



Consolidated Financial Section 2022

Contents

Consolidated Balance Sheet	P. 1
Consolidated Statement of Income	P. 3
Consolidated Statement of Comprehensive Income	P. 4
Consolidated Statement of Change in Net Assets	P. 5
Consolidated Statement of Cash Flows	P. 7
Notes to Consolidated Financial Statements	P. 9

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, 2022

	Millions of Yen		Thousands of U.S. Dollars (Note 3)
	2022	2021	2022
ASSETS			
Current assets:			
Cash and bank deposits (Notes 6 and 19)	¥ 259,134	¥ 198,993	\$ 2,117,280
Money held in trust (Note 19)	12,500	13,500	102,132
Marketable securities (Notes 4, 6 and 19)	3,101	1,503	25,337
Accounts receivable (Notes 19 and 25)	54,610	51,881	446,196
Operating loans (Note 19)	113,329	120,980	925,966
Inventories (Notes 6 and 7)	44,384	23,918	362,644
Prepaid expenses-whole-building lease and other expenses (Note 26)	72,347	70,238	591,118
Other current assets	29,863	26,697	243,998
Allowance for doubtful accounts	(785)	(594)	(6,413)
Total current assets	588,487	507,116	4,808,293
Property, plant and equipment (Notes 8, 9 and 18):			
Land (Note 6)	76,979	76,200	628,964
Buildings and structures, net (Note 6)	60,392	59,343	493,439
Machinery and equipment, net	36,320	32,910	296,756
Furniture and fixtures, net	2,057	2,397	16,806
Lease assets, net (Note 18)	640	716	5,229
Other, net	1,237	577	10,107
Total property, plant and equipment	177,627	172,145	1,451,319
Investments and other assets:			
Investment securities (Notes 4, 19 and 20)	47,155	48,737	385,284
Subordinated bonds and subordinated trust beneficiary rights (Notes 5 and 19)	6,915	9,384	56,499
Goodwill (Note 26)	11,337	12,225	92,630
Intangible assets	25,168	26,837	205,637
Deferred tax assets (Note 15)	95,104	93,322	777,056
Other assets (Note 6)	60,129	55,309	491,290
Allowance for doubtful accounts (Note 5)	(6,045)	(5,621)	(49,391)
Total investments and other assets	239,763	240,194	1,959,008
Total assets	¥ 1,005,879	¥ 919,455	\$ 8,218,637

See notes to consolidated financial statements.

Consolidated Balance Sheet (continued)

Daito Trust Construction Co., Ltd. and Consolidated Subsidiaries
March 31, 2022

	Millions of Yen		Thousands of U.S. Dollars (Note 3)
	2022	2021	2022
LIABILITIES AND NET ASSETS			
Current liabilities:			
Short-term bank loans (Notes 6 and 10)	¥ —	¥ 690	\$ —
Current portion of long-term bank loans (Notes 6, 10 and 19)	13,008	12,444	106,283
Current portion of bonds (Note 10)	80	140	653
Current portion of long-term lease obligations (Note 18)	169	193	1,380
Accounts payable (Notes 19 and 25)	36,479	27,580	298,055
Advances received-construction contracts (Note 25)	39,466	40,815	322,460
Income taxes payable (Note 19)	22,903	22,494	187,131
Advances received-whole-building lease and other (Notes 25 and 26)	119,761	94,867	978,519
Accrued employees' bonuses	25,218	20,372	206,046
Provision for warranties for completed construction	1,376	599	11,242
Deposits received (Note 19)	9,071	10,404	74,115
Other current liabilities	44,402	68,467	362,791
Total current liabilities	311,938	299,067	2,548,721
Long-term liabilities:			
Long-term bank loans (Notes 6, 10 and 19)	70,582	83,345	576,697
Bonds (Note 10)	11,050	130	90,285
Long-term lease obligations (Note 18)	388	362	3,170
Liability for retirement benefits (Note 11)	15,471	14,847	126,407
Provision for repair of whole-building lease system(Notes 1 (o) and 26)	187,469	169,780	1,531,734
Deposits received for guarantee (Note 19)	31,306	32,212	255,788
Deferred tax liabilities	446	246	3,644
Other long-term liabilities	11,437	11,259	93,447
Total long-term liabilities	328,152	312,181	2,681,199
Net assets (Note 12):			
Common stock—authorized, 329,541 thousand shares; issued, 68,918 thousand shares in 2022 and 68,918 thousand shares in 2021	29,060	29,060	237,437
Capital surplus	34,540	34,540	282,212
Retained earnings	319,133	266,899	2,607,508
Treasury stock—at cost, 728 thousand shares in 2022 and 872 thousand shares in 2021	(12,852)	(15,352)	(105,008)
Total shareholders' equity	369,882	315,147	3,022,158
Accumulated other comprehensive income:			
Unrealized gain on available-for-sale securities	2,825	3,636	23,081
Deferred gain on derivatives under hedge accounting	127	267	1,037
Land revaluation surplus	(7,584)	(7,584)	(61,965)
Foreign currency translation adjustments	(1,737)	(5,806)	(14,192)
Defined retirement benefit plans	(2,054)	(1,927)	(16,782)
Total accumulated other comprehensive income	(8,424)	(11,414)	(68,829)
Stock acquisition rights (Note 13)	322	389	2,630
Non-controlling interests	4,007	4,084	32,739
Total net assets	365,787	308,207	2,988,700
Total liabilities and net assets	¥ 1,005,879	¥ 919,455	\$ 8,218,637

See notes to consolidated financial statements.

Consolidated Statement of Income

Daito Trust Construction Co., Ltd. and Consolidated Subsidiaries
Year Ended March 31, 2022

	Millions of Yen		Thousands of U.S. Dollars (Note 3)
	2022	2021	2022
Net sales (Note 25):			
Construction contracts (Note 1 (s))	¥ 432,831	¥ 401,710	\$ 3,536,489
Real estate	1,064,230	1,014,262	8,695,399
Other	85,941	72,943	702,189
Total net sales	1,583,003	1,488,915	12,934,087
Cost of sales:			
Construction contracts	325,849	297,239	2,662,382
Real estate	940,146	905,183	7,681,558
Other	56,865	47,628	464,621
Total cost of sales	1,322,860	1,250,050	10,808,562
Gross profit	260,142	238,865	2,125,516
Selling, general and administrative (Note 16)	160,548	152,127	1,311,773
Operating income	99,594	86,738	813,742
Non-operating income :			
Interest income	313	353	2,557
Dividend income	422	221	3,447
Commission fee	2,709	2,432	22,134
Equity gains of affiliated companies	623	307	5,090
Subsidy income	—	857	—
Miscellaneous income	1,761	1,389	14,388
Total non-operating income	5,829	5,562	47,626
Non-operating expenses:	433	290	3,537
Interest expense (Note 10)	—	103	—
Bad debt expenses	666	392	5,441
Commission paid	—	349	—
Loss on sales of receivables	652	557	5,327
Miscellaneous expenses	1,752	1,693	14,314
Total non-operating expenses	103,671	90,607	847,054
Ordinary income			
Extraordinary profit			
Gain on sales of fixed assets (Note 17)	49	19	400
Gain on sales of investment securities (Note 4)	1	745	8
Gain on sales of securities of affiliated companies	10	—	81
Total extraordinary profit	61	764	498
Extraordinary loss			
Loss on sales of fixed assets (Note 17)	327	434	2,671
Impairment loss (Note 14)	183	154	1,495
Casualty loss	4	12	32
Total extraordinary loss	515	601	4,207
Income before income taxes	103,217	90,770	843,345
Income taxes (Note 15):			
Current	42,110	40,781	344,064
Deferred	(8,450)	(12,378)	(69,041)
Total income taxes	33,660	28,403	275,022
Net income	69,557	62,367	568,322
Net income attributable to:			
Non-controlling interests	(22)	81	(179)
Owners of the parent	¥ 69,580	¥ 62,286	\$ 568,510

See notes to consolidated financial statements.

Consolidated Statement of Comprehensive Income

Daito Trust Construction Co., Ltd. and Consolidated Subsidiaries
Year Ended March 31, 2022

	Millions of Yen		Thousands of U.S. Dollars (Note 3)
	2022	2021	2022
Net income	¥ 69,557	¥ 62,367	\$ 568,322
Other comprehensive income (Note 21):			
Unrealized gain (loss) on available-for-sale securities	(811)	2,869	(6,626)
Deferred gain on derivatives under hedge accounting	(140)	9	(1,143)
Foreign currency translation adjustments	4,069	(1,965)	33,246
Defined retirement benefit plans	(131)	1,082	(1,070)
Total other comprehensive income (loss)	2,985	1,995	24,389
Comprehensive income	¥ 72,543	¥ 64,362	\$ 592,719
Total comprehensive income attributable to:			
Owners of the parent	¥ 72,570	¥ 64,283	\$ 592,940
Noncontrolling interests	(27)	79	(220)

See notes to consolidated financial statements.

Consolidated Statement of Changes in Net Assets

Daito Trust Construction Co., Ltd. and Consolidated Subsidiaries
Year Ended March 31, 2022

	Millions of Yen				
	Common Stock	Capital Surplus	Retained Earnings	Treasury Stock	Total Shareholders' Equity
Balance at April 1, 2020	¥ 29,060	¥ 34,540	¥ 243,349	¥ (11,021)	¥ 295,929
Net income attributable to owners of the parent			62,286		62,286
Cash dividends paid, ¥549 per share			(37,724)		(37,724)
Purchase of treasury stock				(11,379)	(11,379)
Disposal of treasury stock			(1,016)	7,048	6,031
Changes in the parent's ownership interest due to transactions with non-controlling interests			4		4
Net change in the year					
Balance at April 1, 2021	29,060	34,540	266,899	(15,352)	315,148
Cumulative effects of changes in accounting policy			16,224		16,224
Net income attributable to owners of the parent			69,580		69,580
Cash dividends paid, ¥487 per share			(33,537)		(33,537)
Purchase of treasury stock				(28)	(28)
Disposal of treasury stock				2,528	2,528
Changes in the parent's ownership interest due to transactions with non-controlling interests			(32)		(32)
Net change in the year					
Balance at March 31, 2022	¥ 29,060	¥ 34,540	¥ 319,133	¥ (12,852)	¥ 369,882

	Thousands of U.S. Dollars (Note 3)				
	Common Stock	Capital Surplus	Retained Earnings	Treasury Stock	Total Shareholders' Equity
Balance at April 1, 2021	\$ 237,437	\$ 282,212	\$ 2,180,725	\$(125,435)	\$ 2,574,948
Cumulative effects of changes in accounting policy			132,559		132,559
Net income attributable to owners of the parent			568,510		568,510
Cash dividends paid, \$3.97 per share			(274,017)		(274,017)
Purchase of treasury stock				(228)	(228)
Disposal of treasury stock				20,655	20,655
Changes in the parent's ownership interest due to transactions with non-controlling interests			(269)		(269)
Net change in the year					
Balance at March 31, 2022	\$ 237,437	\$ 282,212	\$ 2,607,508	\$(105,008)	\$ 3,022,158

See notes to consolidated financial statements.

Consolidated Statement of Changes in Net Assets (continued)

Daito Trust Construction Co., Ltd. and Consolidated Subsidiaries
Year Ended March 31, 2022

	Millions of Yen									
	Accumulated Other Comprehensive Income						Total Accumulated Other Comprehensive Income	Stock Acquisition Rights	Non-controlling Interests	Total Net Assets
	Unrealized Gain/Available-for- Sale Securities	Deferred Gain on Derivatives under Hedge Accounting	Land Revaluation Surplus	Foreign Currency Translation Adjustments	Defined Retirement Benefit Plans					
Balance at April 1, 2020	¥ 767	¥ 258	¥ (7,584)	¥ (3,842)	¥ (3,012)	¥ (13,412)	483	¥ 3,161	¥ 286,161	
Net income attributable to owners of the parent									62,286	
Cash dividends paid, ¥549 per share									(37,724)	
Purchase of treasury stock									(11,379)	
Disposal of treasury stock									6,032	
Changes in the parent's ownership interest due to transactions with non-controlling interests									4	
Net change in the year	2,869	9		(1,965)	1,085	1,997	(94)	923	2,827	
Balance at April 1, 2021	3,636	267	(7,584)	(5,807)	(1,927)	(11,414)	389	4,084	308,207	
Cumulative effects of changes in accounting policy									16,224	
Net income attributable to owners of the parent									69,580	
Cash dividends paid, ¥487 per share									(33,537)	
Purchase of treasury stock									(28)	
Disposal of treasury stock/transactions with non-controlling interests									2,528	
Changes in the parent's ownership interest due to transactions with non-controlling interests									(32)	
Net change in the year	(811)	(140)		4,069	(127)	2,990	(66)	(77)	2,846	
Balance at April 1, 2022	¥ 2,825	¥ 127	¥ (7,584)	¥ (1,737)	¥ (2,054)	¥ (8,424)	¥ 322	¥ 4,007	¥ 365,787	

	Thousands of U.S. Dollars (Note 3)									
	Accumulated Other Comprehensive Income						Total Accumulated Other Comprehensive Income	Stock Acquisition Rights	Non-controlling Interests	Total Net Assets
	Unrealized Gain/Available-for- Sale Securities	Deferred Gain on Derivatives under Hedge Accounting	Land Revaluation Surplus	Foreign Currency Translation Adjustments	Defined Retirement Benefit Plans					
Balance at April 1, 2021	\$ 29,708	\$ 2,181	\$ (61,965)	\$ (47,446)	\$ (15,744)	\$ (93,259)	3,178	\$ 33,368	\$ 2,518,236	
Cumulative effects of changes in accounting policy									132,559	
Net income attributable to owners of the parent									568,510	
Cash dividends paid, \$3.97 per share									(274,017)	
Purchase of treasury stock									(228)	
Disposal of treasury stock/transactions with non-controlling interests									20,655	
Changes in the parent's ownership interest due to transactions with non-controlling interests									(261)	
Net change in the year	(6,626)	(1,143)		33,246	(1,037)	24,430	(539)	(629)	23,253	
Balance at April 1, 2022	\$ 23,081	\$ 1,037	\$ (61,965)	\$ (14,192)	\$ (16,782)	\$ (68,829)	\$ 2,630	\$ 32,739	\$ 2,988,700	

See notes to consolidated financial statements.

