DAITO TRUST CONSTRUCTION CO., LTD.

Consolidated Financial Section 2021

Contents

Note:
Consolidated Financial Section contains audited English-language financial statements in which certain items have been changed for the convenience of overseas readers.

Consolidated Balance Sheet

Daito Trust Construction Co., Ltd. and Consolidated Subsidiaries
March 31, 2021

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2021	2020	2021
ASSETS			
CURRENT ASSETS:			
Cash and cash equivalents (Notes 7 and 18)	¥ 198,760	¥ 159,902	$ 1,795,321
Money held in trust (Note 18)	13,500	14,000	121,940
Marketable securities (Notes 5, 7 and 18)	1,503	4,029	13,576
Short-term investments (Note 18)	233	28	2,105
Notes and accounts receivable (Note 18):			
Construction contracts	40,628	64,630	366,977
Other	11,253	11,827	101,644
Total receivables	51,881	76,457	468,621
Operating loans (Note 18)	120,980	127,592	1,092,765
Inventories (Notes 7 and 8)	23,918	16,428	216,042
Prepaid expenses—whole-building lease and other expenses (Note 23)	70,238	69,187	634,432
Other current assets	26,697	23,464	241,143
Allowance for doubtful accounts	(594)	(482)	(5,365)
Total current assets	507,116	490,605	4,580,580
PROPERTY, PLANT AND EQUIPMENT (Notes 9 and 17):			
Land (Note 7)	76,200	76,432	688,285
Buildings and structures (Note 7)	106,034	101,676	957,764
Machinery and equipment	49,249	49,044	444,847
Furniture and fixtures	9,214	9,416	83,226
Lease assets (Note 17)	6,153	6,723	55,577
Total	246,850	243,291	2,229,699
Accumulated depreciation	(74,705)	(67,987)	(674,781)
Net property, plant and equipment	172,145	175,304	1,554,918
INVESTMENTS AND OTHER ASSETS:			
Investment securities (Notes 5 and 18)	31,397	27,995	283,597
Subordinated bonds and subordinated trust beneficiary right (Notes 6 and 18)	9,384	10,643	84,762
Investments in associated companies (Note 18)	17,341	17,805	156,634
Goodwill (Note 23)	12,225	1,043	110,424
Intangible assets	26,837	27,240	242,408
Guarantee deposits (Note 7)	27,808	29,023	251,179
Deferred tax assets (Note 14)	93,322	83,234	842,941
Other assets	27,501	22,524	248,405
Allowance for doubtful accounts (Note 6)	(5,621)	(5,127)	(50,772)
Total investments and other assets	240,194	214,380	2,169,578
TOTAL	¥ 919,455	¥ 880,289	$ 8,305,076

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2021	2020	2021
LIABILITIES AND EQUITY			
CURRENT LIABILITIES:			
Short-term bank loans (Notes 7 and 10)	¥ 690	¥ —	$ 6,232
Current portion of long-term bank loans (Notes 7, 10 and 18)	12,444	21,640	112,402
Current portion of bonds	140	—	1,265
Current portion of long-term lease obligations (Note 17)	193	211	1,743
Accounts payable (Note 18)	27,580	54,760	249,119
Advance s received—construction contracts	40,815	40,259	368,666
Income taxes payable (Note 18)	22,494	30,082	203,179
Advances received—whole-building lease and other (Note 23)	94,867	89,571	856,896
Accrued employees' bonuses	20,372	14,131	184,012
Deposits received (Note 18)	10,404	10,004	93,975
Other current liabilities	69,068	57,861	623,865
Total current liabilities	299,067	318,519	2,701,354
LONG-TERM LIABILITIES:			
Long-term bank loans (Notes 7,10 and 18)	83,345	61,110	752,823
Bonds	130	—	1,174
Long-term lease obligations (Note 17)	362	515	3,270
Liability for retirement benefits (Note 11)	14,847	15,229	134,107
Provision for repair of whole-building lease system (Notes 3 and 23)	169,780	151,863	1,533,556
Deposits received for guarantee (Note 18)	32,212	33,645	290,958
Other long-term liabilities	11,505	13,247	103,921
Total long-term liabilities	312,181	275,609	2,819,809
EQUITY (Note 12):			
Common stock—authorized,329,541 thousand shares; issued, 68,918 thousand shares in 2021 and 68,918 thousand shares in 2020	29,061	29,061	262,497
Capital surplus	34,541	34,541	311,995
Stock acquisition rights (Note 13)	389	483	3,514
Retained earnings	266,899	243,349	2,410,794
Treasury stock—at cost, 872 thousand shares in 2021 and 485 thousand shares in 2020	(15,352)	(11,021)	(138,669)
Accumulated other comprehensive income:			
Unrealized gain on available-for-sale securities	3,636	767	32,843
Deferred gain on derivatives under hedge accounting	267	258	2,411
Land revaluation surplus	(7,584)	(7,584)	(68,503)
Foreign currency translation adjustments	(5,807)	(3,842)	(52,452)
Defined retirement benefit plans	(1,927)	(3,012)	(17,406)
Total	304,123	283,000	2,747,024
Noncontrolling interests	4,084	3,161	36,889
Total equity	308,207	286,161	2,783,913
TOTAL	¥ 919,455	¥ 880,289	$ 8,305,076

See notes to consolidated financial statements.

Consolidated Statement of Income

Daito Trust Construction Co., Ltd. and Consolidated Subsidiaries
Year Ended March 31, 2021

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2021	2020	2021
NET SALES:			
Construction contracts (Note 3)	¥ 401,710	¥ 551,104	$ 3,628,489
Real estate	1,014,262	973,694	9,161,431
Other	72,943	61,495	658,865
Total net sales	1,488,915	1,586,293	13,448,785
COST OF SALES:			
Construction contracts	297,239	391,992	2,684,843
Real estate	905,183	874,962	8,176,163
Other	47,628	36,875	430,205
Total cost of sales	1,250,050	1,303,829	11,291,211
Gross profit	238,865	282,464	2,157,574
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES (Note 15)	152,127	154,507	1,374,104
Operating income	86,738	127,957	783,470
OTHER INCOME (EXPENSES):			
Interest and dividend income	575	705	5,194
Interest expense (Note 10)	(290)	(211)	(2,619)
Other—net (Note 16)	3,747	4,564	33,845
Other income—net	4,032	5,058	36,420
INCOME BEFORE INCOME TAXES	90,770	133,015	819,890
INCOME TAXES (Note 14):			
Current	40,781	51,572	368,359
Deferred	(12,378)	(9,272)	(111,806)
Total income taxes	28,403	42,300	256,553
NET INCOME	62,367	90,715	563,337
NET INCOME ATTRIBUTABLE TO NONCONTROLLING INTERESTS	81	334	732
NET INCOME ATTRIBUTABLE TO OWNERS OF THE PARENT	¥ 62,286	¥ 90,381	$ 562,605

	Yen		U.S. Dollars
PER SHARE OF COMMON STOCK (Note 21):			
Basic net income	¥ 909.31	¥ 1,306.71	$ 8.21
Diluted net income	908.84	1,305.77	8.21
Cash dividends applicable to the year	455.00	653.00	4.11

See notes to consolidated financial statements.

Consolidated Statement of Comprehensive Income

Daito Trust Construction Co., Ltd. and Consolidated Subsidiaries
Year Ended March 31, 2021

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2021	2020	2021
NET INCOME	¥ 62,367	¥ 90,715	$ 563,337
OTHER COMPREHENSIVE INCOME (Note 20):			
Unrealized gain (loss) on available-for-sale securities	2,869	(5,720)	25,915
Deferred gain on derivatives under hedge accounting	9	36	81
Foreign currency translation adjustments	(1,965)	(634)	(17,749)
Defined retirement benefit plans	1,082	(14)	9,773
Total other comprehensive income (loss)	1,995	(6,332)	18,020
COMPREHENSIVE INCOME	¥ 64,362	¥ 84,383	$ 581,357
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:			
Owners of the parent	¥ 64,283	¥ 84,040	$ 580,643
Noncontrolling interests	79	343	714

See notes to consolidated financial statements.

Consolidated Statement of Changes in Equity

Daito Trust Construction Co., Ltd. and Consolidated Subsidiaries
Year Ended March 31, 2021

	Thousands	Millions of Yen												
							Accumulated Other Comprehensive Income							
	Number of Shares of Common Stock Outstanding	Common Stock	Capital Surplus	Stock Acquisition Rights	Retained Earnings	Treasury Stock	Unrealized Gain on Available-for-Sale Securities	Deferred Gain on Derivatives under Hedge Accounting	Land Revaluation Surplus	Foreign Currency Translation Adjustments	Defined Retirement Benefit Plans	Total	Noncontrolling Interests	Total Equity
BALANCE, APRIL 1, 2019	¥ 72,168	¥ 29,061	¥ 34,541	¥ 492	¥ 297,952	¥ (55,566)	¥ 6,487	¥ 222	¥ (7,584)	¥ (3,208)	¥ (2,989)	¥ 299,408	¥ 2,890	¥ 302,298
Net income attributable to owners of the parent					90,381							90,381		90,381
Cash dividends, ¥617 per share					(43,620)							(43,620)		(43,620)
Purchase of treasury stock	(4,229)					(59,941)						(59,941)		(59,941)
Disposal of treasury stock	248				(125)	3,245						3,120		3,120
Retirement of treasury stock					(101,241)	101,241						—		—
Changes in the parent's ownership interest due to transactions with noncontrolling interests					2							2		2
Net change in the year				(9)			(5,720)	36		(634)	(23)	(6,350)	271	(6,079)
BALANCE, MARCH 31, 2020	68,187	29,061	34,541	483	243,349	(11,021)	767	258	(7,584)	(3,842)	(3,012)	283,000	3,161	286,161
Net income attributable to owners of the parent					62,286							62,286		62,286
Cash dividends, ¥549 per share					(37,724)							(37,724)		(37,724)
Purchase of treasury stock	(1,147)					(11,379)						(11,379)		(11,379)
Disposal of treasury stock	520				(1,016)	7,048						6,032		6,032
Changes in the parent's ownership interest due to transactions with noncontrolling interests					4							4		4
Net change in the year				(94)			2,869	9		(1,965)	1,085	1,904	923	2,827
BALANCE, MARCH 31, 2021	¥ 67,560	¥ 29,061	¥ 34,541	¥ 389	¥ 266,899	¥ (15,352)	¥ 3,636	¥ 267	¥ (7,584)	¥ (5,807)	¥ (1,927)	¥ 304,123	¥ 4,084	¥ 308,207

	Thousands of U.S. Dollars (Note 1)												
						Accumulated Other Comprehensive Income							
	Common Stock	Capital Surplus	Stock Acquisition Rights	Retained Earnings	Treasury Stock	Unrealized Gain on Available-for-Sale Securities	Deferred Gain on Derivatives under Hedge Accounting	Land Revaluation Surplus	Foreign Currency Translation Adjustments	Defined Retirement Benefit Plans	Total	Noncontrolling Interests	Total Equity
BALANCE, MARCH 31, 2020	$ 262,497	$ 311,995	$ 4,363	$2,198,075	$ (99,548)	$ 6,928	$ 2,330	$ (68,503)	$ (34,703)	$ (27,206)	$2,556,228	$ 28,552	$2,584,780
Net income attributable to owners of the parent				562,605							562,605		562,605
Cash dividends, $4.96 per share				(340,746)							(340,746)		(340,746)
Purchase of treasury stock					(102,782)						(102,782)		(102,782)
Disposal of treasury stock				(9,176)	63,661						54,485		54,485
Changes in the parent's ownership interest due to transactions with noncontrolling interests				36							36		36
Net change in the year			(849)			25,915	81		(17,749)	9,800	17,198	8,337	25,535
BALANCE, MARCH 31, 2021	$ 262,497	$ 311,995	$ 3,514	$2,410,794	$ (138,669)	$ 32,843	$ 2,411	$ (68,503)	$ (52,452)	$ (17,406)	$2,747,024	$ 36,889	$2,783,913

See notes to consolidated financial statements.

