¥ 3,369.09

(2) Net income per share ¥ 283.63

Note: The treasury shares held by the Board Benefit Trust (BBT) in the net assets are included in the number of treasury stock, which is excluded from the number of outstanding shares at the end of the fiscal year and the average number of shares during the period for calculating the net assets per share and the net income per share.

The number of treasury stock held by BBT at the end of the fiscal year excluded for the calculation of net assets per share was 104 thousand shares, and the number of treasury stock held by BBT during the period excluded for the calculation of net income per share was 104 thousand shares.