Consolidated Statement of Cash Flows

Daito Trust Construction Co., Ltd. and Consolidated Subsidiaries
Year Ended March 31, 2022

	Millions of Yen		Thousands of U.S. Dollars (Note 3)
	2022	2021	2022
Operating activities:			
Income before income taxes	¥ 103,217	¥ 90,770	\$ 843,345
Adjustments for:			
Depreciation and amortization	16,182	15,801	132,216
Impairment losses	183	155	1,495
Amortization of goodwill	887	358	7,247
Interest and dividend income	(735)	(575)	(6,005)
Interest expense	433	290	3,537
(Gain) or loss on sales of investment securities	(1)	(744)	(8)
(Gain) or loss on sales of securities of affiliated companies	(10)	—	(81)
Equity gains of affiliated companies	(623)	(307)	(5,090)
Changes in operating assets and liabilities			
Decrease (increase) in accounts receivable	(2,725)	24,569	(22,264)
Decrease (increase) in inventories	(5,107)	(3,081)	(41,727)
Decrease (increase) in prepaid expenses-whole-building lease and other	(977)	22	(7,982)
Decrease (increase) in operating loans	8,100	6,612	66,181
Increase (decrease) in accounts payable	8,894	(28,442)	72,669
Increase in advances received-whole-building lease and other	3,225	5,298	26,350
Increase (decrease) in advances received-construction contracts	(1,347)	556	(11,005)
Increase (decrease) in deposits received for guarantee	(906)	(1,432)	(7,402)
Increase in accrued expense	3,246	3,024	26,521
Increase in allowance for doubtful accounts	614	607	5,016
Increase (decrease) in accrued employees' bonuses	4,846	6,181	39,594
Increase in liability for retirement benefits	434	1,179	3,546
Increase in provision for repair of whole-building lease system	17,690	17,917	144,537
Other	(1,194)	10,081	(9,755)
Subtotal	154,329	148,840	1,260,960
Interest and dividends received	1,483	1,464	12,117
Interest paid	(404)	(289)	(3,300)
Income taxes paid	(42,925)	(51,554)	(350,723)
Net cash provided by operating activities	¥ 112,483	¥ 98,461	\$ 919,053

Consolidated Statement of Cash Flows (continued)

Daito Trust Construction Co., Ltd. and Consolidated Subsidiaries
Year Ended March 31, 2022

	Millions of Yen		Thousands of U.S. Dollars (Note 3)
	2022	2021	2022
Investing activities:			
Proceeds from time deposits	¥ 199	¥ —	\$ 1,625
Payments for time deposits	(275)	(12)	(2,246)
Proceeds from money held in trust	1,000	500	8,170
Purchases of marketable and investment securities	(4,168)	(1,602)	(34,055)
Proceeds from sales and redemption of marketable and investment securities investment securities	1,500	4,030	12,255
Payments for purchase of property, plant and equipment	(11,392)	(7,563)	(93,079)
Payments for purchase of intangible assets	(5,962)	(5,885)	(48,713)
Payment for acquisition of shares of a subsidiary resulting in changes in scope of consolidation (Note 24)	—	(13,896)	—
Proceeds from sales and redemption of investment securities	3,291	1,857	26,889
Proceeds from sales of affiliated companies' shares	10	—	81
Other	(3,715)	(2,169)	(30,353)
Net cash used in investing activities	(19,511)	(24,740)	(159,416)
Financing activities:			
Repayments of short-term bank loans	(690)	(100)	(5,637)
Proceeds from long-term bank loans	1,329	95,886	10,858
Repayments of long-term bank loans	(13,526)	(85,094)	(110,515)
Proceeds from issuing bonds	11,000	—	89,876
Dividends paid	(33,537)	(37,724)	(274,017)
Repurchase of treasury stock	(28)	(11,379)	(228)
Proceeds from disposal of treasury stock	1,806	4,501	14,756
Dividends paid to non-controlling interests	(33)	(134)	(269)
Repayment of lease obligations	(195)	(214)	(1,593)
Redemption of bonds	(140)	(57)	(1,143)
Other	(72)	—	(588)
Net cash used in financing activities	(34,089)	(34,315)	(278,527)
Foreign currency translation adjustments on cash and cash equivalents	1,182	(548)	9,657
Net increase (decrease) in cash and cash equivalents	60,064	38,858	490,759
Cash and cash equivalents, beginning of year	198,760	159,902	1,623,988
Cash and cash equivalents, end of year (Note 24)	¥ 258,825	¥ 198,760	\$ 2,114,756

See notes to consolidated financial statements.

Notes to Consolidated Financial Statements

Daito Trust Construction Co., Ltd. and Consolidated Subsidiaries
Year Ended March 31, 2022

1. Summary of Significant Accounting Policies

a. Basis of Presentation

The accompanying consolidated financial statements of Daito Trust Construction Co., Ltd (the "Company") and its consolidated subsidiaries (collectively the "Group") are prepared on the basis of accounting principles generally accepted in Japan, which are different in certain respects as to the application and disclosure requirements of International Financial Reporting Standards, and are compiled from the consolidated financial statements prepared by the Company as required by Japanese Financial Instruments and Exchange Act.

Amounts of less than one million yen and one thousand U.S. dollars have been rounded down to the nearest million yen and thousand U.S. dollars, respectively, in the presentation of the accompanying consolidated financial statements. As a result, the totals in yen and U.S. dollars do not necessarily agree with the sum of the individual amounts.

In preparing these consolidated financial statements, certain reclassifications and rearrangements have been made to present them in a form which is more familiar to readers outside Japan.

Certain amounts in the previous year's financial statements have been reclassified to conform the current year's presentation.

b. Principle of consolidation and accounting for investments in affiliates

The accompanying consolidated financial statements include the accounts of the Company and significant subsidiaries over which substantial control is exerted through either majority ownership of voting stock and/or by other means. 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.

The consolidated financial statements as of March 31, 2022, include the accounts of the Company and its 32 (31 in 2021) significant subsidiaries. Gaspal kinki Corporation, a newly established subsidiary during the fiscal year ended March 31, 2022 is included in the scope of consolidation.

Investments in affiliates (companies over which the Group has the ability to exercise significant influence) are accounted for by the equity method.

Investments in 3 (3 in 2021) associated companies (companies over which the Group has the ability to exercise significant influence), CRS BLVD |,LC, Solasto Corporation and Bulksafety Co., Ltd, are accounted for by the equity method.

Investments in an affiliate, Shinagawa Energy Service Co., Ltd., was excluded from the scope of equity-method affiliates because its net profit (amount corresponding to the Company's equity interest) and retained earnings (amount corresponding to the Company's equity interest) is small and does not have a

material effect on the consolidated financial statements as a whole. 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.

For consolidation purposes, JustCo DK Japan and one other company, whose fiscal year-ends fall on December 31, and D.A.One Co., Ltd. whose fiscal year-end falls on February 28, are consolidated using their financial statements as of their respective fiscal year-ends. Takuto Co., Ltd., whose fiscal year-end falls on September 30, is consolidated based on provisional financial statements as of February 28. Oversea subsidiaries, whose fiscal year-ends fall on December 31, are consolidated using their financial statements as of their respective fiscal year-end. Any significant differences in intercompany accounts and transactions arising from intervening intercompany transactions during the period from their balance sheet dates through March 31 have been adjusted, if necessary.

c. 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. 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.

d. Cash and Cash Equivalents

Cash and cash equivalents are short-term investments that are readily convertible into cash and exposed to insignificant risk of changes in value.

Cash and cash equivalents include time deposits and certificates of deposit, both of which mature within three months of the date of acquisition.

e. Inventories

Construction projects in progress, real estate for sale and real estate inventory 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.

f. Marketable and Investment Securities

Marketable and investment securities are classified and accounted for, depending on management's intent, as follows:

- (1) Held-to-maturity securities are reported at the amount calculated by the straight-line method.
- (2) Securities classified as other securities other than securities without quoted market price are stated at fair value with any changes in unrealized holding gain or loss, net of the applicable income taxes, reported as a separate component of accumulated other comprehensive income. Cost of securities sold is determined by the moving average method.
- (3) Securities without quoted market price classified as other securities are stated at cost determined by the moving-average method.

g. Property, Plant and Equipment

Property, plant and equipment are stated at net of accumulated depreciation and accumulated impairment losses, if any. Depreciation of property, plant and equipment of the Company and its consolidated subsidiaries is 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 8 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.

h. Intangible Assets (except for leased assets)

Intangible assets are amortized by using the straight-line method over the estimated useful lives of assets.

i. Impairment Loss

The Group reviews its property, plant and equipment for impairment whenever events or changes in circumstance indicate that the carrying amount of an asset or asset group may not be recoverable. 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 that the carrying amount of the asset less 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.

j. 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.

k. 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 accumulated other comprehensive income. There was no effect on the consolidated 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.

l. Allowance for Doubtful Accounts

In order to prepare for bad debt losses on accounts receivable, allowance for doubtful accounts consists of an amount calculated based on a historical bad debt ratio and an estimated uncollectible amount determined on the basis of individual assessments for certain identified doubtful receivables.

m. Accrued Employees' Bonuses

The Company and certain consolidated subsidiaries provide for employees' bonuses and record a liability at the estimated amount payable to employees.

n. 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.

o. 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 expected to be incurred in the future based on the whole-building lease contracts. See Note 1 (y) "Significant Accounting Estimates" for a description of the whole-building lease system.

p. 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.

q. Employee and Director 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 or 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.

r. Research and Development Costs

Research and development costs are charged to income as incurred.

s. Significant Revenue and Expenses

The Group primarily builds rental apartments and condominiums based on construction contracts with customers in the construction business, which is the principal business of the Group.

With respect to these construction contracts, the Group estimates the total construction revenue, the total construction cost, and the progress toward complete satisfaction of a performance obligations and applies the method of "recognizing revenue based on the fulfillment of performance obligations over a certain period of time." The progress toward complete satisfaction of a performance obligations is calculated by the ratio of costs incurred to the total construction cost (Input Method), then the revenue recognized is calculated by multiplying the degree of progress toward completion by the total amount of the construction contract. With respect to short-term building and repair work contracts, the Group applies an alternative revenue recognition method that recognizes revenue when the performance obligation is fully satisfied.

t. 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.

u. Deferred Assets

Corporate bond issuance cost is fully recorded as expense at the time of expenditure.

v. Derivatives and Hedging Activities

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 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 entered into hedge foreign exchange exposure for imports are measured at fair value and the unrealized gains or losses are recognized in income. Forward contracts entered into forecasted (or committed) transactions are also measured at fair value but the unrealized gains or 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.

w. Consumption Tax

Transactions subject to consumption taxes are recorded at amounts exclusive of consumption taxes. Consumption taxes paid not offset by consumption taxes received in accordance with the Consumption Tax Act of Japan are principally charged to income when incurred.

x. 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 fiscal year.

y. Significant Accounting Estimates

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

(a) Amounts presented in the consolidated financial statements for the years ended March 31, 2022 and 2021

	Millions of Yen		Thousands of U.S. Dollars
	2022	2021	2022
Provision for repair of whole-building lease system	¥ 187,469	¥ 169,780	\$ 1,531,734

(b) Information on accounting estimates and assumptions that may have a significant impact on the consolidated financial statements

1) Method of measurement

Based on the whole-building lease contracts, the restoration and repair costs expected to be incurred in the future are recorded as a provision at the fiscal year-end.