Consolidated Statement of Cash Flows

Daito Trust Construction Co., Ltd. and Consolidated Subsidiaries
Year Ended March 31, 2021

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2021	2020	2021
OPERATING ACTIVITIES:			
Income before income taxes	¥ 90,770	¥ 133,015	$ 819,890
Adjustments for:			
Income taxes—paid	(51,554)	(49,788)	(465,667)
Depreciation and amortization	15,801	15,002	142,724
Impairment losses	155	34	1,400
Changes in operating assets and liabilities, net of merger effects:			
Decrease (increase) in notes and accounts receivable	24,569	(9,132)	221,922
Decrease (increase) in inventories	(3,081)	5,129	(27,829)
Decrease (increase) in prepaid expenses—whole-building lease and other	22	(1,030)	199
Decrease (increase) in operating loans	6,612	(34,333)	59,724
Increase (decrease) in accounts payable	(28,442)	9,074	(256,905)
Increase in advances received—whole-building lease and other	5,298	23,704	47,855
Increase (decrease) in advances received—construction contracts	556	(7,882)	5,022
Increase (decrease) in deposits received for guarantee	(1,432)	(465)	(12,935)
Increase in deposits received	125	1,222	1,129
Increase in allowance for doubtful accounts	607	812	5,483
Increase (decrease) in accrued employees' bonuses	6,181	(7,232)	55,831
Increase in liability for retirement benefits	1,179	1,826	10,649
Increase in provision for repair of whole-building lease system	17,917	17,130	161,837
Other—net	13,178	5,043	119,031
Total adjustments	7,691	(30,886)	69,470
Net cash provided by operating activities	98,461	102,129	889,360
INVESTING ACTIVITIES:			
Proceeds from time deposits	—	2,000	—
Payments for time deposits	(12)	(1,002)	(108)
Proceeds from money held in trust	500	2,000	4,516
Purchases of marketable and investment securities	(1,602)	(5,969)	(14,470)
Proceeds from sales and redemption of marketable and investment securities	4,030	12,510	36,401
Payments for purchase of property, plant and equipment	(7,563)	(19,130)	(68,314)
Payments for purchase of intangible assets	(5,885)	(8,231)	(53,157)
Payment for acquisition of shares of a subsidiary resulting in the consolidation scope (Note 2a and 3)	(13,896)	—	(125,517)
Other—net	(312)	(479)	(2,818)
Net cash used in investing activities	(24,740)	(18,301)	(223,467)
FINANCING ACTIVITIES:			
Repayments of short-term bank loans	(100)	—	(903)
Proceeds from long-term bank loans	95,886	10,700	866,101
Repayment of long-term bank loans	(85,094)	(20,066)	(768,621)
Dividends paid	(37,724)	(43,620)	(340,746)
Repurchase of treasury stock	(11,379)	(59,941)	(102,782)
Proceeds from disposal of treasury stock	4,501	1,906	40,656
Dividends paid to noncontrolling interests	(134)	(134)	(1,210)
Other—net	(271)	(255)	(2,449)
Net cash used in financing activities	(34,315)	(111,410)	(309,954)
FOREIGN CURRENCY TRANSLATION ADJUSTMENTS ON CASH AND CASH EQUIVALENTS	(548)	(130)	(4,950)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	38,858	(27,712)	350,989
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	159,902	187,614	1,444,332
CASH AND CASH EQUIVALENTS, END OF YEAR	¥ 198,760	¥ 159,902	$ 1,795,321

See notes to consolidated financial statements.

Notes to Consolidated Financial Statements

Daito Trust Construction Co., Ltd. and Consolidated Subsidiaries
Year Ended March 31, 2021

1. BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS

The accompanying consolidated financial statements 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, which are different in certain respects as to the application and disclosure requirements of International Financial Reporting Standards.

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 in the 2020 consolidated financial statements to conform them to the classifications used in 2021.

The consolidated financial statements are stated in Japanese yen, the currency of the country in which Daito Trust Construction Co., Ltd. (the "Company") is incorporated and 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 ¥110.71 to $1, the approximate rate of exchange at March 31, 2021. Such translations should not be construed as representations that the Japanese yen amounts could be converted into U.S. dollars at that or any other rate.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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 Group has the ability to exercise significant influence are accounted for by the equity method.

Investments in three (three in 2020) associated companies are accounted for by the equity method.

Investments in two associated companies are stated at cost. If the equity method of accounting had been applied to the investments in those companies, the effect on the accompanying consolidated financial statements would not be material.

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

b. *Business Combination*—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. If the initial accounting for a business combination is incomplete by the end of the reporting period in which the business combination occurs, an acquirer shall report in its financial statements provisional amounts for the items for which the accounting is incomplete. During the measurement period, which shall not exceed one year from the acquisition, the acquirer shall retrospectively adjust the provisional amounts recognized at the acquisition date to reflect new information obtained about facts and circumstances that existed as of the acquisition date and that would have affected the measurement of the amounts recognized as of that date. Such adjustments shall be recognized as if the accounting for the business combination had been completed at the acquisition date. The acquirer recognizes any bargain purchase gain in profit or loss immediately on the acquisition date after reassessing and confirming that all of the assets acquired and all of the liabilities assumed have been identified after a review of the procedures used in the purchase price allocation. A parent's ownership interest in a subsidiary might change if the parent purchases or sells ownership interests in its subsidiary. The carrying amount of noncontrolling interest is adjusted to reflect the change in the parent's ownership interest in its subsidiary while the parent retains its controlling interest in its subsidiary. Any difference between the fair value of the consideration received or paid and the amount by which the noncontrolling interest is adjusted is accounted for as capital surplus as long as the parent retains control over its subsidiary.

c. *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, both of which mature within three months of the date of acquisition.

d. *Inventories*—Construction projects in progress and real estate for sale are stated at cost determined specifically by project. Materials and other inventories are mainly stated at the lower of cost, determined by the moving-average method, or net selling value.

e. *Marketable and Investment Securities*—Marketable and investment securities are classified and accounted for, depending on management's intent, as follows:
   (1) held-to-maturity debt securities, for which there is a positive intent and ability to hold to maturity are reported at amortized cost; and (2) available-for-sale securities, which are not classified as the aforementioned securities, except for nonmarketable available-for-sale securities, are reported at fair value, with unrealized gains and losses, net of applicable taxes, reported in a separate component of equity.

   Nonmarketable available-for-sale securities are stated at cost determined by the moving-average method. For other-than-temporary declines in fair value, investment securities are reduced to net realizable value by a charge to income.

f. *Property, Plant and Equipment*—Property, plant and equipment are stated at cost. Depreciation of property, plant and equipment of the Company and its consolidated subsidiaries are computed substantially by the declining-balance method based on the estimated useful lives of the assets, while the straight-line method is applied to buildings acquired on or after April 1, 1998, building improvements and structures acquired on or after April 1, 2016, principal machinery and equipment, and all property and equipment of consolidated foreign subsidiaries. The range of useful lives is principally from 10 to 60 years for buildings and structures, from 3 to 22 years for machinery and equipment, and from 2 to 20 years for furniture and fixtures. Leased assets are depreciated using the straight-line method over the estimated useful lives of assets which are the term of the respective leases.

g. *Long-Lived Assets*—The Group reviews its long-lived assets for impairment whenever events or changes in circumstance 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.

h. *Goodwill*—The difference between the acquisition cost and net assets at the time of acquisition is amortized principally over 20 years on a straight-line basis.

i. Land Revaluation—Under the "Law of Land Revaluation," the Company elected a one-time revaluation of its own-use land 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. There was no effect on the statement of income. 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 amount.

j. Allowance for Doubtful Accounts—The allowance for doubtful accounts is stated at amounts considered to be appropriate based on the Group's past credit loss experience and an evaluation of potential losses in the receivables outstanding. The allowance for doubtful accounts related to the subordinated bonds and subordinated trust beneficiary rights issued by special-purpose entities “SPEs” is stated based on an evaluation of potential losses due to the deteriorating fiscal condition of the SPEs.

k. Accrued Employees' Bonuses—The Company and certain consolidated subsidiaries have provided for employees' bonuses and have recorded a liability at the estimated amount payable to employees.

l. Retirement and Pension Plans—The Company and certain consolidated subsidiaries have contributory funded defined benefit pension plans and unfunded retirement benefit plans for employees. Other consolidated domestic subsidiaries have unfunded retirement benefit plans.

The Company and certain consolidated subsidiaries account 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 are recognized in profit or loss approximately over 6 years and 8 years, respectively, and past service costs are recognized in profit or loss over approximately 8 years,
however, 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 the benefit payments.

m. Provision for Repair of Whole-Building Lease System—A certain consolidated subsidiary has provided for a provision for repair of whole-building lease systems to cover probable costs of restoration and repairs being borne in the future based on the whole-building lease contracts. See Note 23 for a description of the whole-building lease system.

n. Stock Options—The accounting standard for stock options requires companies to measure the cost of employee stock options based on the fair value at the date of grant and recognize compensation expense over the vesting period as consideration for receiving goods or services. The standard also requires companies to account for stock options granted to non-employees based on the fair value of either the stock option or the goods or services received. In the consolidated balance sheet, the stock option is presented as a stock acquisition right as a separate component of equity until exercised. The standard covers equity-settled, share-based payment transactions, but does not cover cash-settled, share-based payment transactions. In addition, the standard allows unlisted companies to measure options at their intrinsic value if they cannot reliably estimate fair value.

o. Employee and Directors Stock Ownership Plan—In December 2013, the Accounting Standard Board of Japan ("ASBJ") issued Practical Issues Task Force ("PITF") No. 30, “Practical Solution on Transactions of Delivering the Company’s Own Stock to Employees etc. through Trusts”. This PITF is effective for the beginning of annual periods beginning on or after April 1, 2014, with earlier application permitted from the beginning of annual periods first ending after the date of issuance of this PITF, and applied retrospectively.

In accordance with the PITF, upon the transfer of treasury stock to the Employee Stock Ownership Trust (the "Trust") by the entity, any difference between the book value and fair value of the treasury stock shall be recorded in capital surplus. At year-end, the entity shall record (1) the entity stock held by the Trust as treasury stock in equity, (2) all other assets and liabilities of the Trust on a line-by-line basis, and (3) a liability/asset for the net of (i) any gain or loss on delivery of the stock by the Trust to the employee shareholding association, (ii) dividends received from the entity for the stock held by the Trust, and (iii) any expenses relating to the Trust.

The Company applied this PITF effective April 1, 2014. As for the trust contracts concluded before April 1, 2014, the Company applied transitional accounting (as stipulated in this PITF) and continued the previous accounting treatment.

p. *Research and Development Costs*—Research and development costs are charged to income as incurred.

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

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

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

t. *Foreign Currency Financial Statements*—The accounts of the consolidated foreign subsidiaries are translated into Japanese yen at the current exchange rate as of the consolidated balance sheet date except for equity, which is translated at the historical rate. Differences arising from such translation are shown as "Foreign currency translation adjustments" under accumulated other comprehensive income in a separate component of equity.

u. *Derivatives and Hedging Activities*—a. The Group uses derivative financial instruments to manage its exposure to fluctuations in foreign currency exchange rates. Foreign exchange forward contracts are utilized by the Group to reduce foreign currency exchange risk. The Group does not enter into derivatives for trading or speculative purposes.

Derivative financial instruments and foreign currency transactions 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 foreign currency forward contracts employed to hedge foreign exchange exposure for imports are measured at fair value and the unrealized gains/losses are recognized in income. Forward contracts applied for forecasted (or committed) transactions are also measured at fair value but the unrealized gains/losses are deferred until the underlying transactions are completed.

Accounts payable denominated in foreign currencies for which foreign exchange forward contracts are used to hedge the foreign currency fluctuations are translated at the contracted rate if the forward contracts qualify for hedge accounting.

v. *Consumption Tax*—Consumption tax is accounted for by the tax exclusion method.

w. *Per Share Information*—Basic net income per share is computed by dividing net income attributable to common shareholders by the weighted-average number of common shares outstanding for the period, retroactively adjusted for stock splits.

Diluted net income per share reflects the potential dilution that could occur if securities were exercised or converted into common stock. Diluted net income per share of common stock assumes full conversion of the outstanding warrants at the beginning of the year (or at the time of issuance) with an applicable adjustment for related interest expense, net of tax, and full exercise of outstanding warrants.

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

x. *New Accounting Pronouncements*

1: Accounting standard for revenue recognition

On March 30, 2018, the ASBJ issued ASBJ Statement No. 29, "Accounting Standard for Revenue Recognition," and ASBJ Guidance No. 30, "Implementation Guidance on Accounting Standard for Revenue Recognition." The core principle of the standard and guidance is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. An entity should recognize revenue in accordance with that core principle by applying the following steps:

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

The accounting standard and guidance are effective for annual periods beginning on or after April 1, 2021. Earlier application is permitted for annual periods beginning on or after April 1, 2018.

The Group expects to apply the accounting standard and guidance for annual periods beginning on or April 1, 2021 and is in the process of measuring the effects of applying the accounting standard and guidance in future applicable periods.

2: Accounting standard for fair value measurement

On July 4, 2019, the ASBJ issued ASBJ Statement No. 30, "Accounting Standard for Fair Value Measurement" and ASBJ Guidance No. 31, "Implementation Guidance on Accounting Standard for Fair Value Measurement," and revised related ASBJ Statements and ASBJ Guidance (the "New Accounting Standards"). Under the New Accounting Standards, nonmarketable available-for-sale equity securities are stated at cost, while under the current accounting standards, nonmarketable available-for-sale securities are stated at cost. The New Accounting Standards are effective for the annual periods beginning on or after April 1, 2021. Earlier application is permitted for annual periods beginning on or after April 1, 2020, or annual periods ending on or after March 31, 2020.

The Group expects to apply the accounting standard and guidance for annual periods beginning on or April 1, 2021, and is in the process of measuring the effects of applying the accounting standard and guidance in future applicable periods.

3. SIGNIFICANT ACCOUNTING ESTIMATES

(a) Provision for repair of whole-building lease system

(1) Carrying amounts

	Millions of Yen	Thousands of U.S. Dollars
	2021	2021
Provision for repair of whole-building lease system	¥ 169,780	$ 1,533,556

(2) Information on the significant accounting estimate

• Calculation method

To cover probable costs of restoration and repairs being borne in the future based on the whole-building lease contracts, a certain subsidiary has used the average move out period and historical restoration data to calculate the estimation of restoration cost and as for the repair cost, a certain subsidiary has used planned repair schedule and historical repair data to calculate the estimation of repair cost to calculate the amount of the provision as of March 31, 2021.

• Assumptions made

The assumptions made for the calculation of provision for repair of whole-building lease system are on the future restoration and repair costs. The future restoration costs are estimated based on the historical average restoration costs and the future repair costs are estimated based on the standard repair costs for one room or one building, proportional to its size. For the fiscal year ended March 31, 2021 estimation, the future repair costs reflect consideration of frequency of repair work and timing of repair work by components of the future repair costs.

• Impact on the next year’s consolidated financial statements

The increase on costs of raw material for restoration work may impact on the future restoration costs. As for the future repair cost, the frequency of repair work and timing of repair work is uncertain and due to natural disaster or breakdown of equipment, the frequency of repair work and timing of repair work will fluctuate and may impact on estimation of the future repair costs and lead to increase on the provision for repair of whole-building lease system.

(b) The percentage-of-completion method on the construction contracts

(1) Carrying amounts

	Millions of Yen	Thousands of U.S. Dollars
	2021	2021
Revenue	¥ 394,667	$ 3,564,881
Revenue from construction contracts in progress as of March 31, 2021	45,821	413,883

Construction revenue and construction costs are recognized by the percentage-of-completion method, if the outcome of a construction contract can be estimated reliably.

(2) Information on the significant accounting estimate

• Calculation method
Construction revenue and construction costs are calculated based on the estimation of total revenue and total construction costs, and measurement results of the percentage-of-completion for each construction contract.

• Assumptions made
The Company generally applies the method of measuring the percentage-of-completion for each construction contract by the ratio of construction costs incurred by the construction assessment performed in accordance with the construction progress to total estimated construction cost.

• Impact on the next year's consolidated financial statements
Assumptions for estimation and measurement are revised as necessary and the impact of revision of certain assumption is recognized when it is possible to estimate the amount with reliability. The estimation may be revised due to additional costs or changes in the total revenue, which may have a significant impact on the amount recognized in the consolidated financial statements.

4. BUSINESS COMBINATION

Acquisition of companies through acquisition of shares

The Company concluded a share transfer agreement on October 19, 2020 to acquire all of the shares of Invalance Ltd. and made it a wholly owned subsidiary.

(a) Outline of the business combination

(1) Name of acquired company and its business outline
Name of the acquired company: Invalance Ltd.
Business outline: Development and sale of condominiums for investment

(2) Name of person selling the shares
Manabu Kogure, etc.

(3) Major reason for the business combination
The Company hopes to create a synergy in the Tokyo metropolitan area strategy by making Invalance Ltd. a well-performing supplier of investment condominiums in the Tokyo metropolitan area as its subsidiary. Invalance Ltd. a property development company, and the Company, a supplier and manager of lease property,

could reinforce each other's businesses in the area of property supply chain, which could reinforce the core business of each company and lead to new development and expansion of the business.

(4) Date of business combination
November 2, 2020 (Date of acquisition of shares)
October 1, 2020 (Date of deemed acquisition)

(5) Legal form of business combination
Share acquisition in consideration for cash

(6) Name of the company after the combination
Invalance Ltd.

(7) Ratio of voting rights acquired
100%

(8) Basis for determining the acquired
It is based on the fact the Company acquired 100% of voting rights by means of share acquisition in consideration for cash

(b) The period for which the operations of the acquired company are included in the consolidated financial statements

October 1, 2020 – March 31, 2021

(c) Acquisition cost of the acquired company and related details of each class of consideration

	Millions of Yen	Thousands of U.S. Dollars
Consideration for acquisition - Cash	¥ 16,612	$ 150,050
Acquisition cost	¥ 16,612	$ 150,050

(d) Major acquisition – related costs

Advisory fee: ¥442 million ($ 3,992 thousand)

(e) Amount of goodwill incurred, reasons for the goodwill incurred, and the method and period of amortization

(1) Amount of goodwill incurred
¥9,900 Million ($ 89,423 thousand)

(2) Reasons for the goodwill incurred
Goodwill is incurred from expected excess earnings power in the future arising from further business development.

(3) Method and period of amortization
The goodwill is amortized on a straight-line basis over 20 years.

(f) The assets acquired and the liabilities assumed at the acquisition date are

		Millions of Yen		Thousands of U.S. Dollars
Current assets	¥	9,889	$	89,323
Non-current assets		2,722		24,587
Total assets		12,611		113,910
Current liabilities		4,102		37,052
Non-current liabilities		1,798		16,240
Total liabilities		5,900		53,292
Net assets	¥	6,711	$	60,618

(g) Conditional consideration for acquisition stated in the business combination agreement and its accounting

(1) Details of conditional acquisition consideration

The acquirer shall achieve the agreed Key Performance Indicator after the date of execution of the business combination agreement and during the agreed business year.

(2) Accounting treatment for conditional acquisition consideration

If additional consideration for acquisition is paid, it shall be deemed to be paid at the time of acquisition, and the initial acquisition amount shall be revised and the amount of goodwill and amortized amount shall be revised.

(h) Goodwill and the allocation amount of intangible assets by classification and the average amortization period thereof.

(1) Distributions of intangible assets and the details of its category

Customer related assets: ¥ 1,050 million ($ 9,484 thousand)

(2) Average depreciation duration by category

Customer related assets : 20 years

(i) Pro forma information (unaudited)

If this business combination had been completed as of April 1, 2020, the beginning of the current fiscal year, the effects on the consolidated statement of income for the year ended March 31, 2021, would be as follows:

		Millions of Yen		Thousands of U.S. Dollars
Sales	¥	9,912	$	89,531
Operating income		2		18

(j) Net cash flows on acquisition of a subsidiary

		Millions of Yen		Thousands of U.S. Dollars
Consideration paid for acquiring shares of Invalance Ltd.	¥	16,612	$	150,050
Less: cash and cash equivalents of Invalance Ltd.		(3,700)		(33,421)
Net cash outflows for the acquisition	¥	12,912	$	116,629

The business combination other than acquisition of Invalance Ltd. is immaterial, and therefore it is omitted.

5. MARKETABLE AND INVESTMENT SECURITIES

Marketable and investment securities as of March 31, 2021 and 2020, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2021	2020	2021
Current:			
Government and corporate bonds	¥ 1,503	¥ 4,029	$ 13,576
Total	¥ 1,503	¥ 4,029	$ 13,576
Non-current:			
Marketable equity securities	¥ 15,436	¥ 12,317	$ 139,427
Non-marketable equity securities	5,735	5,576	51,802
Government and corporate bonds	4,126	5,606	37,269
Investments in other companies	5,795	4,218	52,344
Trust fund investments and other	305	278	2,755
Total	¥ 31,397	¥ 27,995	$ 283,597

The costs and aggregate fair values of marketable and investment securities at March 31, 2021 and 2020, were as follows:

	Millions of Yen			
March 31, 2021	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Securities classified as:				
Available-for-sale:				
Equity securities	¥ 10,762	¥ 4,708	¥ 34	¥ 15,436
Government and corporate bonds	5,631	3	5	5,629
Other	4,469	393	—	4,862

March 31, 2020				
Securities classified as:				
Available-for-sale:				
Equity securities	¥ 11,819	¥ 765	¥ 267	¥ 12,317
Government and corporate bonds	9,623	2	20	9,605
Other	3,982	536	22	4,496
Held-to-maturity	30	0	—	30

	Thousands of U.S. Dollars			
March 31, 2021	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Securities classified as:				
Available-for-sale:				
Equity securities	$ 97,209	$ 42,525	$ 307	$ 139,427
Government and corporate bonds	50,863	27	45	50,845
Other	40,367	3,550	—	43,917

The proceeds, realized gains and realized losses of the available-for-sale securities which were sold during the years ended March 31, 2021 and 2020, were as follows:

	Millions of Yen		
March 31, 2021	Proceeds	Realized Gains	Realized Losses
Available-for-sale:			
Equity securities	¥ 1,802	¥ 745	¥ —
Total	¥ 1,802	¥ 745	¥ —
March 31, 2020			
Available-for-sale:			
Equity securities	¥ 1,620	¥ 960	¥ (7)
Total	¥ 1,620	¥ 960	¥ (7)

	Thousands of U.S. Dollars		
March 31, 2021	Proceeds	Realized Gains	Realized Losses
Available-for-sale:			
Equity securities	$ 16,277	$ 6,729	$ —
Total	$ 16,277	$ 6,729	$ —

6. SUBORDINATED BONDS AND SUBORDINATED TRUST BENEFICIARY RIGHT

The Company mediates the extension of apartment loans to customers who order construction of rental housing.

As for these loans, financial institutions establish SPEs and the loans are securitized by the SPEs.

When the customers use these loans, the Company is required to buy the subordinated bonds or subordinated trust beneficiary rights issued by the SPEs according to the agreement with certain financial institutions.

Details of the subordinated bonds and subordinated trust beneficiary rights are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2021	2020	2021
Subordinated bonds and subordinated trust beneficiary rights	¥ 9,384	¥ 10,643	$ 84,762
Allowance for doubtful accounts	¥ (86)	¥ (121)	$ (777)
Possession ratio of subordinated bonds and subordinated trust beneficiary rights	6.17%	6.17%	6.17%
Date of maturity	November 2034— February 2043	November 2034— February 2043	November 2034— February 2043
Loan balance of SPEs	¥ 28,819	¥ 34,404	$ 260,311
Outstanding bonds of SPEs	¥ 29,151	¥ 34,512	$ 263,310
Number of SPEs	9	10	9

The possession ratio of the subordinated bonds and subordinated trust beneficiary rights is the ratio of the subordinated bonds and subordinated trust beneficiary rights balance of the Company to the total amount of bonds when issued.