2) Significant assumptions

Significant assumptions to measure costs expected to occur in the future include the timing and frequency of occurrences, the amount of restoration and repair that will occur, and unit price for each component of construction projects. Each assumption is based on the management's best judgments reflecting historical experiences and various factors that are believed to be reasonable under the circumstances.

3) Impact on the consolidated financial statements for the year ending March 31, 2023

A rise in the costs of raw materials required for restoration and repair may lead to an increase of provisions for repair of whole-building lease contracts. Estimates on the timing and frequency of occurrences over a long period of time, as well as the timing of facilities' breakdown and durability of raw materials, are subject

to high uncertainty, and future results may differ from these estimates, resulting in an increase or reversal of provisions.

(2) Revenues recognized based on the fulfillment of performance obligations over a certain period of time for construction contracts

(a) Amounts presented in the consolidated and unconsolidated financial statements for the years ended March 31, 2022 and 2021 are as follows:

1) Amounts presented in consolidated financial statements

	Millions of Yen		Thousands of U.S. Dollars
	2022	2021	2022
Sales recorded under the method of recognizing revenue based on the fulfillment of performance obligations over a certain period of time	¥ 423,883	¥ 394,667	\$ 3,463,379

Notes: 1. Of these amounts, the amounts related to construction in progress as of the end of the fiscal years ended March 31, 2022 and 2021 were ¥59,116 million (\$483,013 thousand) and ¥45,821 million, respectively.

2. The amounts for the fiscal year ended March 31, 2021 were recognized based on the percentage-of-completion method when the percentage of completion could be estimated reliably.

2) Amounts presented in the Company's financial statements

	Millions of Yen		Thousands of U.S. Dollars
	2022	2021	2022
Sales recorded by the method of recognizing revenue based on the fulfillment of performance obligations over a certain period of time	¥ 425,655	¥ 394,671	\$ 3,477,857

Notes: 1. Of these amounts, the amounts related to construction in progress as of the end of the fiscal years ended for March 31, 2022 and

2021 were ¥59,559 million (\$486,632 thousand) and ¥45,821 million, respectively.

2. The amounts for the fiscal year ended March 31, 2021 were recognized based on the percentage-of-completion method when the percentage of completion could be estimated reliably.

(b) Information on accounting estimates and assumptions that may have a significant impact on the consolidated financial statements

1) Method of measurement

With respect to revenue from construction contracts excluding short-term contracts, the Group applies the method of “recognizing revenue based on the fulfillment of performance obligations over a certain period of time”, estimates the total construction revenue, the total construction cost, and the progress toward complete satisfaction of a performance obligations. The progress is calculated by the ratio of costs incurred to the total construction cost (Input Method), and the revenue recognized is calculated by multiplying the degree of progress toward completion by the total amount of the construction contract.

2) Significant assumptions

Significant assumptions to measure the total construction cost include the per unit price of raw material such as lumber, and purchase order price to be placed to business partners. Each assumption is based on the management’s best judgments reflecting the most up to date purchase order and negotiations with business partners and various factors that are believed to be reasonable under the circumstances.

3) Impact on the consolidated financial statements for the year ending March 31, 2023

Estimates based on the management’s judgments reflecting the most up to date purchase order of raw material, negotiations with business partners and various factors are subject to uncertainty. Therefore, the change on the estimates may result in a significant impact on the revenue from the construction in the next fiscal year.

z. Accounting Standard Issued but Not Yet Effective

Implementation Guidance on Accounting Standard for Fair Value Measurement (ASBJ Guidance No. 31, June 17, 2021)

(1) Overview

The guidance specifies the treatment of fair value measurement applicable to investment trusts, corresponding notes, and the treatment of notes on the fair value of investments in partnerships, etc., for which the amounts equivalent to equity interest are reported at the net amounts on the consolidated balance sheet.

(2) Scheduled date of adoption

The Group expects to adopt the implementation guidance from the beginning of the year ending March 31, 2023.

(3) Impact of adoption of accounting standard and implementation guidance

The impact of the adoption of this implementation guidance on its consolidated financial statements is still being evaluated.

2. Accounting Change

(1) Change in accounting policies

(a) Accounting standard for revenue recognition

"Accounting Standard for Revenue Recognition" (ASBJ Statement No.29, March 31, 2020 hereafter the "Revenue Recognition Standard") has been applied from the beginning of the current fiscal year.

The main changes due to the application of the Revenue Recognition Standard are as follows. With respect to construction contracts, until the fiscal year ended March 31, 2021, if the percentage of completion could be estimated reliably, construction contract revenue was recorded based on the percentage-of-completion method. If the percentage of completion could not be estimated reliably, the completed-contract method was applied. Effective from the beginning of the fiscal year ended March 31, 2022, a method is applied whereby the progress toward complete satisfaction of a performance obligations over a certain period of time is estimated and revenue is recognized based on the progress is applied. With respect to short-term renovation construction contracts, revenue is recognized when the performance obligation is fully satisfied.

Under the construction contracts in which Daito Finance Corporation provides the customers with the secondary long-term loans, the amount equivalent to the profit corresponding to the loan amount was deferred till the full repayment of the loan principal. From the beginning of the fiscal year ended March 31, 2022, the amount equivalent to the contract profit is not deferred. Moreover, under certain other construction contracts, in which Daito Finance Corporation lends the entire amount of the construction contract to the customer, the amount equivalent to the profit corresponding to the loan amount was deferred till the full repayment of the loan principal, the same as for the secondary long-term loan. From the beginning of the fiscal year ended March 31, 2022, the revenue is not recognized until it is considered probable that the loan will be repaid.

In accordance with the transitional treatment prescribed in Paragraph 84 of the Revenue Recognition Standard, the cumulative effects of retroactively applying new accounting policies are reflected in the beginning balance of retained earnings for the fiscal year ended March 31, 2022.

As a result, compared with the corresponding figures before the adoption of the Revenue Recognition Standard, on the consolidated balance sheet as of March 31, 2022, the beginning balance of retained earnings increased by ¥16,224 million (\$132,559 thousand). On the consolidated statement of income for the year ended March 31, 2022, net sales decreased by ¥160 million (\$1,307 thousand), cost of sales decreased by ¥3,096 million (\$25,296 thousand), and operating income, ordinary income, and income before income taxes increased by ¥2,936 million (\$23,988 thousand).

Furthermore, in accordance with the transitional treatment provided for in Paragraph 89-3 of the Revenue Recognition Standard, notes related to revenue recognition for the prior fiscal year are omitted.

The effects of this accounting change on per share amounts are disclosed in the applicable notes.

(b) Application of Accounting Standard for Fair Value Measurement

“Accounting Standard for Fair Value Measurement” (ASBJ Statement No. 30, July 4, 2019), hereinafter “Fair Value Measurement Standard”) has been adopted from the beginning of the current fiscal year, and new accounting policies prescribed by the Fair Value Measurement Standard will be adopted prospectively in accordance with the transitional treatment prescribed in Paragraph 19 of the Fair Value Measurement Standard and Paragraph 44-2 of the Accounting Standard for Financial Instruments (ASBJ Statement No. 10, July 4, 2019). The impact of application of Accounting Standard for Fair Value Measurement on consolidated financial statements for the fiscal year ended March 31, 2022 is immaterial.

Furthermore, notes on the breakdown by level of fair values of financial instruments and other information are disclosed in Note 19 “Financial Instruments”. However, notes for the previous fiscal year have been omitted in accordance with the transitional treatment provided for in paragraph 7-4 of the “Implementation Guidance on Disclosures about Fair Value of Financial Instruments” (ASBJ Guidance No. 19, July 4, 2019).

(2) Change in presentation

(a) Consolidated Balance Sheet

- 1) Time deposits with maturities of more than three months in the amount of ¥233 million, previously presented as short-term investments in current assets in the consolidated balance sheet as of March 31, 2021, has been reclassified and included in ¥198,993 million of cash and bank deposits in current assets.
- 2) Accumulated depreciation of property, plant and equipment in the amount of ¥(74,705) million that was separately stated in the consolidated balance sheet of March 31, 2021, has been reclassified and netted against each respective fixed assets accounts.
- 3) Investments in associated companies in the amount of ¥17,341 million, previously presented as investments in associated companies in the consolidated balance sheet of March 31, 2021, has been reclassified and included in ¥48,737 million of investment securities.
- 4) Guarantee deposits in the amount of ¥27,808 million, previously presented as guarantee deposits in the consolidated balance sheet of March 31, 2021, has been reclassified and included in ¥55,309 million of other assets.
- 5) Provision for warranties for completed construction, previously included within other current liabilities in the amount of ¥69,068 million in the consolidated balance sheet of March 31, 2021, has been reclassified and separately stated as ¥599 million of provision for warranties for completed construction.
- 6) Deferred tax liabilities, previously included within other long-term liabilities in the amount of ¥11,505 million in the consolidated balance sheet of March 31, 2021, has been reclassified and separately stated as ¥246 million of deferred tax liabilities.

(b) Consolidated Statement of Income

- 1) Interest income in the amount of ¥353 million and dividend income in the amount of ¥221 million, previously included within ¥575 million of interest and dividend income in the other income (expenses) in the consolidated statement of income for the year ended March 31, 2021, have been reclassified and are presented as separate accounts in non-operating income.

2) Commission fee in the amount of ¥2,432 million, equity gains of affiliated companies in the amount of ¥307 million, subsidy income in the amount of ¥857 million, miscellaneous income in the amount of ¥1,389 million, bad debt in the amount of ¥103 million commission paid in the amount of ¥392 million, loss on transfer of receivables in the amount of ¥349 million, miscellaneous expense in the amount of ¥557 million, gain on sales of fixed assets in the amount of ¥19 million, gain on sales of investment securities in the amount of ¥744 million, loss on sales of fixed assets in the amount of ¥434 million, impairment loss in the amount of ¥154 million and casualty loss in the amount of ¥12 million, previously included in ¥3,747 million of other-net in other income (expenses) in the consolidated statement of income for the year ended March 31, 2021, have been reclassified and presented as separate accounts in non-operating expenses.

3) Per share of common stock information has been eliminated from the consolidated statement of income is disclosed in Note 22 "Amounts Per Share".

(c) Consolidated Statement of Cash Flows

1) Amortization of goodwill, which was previously included in other of cash flow from operating activities, has been reclassified and presented separately as amortization of goodwill due to an increase in materiality.

As a result, amortization of goodwill of ¥358 million previously included in ¥13,178 million of other in the consolidated statement of cash flows for the year ended March 31, 2021, has been reclassified and presented separately.

2) Interest and dividends received in the amount of ¥1,464 million, interest paid in the amount of ¥(289) million, interest and dividend income in the amount of ¥(575) million, interest expense in the amount of ¥290 million, (gain) or loss on sales of investment securities in the amount of ¥(744) million, equity gains of affiliated companies in the amount of ¥(307) million and other in the amount of ¥10,081 million, previously included in ¥13,178 million of other-net in operating activities in the consolidated statement of cash flows for the year ended March 31, 2021, have been reclassified and presented as separate accounts in operating activities.

3) Proceeds from sales and redemption of investment securities in the amounts of ¥1,857 million previously included in ¥(312) million of other-net in investment activities in the consolidated statement of cash flows for the year ended March 31, 2021, have been reclassified and presented as separate accounts in investment activities.

4) Repayment of lease obligations in the amount of ¥(214) million, redemption of bonds in the amount of ¥(57) million previously included in ¥(271) million of other-net in financing activities in the consolidated statement of cash flows for the year ended March 31, 2021, have been reclassified and presented as a separate account in financing activities.

3. U.S. Dollar Amounts

Translation of Japanese yen amounts into U.S. dollar amounts are included solely for convenience, as a matter of arithmetic computation only, at the rate of ¥122.39 = U.S.\$1.00, the approximate rate of exchange prevailing on March 31, 2022. The inclusion of such amounts is not intended to imply that yen amounts have been or

could be readily converted, realized or settled in U.S. dollars at the above or any other rate.

4. Marketable and Investment Securities

(1) Held-to-maturity debt securities

Information on held-to-maturity debt securities was omitted because there were no held-to-maturity debt securities for the fiscal years ended March 31, 2022 and 2021.