7. PLEDGED ASSETS AND SECURED LIABILITIES

The carrying amounts of assets pledged were as follows:

	Millions of Yen		Thousands of U.S. Dollars
Pledged assets	2021	2020	2021
Time deposits	¥ 170	¥ —	$ 1,536
Real estate for sale	3,084	—	27,857
Buildings	68	—	614
Land	86	—	777
Marketable securities	—	30	—
Guarantee deposits	7,894	9,188	71,303
Total	¥ 11,302	¥ 9,218	$ 102,087

	Millions of Yen		Thousands of U.S. Dollars
Secured liabilities	2021	2020	2021
Short-term bank loans	¥ 690	¥ —	$ 6,232
Current portion of long-term bank loans	456	—	4,119
Long-term bank loans	1,660	—	14,994
Other	—	290	—
Total	¥ 2,806	¥ 290	$ 25,345

Notes: 1.Time deposits, real estate for sale, buildings and land are pledged as collateral for short-term bank loans, current portion of long-term bank loans and long-term bank loans at March 31, 2021.

2.Marketable securities and guarantee deposits are pledged as collateral for other required by the Building Lots and Buildings Transaction Business Law, and the Act for Secure Execution of Defect Warranty Liability, and those pledged for the purpose of extending payment due dates for customs and consumption tax and insurance payments in accordance with the Trust Business Act and the Insurance Business Act, and payment for Settlement of Electricity Transaction at March 31, 2021 and 2020.

8. INVENTORIES

Inventories at March 31, 2021 and 2020, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2021	2020	2021
Construction projects in progress	¥ 13,460	¥ 12,099	$ 121,579
Materials	4,595	4,043	41,505
Real estate for saleMaterials	5,435	—	49,092
Merchandise	428	286	3,866
Total	¥ 23,918	¥ 16,428	$ 216,042

9. INVESTMENT PROPERTY

The Group owns certain rental properties such as office buildings, apartments, car parking spaces and hotels. A portion of the rental office buildings where the Company and some consolidated subsidiaries use as their offices is included in "Properties that partially contain rental properties." The net of rental income and operating expenses for the rental properties was ¥4,697 million ($42,426 thousand) and ¥4,431 million for the fiscal years ended March 31, 2021 and 2020, respectively.

The carrying amounts, changes in such balances and market prices of such properties are as follows:

(1) Rental properties

Millions of Yen			
Carrying Amount			Fair Value
April 1, 2020	Decrease	March 31, 2021	March 31, 2021
¥ 26,463	¥ (124)	¥ 26,339	¥ 22,787

Millions of Yen			
Carrying Amount			Fair Value
April 1, 2019	Increase	March 31, 2020	March 31, 2020
¥ 22,214	¥ 4,249	¥ 26,463	¥ 24,162

Thousands of U.S. Dollars			
Carrying Amount			Fair Value
April 1, 2020	Decrease	March 31, 2021	March 31, 2021
$ 239,030	$ (1,120)	$ 237,910	$ 205,826

(2) Properties that partially contain rental properties

Millions of Yen			
Carrying Amount			Fair Value
April 1, 2020	Decrease	March 31, 2021	March 31, 2021
¥ 52,882	¥ (449)	¥ 52,433	¥ 136,599

Millions of Yen			
Carrying Amount			Fair Value
April 1, 2019	Decrease	March 31, 2020	March 31, 2020
¥ 53,399	¥ (517)	¥ 52,882	¥ 133,624

Thousands of U.S. Dollars			
Carrying Amount			Fair Value
April 1, 2020	Decrease	March 31, 2021	March 31, 2021
$ 477,662	$ (4,055)	$ 473,607	$ 1,233,845

Notes: 1. Carrying amount recognized in the consolidated balance sheet is net of accumulated depreciation and accumulated impairment losses, if any.
2. Increase during the fiscal year ended March 31, 2021, primarily represents the acquisition of certain rental properties of ¥108 million ($976 thousand), and decrease primarily represents the recognition of depreciation of ¥232 million ($2,096 thousand).
3. Increase during the fiscal year ended March 31, 2020, primarily represents the acquisition of certain rental properties of ¥4,372 million, and decrease primarily represents the recognition of depreciation of ¥123 million.
4. Increase during the fiscal year ended March 31, 2021, primarily represents the acquisition of properties that partially contain rental properties of ¥247 million ($2,231 thousand), and decrease primarily represents the recognition of depreciation of ¥696 million ($6,287 thousand).
5. Increase during the fiscal year ended March 31, 2020, primarily represents the acquisition of properties that partially contain rental properties of ¥198 million, and decrease primarily represents the recognition of depreciation of ¥705 million.
6. Fair value of properties as of March 31, 2021 was measured by the Group in accordance with its Real-Estate Appraisal Standard.

10. SHORT-TERM BANK LOANS AND LONG-TERM BANK LOANS

Short-term bank loans at March 31, 2021, consisted of notes to banks and bank overdrafts. The annual interest rates applicable to the short-term bank loans were 1.10% at March 31, 2021.

Long-term bank loans at March 31, 2021 and 2020, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2021	2020	2021
Loans from banks due on various dates through 2021 with interest rates ranging from 0.17% to 1.40% (2021) and from 0.17% to 0.41% (2020)	¥ 95,789	¥ 82,750	$ 865,225
Total	95,789	82,750	865,225
Less current portion	(12,444)	(21,640)	(112,402)
Long-term bank loans, less current portion	¥ 83,345	¥ 61,110	$ 752,823

Annual maturities of long-term bank loans, excluding finance leases (see Note 17), at March 31, 2021, were as follows:

Year Ending March 31	Millions of Yen	Thousands of U.S. Dollars
2022	¥ 12,444	$ 112,402
2023	13,543	122,329
2024	10,347	93,460
2025	10,350	93,487
2026	49,073	443,257
2027 and thereafter	32	290
Total	¥ 95,789	$ 865,225

As is customary in Japan, the Company and a certain consolidated subsidiary maintain substantial deposit balances with banks with which it has borrowings. Such deposit balances are not legally or contractually restricted as to withdrawal.

General agreements with respective banks provide, as is customary in Japan, that additional collateral must be provided under certain circumstances if requested by such banks and that certain banks have the right to offset cash deposited with them against any long-term or short-term debt or obligation that becomes due and, in case of default and certain other specified events, against all other debt payable to the banks. The Company and a certain consolidated subsidiary have never been requested to provide any additional collateral.

In addition, the Company entered into committed loan facility agreements totaling ¥119,021 million ($1,075,070 thousand) with 11 Japanese banks and a syndicated commitment line agreement totaling ¥70,000 million ($632,283 thousands) with 4 Japanese banks. There was no balance under the committed loan facility agreements as of March 31, 2021.

11. RETIREMENT AND PENSION PLANS

The Company and certain consolidated subsidiaries have severance payment plans for employees. Under most circumstances, employees terminating employment are entitled to retirement benefits determined based on the rate of pay at the time of termination, years of service and certain other factors. Such retirement benefits are made in the form of a lump-sum severance payment from the Company or from certain consolidated subsidiaries and annuity payments from a trustee. Employees are entitled to larger payments if the termination is involuntary, by retirement at the mandatory retirement age, by death, or by voluntary retirement at certain specific ages prior to the mandatory retirement age.

The Company and certain consolidated subsidiaries have contributory funded defined benefit pension plans and unfunded retirement benefit plans for employees which cover approximately 70% and 30%, respectively, of their benefits. Other consolidated subsidiaries have unfunded retirement benefit plans.

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

	Millions of Yen		Thousands of U.S. Dollars
	2021	2020	2021
Balance at beginning of year	¥ 41,828	¥ 39,474	$ 377,816
Current service cost	3,427	3,305	30,955
Interest cost	1	2	9
Actuarial losses	915	1,460	8,265
Benefits paid	(2,206)	(2,413)	(19,926)
Balance at end of year	¥ 43,965	¥ 41,828	$ 397,119

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

	Millions of Yen		Thousands of U.S. Dollars
	2021	2020	2021
Balance at beginning of year	¥ 26,771	¥ 26,121	$ 241,812
Expected return on plan assets	398	389	3,595
Actuarial losses (gains)	1,108	(558)	10,008
Contributions from the employer	2,573	2,537	23,241
Benefits paid	(1,567)	(1,718)	(14,154)
Balance at end of year	¥ 29,283	¥ 26,771	$ 264,502

3. Reconciliation between the liability recorded in the consolidated balance sheet and the balances of defined benefit obligation and plan assets was as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2021	2020	2021
Funded defined benefit obligation	¥ 31,922	¥ 30,577	$ 288,339
Plan assets	29,283	26,771	264,502
Total	2,639	3,806	23,837
Unfunded defined benefit obligation	12,046	11,255	108,807
Net liability arising from defined benefit obligation	¥ 14,685	¥ 15,061	$ 132,644

	Millions of Yen		Thousands of U.S. Dollars
	2021	2020	2021
Liability for retirement benefits	¥ 14,847	¥ 15,229	$ 134,107
Asset for retirement benefits	(162)	(168)	(1,463)
Net liability arising from defined benefit obligation	¥ 14,685	¥ 15,061	$ 132,644

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

	Millions of Yen		Thousands of U.S. Dollars
	2021	2020	2021
Service cost	¥ 3,427	¥ 3,305	$ 30,955
Interest cost	1	2	9
Expected return on plan assets	(398)	(389)	(3,595)
Recognized actuarial losses	1,364	1,966	12,321
Amortization of prior service cost	5	23	45
Net periodic benefit costs	¥ 4,399	¥ 4,907	$ 39,735

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

	Millions of Yen		Thousands of U.S. Dollars
	2021	2020	2021
Prior service cost	¥ 5	¥ 23	$ 45
Actuarial losses (gains)	1,557	(52)	14,064
Total	¥ 1,562	¥ (29)	$ 14,109

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

	Millions of Yen		Thousands of U.S. Dollars
	2021	2020	2021
Unrecognized prior service cost	¥ (4)	¥ (10)	$ (36)
Unrecognized actuarial gains	(2,764)	(4,329)	(24,966)
Total	¥ (2,768)	¥ (4,339)	$ (25,002)

7. Plan assets

(1) Components of plan assets

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

	2021	2020
Debt investments	39.9%	42.4%
Equity investments	18.1%	9.3%
Cash and cash equivalents	2.2%	9.0%
General accounts	35.1%	36.3%
Others	4.7%	3.0%
Total	100.0%	100.0%

(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.

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

	2021	2020
Discount rate	0.0%	0.0%
Expected rate of return on plan assets	1.5%	1.5%
Expected rate of future salary increases	2.0%	1.9%

12. 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 fiscal year in addition to the year-end dividend upon resolution at the shareholders' 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 fiscal year if the company has prescribed so in its articles of incorporation. However, the Company does not meet all the above criteria.

The Companies Act permits companies to distribute dividends-in-kind (noncash assets) to shareholders subject to a certain limitation and additional requirements.

Semiannual interim dividends may also be paid once a year upon resolution by the Board of Directors if the articles of incorporation of the company so stipulate. The Companies Act provides certain limitations on the amounts available for dividends or the purchase of treasury stock. The limitation is defined as the amount available for distribution to the shareholders, but the amount of net assets after dividends must be maintained at no less than ¥3 million.

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 shareholders.

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 shareholders which is determined by a specific formula. Under the Companies Act, stock acquisition rights are presented as a separate component of equity. The Companies Act also provides that companies can purchase both treasury stock acquisition rights and treasury stock. Such treasury stock acquisition rights are presented as a separate component of equity or deducted directly from stock acquisition rights.

The Company and certain consolidated subsidiaries have set up a “Trust under Employee Stock Ownership Plan”(the "ESOP trust") and a “Trust for employees receiving in-kind benefit by stock”(the "J-ESOP") to improve the employees’ benefit program, increase corporate value by enhancing awareness of the Company’s results and stock price, and enhance employees’ motivation and morale.

In addition, the Company has set up a “Board incentive plan”(the "BIP") to better interrelate the director’s remuneration plan, the Company’s performance, and shareholder’s value so that the directors will be motivated to contribute to the Company’s performance and increase corporate value by holding ownership shares of the Company. The Group believes that this will improve the mindset of the directors to share same value with the shareholder in relation to the Group’s performance.

Trust Contracts Concluded Before April 1, 2014

J-ESOP

The implementation of a new employee incentive plan J-ESOP was resolved at the Board of Directors' Meeting held on July 4, 2011. Under the J-ESOP, employees are granted shares of the Company's stock when they become vested in accordance with the Share-based Benefits Regulations established by the Company and certain consolidated subsidiaries. The Company and certain consolidated subsidiaries grant points to selected employees based on their performance and achievements. Employees who have met certain requirements will receive the number of shares of the Company' stock corresponding to their points obtained (one share to one point). Shares to be granted to employees are acquired for both current and future benefits with the money held in a trust and separately managed as trust assets. With the J-ESOP, the Company and certain consolidated subsidiaries expect to enhance employees' morale and motivation to dedicate themselves to improving business performance and corporate value over the medium-term.

The Company's stock held by the above trusts at March 31, 2021 and 2020, was as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2021	2020	2021
J-ESOP	¥ 6,485	¥ 4,009	$ 58,576

	Thousands of Shares	
	2021	2020
J-ESOP	487	247

The Company's stock held by the trusts is therefore presented as "Treasury Stock" and as a deduction to shareholders' equity in the consolidated balance sheet and consolidated shareholders' equity (or statement of changes in equity).

However, such stock is excluded from treasury stock in calculating EPS of common stock and fully diluted EPS of common stock.

Trust Contracts Concluded On or After April 1, 2014

ESOP trust

The implementation of an employee incentive plan ESOP trust was resolved at the Board of Directors' Meeting held on November 24, 2015 and November 24, 2020, aiming to increase the Company's corporate value over the medium to long-term. The Company has set up a trust for employees that are members of the "Daito Trust Construction Co., Ltd. Employee Stock Ownership Plan," who are eligible under certain requirements to be beneficiaries. During the designated acquisition period, the ESOP trust purchased from stock exchanges. The number of shares of the Company's stock which is expected to be acquired by the Daito Trust Construction Co., Ltd. Employee Stock Ownership Plan from the ESOP trust over five years after its establishment. Since the acquisition, the ESOP trust has sold shares of the Company's stock to Daito Trust Construction Co., Ltd. Employee Stock Ownership Plan on a certain day of every month. As for the termination of the ESOP trust, where an increase in the stock price will have generated trust earnings on the sales of the shares of the Company's stock, money held in the trust will be distributed to the employees as beneficiaries based on their contribution ratio. When a decrease in the stock price will have caused losses on the sales of the shares of the Company's stock, resulting in obligations related to trust assets, the employees will not be obligated to make additional contributions because the Company will settle those obligations in a lump sum with the bank in accordance with a guarantee clause in the loan agreement.

The Company's stock held by the above trust at March 31, 2021 and 2020, was as follow:

	Millions of Yen		Thousands of U.S. Dollars
	2021	2020	2021
ESOP trust	¥ 7,382	¥ 1,761	$ 66,679

	Thousands of Shares	
	2021	2020
ESOP trust	769	132

	Millions of Yen		Thousands of U.S. Dollars
	2021	2020	2021
Long-term debt	¥ 7,600	¥ 1,200	$ 68,648

The Company's stock held by the above trusts also has the same rights as a normal stock, e.g., voting and dividend claim rights, as the stock does not meet the definition of treasury stock under the Companies Act. To calculate the available amounts of dividends as stipulated under Clause 2 of Article 461 of the Companies Act, the Company's stock held by the trusts is not deducted for the same reason.

Trust Contracts Concluded On or After April 1, 2014

BIP

The implementation of a new director incentive plan BIP was resolved at the general shareholders meeting held on June 25 2019. Under the BIP, the directors are granted shares of the Company's stock or similar value of money upon their achievement of their performance indicators. The period for this new director incentive plan is from the year ended March 31, 2020 to the year ending March 31, 2022 and subsequently every 3 years. Upper limit of ¥1,900 million ($17,162 thousand) is set on director's remuneration to be paid in each period. The directors who have achieved their performance indicators will only be subject to this incentive plan. The trust period will be 3 years. During the trust period, the points will be granted to directors but during the subjected 3 years, the maximum for total points granted to an individual director will be 210,000 points (210,000 shares). At the end of the subjected period, the trust will convert the points into shares of the Company's stock or similar value of money. Also, the Company plans to, at the end of the trust period, set up a new trust, amend the existing trust contract or create an additional trust contract to retain this incentive plan.

The Company's stock held by the above trust at March 31, 2021 and 2020, was as follow:

	Millions of Yen		Thousands of U.S. Dollars
	2021	2020	2021
BIP	¥ 658	¥ 809	$ 5,943

	Thousands of Shares	
	2021	2020
BIP	48	59

The Company's stock held by the above trusts also has the same rights as a normal stock, e.g., voting and dividend claim rights, as the stock does not meet the definition of treasury stock under the Companies Act. To calculate the available amounts of dividends as stipulated under Clause 2 of Article 461 of the Companies Act, the Company's stock held by the trusts is not deducted for the same reason.

13. STOCK OPTIONS

The Company

The stock options outstanding as of March 31, 2021, were as follows:

Stock Option	Persons Granted	Number of Options Granted	Date of Grant	Exercise Price	Exercise Period
2013 Stock Option (A)	11 directors	7,900 shares	2013.6.17	¥ 1 ($ 0.01)	From June 18, 2013 to June 17, 2043
2014 Stock Option (A)	6 directors	5,200 shares	2014.6.17	¥ 1 ($ 0.01)	From June 18, 2014 to June 17, 2044
2015 Stock Option (A)	7 directors	4,200 shares	2015.6.16	¥ 1 ($ 0.01)	From June 17, 2015 to June 16, 2045
2015 Stock Option (B)	7 directors	8,200 shares	2015.6.16	¥ 1 ($ 0.01)	From June 17, 2018 to June 16, 2023
2016 Stock Option (A)	9 directors	3,800 shares	2016.6.16	¥ 1 ($ 0.01)	From June 17, 2016 to June 16, 2046
2016 Stock Option (B)	9 directors	7,000 shares	2016.6.16	¥ 1 ($ 0.01)	From June 17, 2019 to June 16, 2024
2017 Stock Option (A)	10 directors	11,600 shares	2017.6.16	¥ 1 ($ 0.01)	From June 17, 2017 to June 16, 2047
2017 Stock Option (B)	10 directors	7,000 shares	2017.6.16	¥ 1 ($ 0.01)	From June 17, 2020 to June 16, 2025
2018 Stock Option (A)	8 directors	2,800 shares	2018.6.15	¥ 1 ($ 0.01)	From June 16, 2018 to June 15, 2048
2018 Stock Option (B)	8 directors	6,200 shares	2018.6.15	¥ 1 ($ 0.01)	From June 16, 2021 to June 15, 2026
2019 Stock Option (A)	9 directors	16,000 shares	2019.6.14	¥ 1 ($ 0.01)	From June 15, 2019 to June 14, 2049
2019 Stock Option (B)	9 directors	9,400 shares	2019. 6.14	¥ 1 ($ 0.01)	From June 15, 2022 to June 14, 2027

The stock option activity for the years ended March 31, 2021 and 2020, is as follows:

Year Ended March 31, 2021	2013 Stock Option (A)	2014 Stock Option (A)	2015 Stock Option (A)	2015 Stock Option (B)	2016 Stock Option(A)	2016 Stock Option(B)
	(Shares)					
Non-vested						
March 31, 2020—Outstanding	—	—	—	—	—	—
Granted	—	—	—	—	—	—
Canceled	—	—	—	—	—	—
Vested	—	—	—	—	—	—
March 31, 2021—Outstanding	—	—	—	—	—	—
Vested						
March 31, 2020—Outstanding	600	700	1,100	4,500	1,300	3,500
Vested	—	—	—	—	—	—
Exercised	—	—	—	2,700	—	2,100
Canceled	—	—	—	—	—	—
March 31, 2021—Outstanding	600	700	1,100	1,800	1,300	1,400
Exercise price	¥ 1	¥ 1	¥ 1	¥ 1	¥ 1	¥ 1
	($ 0.01)	($ 0.01)	($ 0.01)	($ 0.01)	($ 0.01)	($ 0.01)
Average stock price at exercise	¥ 13,885	—	—	¥ 9,090	—	¥ 9,125
	($ 125.42)	—	—	($ 82.11)	—	($ 82.42)
Fair value price at grant date	¥ 7,444	¥ 9,361	¥ 10,328	¥ 10,667	¥ 13,013	¥ 13,044
	($ 67.24)	($ 84.55)	($ 93.29)	($ 96.35)	($ 117.54)	($ 117.82)

Year Ended March 31, 2021	2017 Stock Option(A)	2017 Stock Option (B)	2018 Stock Option (A)	2018 Stock Option (B)	2019 Stock Option (A)	2019 Stock Option (B)
	(Shares)					
Non-vested						
March 31, 2020—Outstanding	—	7,000	—	6,200	—	9,400
Granted	—	—	—	—	—	—
Canceled	—	—	—	—	—	—
Vested	—	7,000	—	—	—	—
March 31, 2021—Outstanding	—	—	—	6,200	—	9,400
Vested						
March 31, 2020—Outstanding	1,400	—	1,600	—	3,700	—
Vested	—	7,000	—	—	—	—
Exercised	200	4,900	200	—	600	—
Canceled	—	—	—	—	—	—
March 31, 2021—Outstanding	1,200	2,100	1,400	—	3,100	—
Exercise price	¥ 1	¥ 1	¥ 1	¥ 1	¥ 1	¥ 1
	($ 0.01)	($ 0.01)	($ 0.01)	($ 0.01)	($ 0.01)	($ 0.01)
Average stock price at exercise	¥ 9,921	¥ 9,798	¥ 9,921	¥ —	¥ 9,946	¥ —
	($ 89.61)	($ 88.50)	($ 89.21)	($ —)	($ 89.84)	($ —)
Fair value price at grant date	¥ 15,384	¥ 15,119	¥ 15,054	¥ 15,246	¥ 11,452	¥ 10,951
	($ 138.96)	($ 136.56)	($ 135.98)	($ 137.71)	($ 103.44)	($ 98.92)

Year Ended March 31, 2020	2012 Stock Option (A)	2012 Stock Option (B)	2013 Stock Option (A)	2013 Stock Option (B)	2014 Stock Option (A)	2014 Stock Option (B)
	(Shares)					
Non-vested						
April 1, 2019—Outstanding	—	—	—	—	—	—
Granted	—	—	—	—	—	—
Canceled	—	—	—	—	—	—
Vested	—	—	—	—	—	—
March 31, 2020—Outstanding	—	—	—	—	—	—
Vested						
April 1, 2019—Outstanding	1,000	1,300	1,600	700	2,500	1,600
Vested	—	—	—	—	—	—
Exercised	1,000	1,300	1,000	700	1,800	1,600
Canceled	—	—	—	—	—	—
March 31, 2020—Outstanding	—	—	600	—	700	—

Year Ended March 31, 2020	2015 Stock Option (A)	2015 Stock Option (B)	2016 Stock Option (A)	2016 Stock Option (B)	2017 Stock Option (A)	2017 Stock Option (B)
	(Shares)					
Non-vested						
April 1, 2019—Outstanding	—	—	—	7,000	—	7,000
Granted	—	—	—	—	—	—
Canceled	—	—	—	—	—	—
Vested	—	—	—	7,000	—	—
March 31, 2020—Outstanding	—	—	—	—	—	7,000
Vested						
April 1, 2019—Outstanding	2,500	5,400	2,500	—	2,600	—
Vested	—	—	—	7,000	—	—
Exercised	1,400	900	1,200	3,500	1,200	—
Canceled	—	—	—	—	—	—
March 31, 2020—Outstanding	1,100	4,500	1,300	3,500	1,400	—

Year Ended March 31, 2020	2018 Stock Option (A)	2018 Stock Option (B)	2019 Stock Option (A)	2019 Stock Option (B)
	(Shares)			
Non-vested				
April 1, 2019—Outstanding	—	6,200	—	—
Granted	—	—	16,000	9,400
Canceled	—	—	—	—
Vested	—	—	16,000	—
March 31, 2020—Outstanding	—	6,200	—	9,400
Vested				
April 1, 2019—Outstanding	2,800	—	—	—
Vested	—	—	16,000	—
Exercised	1,200	—	12,300	—
Canceled	—	—	—	—
March 31, 2020—Outstanding	1,600	—	3,700	—

Consolidated subsidiary

The House com Corporation

Stock has been restated, as appropriate, to reflect two-for-one stock split effected April 1, 2018.