(2) Available-for-sale securities

Information on available-for-sale securities for the fiscal years ended March 31, 2022 and 2021, was as follows:

March 31, 2022	Millions of Yen		
	Carrying Amount	Acquisition cost	Difference
Securities whose carrying amount exceeds acquisition cost:			
Equity securities	¥ 19,373	¥ 16,076	¥ 3,296
Bonds			
Government bonds	—	—	—
Corporate bonds	1,301	1,300	1
Other bonds	—	—	—
Other securities	5,575	4,743	831
Subtotal	¥ 26,250	¥ 22,120	¥ 4,129
Securities whose carrying amount does not exceed acquisition cost:			
Equity securities	¥ 189	¥ 218	¥ (29)
Bonds			
Government bonds	—	—	—
Corporate bonds	2,808	2,813	(5)
Other bonds	290	300	(9)
Other securities	2,663	2,673	(9)
Subtotal	¥ 5,952	¥ 6,005	¥ (53)
Total	¥ 32,202	¥ 28,126	¥ 4,076

March 31, 2021	Millions of Yen		
	Carrying Amount	Acquisition cost	Difference
Securities whose carrying amount exceeds acquisition cost:			
Equity securities	¥ 15,291	¥ 10,584	¥ 4,707
Bonds			
Government bonds	—	—	—
Corporate bonds	3,407	3,405	2
Other bonds	—	—	—
Other securities	4,861	4,469	392
Subtotal	¥ 23,561	¥ 18,458	¥ 5,103
Securities whose carrying amount does not exceed acquisition cost:			
Equity securities	¥ 144	¥ 178	¥ (33)
Bonds			
Government bonds	—	—	—
Corporate bonds	2,220	2,225	(5)
Other bonds	—	—	—
Other securities	—	—	—
Subtotal	¥ 2,365	¥ 2,404	¥ (38)
Total	¥ 25,926	¥ 20,862	¥ 5,064

March 31, 2022	Thousands of U.S. Dollars		
	Carrying Amount	Acquisition cost	Difference
Securities whose carrying amount exceeds acquisition cost:			
Equity securities	\$ 158,289	\$ 131,350	\$ 26,930
Bonds			
Government bonds	—	—	—
Corporate bonds	10,629	10,621	8
Other bonds	—	—	—
Other securities	45,551	38,753	6,798
Subtotal	\$ 214,478	\$ 180,733	\$ 33,745
Securities whose carrying amount does not exceed acquisition cost:			
Equity securities	\$ 1,544	\$ 1,781	\$ (237)
Bonds			
Government bonds	—	—	—
Corporate bonds	22,943	22,983	(40)
Other bonds	2,369	2,451	(82)
Other securities	21,758	21,840	(82)
Subtotal	\$ 48,614	\$ 49,055	\$ (441)
Total	\$ 263,092	\$ 229,788	\$ 33,304

(3) Sales of available-for-sale securities

The proceeds, gains and losses on sales of available-for-sale securities for the fiscal years ended March 31, 2022 and 2021, were as follows:

March 31, 2022	Millions of Yen		
	Proceeds	Realized Gains	Realized Losses
Equity securities	¥ 4	¥ 1	¥ —
Total	¥ 4	¥ 1	¥ —

March 31, 2021	Proceeds	Realized Gains	Realized Losses
Equity securities	¥ 1,802	¥ 745	¥ —
Total	¥ 1,802	¥ 745	¥ —

March 31, 2022	Thousands of U.S. Dollars		
	Proceeds	Realized Gains	Realized Losses
Equity securities	\$ 32	\$ 8	\$ —
Total	\$ 32	\$ 8	\$ —

(4) Impairment losses on securities

There were no impairment losses on securities recognized for the fiscal years ended March 31, 2022 and 2021.

(5) Investment in associated company

	Millions of Yen		Thousands of U.S. Dollars
	2022	2021	2022
Investment Securities	¥ 17,592	¥ 17,341	\$ 143,737
(Investment amount relating to the co-ownership of the associated company)	2,460	2,370	20,099

5. Subordinated Bonds and Subordinated Trust Beneficiary Rights

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 purchase the subordinated bonds or subordinated trust beneficiary rights issued by the SPEs in accordance with 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
	2022	2021	2022
Subordinated bonds and subordinated trust beneficiary rights	¥ 6,915	¥ 9,384	\$ 56,499
Allowance for doubtful accounts	¥ —	¥ (86)	\$ —
Subscription 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	¥ 22,783	¥ 28,819	\$ 186,150
Outstanding bonds of SPEs	¥ 22,801	¥ 29,151	\$ 186,297
Number of SPEs	7	9	7

Notes: The subscription ratio of the subordinated bonds and subordinated trust beneficiary rights is the ratio of the subordinated bonds and subordinated trust beneficiary rights balance attributable to the Company to the total amount of the bonds when issued.

6. Pledged Assets and Secured Liabilities

The carrying amounts of pledged assets and secured liabilities were as follows:

Pledged assets	Millions of Yen		Thousands of U.S. Dollars
	2022	2021	2022
Time deposits	¥ 120	¥ 170	\$ 980
Real estate for sale	2,022	3,084	16,520
Buildings	41	68	334
Land	55	86	449
Guarantee deposits	7,934	7,894	64,850
Total	¥ 10,175	¥ 11,302	\$ 83,135

Secured liabilities	Millions of Yen		Thousands of U.S. Dollars
	2022	2021	2021
Short-term bank loans	¥ —	¥ 690	\$ —
Current portion of long-term bank loans	1,011	456	8,260
Long-term bank loans	625	1,660	5,106
Total	¥ 1,636	¥ 2,806	\$ 13,367

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 as of March 31, 2022 and 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 as of March 31, 2022 and 2021.

7. Inventories

Inventories as of March 31, 2022 and 2021, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2022	2021	2022
Construction projects in progress	¥ 13,660	¥ 13,460	\$ 111,610
Real estate inventory	15,358	—	125,484
Materials	8,093	4,595	66,124
Real estate for sale	6,780	5,435	55,396
Merchandise	492	428	4,028
Total	¥ 44,384	¥ 23,918	\$ 362,644

8. Property, Plant and Equipment

1) Accumulated depreciation of property, plant, and equipment as of March 31, 2022 and 2021, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2022	2021	2022
Accumulated depreciation for property, plant and equipment	¥ 82,944	¥ 74,705	\$ 677,702

2) National subsidy received for property, plant and equipment are booked as reduction from the acquisition costs. The details on the reduction entry as of March 31, 2022 and 2021, were as follows.

	Millions of Yen		Thousands of U.S. Dollars
	2022	2021	2022
Buildings and structures	¥ 811	¥ 809	\$ 6,626
Machinery and equipment	66	66	539
Total	¥ 877	¥ 875	\$ 7,165

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 are included in "Properties that partially contain rental properties." The rental income, operating expenses, and gain on sales and disposal for those rental properties were ¥7,582 million (\$469,701 thousand), ¥2,884 million (\$23,564 thousand) and ¥5 million (\$40 thousand), respectively, for the year ended March 31, 2022. The rental income and operating expenses for those rental properties were ¥7,646 million and ¥2,950 million, respectively, for the year ended March 31, 2021.

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

(1) Rental properties

Millions of Yen				Fair Value
Carrying Amount			March 31, 2022	
April 1, 2021	Decrease	March 31, 2022		
¥ 26,339	¥ (272)	¥ 26,066	¥ 22,669	

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

Thousands of U.S. Dollars				Fair Value
Carrying Amount			March 31, 2022	
April 1, 2021	Decrease	March 31, 2022		
\$ 215,205	\$ (2,222)	\$ 212,974	\$ 185,219	

(2) Properties that partially contain rental properties

Millions of Yen

Carrying Amount			Fair Value
April 1, 2021	Decrease	March 31, 2022	March 31, 2022
¥ 52,433	¥ (571)	¥ 51,861	¥ 132,574

Millions of Yen

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

Thousands of U.S. Dollars

Carrying Amount			Fair Value
April 1, 2021	Decrease	March 31, 2022	March 31, 2022
\$ 428,409	\$ (4,665)	\$ 423,735	\$ 1,083,209

- Notes: 1. Carrying amount recognized in the consolidated balance sheet is net of accumulated depreciation and accumulated impairment losses, if any.
2. Decrease during the fiscal year ended March 31, 2022, primarily represents the recognition of depreciation of ¥213 million (\$1,740 thousand).
3. Increase during the fiscal year ended March 31, 2021, primarily represents the acquisition of certain rental properties of ¥108 million; and decrease primarily represents the recognition of depreciation of ¥232 million.
4. Increase during the fiscal year ended March 31, 2022, primarily represents the acquisition of properties that partially contain rental properties of ¥101 million (\$825 thousand); and decrease primarily represents the recognition of depreciation of ¥673 million (\$5,498 thousand).
5. Increase during the fiscal year ended March 31, 2021, primarily represents the acquisition of properties that partially contain rental properties of ¥247 million; and decrease primarily represents the recognition of depreciation of ¥696 million.
6. Fair value of major properties as of March 31, 2022 is based on real estate survey reports (Fair value calculation in principle based on "Basic Policy on Price Survey for Financial Statements") issued by the real estate appraiser, a third party.

10. Short-Term Bank Loans, Long-Term Bank Loans and Corporate Bonds

The weighted-average interest rate for the balance of short-term bank loans as of March 31, 2022 was not applicable as there were no short-term bank loans as of March 31, 2022, and for the balance of short-term bank loans as of March 31, 2021 was 1.10%. The weighted-average interest rates for the balance of current portion of long-term loans from banks as of March 31, 2022 and 2021 were 0.45% and 0.44%, respectively.

(1) Long-term bank loans as of March 31, 2022 and 2021, consist of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2022	2021	2022
Loans from banks due on various dates	¥ 83,591	¥ 95,789	\$ 682,988
Total	83,591	95,789	682,988
Less current portion	(13,008)	(12,444)	(106,283)
Long-term bank loans, less current portion	¥ 70,582	¥ 83,344	\$ 576,697

(2) Annual maturities of long-term bank loans, excluding finance leases (see Note 18 "Leases"), subsequent to March 31, 2022, were as follows:

Year Ending March 31	Millions of Yen	Thousands of U.S. Dollars
2023	¥ 13,008	\$ 106,283
2024	11,044	90,236
2025	10,433	85,243
2026	48,730	398,153
2027	73	596
2028 and thereafter	301	2,459
Total	¥ 83,591	\$ 682,988

Notes: 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 ¥119,044 million (\$972,661 thousand) with 11 Japanese banks and a syndicated commitment line agreement totaling ¥50,000 million (\$408,530 thousands) with 4 Japanese banks. There was no balance under the committed loan facility agreements as of March 31, 2022.

(3) Annual maturities of corporate bonds as of March 31, 2022 were as follows:

Year Ending March 31	Millions of Yen	Thousands of U.S. Dollars
2023	¥ 80	\$ 653
2024	50	408
2025	—	—
2026	—	—
2027	—	—
2028 and thereafter	11,000	89,876
Total	¥ 11,130	\$ 90,938

(4) The carrying amounts, changes in such balances and the details of each corporate bond are as follows:

March 31, 2022			Millions of Yen		Interest Rate (%)	Collateral Status	Collateral Status
Company Name	Name of Corporate Bonds	Issuing date	April 1, 2021	March 31, 2022			
Daito Trust Construction Co., Ltd.	1 st Unsecured Corporate Bond	December 2, 2021	¥ —	¥ 11,000	0.5	Unsecured	December 2, 2031
Invalance Ltd.	3 rd Unsecured Corporate Bond	December 22, 2016	10	—	0.3	Unsecured	January 25, 2022
Invalance Ltd.	4 th Unsecured Corporate Bond (Notes 1)	March 9, 2018	40	20 (20)	0.5	Unsecured	March 20, 2023
Invalance Ltd.	5 th Unsecured Corporate Bonds (Notes 1)	July 13, 2018	50	30 (20)	0.3	Unsecured	July 28, 2023
Invalance Ltd.	6 th Unsecured Corporate Bonds	September 14, 2018	50	—	0.5	Unsecured	September 24, 2021
Invalance Ltd.	7 th Unsecured Corporate Bonds (Notes 1)	October 31, 2018	120	80 (40)	0.6	Unsecured	October 31, 2023
Total	(Notes 1)	—	¥ 270	¥ 11,130 (80)	—	—	—

Notes:1. The amount stated inside the brackets as of March 31, 2022 are amounts maturing within one year.

March 31, 2022			Thousands of U.S. Dollars				
Company Name	Name of Corporate Bonds	Issuing date	April 1, 2021	March 31, 2022	Interest Rate (%)	Collateral Status	Collateral Status
Daito Trust Construction Co., Ltd.	1 st Unsecured Corporate Bond	December 2, 2021	\$ —	\$ 89,876	0.5	Unsecured	December 2, 2031
Invalence Ltd.	3 rd Unsecured Corporate Bond	December 22, 2016	81	—	0.3	Unsecured	January 25, 2022
Invalence Ltd.	4 th Unsecured Corporate Bond (Notes 1)	March 9, 2018	326	163 (163)	0.5	Unsecured	March 20, 2023
Invalence Ltd.	5 th Unsecured Corporate Bonds (Notes 1)	July 13, 2018	408	245 (163)	0.3	Unsecured	July 28, 2023
Invalence Ltd.	6 th Unsecured Corporate Bonds	September 14, 2018	408	—	0.5	Unsecured	September 24, 2021
Invalence Ltd.	7 th Unsecured Corporate Bonds (Notes 1)	October 31, 2018	980	653 (326)	0.6	Unsecured	October 31, 2023
Total	(Notes 1)	—	\$ 2,206	\$ 90,938 (653)	—	—	—

Notes:1. The amount stated inside the brackets as of March 31, 2022 are amounts maturing within one year.

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, 2022 and 2021, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2022	2021	2022
Balance at beginning of year	¥ 43,964	¥ 41,828	\$ 359,212
Current service cost	3,331	3,427	27,216
Interest cost	9	1	73
Actuarial losses	1,089	915	8,897
Benefits paid	(2,375)	(2,206)	(19,405)
Balance at end of year	¥ 46,020	¥ 43,965	\$ 376,011

(2) The changes in plan assets for the years ended March 31, 2022, and 2021, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2022	2021	2022
Balance at beginning of year	¥ 29,283	¥ 26,771	\$ 239,259
Expected return on plan assets	414	398	3,382
Actuarial losses (gains)	(128)	1,108	(1,045)
Contributions from the employer	2,739	2,573	22,379
Benefits paid	(1,625)	(1,567)	(13,277)
Balance at end of year	¥ 30,684	¥ 29,283	\$ 250,706

(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
	2022	2021	2022
Funded defined benefit obligation	¥ 33,290	¥ 31,922	\$ 271,999
Plan assets	(30,684)	(29,283)	(250,706)
Total	2,606	2,639	21,292
Unfunded defined benefit obligation	12,730	12,046	104,011
Net liability arising from defined benefit obligation	¥ 15,336	¥ 14,685	\$ 125,304

	Millions of Yen		Thousands of U.S. Dollars
	2022	2021	2022
Liability for retirement benefits	¥ 15,471	¥ 14,847	\$ 126,407
Asset for retirement benefits	(135)	(162)	(1,103)
Net liability arising from defined benefit obligation	¥ 15,336	¥ 14,685	\$ 125,304

(4) The components of net periodic benefit costs for the years ended March 31, 2022 and 2021, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2022	2021	2022
Service cost	¥ 3,331	¥ 3,427	\$ 27,216
Interest cost	9	1	73
Expected return on plan assets	(414)	(398)	(3,382)
Recognized actuarial losses	1,022	1,364	8,350
Amortization of prior service cost	4	5	32
Net periodic benefit costs	¥ 3,952	¥ 4,399	\$ 32,290

(5) Amounts recognized in other comprehensive income (before income tax effect) in respect of defined retirement benefit plans for the years ended March 31, 2022 and 2021, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2022	2021	2022
Prior service cost	¥ 4	¥ 5	\$ 32
Actuarial losses (gains)	(195)	1,557	(1,593)
Total	¥ (190)	¥ 1,562	\$ (1,552)

(6) Amounts recognized in accumulated other comprehensive income (before income tax effect) in respect of defined retirement benefit plans as of March 31, 2022 and 2021, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2022	2021	2022
Unrecognized prior service cost	¥ —	¥ (4)	\$ —
Unrecognized actuarial gains	(2,958)	(2,764)	(24,168)
Total	¥ (2,958)	¥ (2,768)	\$ (24,168)

(7) Plan assets

(a) Components of plan assets

Plan assets as of March 31, 2022 and 2021, consist of the following:

	2022	2021
Debt investments	37.3%	39.9%
Equity investments	24.7%	18.1%
Cash and cash equivalents	7.2%	2.2%
General accounts	21.7%	35.1%
Others	9.1%	4.7%
Total	100.0%	100.0%

(b) 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, 2022 and 2021, were set forth as follows:

	2022	2021
Discount rate	0.1%	0.0%
Expected rate of return on plan assets	1.5%	1.5%
Expected rate of future salary increases	2.0%	2.0%

12. Net Assets

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:

(1) 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.

(a) Dividends paid during the year ended March 31, 2022

Resolution date	Types of shares	Total dividends (Millions of Yen)	Total dividends (Thousands of U.S. Dollars)	Dividends per share(Yen)	Dividends per share (U.S. Dollars)	Record date	Effective date
June 25, 2021	Common stock	¥ 17,284	\$ 141,220	¥ 251	\$ 2.05	March 31, 2021	June 28, 2021
October 28, 2021	Common stock	16,252	132,788	236	1.92	September 30, 2021	November 19, 2021

Notes: 1. The total dividends resolved at the shareholders' meeting on June 25, 2021 includes the amount of ¥205 million (\$1,674 thousand), which is for shares held by ESOP trust for which the reintroduction was resolved by the Board of Directors on November 24, 2020 and for shares held by BIP trust that the introduction was resolved at annual general meeting on June 25, 2019.

2. The total dividends resolved by the Board of Directors on October 28, 2021 includes the amount of ¥175 million (\$1,429 thousand), which is for shares held by ESOP trust that the reintroduction was resolved by the Board of Directors on November 24, 2020 and for shares held by BIP trust that the introduction was resolved at the annual general meeting of shareholders on June 25, 2019.

(2) 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.

(a) Information on shares issued, outstanding and treasury stock

Fiscal year ended March 31, 2022	Shares as of April 1, 2021 (Thousands)	Increase in shares during the fiscal year (Thousands)	Decrease in shares during the fiscal year (Thousands)	Shares as of March 31, 2022 (Thousands)
Shares issued:				
Common Stock	68,918	—	—	68,918
Treasury Stock:				
Common Stock (Notes 1,2,3,4 and 5)	872	2	145	728

- Notes: 1. Increase of 2 thousand shares due to purchase of shares less than standard unit.
2. Decrease of 145 thousand shares consisted of 5 thousand shares from exercise of stock options, 0 thousand shares from sale of shares less than standard unit and 139 thousand shares due to sales of shares from Employee Stock Ownership Plan (ESOP) to the Company's shareholding association according to the introduction decision resolved at the Board of Directors meeting held on November 24, 2020.
3. Shares held by the trust, 487 thousand shares as of April 1, 2021, decreased by 62 thousand shares during the fiscal year, to 425 thousand shares as of March 31, 2022, and were not included in the calculation of the number of shares of treasury stock.
4. Shares held by Employee Stock Ownership Plan (ESOP), 768 thousand shares as of April 1, 2021, decreased by 139 thousand shares during the fiscal year, to 629 thousand shares as of March 31, 2022, and were not included in calculating the number of shares of treasury stock. Employee Stock Ownership Plan (ESOP) was introduced in accordance with the decision resolved at the Board of Directors meeting held on November 24, 2020.
5. Shares held by Board Incentive Plan (BIP), 48 thousand shares as of April 1, 2021 and 47 thousand shares as of March 31, 2022, were included in the calculation of the number of shares of treasury stock.

(3) 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's 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 as of March 31, 2022 and 2021, was as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2022	2021	2022
J-ESOP	¥ 5,386	¥ 6,485	\$ 44,006

	Thousands of Shares	
	2022	2021
J-ESOP	425	487

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 net assets (or statement of changes in net assets).

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 as of March 31, 2022 and 2021, was as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2022	2021	2022
ESOP trust	¥ 6,038	¥ 7,382	\$ 49,334

	Thousands of Shares	
	2022	2021
ESOP trust	629	769

	Millions of Yen		Thousands of U.S. Dollars
	2022	2021	2022
Long-term debt	¥ 5,600	¥ 7,600	\$ 45,755

The Company's stock held by the above trusts also has the same rights as a normal stock, e.g., voting and rights to dividends, 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 ended March 31, 2022 and subsequently every three years. Upper limit of ¥1,900 million (\$15,524 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 three years. During the trust period, the points will be granted to directors but during the subjected three 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 as of March 31, 2022 and 2021, was as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2022	2021	2022
BIP	¥ 657	¥ 658	\$ 5,368

	Thousands of Shares	
	2022	2021
BIP	47	48

The Company's stock held by the above trusts also has the same rights as a normal stock, e.g., voting and rights to dividends, 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, 2022, were as follows:

Stock Option	Grantees	Number of Options Granted	Grant Date	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, 2022, and 2021, is as follows:

	2013 Stock Option (A)	2014 Stock Option (A)	2015 Stock Option (A)	2015 Stock Option (B)
Year Ended March 31, 2022	(Shares)	(Shares)	(Shares)	
Non-vested				
March 31, 2021—Outstanding	—	—	—	—
Granted	—	—	—	—
Canceled	—	—	—	—
Vested	—	—	—	—
March 31, 2022—Outstanding	—	—	—	—
Vested				
March 31, 2021—Outstanding	600	700	1,100	1,800
Vested	—	—	—	—
Exercised	—	—	—	—
Canceled	—	—	—	—
March 31, 2022—Outstanding	600	700	1,100	1,800
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				
	¥ 7,444	¥ 9,361	¥ 10,328	¥ 10,667
	(\$ 60.82)	(\$ 76.48)	(\$ 84.38)	(\$ 87.15)

	2016 Stock Option (A)	2016 Stock Option (B)	2017 Stock Option (A)	2017 Stock Option (B)
Year Ended March 31, 2022	(Shares)		(Shares)	
Non-vested				
March 31, 2021—Outstanding	—	—	—	—
Granted	—	—	—	—
Canceled	—	—	—	—
Vested	—	—	—	—
March 31, 2022—Outstanding	—	—	—	—
Vested				
March 31, 2021—Outstanding	1,300	1,400	1,200	2,100
Vested	—	—	—	—
Exercised	200	—	200	—
Canceled	—	—	—	—
March 31, 2022—Outstanding	1,100	1,400	1,000	2,100
Exercise price	¥ 1 (\$ 0.01)	¥ 1 (\$ 0.01)	¥ 1 (\$ 0.01)	¥ 1 (\$ 0.01)
Average stock price at exercise	¥ 12,720 (\$ 103.93)	—	¥ 12,720 (\$ 103.93)	—
Fair value price at grant date	¥ 13,013 (\$ 106.32)	¥ 13,044 (\$ 106.57)	¥ 15,384 (\$ 125.69)	¥ 15,119 (\$ 123.53)

	2018 Stock Option (A)	2018 Stock Option (B)	2019 Stock Option (A)	2019 Stock Option (B)
Year Ended March 31, 2022	(Shares)		(Shares)	
Non-vested				
March 31, 2021—Outstanding	—	6,200	—	9,400
Granted	—	—	—	—
Canceled	—	—	—	—
Vested	—	—	—	—
March 31, 2022—Outstanding	—	6,200	—	9,400
Vested				
March 31, 2021—Outstanding	1,400	—	3,100	—
Vested	—	6,200	—	—
Exercised	200	4,900	300	—
Canceled	—	—	—	—
March 31, 2022—Outstanding	1,200	1,300	2,800	—
Exercise price	¥ 1 (\$ 0.01)	¥ 1 (\$ 0.01)	¥ 1 (\$ 0.01)	¥ 1 (\$ 0.01)
Average stock price at exercise	¥ 12,720 (\$ 103.93)	¥ 12,624 (\$ 103.14)	¥ 12,720 (\$ 103.93)	¥ — (\$ —)
Fair value price at grant date	¥ 15,054 (\$ 123.00)	¥ 15,246 (\$ 124.56)	¥ 11,452 (\$ 93.56)	¥ 10,951 (\$ 89.47)

Consolidated subsidiary
Housecom Corporation

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

The stock options outstanding as of March 31, 2022, were as follows:

Stock Option	Grantees	Number of Options Granted	Grant Date	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, 2022 and 2021, is as follows:

	2014 Stock Option	2015 Stock Option	2016 Stock Option	2017 Stock Option
Year Ended March 31, 2022	(Shares)			
Non-vested				
March 31, 2021—Outstanding	—	—	—	—
Granted	—	—	—	—
Canceled	—	—	—	—
Vested	—	—	—	—
March 31, 2022—Outstanding	—	—	—	—
Vested				
March 31, 2021—Outstanding	31,000	11,200	11,400	10,600
Vested	—	—	—	—
Exercised	—	—	—	—
Canceled	—	—	—	—
March 31, 2022—Outstanding	31,000	11,200	11,400	10,600
Exercise price	¥ 1 (\$ 0.01)	¥ 1 (\$ 0.01)	¥ 1 (\$ 0.01)	¥ 1 (\$ 0.01)
Average stock price at exercise	¥ — (\$ —)	¥ — (\$ —)	¥ — (\$ —)	¥ — (\$ —)
Fair value price at grant date	¥ 269 (\$ 2.19)	¥ 655 (\$ 5.35)	¥ 595 (\$ 4.86)	¥ 827 (\$ 6.75)

14. Impairment Loss

The Group recognized impairment losses on the following asset groups for the fiscal year ended March 31, 2022

Location	Main Purpose of Use	Type of Assets	Millions of Yen	Thousands of U.S. Dollars
Daito Kentaku Partners's Nagoya Building	Branch office	Buildings and structures; Furniture and equipment	¥ 155	\$ 1,266
Housecom and its Subsidiary	Branch store	Buildings and structures; Furniture and fixture; and Other (Investment in other assets)	22	179
Care Partner Takamatsu Nursing Centre	Branch office	Buildings and structures; Furniture and fixture	4	32

(1) Asset grouping

The Group classified property, plant and equipment as grouping unit based on cash flow generated from assets of reportable segments (construction business, real estate business and finance business) and other businesses.