The stock options outstanding as of March 31, 2021, were as follows:

Stock Option	Persons Granted	Number of Options Granted	Date of Grant	Exercise Price	Exercise Period
2014 Stock Option	1 director	31,000 shares	2014.5.30	¥ 1 ($ 0.01)	From May 31, 2014 to May 30, 2044
2015 Stock Option	2 directors	11,200 shares	2015.6.5	¥ 1 ($ 0.01)	From June 6, 2015 to June 5, 2045
2016 Stock Option	2 directors	11,400 shares	2016.6.2	¥ 1 ($ 0.01)	From June 4, 2016 to June 3, 2046
2017 Stock Option	2 directors	10,600 shares	2017.5.31	¥ 1 ($ 0.01)	From June 2, 2017 to June 1, 2047

The stock option activity for the years ended March 31 2021 and 2020, is as follows:

	2014 Stock Option	2015 Stock Option	2016 Stock Option	2017 Stock Option
Year Ended March 31, 2021	(Shares)			
Non-vested				
March 31, 2020—Outstanding	—	—	—	—
Granted	—	—	—	—
Canceled	—	—	—	—
Vested	—	—	—	—
March 31, 2021—Outstanding	—	—	—	—
Vested				
March 31, 2020—Outstanding	31,000	11,200	11,400	10,600
Vested	—	—	—	—
Exercised	—	—	—	—
Canceled	—	—	—	—
March 31, 2021—Outstanding	31,000	11,200	11,400	10,600
Exercise price	¥ 1	¥ 1	¥ 1	¥ 1
	($ 0.01)	($ 0.01)	($ 0.01)	($ 0.01)
Average stock price at exercise	¥ —	¥ —	¥ —	¥ —
	($ —)	($ —)	($ —)	($ —)
Fair value price at grant date	¥ 270	¥ 656	¥ 596	¥ 827
	($ 2.44)	($ 5.93)	($ 5.38)	($ 7.47)

	2014 Stock Option	2015 Stock Option	2016 Stock Option	2017 Stock Option
Year Ended March 31, 2020	(Shares)			
Non—vested				
April 1, 2019—Outstanding	—	—	—	—
Granted	—	—	—	—
Canceled	—	—	—	—
Vested	—	—	—	—
March 31, 2020—Outstanding	—	—	—	—
Vested				
April 1, 2019—Outstanding	31,000	11,200	11,400	10,600
Vested	—	—	—	—
Exercised	—	—	—	—
Canceled	—	—	—	—
March 31, 2020—Outstanding	31,000	11,200	11,400	10,600

14. INCOME TAXES

The Company and its domestic subsidiaries are subject to Japanese national and local income taxes which, in the aggregate, resulted in normal effective statutory tax rates of approximately 30.6% and 30.6% for the years ended March 31, 2021 and 2020, respectively.

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

	Millions of Yen		Thousands of U.S. Dollars
	2021	2020	2021
Deferred tax assets:			
Loss on devaluation of investment Securities	¥ 147	¥ 311	$ 1,328
Allowance for doubtful accounts	1,904	1,717	17,198
Unrealized profit of assets	9,512	7,379	85,918
Accrued expenses	2,385	1,985	21,543
Accrued enterprise taxes	1,576	1,860	14,236
Depreciation	1,379	1,389	12,456
Accrued employees' bonuses	6,222	4,332	56,201
Provision for warranties for completed construction	184	251	1,662
Retirement benefit for employees	4,536	4,662	40,972
Provision for repair of whole-building lease system	51,987	46,500	469,578
Deferred cleaning revenue	5,564	5,090	50,257
Tax loss carryforwards	471	524	4,254
Others	10,445	10,246	94,346
Total of tax loss carryforwards and temporary differences	96,312	86,246	869,949
Less valuation allowance for tax loss carryforwards	(347)	(524)	(3,134)
Less valuation allowance for temporary differences	(232)	(404)	(2,096)
Total valuation allowance	(579)	(928)	(5,230)
Deferred tax assets	95,733	85,318	864,719
Deferred tax liabilities:			
Reserve for special depreciation	788	1,737	7,118
Unrealized gain on available-for-sale securities	1,434	102	12,953
Others	435	553	3,929
Deferred tax liabilities	2,657	2,392	24,000
Net deferred tax assets	¥ 93,076	¥ 82,926	$ 840,719

As of March 31, 2021, the valuation allowance decreased by ¥ 348 million ($3,152 thousand). This was mainly due to a decrease in the valuation allowance for tax loss carryforwards of consolidated subsidiaries.

The expiration of tax loss carryforwards, the related valuation allowances and the resulting net deferred tax assets as of March 31, 2021 and 2020, were as follows:

	Millions of Yen						
March 31, 2021	1 Year or Less	After 1 Year through 2 Years	After 2 Years through 3 Years	After 3 Years through 4 Years	After 4 Years through 5 Years	After 5 Years	Total
Deferred tax assets relating to tax loss carryforwards			¥ 7	¥ 14	¥ 25	¥ 425	¥ 471
Less valuation allowances for tax loss carryforwards			(7)	(14)	(25)	(301)	(347)
Net deferred tax assets relating to tax loss carryforwards						124	124

	Millions of Yen						
March 31, 2020	1 Year or Less	After 1 Year through 2 Years	After 2 Years through 3 Years	After 3 Years through 4 Years	After 4 Years through 5 Years	After 5 Years	Total
Deferred tax assets relating to tax loss carryforwards				¥ 8	¥ 15	¥ 501	¥ 524
Less valuation allowances for tax loss carryforwards				(8)	(15)	(501)	(524)
Net deferred tax assets relating to tax loss carryforwards							

	Thousands of U.S. Dollars						
March 31, 2021	1 Year or Less	After 1 Year through 2 Years	After 2 Years through 3 Years	After 3 Years through 4 Years	After 4 Years through 5 Years	After 5 Years	Total
Deferred tax assets relating to tax loss carryforwards			$ 63	$ 126	$ 226	$ 3,839	$ 4,254
Less valuation allowances for tax loss carryforwards			(63)	(126)	(226)	(2,719)	(3,134)
Net deferred tax assets relating to tax loss carryforwards						1,120	1,120

As of March 31, 2021, deferred tax assets of ¥124 million ($1,120 thousand) have been recognized for tax loss carryforwards of ¥471 million ($4,254 thousand). The net amount of deferred tax assets related to operating loss carryforwards was determined to be recoverable due to expected future taxable income, and no valuation allowance was provided.

Deferred tax assets and liabilities were included in the consolidated balance sheets as of March 31, 2021 and 2020 as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2021	2020	2021
Non-current assets—Deferred tax assets	¥ 93,322	¥ 83,234	$ 842,941
Non-current liabilities—Other	(246)	(308)	(2,222)

A reconciliation between the normal effective statutory tax rates and the actual effective tax rates reflected in the accompanying consolidated statement of income for the year ended March 31, 2021, with the corresponding figures for 2020, is as follows:

	2021	2020
Normal effective statutory tax rate	30.6%	30.6%
Expenses not deductible for income tax purposes	1.2	1.0
Inhabitant tax on per capita basis	0.6	0.4
Valuation allowance	(0.2)	0.1
Others—net	(0.9)	(0.3)
Actual effective tax rate	31.3%	31.8%

15. RESEARCH AND DEVELOPMENT COSTS

Research and development costs charged to income for the years ended March 31, 2021 and 2020, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2021	2020	2021
Research and development costs	¥ 1,700	¥ 1,542	$ 15,355

16. OTHER INCOME—NET

Other income—net for the years ended March 31, 2021 and 2020, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2021	2020	2021
Commission fee	¥ 2,433	¥ 3,102	$ 21,976
Impairment losses	(155)	(34)	(1,400)
Other	1,469	1,496	13,269
Other income—net	¥ 3,747	¥ 4,564	$ 33,845

17. LEASES

Lessee

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

	Millions of Yen		Thousands of U.S. Dollars
	2021	2020	2021
Due within one year	¥ 558,418	¥ 528,222	$ 5,043,971
Due after one year	1,841,970	1,903,491	16,637,792
Total	¥ 2,400,388	¥ 2,431,713	$ 21,681,763

Lease payments fixed by contract with regard to the whole-building lease system are included in the above-mentioned minimum rental commitments at March 31, 2021 and 2020, as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2021	2020	2021
Due within one year	¥ 554,607	¥ 525,470	$ 5,009,547
Due after one year	1,837,442	1,896,624	16,596,893
Total	¥ 2,392,049	¥ 2,422,094	$ 21,606,440

Lessor

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

	Millions of Yen		Thousands of U.S. Dollars
	2021	2020	2021
Due within one year	¥ 1,319	¥ 1,319	$ 11,914
Due after one year	12,965	14,284	117,108
Total	¥ 14,284	¥ 15,603	$ 129,022

18. FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES

(1) Group Policy for Financial Instruments

The Group uses financial instruments, mainly loans from banks, based on its capital financing plan for construction business. As a matter of policy, the Group only uses derivatives for actual operating requirements, not for speculative purposes.

(2) Nature and Extent of Risks Arising from Financial Instruments and Risk Management for Financial Instruments

Money held in trust has been set up to separately manage tenancy deposits. The Group manages such trust assets as short-term deposits and low risk securities. These are exposed to variable risks, including issuers' credit, interest rate, and market. However, the Group periodically monitors the financial condition of issuers and the market value of debt securities.

Receivables such as trade notes and accounts receivable are exposed to customer credit risk. The Group decreases the risk by starting construction after customer financing is fixed.

Marketable and investment securities, mainly held-to-maturity securities and equity instruments, are exposed to variable risks, including issuers' credit, interest rate, and market. The Group periodically monitors the financial condition of the issuers of marketable investment securities. An ongoing review of securities held, other than held-to-maturity securities, is performed by taking into consideration the market as well as the relationship with the trading counterparties.

Short-term investments are time deposits that mature or become due after more than three months from the date of acquisition.

Operating loans, mainly loans for customers' construction financing (i.e., bridge loans until financial institutions execute a long-term loan and secondary loan for long-term loan) are exposed to customer credit risk. The Group thoroughly enforces credit risk management, which includes periodic monitoring of the financial condition of customers to mitigate the risk of uncollectible loans.

Subordinated bonds and subordinated trust beneficiary rights are financial instruments issued by an SPE established by a financial institution. The financial institution securitized the apartment loans of customers who order the Company to construct an apartment building for rent using the SPE. Subordinated bonds and subordinated trust beneficiary rights are exposed to the credit risk of the debtor of the apartment loan. The Group manages the credit risk by monitoring repayments of the loan.

Payment terms of payables, such as accounts payable, income taxes payable, and deposits received, are generally less than one year.

Loans from banks are exposed to market risk from changes in interest rates. The Group performs continuous monitoring of market fluctuations.

Long-term deposits received for guarantees are received from tenants in the real estate rental business by the whole-building lease system.

Derivatives are forward foreign currency exchange contracts, which are used to manage exposure to market risks from changes in foreign currency exchange rate payables.

(3) Fair Values of Financial Instruments

Fair values of financial instruments are based on quoted prices in active markets. If a quoted price is not available, another rational valuation technique is used instead.