The construction business is grouped by branch office, the real estate business is grouped by property or branch store and the finance and other business is grouped by subsidiary or facility.

(2) Impairment loss recognition

Nagoya building, owned by and used as a branch office of Daito Kentaku Partners Co., Ltd, was determined to be reconstructed, meanwhile, the relocation of the office was completed. Therefore, the carrying amount of Nagoya building's assets was reduced to zero and the reduced amount was recognized as impairment loss under extraordinary loss in the consolidated statement of income.

As for other branches and offices, income from operating activity had been continuously negative or disposition of assets probably occurred. Their carrying amount was reduced to recoverable amount when the recoverable amount was lower than carrying amount and the reduced amount was recognized as impairment loss under the extraordinary loss in the consolidated statement of income.

The details of impairment loss are as follows:

Buildings and structures ¥178 million (\$ 1,454 thousand)

Furniture and fixtures ¥ 2 million (\$ 16 thousand)
 Other (Investment in other assets): ¥ 3 million (\$ 24 thousand)

(3) Measurement for recoverable amount

The recoverable amount is measured based on the value in use but there is no expected cash flow in the future, so the recoverable amount is assessed as zero.

The Group recognized impairment losses on the following asset groups for the fiscal year ended March 31, 2021

Location	Main Purpose of Use	Type of Assets	Millions of Yen
Housecom's sales store	Branch store	Buildings and structures; Furniture and fixtures; and Other (Investment in other assets)	¥ 45
Daito Kentaku Partners's managed property	Special purpose renovation facilities	Buildings and structures	0
Business partner's factory	Panel alteration machinery for construction	Machinery and equipment	108

15. 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 fiscal years ended March 31, 2022, and 2021, respectively.

The tax effects of significant temporary differences and tax loss carryforwards, which resulted in deferred tax assets and liabilities as of March 31, 2022, and 2021, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2022	2021	2022
Deferred tax assets:			
Loss on devaluation of investment Securities	¥ 146	¥ 311	\$ 1,192
Allowance for doubtful accounts	2,096	1,904	17,125
Unrealized profit of assets	1,989	9,512	16,251
Accrued expenses	2,975	2,385	24,307
Accrued enterprise taxes	1,548	1,576	12,648
Depreciation	1,455	1,379	11,888
Accrued employees' bonuses	7,777	6,222	63,542
Provision for warranties for completed construction	421	184	3,439
Retirement benefit for employees	4,792	4,536	39,153
Provision for repair of whole-building lease system	57,403	51,987	469,017
Deferred cleaning revenue	5,682	5,564	46,425
Tax loss carryforwards	991	471	8,097
Others	10,417	10,445	85,113
Total of tax loss carryforwards and temporary differences	97,696	96,312	798,235
Less valuation allowance for tax loss carryforwards	(962)	(347)	(7,860)
Less valuation allowance for temporary differences	(290)	(232)	(2,369)
Total valuation allowance	(1,252)	(579)	(10,229)
Deferred tax assets	96,443	95,733	787,997
Deferred tax liabilities:			
Reserve for special depreciation	(182)	(788)	(1,487)
Unrealized gain on available-for-sale securities	(1,217)	(1,434)	(9,943)
Others	(386)	(435)	(3,153)
Deferred tax liabilities	(1,786)	(2,657)	(14,592)
Net deferred tax assets	¥ 94,657	¥ 93,076	\$ 773,404

As of March 31, 2022, the valuation allowance increased by ¥673 million (\$5,498 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 allowance and the resulting net deferred tax assets as of March 31, 2022, and 2021, were as follows:

March 31, 2022	Millions of Yen						Total
	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	
Deferred tax assets relating to tax loss carryforwards		¥ 7	¥ 13	¥ 24	¥ 36	¥ 910	¥ 991
Less valuation allowances for tax loss carryforwards		(7)	(13)	(24)	(36)	(881)	(962)
Net deferred tax assets relating to tax loss carryforwards						28	28

March 31, 2021	Millions of Yen						Total
	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	
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

Thousands of U.S. Dollars							
March 31, 2022	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		\$ 57	\$ 106	\$ 196	\$ 294	\$ 7,435	\$ 8,097
Less valuation allowances for tax loss carryforwards		(57)	(106)	(196)	(294)	(7,198)	(7,860)
Net deferred tax assets relating to tax loss carryforwards						228	228

As of March 31, 2022, deferred tax assets of ¥28 million (\$228 thousand) have been recognized for tax loss carryforwards of ¥991 million (\$8,097 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, 2022 and 2021 as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2022	2021	2022
Non-current assets—Deferred tax assets	¥ 95,104	¥ 93,322	\$ 777,056
Long-term liabilities—Deferred tax liabilities	(446)	(246)	(3,644)

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 years ended March 31, 2022 and 2021, is as follows:

	2022	2021
Normal effective statutory tax rate	30.6%	30.6%
Expenses not deductible for income tax purposes	1.3	1.2
Inhabitant tax on per capita basis	0.5	0.6
Valuation allowance	0.4	(0.2)
Others—net	(0.2)	(0.9)
Actual effective tax rate	32.6%	31.3%

16. Selling, General and Administrative Expenses

The main components of selling, general and administrative expenses charged to income for the years ended March 31, 2022, and 2021, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2022	2021	2022
Employees' salary expenses	¥ 62,329	¥ 60,707	\$ 509,265
Provision for employees' bonus	19,384	14,069	158,378
Retirement benefit expenses	2,399	2,779	19,601
Research and development costs	1,712	1,700	13,988

17. Extraordinary Profit (Loss)

The main components of extraordinary profit (loss) were gain and loss on sales of fixed assets. The details of gain and loss of fixed assets for the years ended March 31, 2022, and 2021, consisted of the following:

Gain on sales of fixed assets	Millions of Yen		Thousands of U.S. Dollars
	2022	2021	2022
Tangible fixed assets			
Building and structures	¥ 3	¥ —	\$ 24
Machinery and equipment	44	19	359
Furniture and fixtures	0	—	0
Motor vehicle	0	—	0
Land	1	—	8
Total fixed assets	¥ 49	¥ 19	\$ 400

Loss on sales of fixed assets	Millions of Yen		Thousands of U.S. Dollars
	2022	2021	2022
Tangible fixed assets			
Building and structures	¥ 295	¥ 411	\$ 2,410
Machinery and equipment	11	14	89
Lease assets	—	1	—
Other assets	1	0	8
Intangible fixed assets	19	5	155
Total fixed assets	¥ 327	¥ 434	\$ 2,671

18. Leases

(a) Lessee

The minimum rental commitments under noncancelable operating leases as of March 31, 2022, and 2021, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2022	2021	2022
Due within one year	¥ 574,015	¥ 558,418	\$ 4,690,048
Due after one year	1,812,430	1,841,970	14,808,644
Total	¥ 2,386,446	¥ 2,400,388	\$ 19,498,700

Lease payments fixed by contract with regard to the whole-building lease system are included in the above-mentioned minimum rental commitments as of March 31, 2022 and 2021, as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2022	2021	2022
Due within one year	¥ 570,164	¥ 554,607	\$ 4,658,583
Due after one year	1,808,547	1,837,442	14,776,918
Total	¥ 2,378,711	¥ 2,392,049	\$ 19,435,501

(b) Lessor

The minimum rental commitments under noncancelable operating leases as of March 31, 2022, and 2021, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2022	2021	2022
Due within one year	¥ 1,319	¥ 1,319	\$ 10,777
Due after one year	11,645	12,965	95,146
Total	¥ 12,964	¥ 14,284	\$ 105,923

Annual maturities of lease obligations subsequent to March 31, 2022, were as follows:

Year Ending March 31	Millions of Yen	Thousands of U.S. Dollars
2023	¥ 169	\$ 1,380
Subtotal	¥ 169	\$ 1,266
Due after one year:		
2024	125	1,021
2025	89	727
2026	61	498
2027	36	294
2028 and thereafter	77	629
Subtotal	¥ 388	\$ 3,170
Total	¥ 557	\$ 4,551

19. Financial Instruments

(1) Group Policy for Financial Instruments

The Group uses financial instruments, primarily loans from banks and corporate bonds, based on its capital financing plan for construction business. As a matter of policy, the Group only uses derivatives to hedge the foreign exchange risk on the payment for imported construction materials, 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, 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, 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.

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.

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.

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

Corporate bonds are issued with fixed interest rate, and the funds are raised for capital expenditure.

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

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

The computation of fair value of financial instruments incorporates variable factors, thus the fair value could vary depending on the different assumptions.

Furthermore, the contract amount stated in the notes on derivative transactions does not represent to the market risk of derivative transactions.

(a) Fair value of financial instruments

March 31, 2022	Millions of Yen		
	Carrying Amount	Fair Value	Difference
Marketable and investment securities:			
Investments in an associated company	¥ 14,931	¥ 31,423	¥ 16,491
Available-for-sale securities	26,056	26,056	—
Subordinated bonds and subordinated trust beneficiary rights	6,915	6,915	—
Operating loans	113,329		
Allowance for doubtful accounts (Notes 4)	(373)		
	112,956	113,283	326
Total assets	¥ 160,860	¥ 177,678	¥ 16,818
Current portion of corporate bonds and corporate bonds	11,130	10,979	(150)
Current portion of long-term bank loans and long-term bank loans	83,591	83,591	—
Deposits received for guarantees	31,306	31,153	(152)
Total liabilities	¥ 126,027	¥ 125,724	¥ (302)
Derivative transactions (Notes 5)	¥ 183	¥ 183	¥ —

March 31, 2021	Millions of Yen		
	Carrying Amount	Fair Value	Difference
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 assets	¥ 161,360	¥ 191,972	¥ 30,703
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 liabilities	¥ 128,001	¥ 127,900	¥ (100)

March 31, 2022	Thousands of U.S. Dollars		
	Carrying Amount	Fair Value	Difference
Marketable and investment securities:			
Investments in an associated company	\$ 121,995	\$ 256,744	\$ 134,741
Available-for-sale securities	212,893	212,893	—
Subordinated bonds and subordinated trust beneficiary rights	56,499	56,499	—
Operating loans	925,966		
Allowance for doubtful accounts (Notes 4)	(3,047)		
	922,918	925,590	2,663
Total assets	\$ 1,314,323	\$ 1,451,736	\$ 137,413
Current portion of corporate bonds and corporate bonds	90,938	89,705	(1,225)
Current portion of long-term bank loans and long-term bank loans	682,988	682,988	—
Deposits received for guarantees	255,788	254,538	(1,241)
Total liabilities	\$ 1,029,716	\$ 1,027,240	\$ (2,467)
Derivative transactions (Notes 5)	\$ 1,495	\$ 1,495	\$ —

- Notes: 1. The fair value of cash, cash deposit and money held in trust are omitted, because they are cash, settled in a short term, their fair value is approximately equal to the carrying amount.
2. The fair value of accounts receivable arising from the construction projects in progress is omitted, because it is settled in a short term, its fair value is approximately equal to the carrying amount.
3. The carrying amounts of the securities without quoted market price in the consolidated balance sheet are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2022	2021	2022
Non-marketable investment securities	¥ 6,807	¥ 5,898	\$ 55,617
Investment in LLC	2,460	3,608	20,099
Subordinated bonds and subordinated trust beneficiary rights	—	9,384	—

As the above carrying amounts do not have quoted market price and it is difficult to determine the fair values, those items have been excluded from the tables showing the fair values of financial instruments.

4. Operating loans are presented net of the allowance for bad debts.
5. Derivatives transactions are presented net of accounts receivable or accounts payable.
6. The fair value of the construction payable, corporate tax payable and guarantee deposits are omitted, because they are settled in a short term, their fair value is approximately equal to the carrying amount.