(a) Fair value of financial instruments

	Millions of Yen		
March 31, 2021	Carrying Amount	Fair Value	Unrealized Gain/Loss
Cash and cash equivalents	¥ 198,760	¥ 198,760	¥ —
Money held in trust	13,500	13,500	—
Short-term investments	233	233	—
Notes and accounts receivable	51,881		
Allowance for doubtful accounts	(69)		
	51,812	51,812	—
Marketable and investment securities:			
Investments in an associated company	14,807	45,418	30,611
Available-for-sale securities	25,927	25,927	—
Operating loans	120,980		
Allowance for doubtful accounts	(353)		
	120,627	120,719	92
Total	¥ 425,666	¥ 456,369	¥ 30,703
Accounts payable	¥ 27,580	¥ 27,580	¥ —
Income taxes payable	22,494	22,494	—
Deposit received	10,404	10,404	—
Current portion of long-term bank loans and long-term bank loans	95,789	95,789	—
Deposits received for guarantees	32,212	32,112	(100)
Total	¥ 188,479	¥ 188,379	¥ (100)

March 31, 2020	Millions of Yen Carrying Amount	Fair Value	Unrealized Gain/Loss
Cash and cash equivalents	¥ 159,902	¥ 159,902	¥ —
Money held in trust	14,000	14,000	—
Short-term investments	28	28	—
Notes and accounts receivable	76,457		
Allowance for doubtful accounts	(73)		
	76,384	76,384	—
Marketable and investment securities:			
Held-to-maturity securities	30	30	0
Investments in an associated company	14,935	31,932	16,997
Available-for-sale securities	26,418	26,418	—
Operating loans	127,592		
Allowance for doubtful accounts	(274)		
	127,318	127,496	178
Total	¥ 419,015	¥ 436,190	¥ 17,175
Accounts payable	¥ 54,760	¥ 54,760	¥ —
Income taxes payable	30,082	30,082	—
Deposit received	10,004	10,004	—
Current portion of long-term bank loans and long-term bank loans	82,750	82,750	—
Deposits received for guarantees	33,645	33,492	(153)
Total	¥ 211,241	¥ 211,088	¥ (153)

March 31, 2021	Thousands of U.S. Dollars Carrying Amount	Fair Value	Unrealized Gain/Loss
Cash and cash equivalents	$ 1,795,321	$ 1,795,321	$ —
Money held in trust	121,940	121,940	—
Short-term investments	2,105	2,105	—
Notes and accounts receivable	468,621		
Allowance for doubtful accounts	(624)		
	467,997	467,997	—
Marketable and investment securities:			
Investments in an associated company	133,746	410,243	276,497
Available-for-sale securities	234,189	234,189	—
Operating loans	1,092,765		
Allowance for doubtful accounts	(3,189)		
	1,089,576	1,090,407	831
Total	$ 3,844,874	$ 4,122,202	$ 277,328
Accounts payable	$ 249,119	$ 249,119	$ —
Income taxes payable	203,179	203,179	—
Deposit received	93,975	93,975	—
Current portion of long-term bank loans and long-term bank loans	865,225	865,225	—
Deposits received for guarantees	290,958	290,056	(902)
Total	$ 1,702,456	$ 1,701,554	$ (902)

Cash and Cash Equivalents, Notes and Accounts Receivable and Short-Term Investments
The carrying amounts of the accounts presented above approximate fair value because of their short maturities.

Money Held in Trust
The fair value of money held in trust is measured based on the financial instruments which comprise the money held in trust. At the end of the fiscal year ended March 31, 2021 and 2020, all of the financial instruments that comprise money held in trust were deposits. As the carrying amount of this account approximates fair value, the carrying amount is treated as its fair value.

Marketable and Investment Securities
The fair values of marketable and investment securities are measured at the quoted market price of the stock exchange for the equity instruments, and at the quoted price obtained from the financial institution for certain debt instruments. Fair value information for marketable and investment securities by classification is included in Note 5.

Operating Loans
The fair value of operating loans with floating-rates approximates its carrying amount because the rate reflects market interest rates within a short period of time except for significant changes in credit conditions of debtors.

Loans with fixed rates consist of short-term bridge loans and long-term loans. The fair value of operating loans approximates its carrying amount because the rate reflects market interest rates. The fair value of long-term loans is determined based on the present value calculated by using discount rates corresponding to the remaining period of the loan and credit risk.

Accounts Payable, Income Taxes Payable, and Deposits Received
The carrying amount of the accounts mentioned above approximate fair value because of their short maturities.

Current Portion of Long-Term Loans and Long-Term Loans
For the current portion of long-term loans and for long-term loans that have floating interest rates, the fair values approximate the carrying amount because the rates reflect market interest rates within a short period of time.

Deposits Received for Guarantees
The fair value of deposits received for guarantees is determined based on the present value calculated by using discount rates corresponding to credit risk and the remaining period of deposits received for the guarantees.

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

	Millions of Yen		Thousands of U.S. Dollars
	2021	2020	2021
Subordinated bonds and subordinated trust beneficiary rights	¥ 9,384	¥ 10,643	$ 84,762
Investments in equity instruments that do not have a quoted market price in an active market	¥ 5,898	¥ 5,723	$ 53,274
Investments in other companies	¥ 3,609	¥ 2,723	$ 32,599

(4) Maturity Analysis for Financial Assets and Securities with Contractual Maturities

March 31, 2021	Millions of Yen					
	Due in 1 Year or Less	Due after 1 Year through 2 Years	Due after 2 Years through 3 Years	Due after 3 Years through 4 Years	Due after 4 Years through 5 Years	Due after 5 Years
Cash and cash equivalents	¥ 198,760	¥ —	¥ —	¥ —	¥ —	¥ —
Money held in trusts	13,500	—	—	—	—	—
Short-term investments	233	—	—	—	—	—
Notes and accounts receivable	51,881	—	—	—	—	—
Investment securities:						
Held-to-maturity securities	—	—	—	—	—	—
Available-for-sales securities with contractual maturities	1,500	3,100	1,000	—	18	—
Others	—	—	—	—	—	300
Operating loans	39,742	5,545	5,291	5,074	4,863	60,465
Subordinated bonds and subordinated trust beneficiary rights	—	—	—	—	—	9,563
Total	¥ 305,616	¥ 8,645	¥ 6,291	¥ 5,074	¥ 4,881	¥ 70,328

March 31, 2020	Millions of Yen					
	Due in 1 Year or Less	Due after 1 Year through 2 Years	Due after 2 Years through 3 Years	Due after 3 Years through 4 Years	Due after 4 Years through 5 Years	Due after 5 Years
Cash and cash equivalents	¥ 159,902	¥ —	¥ —	¥ —	¥ —	¥ —
Money held in trusts	14,000	—	—	—	—	—
Short-term investments	28	—	—	—	—	—
Notes and accounts receivable	76,457	—	—	—	—	—
Investment securities:						
Held-to-maturity securities	30	—	—	—	—	—
Available-for-sales securities with contractual maturities	4,000	1,500	3,100	1,000	—	300
Operating loans	77,074	4,065	3,797	3,509	3,247	35,900
Subordinated bonds and subordinated trust beneficiary rights	—	—	—	—	—	10,821
Total	¥ 331,491	¥ 5,565	¥ 6,897	¥ 4,509	¥ 3,247	¥ 47,021

March 31, 2021	Thousands of U.S. Dollars					
	Due in 1 Year or Less	Due after 1 Year through 2 Years	Due after 2 Years through 3 Years	Due after 3 Years through 4 Years	Due after 4 Years through 5 Years	Due after 5 Years
Cash and cash equivalents	$1,795,321	$ —	$ —	$ —	$ —	$ —
Money held in trusts	121,940	—	—	—	—	—
Short-term investments	2,105	—	—	—	—	—
Notes and accounts receivable	468,621	—	—	—	—	—
Investment securities:						
Held-to-maturity securities	—	—	—	—	—	—
Available-for-sale securities with contractual maturities	13,548	28,001	9,032	—	162	—
Others	—	—	—	—	—	2,710
Operating loans	358,974	50,086	47,792	45,831	43,926	546,156
Subordinated bonds and subordinated trust beneficiary rights	—	—	—	—	—	86,379
Total	$2,760,509	$ 78,087	$ 56,824	$ 45,831	$ 44,088	$ 635,245

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

19. DERIVATIVES

Derivative Transactions to Which Hedge Accounting Is Applied

		Millions of Yen		
March 31, 2021	Hedged Item	Contract Amount	Contract Amount Due after 1 Year	Fair Value
Foreign currency forward contracts:				
Buying U.S.$	Forecasted transactions	¥ 5,565	¥ 1,025	¥ 385
March 31, 2020				
Foreign currency forward contracts:				
Buying U.S.$	Forecasted transactions	¥ 11,532	¥ 4,538	¥ 372

		Thousands of U.S. Dollars		
March 31, 2021	Hedged Item	Contract Amount	Contract Amount Due after 1 Year	Fair Value
Foreign currency forward contracts:				
Buying U.S.$	Forecasted transactions	$ 50,266	$ 9,258	$ 3,478

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

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

20. OTHER COMPREHENSIVE INCOME (LOSS)

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

	Millions of Yen		Thousands of U.S. Dollars
	2021	2020	2021
Unrealized gain (loss) on available-for-sale securities:			
Gains arising during the year	¥ 4,946	¥ (7,647)	$ 44,675
Reclassification adjustments to profit or loss	(745)	(834)	(6,729)
Amount before income tax effect	4,201	(8,481)	37,946
Income tax effect	(1,332)	2,761	(12,031)
Total	¥ 2,869	¥ (5,720)	$ 25,915
Deferred gain on derivatives under hedge accounting:			
Gains arising during the year	¥ 13	¥ 51	$ 117
Reclassification adjustments to profit or loss	—	—	—
Amount before income tax effect	13	51	117
Income tax effect	(4)	(15)	(36)
Total	¥ 9	¥ 36	$ 81
Foreign currency translation adjustments:			
Adjustments arising during the year	¥ (1,965)	¥ (634)	$ (17,749)
Reclassification adjustments to profit or loss	—	—	—
Amount before income tax effect	(1,965)	(634)	(17,749)
Income tax effect	—	—	—
Total	¥ (1,965)	¥ (634)	$ (17,749)
Defined retirement benefit plans:			
Adjustments arising during the year	¥ 193	¥ (2,018)	$ 1,743
Reclassification adjustments to profit or loss	1,369	1,989	12,366
Amount before income tax effect	1,562	(29)	14,109
Income tax effect	(480)	15	(4,336)
Total	¥ 1,082	¥ (14)	$ 9,773
Total other comprehensive income (loss)	¥ 1,995	¥ (6,332)	$ 18,020

21. NET INCOME PER SHARE

Reconciliation of the differences between basic and diluted net income per share ("EPS") for the years ended March 31, 2021 and 2020, is as follows:

	Millions of Yen		Thousands of Shares	Yen		U.S. Dollars	
Year Ended March 31, 2021	Net Income Attributable to Owners of the Parent		Weighted-Average Shares	EPS			
Basic EPS—Net income available to common shareholders	¥	62,286	68,497	¥	909.31	$	8.21
Effect of dilutive securities							
Stock option			34				
Stock option of consolidated subsidiary	¥	(2)					
Diluted EPS—Net income for computation	¥	62,284	68,531	¥	908.84	$	8.21

	Millions of Yen		Thousands of Shares	Yen	
Year Ended March 31, 2020					
Basic EPS—Net income available to common shareholders	¥	90,381	69,167	¥	1,306.71
Effect of dilutive securities					
Stock option			47		
Stock option of consolidated subsidiary	¥	(4)			
Diluted EPS—Net income for computation	¥	90,377	69,214	¥	1,305.77

22. SUBSEQUENT EVENTS

Appropriation of Retained Earnings

The following appropriation of retained earnings at March 31, 2021, was approved at the Company's shareholders' meeting held on June 25, 2021:

	Millions of Yen		Thousands of U.S. Dollars	
Year-end cash dividends, ¥251 ($2.27) per share	¥	17,285	$	156,129

23. SEGMENT INFORMATION

Under ASBJ statement No. 17, "Accounting Standard for Segment Information Disclosures," and ASBJ Guidance No. 20, "Guidance on Accounting Standard for Segment Information Disclosures," 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 Company's management is being performed in order to decide how resources are allocated among the Group.

The Company is engaged in the construction of apartments to foster effective utilization by customers. Daito

Kentaku Partners Co., Ltd., a consolidated subsidiary, enters into whole-building leases as a "Lease management trust system" whereby it rents all apartments from landowners and subleases them to tenants. Daito Finance Corporation provides operating loans to landowners to fund construction projects. The Company creates management strategies and develops business activities for these operations.

Therefore, the Group consists of three reportable segments as follows:
Construction: civil engineering, construction, and other related business
Real estate: whole-building lease, rent, agency, guarantee of tenant and management business
Finance: construction finance business for landowners until financial institution executes long-term loans

(2) Methods of Measurement for the Amounts of Sales, Profit (Loss), Assets 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."

(3) Information about Sales, Profit (Loss), Assets and Other Items

Millions of Yen

	2021							
	Reportable Segment							
	Construction	Real Estate	Finance	Total	Other	Total	Reconciliations	Consolidated
Sales:								
Sales to external customers	¥ 401,710	¥1,014,262	¥ 10,018	¥1,425,990	¥ 62,925	¥1,488,915	¥ —	¥1,488,915
Intersegment sales or transfers	1	4,225	14,972	19,198	545	19,743	(19,743)	—
Total	¥ 401,711	¥1,018,487	¥ 24,990	¥1,445,188	¥ 63,470	¥1,508,658	¥ (19,743)	¥1,488,915
Segment profit (loss)	¥ 32,631	¥ 63,273	¥ 5,569	¥ 101,473	¥ 7,793	¥ 109,266	¥ (22,528)	¥ 86,738
Segment assets	100,508	339,588	136,820	576,916	141,290	718,206	201,249	919,455
Other:								
Increase in property, plant and equipment and intangible assets	2,342	4,375	31	6,748	6,057	12,805	548	13,353
Depreciation	6,516	5,896	174	12,586	2,840	15,426	375	15,801
Amortization of goodwill	—	14	—	14	344	358	—	358
Impairment losses of assets	109	46	—	155	—	155	—	155
Goodwill at March 31, 2021	—	943	—	943	11,282	12,225	—	12,225

	Millions of Yen							
	2020							
	Reportable Segment							
	Construction	Real Estate	Finance	Total	Other	Total	Reconciliations	Consolidated
Sales:								
Sales to external customers	¥ 551,104	¥ 973,694	¥ 9,241	¥1,534,039	¥ 52,254	¥1,586,293	¥ —	¥1,586,293
Intersegment sales or transfers	81	4,479	1,024	5,584	909	6,493	(6,493)	—
Total	¥ 551,185	¥ 978,173	¥ 10,265	¥1,539,623	¥ 53,163	¥1,592,786	¥ (6,493)	¥1,586,293
Segment profit (loss)	¥ 77,392	¥ 56,515	¥ 3,658	¥ 137,565	¥ 9,063	¥ 146,628	¥ (18,671)	¥ 127,957
Segment assets	131,487	327,979	139,854	599,320	116,696	716,016	164,273	880,289
Other:								
Increase in property, plant and equipment and intangible assets	3,292	7,986	119	11,397	11,134	22,531	3,642	26,173
Depreciation	6,284	5,704	191	12,179	2,791	14,970	32	15,002
Amortization of goodwill	—	6	—	6	—	6	68	74
Impairment losses of assets	—	34	—	34	—	34	—	34
Goodwill at March 31, 2020	—	106	—	106	937	1,043	—	1,043

	Thousands of U.S. Dollars							
	2021							
	Reportable Segment							
	Construction	Real Estate	Finance	Total	Other	Total	Reconciliations	Consolidated
Sales:								
Sales to external customers	$ 3,628,489	$ 9,161,431	$ 90,488	$ 12,880,408	$ 568,377	$ 13,448,785	$ —	$ 13,448,785
Intersegment sales or transfers	9	38,163	135,236	173,408	4,923	178,331	(178,331)	—
Total	$ 3,628,498	$ 9,199,594	$ 225,724	$ 13,053,816	$ 573,300	$ 13,627,116	$ (178,331)	$ 13,448,785
Segment profit (loss)	$ 294,743	$ 571,520	$ 50,303	$ 916,566	$ 70,391	$ 986,957	$ (203,487)	$ 783,470
Segment assets	907,850	3,067,365	1,235,841	5,211,056	1,276,217	6,487,273	1,817,803	8,305,076
Other:								
Increase in property, plant and equipment and intangible assets	21,154	39,518	280	60,952	54,710	115,662	4,950	120,612
Depreciation	58,856	53,256	1,572	113,684	25,653	139,337	3,387	142,724
Amortization of goodwill	—	126	—	126	3,108	3,234	—	3,234
Impairment losses of assets	985	415	—	1,400	—	1,400	—	1,400
Goodwill at March 31, 2021	—	8,518	—	8,518	101,906	110,424	—	110,424

Notes for the year ended March 31, 2021

(1) The reconciliations in segment profit include elimination of intersegment trades of ¥-907 million ($-8,193 thousand) and corporate expenses not allocated to a reportable segment of ¥-21,621 million ($-195,294 thousand). Corporate expenses are mainly the Company's general administration expenses.

(2) The reconciliations in segment assets include elimination of intersegment trades of ¥-8,794million ($-79,433 thousand) and corporate assets not allocated to a reportable segment of ¥210,043 million ($1,897,236 thousand). Corporate assets are mainly short-term investments and investment securities held by the Company and other assets of administrative departments.

(3) Consolidated segment profit is equal to operating income in the consolidated statement of income. Consolidated segment assets are equal to total assets in the consolidated balance sheet.

Notes for the year ended March 31, 2020

(4) The reconciliations in segment profit include elimination of intersegment trades of ¥-855 million and corporate expenses not allocated to a reportable segment of ¥-17,816 million. Corporate expenses are mainly the Company's general administration expenses.

(5) The reconciliations in segment assets include elimination of intersegment trades of ¥8,562 million and corporate assets not allocated to a reportable segment of ¥172,835 million. Corporate assets are mainly short-term investments and investment securities held by the Company and other assets of administrative departments.

(6) Consolidated segment profit is equal to operating income in the consolidated statement of income. Consolidated segment assets are equal to total assets in the consolidated balance sheet.

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Daito Trust Construction Co., Ltd.:

Opinion

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

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

Convenience Translation

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

Basis for Opinion

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

Key Audit Matters

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

[Construction Contracts—Revenue Recognition by the Percentage-of-Completion Method]	
Key Audit Matter Description	How the Key Audit Matter Was Addressed in the Audit
As described in "2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES," section q. Construction Contracts in the "Notes to the Consolidated Financial Statements," Daito Trust Construction Co., Ltd. (the "Company") applies the percentage-of-completion method to recognize the revenue from its construction contracts. In addition, as described in "3. SIGNIFICANT ACCOUNTING ESTIMATES," (b) The percentage-of-completion method on the construction contracts, using the percentage-of-completion method, the Company recorded construction revenue of ¥394,667 million ($3,564,881 thousand) as of March 31, 2021, of which ¥45,821 million ($413,883 thousand) was related to construction projects in progress. The Company's construction segment enters into multiple construction contracts for rental apartments annually. As the contract prices are not frequently revised, the Company uses the percentage-of-completion method, which, depend on significant assumptions such as estimated total construction costs and the rates of completion as of the balance sheet date. The Company estimates the total construction cost for each construction contract and revises it as necessary. Management's estimations are relatively complex as the estimation involves uncertainties especially if the specifications differ from past contracts (i.e., construction periods, contract prices, and construction costs are significantly different from the past averages, etc.). In addition, to process many construction contracts annually, the Company has established Information Technology ("IT") application controls, such as access controls around the recording and transmission of purchase orders and acceptance of subcontractors' work, and automated calculation of the rate of completion. As a result, it relies on these IT application controls to apply the percentage-of-completion method. As the reasonableness of the rate of completion as of the balance sheet date and the estimated total construction costs of multiple construction contracts significantly impact the recorded revenue, we have determined revenue recognized by the percentage-of-completion method to be a Key Audit Matter.	To test the revenue recognized under the percentage-of-completion method, we performed the following audit procedures, among others. • We evaluated the design and operating effectiveness of the internal controls over the original estimation and subsequent revision of total construction costs and the recording and transmission of the purchase orders and acceptance results to subcontractors. • We evaluated the design and operating effectiveness of the IT application controls, such as the access controls related to the recording and transmission of the purchase orders and acceptance results to subcontractors as well as the automated calculation of the percentage-of-completion rate. With the assistance of our IT specialists, we also evaluated the design and operating effectiveness of the IT general controls which the IT application controls rely on. • We analyzed the contracts in progress at year end to identify those contracts for which the calculated rates of completion were not in line with the construction time to date relative to the estimated construction periods and/or those contracts for which the contract prices and the related construction costs were significantly different from those similar contracts in the past. We compared the results of the analysis against the averages of past construction contracts with similar specifications and identified construction contracts with significantly different averages. • For the construction contracts identified above, we evaluated whether the estimated total construction costs and the rates of completion were reasonable by inquiring of the person in charge of each contract to understand why the construction contracts had significantly different averages compared to past construction contracts, and inspected the contract document, cost details, the purchase orders and acceptance results to the subcontractors, construction site photographs, as well as other evidence.

<table>
<tr><th colspan="2">[Allocation of the Acquisition Cost of INVALANCE Ltd.]</th></tr>
<tr><th>Key Audit Matter Description</th><th>How the Key Audit Matter Was Addressed in the Audit</th></tr>
<tr><td>As described in "4. Business Combination through Acquisition" in the "Notes to Consolidated Financial Statements," the Company acquired 100% of the issued shares of INVALANCE Ltd., which develops, sells and leases properties for investment condominiums, in exchange for ¥16,611 million ($150,041 thousand) in cash on November 2, 2020.

The Company used enterprise valuation experts and intangible asset valuation experts to allocate the purchase price to the identifiable assets acquired and the liabilities assumed through the acquisition. As a result of this purchase price allocation, the Company recorded intangible assets (customer-related assets related to the real estate leasing business) of ¥1,050 million ($9,484 thousand) and goodwill of ¥9,900 million ($89,423 thousand).

The customer-related assets from the real estate leasing business were measured by estimating the present values of related future cash flows. Significant assumptions used in the estimation included the future sales forecast, long-term growth rate, discount rate, and the continuation rate of existing contracts related to real estate leasing as well as other assumptions.

Given that these assumptions involve uncertainties and require management's judgment, we have determined the allocation of the acquisition cost of INVALANCE Ltd. to be a Key Audit Matter.</td><td>In considering the allocation of the purchase price of INVALANCE Ltd., we conducted the following audit procedures, among others.

• We understood the purpose of the acquisition by inspecting the minutes of the Board of Directors meetings and related materials and by inquiring of relevant responsible personnel.

• We evaluated the design and operating effectiveness of the internal controls over the acquisition activities including estimating the enterprise value and the purchase price allocation including determination of the significant assumptions used in identifying and measuring the intangible assets.

• We evaluated whether the estimated future cash flows were in line with the actual revenues of prior years and with the management-approved future business plan. We also assessed the reasonableness of the estimated future cash flows by inquiring of the management of INVALANCE Ltd.

• With the assistance of our valuation specialists, we evaluated whether the acquisition price was within an acceptable range that we would consider reasonable.

• With the assistance of our valuation specialists, we also evaluated the valuation method used to measure the customer related assets from real estate leasing business. We also compared assumptions such as the long-term growth rate, discount rate and retention rate of existing contracts for the real estate leasing business with available external information. We further conducted sensitivity analyses to evaluate whether the estimated value of customer-related assets from real estate leasing was within an acceptable range that we would consider reasonable.</td></tr>
</table>

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

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

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

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

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

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

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

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

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

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

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

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

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

We communicate with Audit & Supervisory Board members and the Audit & Supervisory Board regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide Audit & Supervisory Board members and the Audit & Supervisory Board with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

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

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

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

Deloitte Touche Tohmatsu LLC

June 25, 2021