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

	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
March 31, 2022						
Cash and cash equivalents	¥ 259,134	¥ —	¥ —	¥ —	¥ —	¥ —
Money held in trust	12,500	—	—	—	—	—
Accounts receivable	54,610	—	—	—	—	—
Investment securities:						
Held-to-maturity securities	—	—	—	—	—	—
Corporate bonds	3,100	1,000	—	8	—	—
Others	—	—	—	—	—	300
Operating loans	30,764	5,517	5,303	5,104	4,970	61,668
Subordinated bonds and subordinated trust beneficiary rights	—	—	—	—	—	7,069
Total	¥ 360,108	¥ 6,517	¥ 5,303	¥ 5,112	¥ 4,970	¥ 69,038

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	—	—	—	—	—
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, 2022	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	\$2,117,280	\$ —	\$ —	\$ —	\$ —	\$ —
Money held in trusts	102,132	—	—	—	—	—
Accounts receivable	446,196	—	—	—	—	—
Investment securities:						
Held-to-maturity securities	—	—	—	—	—	—
Available-for-sale securities with contractual maturities	25,328	8,170	—	65	—	2,451
Others	—	—	—	—	—	—
Operating loans	251,360	45,077	43,328	41,702	40,607	503,864
Subordinated bonds and subordinated trust beneficiary rights	—	—	—	—	—	57,757
Total	\$2,942,299	\$ 53,247	\$ 43,328	\$ 41,768	\$ 40,607	\$ 564,082

Please see Note 10 "Short-Term Bank Loans, Long-Term Bank Loans and Corporate Bonds" for annual maturities of long-term bank loans.

(5) Breakdown of fair value of financial instruments by level

Fair values of financial instruments are categorized into three levels as described below based on the observability and the materiality of the inputs used in the fair value measurement.

Level 1: Fair values measured using quoted prices of identical assets or liabilities in active markets among observable valuation inputs

Level 2: Fair values measured using inputs other than inputs included within Level 1 among observable valuation inputs

Level 3: Fair values measured using unobservable valuation inputs

When several inputs that have significant impact on fair value measurement are used and those inputs are categorized into different levels, the fair value is categorized into the lowest hierarchy level for fair value measurement among those in which each of the inputs belongs.

(a) Financial assets and liabilities at fair value on the consolidated balance sheets

March 31, 2022	Millions of Yen			
	Level 1	Level 2	Level 3	Total
Marketable and investment securities:				
Available-for-sale securities:				
Stock	¥ 13,416	¥ —	¥ —	¥ 13,416
Corporate bonds	—	4,109	—	4,109
Others	—	8,529	—	8,529
Subordinated bonds and subordinated trust beneficiary rights	—	6,915	—	6,915
Total assets	¥ 13,416	¥ 19,555	¥ —	¥ 32,971
Derivative transactions	¥ —	¥ 183	¥ —	¥ 183

March 31, 2022	Thousands of U.S. Dollars			
	Level 1	Level 2	Level 3	Total
Marketable and investment securities:				
Available-for-sale securities:				
Stock	\$ 109,616	\$ —	\$ —	\$ 109,616
Corporate bonds	—	33,573	—	33,573
Others	—	69,687	—	69,687
Subordinated bonds and subordinated trust beneficiary rights	—	56,499	—	56,499
Total assets	\$ 109,616	\$ 159,776	\$ —	\$ 269,392
Derivative transactions	\$ —	\$ 1,495	\$ —	\$ 1,495

(b) Financial assets and liabilities which are not stated at fair value on the consolidated balance sheet.

March 31, 2022	Millions of Yen			
	Level 1	Level 2	Level 3	Total
Marketable and investment securities:				
Available-for-sale securities:				
Investments in an associated company	¥ 31,423	¥ —	¥ —	¥ 31,423
Operating loans	—	113,283	—	113,283
Total assets	¥ 31,423	¥ 113,283	¥ —	¥ 144,706
Corporate bonds including current portion	—	10,979	—	10,979
Long-term loans including current portion	—	83,591	—	83,591
Deposit received for guarantees	—	31,153	—	31,153
Total liabilities	¥ —	¥ 125,724	¥ —	¥ 125,724

March 31, 2022	Thousands of U.S. Dollars			
	Level 1	Level 2	Level 3	Total
Marketable and investment securities:				
Available-for-sale securities:				
Investments in an associated company	\$ 256,744	\$ —	\$ —	\$ 256,744
Operating loans	—	925,590	—	925,590
Total assets	\$ 256,744	\$ 925,590	\$ —	\$ 1,182,335
Corporate bonds including current portion	—	89,705	—	89,705
Long-term loans including current portion	—	682,988	—	682,988
Deposit received for guarantees	—	254,538	—	254,538
Total liabilities	\$ —	\$ 1,027,240	\$ —	\$ 1,027,240

Notes: Explanation on the valuation methods and input used for computation of fair value

Marketable and investment securities

The publicly listed stock and corporate bonds are measured at quoted market prices. The fair value of publicly listed stock traded on active markets, is categorized as Level 1. The fair value of corporate bonds and other investments, which have lesser trading frequency, is categorized as Level 2.

Subordinated bonds and subordinated trust beneficiary rights

The fair value of subordinated bonds and subordinated trust beneficiary rights measured at present value calculated by using interest rate that is observable, is categorized as Level 2.

Derivative transactions

The fair value of forward exchange contracts measured at present value calculated by using an exchange rate that is observable, is categorized as Level 2.

Operating loans

The fair value of operating loans with floating rates approximates its carrying amount and is categorized as Level 2, because the rate reflects market interest rates within a short period of time except if there are significant changes in credit conditions of borrowers. Operating loans with fixed rates consist of short-term bridge loans and long-term loans. The fair value of operating loans with fixed rates approximates its carrying amount is categorized as Level 2, because the rate reflects market interest rates. The fair value of long-term loans measured at present value calculated by using discount rates corresponding to the remaining period of the loan and credit risk, is categorized as Level 2.

Corporate bonds including current portion

The fair value of corporate bonds including current portion issued by the Company issued is measured at the value calculating by the static price for over the counter bond transactions published by Japan Securities Dealers Association, is classified as Level 2.

Long-term loans including current portion

The fair value of long-term loans including current portion measured at present value by discounting the total amounts of principal and interest payments related to the debt at the discount rate corresponding to similar loan periods and credit risks, is categorized as Level 2.

Deposits received for guarantees

The fair value of deposits received for guarantees measured at present value calculated by maturity periods to collection and discount rate with credit risks, is categorized as Level 2.

20. Derivatives

Derivative Transactions to Which Hedge Accounting Is Applied

		Millions of Yen			
March 31, 2022	Hedged Item	Contract Amount	Contract Amount Due after 1 Year	Fair Value	
Foreign currency forward contracts:					
Buying U.S.\$	Forecasted transactions	¥ 1,025	¥ —	¥ 183	
March 31, 2021					
Foreign currency forward contracts:					
Buying U.S.\$	Forecasted transactions	¥ 5,565	¥ 1,025	¥ 385	
		Thousands of U.S. Dollars			
March 31, 2022	Hedged Item	Contract Amount	Contract Amount Due after 1 Year	Fair Value	
Foreign currency forward contracts:					
Buying U.S.\$	Forecasted transactions	\$ 8,374	\$ —	\$ 1,495	

Notes: The contract or notional amounts of derivatives which are shown in the above table neither represent the amounts exchanged by the parties nor measure the Group's exposure to credit or market risk.

21. Other Comprehensive Income (Loss)

The components of other comprehensive income (loss) for the fiscal years ended March 31, 2022 and 2021, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2022	2021	2022
Unrealized gain (loss) on available-for-sale securities:			
Gains arising during the year	¥ 627	¥ 4,946	\$ 5,122
Reclassification adjustments to profit or loss	(1,654)	(745)	(13,514)
Amount before income tax effect	(1,027)	4,201	(8,391)
Income tax effect	215	(1,332)	1,756
Total	¥ (811)	¥ 2,869	\$ (6,626)
Deferred gain on derivatives under hedge accounting:			
Gains arising during the year	¥ (201)	¥ 13	\$ (1,642)
Reclassification adjustments to profit or loss	—	—	—
Amount before income tax effect	(201)	13	(1,642)
Income tax effect	61	(4)	498
Total	¥ (140)	¥ 9	\$ (1,143)

21. Other Comprehensive Income (Loss) (continued)

	Millions of Yen		Thousands of U.S. Dollars
	2022	2021	2022
Foreign currency translation adjustments:			
Adjustments arising during the year	¥ 4,069	¥ (1,965)	\$ 33,246
Reclassification adjustments to profit or loss	—	—	—
Amount before income tax effect	4,069	(1,965)	33,246
Income tax effect	—	—	—
Total	¥ 4,069	¥ (1,965)	\$ 33,246
Defined retirement benefit plans:			
Adjustments arising during the year	¥ (1,207)	¥ 193	\$ (9,861)
Reclassification adjustments to profit or loss	1,017	1,369	8,309
Amount before income tax effect	(190)	1,562	(1,552)
Income tax effect	58	(480)	473
Total	¥ (131)	¥ 1,082	\$ (1,070)
Total other comprehensive income (loss)	¥ 2,985	¥ 1,995	\$ 24,389

22. Amounts Per Share

(1) Net Income Per Share

Reconciliation of the differences between basic and diluted net income per share ("EPS") for the fiscal years ended March 31, 2022 and 2021, are as follows:

	Millions of Yen	Thousands of Shares	Yen	U.S. Dollars
	Net Income Attributable to Owners of the Parent	Weighted-Average Shares	EPS	
Year Ended March 31, 2022				
Basic EPS—Net income available to common shareholders	¥ 69,580	68,120	¥ 1,021.43	\$ 8.34
Effect of dilutive securities				
Stock option		26		
Stock option of consolidated subsidiary	¥ (1)			
Diluted EPS—Net income for computation	¥ 69,578	68,148	¥ 1,021.00	\$ 8.34
Year Ended March 31, 2021				
Basic EPS—Net income available to common shareholders	¥ 62,286	68,497	¥ 909.31	
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	

As noted in Note 2 "Accounting Change," the Revenue Recognition Standard has been applied. As a result, for the fiscal year ended March 31, 2022, the basic EPS and diluted EPS increased by ¥30.29 and ¥30.28, respectively.

(2) Net Assets Per Share

The net asset value per share (“NAVPS”) as of March 31, 2022 and 2021, is as follows:

	Millions of Yen	Thousands of Shares	Yen	U.S. Dollars
	Net Assets Attributable to Owners of the Company	Number of shares of common stock used for NAVPS computation		NAVPS
As of March 31, 2022				
NAVPS—Net assets available to common shareholders	¥ 366,844	68,190	¥ 5,379.73	\$ 43.95
As of March 31, 2021				
NAVPS—Net assets available to common shareholders	¥ 310,218	68,046	¥ 4,558.91	

As noted in Note 2 “Accounting Change”, the Revenue Recognition Standard has been applied. As a result, for the fiscal year ended March 31 2022 the NAVPS increased by ¥268.19.

23. Subsequent Events

Appropriation of Retained Earnings

The following distribution of retained earnings of the Company, which has not been reflected in the accompanying consolidated financial statements for the fiscal year ended March 31, 2022, was approved at a shareholders’ meeting of the Company held on June 28, 2022:

Resolution date	Types of shares	Total dividends (Millions of Yen)	Total dividends (Thousands of U.S. Dollars)	Dividends per share (Yen)	Dividends per share (U.S. Dollars)	Record date	Effective date
June 28, 2022	Common stock	¥ 18,938	\$ 154,734	¥ 275	\$ 2.24	March 31, 2022	June 29, 2022

Notes: The total dividends approved at a shareholders’ meeting on June 28, 2022, includes the amount of ¥186 million (\$1,519 thousand), which is for shares held by ESOP trust reintroduced was by resolution of the Board of Directors on November 24, 2020, and for shares held by BIP trust that the introduction was resolved in annual general meeting on June 25, 2019.

24. Supplemental Cash Flow Information

(1) *The reconciliation of cash and bank deposits in the consolidated balance sheets and cash and cash equivalents in the consolidated statements of cash flows as of March 31, 2022, and 2021*

	Millions of Yen		Thousands of U.S. Dollars
	2022	2021	2022
Cash and bank deposits	¥ 259,134	¥ 198,993	\$ 2,117,280
Fixed term deposit with maturities more than 3 months	(309)	(233)	(2,524)
Cash and cash equivalents	¥ 258,825	¥ 198,760	\$ 2,114,756

(2) *The details of a newly joined consolidated subsidiary through acquisition of shares for the fiscal year ended March 31, 2021.*

Invalance Ltd. became a newly consolidated subsidiary through the acquisition of shares. The details of its assets and liabilities at the commencement of consolidation, acquisition cost of shares and net consideration paid were as follows:

	Millions of Yen
	2021
Current assets	¥ 9,889
Non-current assets	2,722
Goodwill	9,900
Current liabilities	(4,102)
Non-current liabilities	(1,798)
Acquisition cost of shares	16,612
Cash and cash equivalents	(3,512)
Net consideration paid	13,099

Notes: Details of other companies that became consolidated subsidiaries are omitted as the total amount of assets and liabilities are not significant for disclosure purpose.

25. Revenue Recognition

(1) Information on disaggregated revenue from contracts with customers

The disaggregated information on revenue from contracts with customer is disclosed in Note 26 "Segment Information."

(2) Basis information for understanding the revenue from contracts with customers

Performance obligations and timings of revenue recognition for each business are as follows. The contract consideration does not include significant financing components and is collected within one year after the performance obligations are fulfilled.

(a) Construction Business

The Group mainly undertakes construction projects for rental apartments and rental condominiums based on the construction contracts. Because the performance obligation is satisfied over time through construction, the revenue is recognized based on the progress toward complete satisfaction of the performance obligations in accordance with the construction contract.

The progress is calculated by using the ratio of cost incurred to the total construction cost because based on the content and nature of the performance obligation in the construction contract, the cost incurred appropriately represents the progress toward complete satisfaction of the performance obligation. With respect to short-term renovation construction contract, the Group applies an alternative treatment that recognizes revenue when the performance obligation is fully satisfied.

The Group usually provides important integrated services based on contracts with customers. The promised services are treated as a performance obligation as whole, and there is no allocation arising from the transaction price.

Under the construction contract, the Group has a performance obligation to provide repair work free for defects that occur within a specified period after handing over the construction. The performance obligation is that the repair work will be performed in accordance with the specifications set forth in the contract with the customer. As this assurance is provided to customers, it is recorded as a provision

(b) Real Estate Business

1) Revenue from Completed Construction

It is mainly described in (2) (a) Construction Business.

2) Revenue from Intermediary Business

Based on the request from the customer, the Group provides intermediary services by brokering rental properties for prospective tenants then receives brokerages. Since the performance obligation is satisfied when the rental contract is concluded, fees based on the brokerage service contract are recognized as revenue when the rental contract is signed.

3) Revenue from Electric Power Business

The Group supplies electricity, generated mainly by renewable energy power generation equipment installed at the Group's managed properties to customers under the power supply contracts. The performance obligation extends through the supply of electricity. Since the performance obligation is satisfied over time, fees are recognized as revenue based on the progress toward satisfaction of the performance

obligation in accordance with the power supply contract. The progress is calculated by using the amount of power supplied as an indicator.

(c) Other Business:

1) Revenue from Energy Business

The Group supplies gas, through gas facilities installed at the Group's properties, to customers based on the gas supply contracts with customers. Since the performance obligation is satisfied over time through the supply of gas, revenue is recognized based on the progress toward satisfaction of the performance obligation in accordance with the gas supply contract. The progress is calculated by using the amount of gas supplied as an indicator.

2) Revenue from Day Care and Child Care Business

The Group operates day service centers and provides services such as nursing care, bathing assistance, and taxi service based on the contracts with customers.

The Group operates childcare facilities and provides childcare services based on childcare usage contracts with customers. Since the performance obligation is satisfied over the contract period, revenue is recognized based on the progress of satisfaction of the performance obligation. The progress is calculated by aggregating the services provided as of the end of the month.

3) Revenue from Hotel Business

The Group operates hotels and provides accommodation or meals based on requests from customers. Since the performance obligation related to the provision of accommodation under the customer request is satisfied over time, revenue is recognized based on the progress toward satisfaction of the performance obligation. The progress is calculated based on the service content during the stay. With respect to the provision of meals, since the performance obligation is satisfied at the point when the meal is provided, revenue is recognized when the meal is provided.

4) Revenue from Condominium Investment Business

The Group mainly sells condominiums for the purpose of investment and has the performance obligation to handover the property to the customer under the real estate sales contract. The performance is fully satisfied at the time of handing over the property. Therefore, revenue is recognized at the time of handing over the property under the real estate sales contract.

(3) Information on relationship between the fulfilment of the performance obligation for the contracts with customers and related cash flow; information on the timing of revenue recognition; and information on revenue estimated to be recognized after next fiscal year based on the contracts with customers existing as of the end of current fiscal year.

(a) Balance of Contract Assets and Contract Liabilities

The balances for receivables arising from contracts with customers, contract assets and contract liabilities at the beginning and end of the fiscal year ended March 31, 2022 are as follows.

On the consolidated balance sheet, receivables arising from contracts with customers and contract assets are included in accounts receivable, and contract liabilities are included in construction advance receipts and advances received.

March 31, 2022	Millions of Yen	
	Balance as of the beginning of the fiscal year	Balance as of the end of the fiscal year
Receivables arising from contracts with customers	¥ 40,435	¥ 37,802
Contract assets	12,335	16,794
Contract liabilities	41,039	39,690

March 31, 2022	Thousands of U.S. Dollars	
	Balance as of the beginning of the fiscal year	Balance as of the end of the fiscal year
Receivables arising from contracts with customers	\$ 330,378	\$ 308,865
Contract assets	100,784	137,217
Contract liabilities	335,313	324,291

Contract assets are mainly receivables from construction contracts with customers that are not yet billed to customers, although related performance obligations have been satisfied as of the end of the fiscal year ended March 31, 2022. When the Group's right to the consideration stated in the contracts is unconditional, the contract assets are reclassified to receivables, meanwhile, the consideration for construction contracts will be billed to customers then received in accordance with payment terms of the contracts.

Contract liabilities are mainly advances received from construction contracts with customers related to performance obligations that are not fully satisfied (or partially unsatisfied). Under the payment terms in these contracts, performance obligations are satisfied over time or at the time when fully filled. As the performance obligations are satisfied, contract liabilities will be reclassified to revenue.

Roughly, the 90% of the contract liability balance as of the beginning of the fiscal year has been recognized as revenue during fiscal year ended March 31, 2022.

(b) Transaction Price Allocated to the Remaining Performance Obligation

The total amount of transaction price allocated to the remaining performance obligations is ¥709,920 million (\$5,800,473 thousand) as of the end of the fiscal year ended March 31, 2022. Such performance obligations related to the uncompleted part of projects in the construction business are expected to be recognized as revenue within approximately two years after the end of current fiscal year.

26. 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 1 "Summary of Significant Accounting Policies".

Application of accounting standard for revenue recognition

As noted in Note 2 "Accounting Change" from the beginning of year ended March 31, 2022, the Revenue Recognition Standard has been applied, the method of the accounting standard for revenue recognition has been changed, and the measure method on business segment profit or loss have been changed.

As a result of the application, revenue from construction business decreased by ¥350 million (\$2,859 thousand), and segment profit increased by ¥2,914 million (\$23,809 thousand); revenue from real estate business increased by ¥16 million (\$130 thousand), and segment profit increased by ¥16 million (\$130 thousand); and revenue from the other business segment increased by ¥172 million (\$1,405 thousand), and segment profit increased by ¥4 million (\$32 thousand).

(3) Information on sales, profit (loss), assets and other Items and disaggregation of revenue

	Millions of Yen							
	2022							
	Reportable Segment				Other	Total	Reconciliations	Consolidated
Construction	Real Estate	Finance	Subtotal					
Net sales:								
Revenue from construction	¥ 432,831	¥ 33,271	¥ —	¥ 466,102	¥ —	¥ 466,102	¥ —	¥ 466,102
Revenue from intermediary business	—	23,633	—	23,633	—	23,633	—	23,633
Revenue from electric power business	—	7,466	—	7,466	—	7,466	—	7,466
Revenue from energy business	—	—	—	—	34,612	34,612	—	34,612
Revenue from daycare service and childcare business	—	—	—	—	14,835	14,835	—	14,835
Revenue from hotel business	—	—	—	—	1,350	1,350	—	1,350
Revenue from investment condominium business	—	—	—	—	16,344	16,344	—	16,344
Other	—	10,331	149	10,481	4,528	15,009	—	15,009
(Revenue from contracts with customers)	432,831	74,702	149	507,683	71,671	579,355	—	579,355

(3) Information on sales, profit (loss), assets and other Items and disaggregation of revenue (continued)

	Millions of Yen							
	2022							
	Reportable Segment				Other	Total	Reconciliations	Consolidated
Construction	Real Estate	Finance	Subtotal					
Revenue from whole-building lease system	—	962,662	—	962,662	—	962,662	—	962,662
Revenue from warranty business	—	18,312	—	18,312	—	18,312	—	18,312
Revenue from real estate business	—	6,590	—	6,590	—	6,590	—	6,590
Revenue from insurance business	—	—	7,738	7,738	—	7,738	—	7,738
Revenue from investment condominium business	—	—	—	—	3,450	3,450	—	3,450
Other	—	1,962	2,151	4,114	779	4,893	—	4,893
(Other revenue)	—	989,527	9,890	999,417	4,229	1,003,647	—	1,003,647
Sales to external customers	432,831	1,064,230	10,040	1,507,101	75,901	1,583,003	—	1,583,003
Intersegment sales or transfers	1,498	4,289	15,399	21,187	484	21,672	(21,672)	—
Total	434,329	1,068,520	25,439	1,528,289	76,386	1,604,675	(21,672)	1,583,003
Segment profit (loss)	¥ 35,312	¥ 78,012	¥ 4,576	¥ 117,900	¥ 9,873	¥ 127,774	¥ (28,179)	¥ 99,594
Segment assets	118,919	354,837	135,375	609,132	162,062	771,195	234,684	1,005,879
Other:								
Increase in property, plant and equipment and intangible assets (Notes 5)	2,032	11,009	118	13,160	5,757	18,918	457	19,376
Depreciation (Notes 5)	5,985	6,366	125	12,477	3,467	15,945	237	16,182

(3) Information on sales, profit (loss), assets and other Items and disaggregation of revenue (continued)

Millions of Yen								
2022								
	Reportable Segment				Other	Total	Reconciliations	Consolidated
	Construction	Real Estate	Finance	Subtotal				
Amortization of goodwill	—	152	—	152	734	887	—	887
Impairment losses of assets	—	178	—	178	4	183	—	183
Goodwill as of March 31, 2022	—	790	—	790	10,547	11,337	—	11,337

Millions of Yen								
2021								
	Reportable Segment				Other	Total	Reconciliations	Consolidated
	Construction	Real Estate	Finance	Subtotal				
Net sales:								
Sales to external customers	¥ 401,710	¥ 1,014,262	¥ 10,0181	¥ 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	¥ 401,710	¥ 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 (Notes 5)	2,342	4,375	31	6,748	6,057	12,805	548	13,353
Depreciation (Notes 5)	6,516	5,896	174	12,586	2,840	15,426	375	15,801

(3) Information on sales, profit (loss), assets and other Items and disaggregation of revenue (continued)

Millions of Yen								
2021								
	Reportable Segment				Other	Total	Reconciliations	Consolidated
	Construction	Real Estate	Finance	Subtotal				
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

Thousands of U.S. Dollars								
2022								
	Reportable Segment				Other	Total	Reconciliations	Consolidated
	Construction	Real Estate	Finance	Subtotal				
Net sales:								
Revenue from construction	\$ 3,536,489	\$ 271,844	\$ —	\$ 3,808,334	\$ —	\$ 3,808,334	\$ —	\$ 3,808,334
Revenue from intermediary business	—	193,095	—	193,095	—	193,095	—	193,095
Revenue from electric power business	—	61,001	—	61,001	—	61,001	—	61,001
Revenue from energy business	—	—	—	—	282,800	282,800	—	282,800
Revenue from daycare service and childcare business	—	—	—	—	121,210	121,210	—	121,210
Revenue from hotel business	—	—	—	—	11,030	11,030	—	11,030
Revenue from investment condominium business	—	—	—	—	133,540	133,540	—	133,540
Other	—	84,410	1,217	85,636	36,996	122,632	—	122,632
(Revenue from contracts with customers)	3,536,489	610,360	1,217	4,148,075	585,595	4,733,679	—	4,733,679

(3) Information on sales, profit (loss), assets and other items and disaggregation of revenue (continued)

Thousands of U.S. Dollars								
2022								
	Reportable Segment				Other	Total	Reconciliations	Consolidated
	Construction	Real Estate	Finance	Subtotal				
Revenue from whole-building lease system	—	7,865,528	—	7,865,528	—	7,865,528	—	7,865,528
Revenue from warranty business	—	149,620	—	149,620	—	149,620	—	149,620
Revenue from real estate business	—	53,844	—	53,844	—	53,844	—	53,844
Revenue from in-surance business	—	—	63,224	63,224	—	63,224	—	63,224
Revenue from investment condominium business	—	—	—	—	28,188	28,188	—	28,188
Other	—	16,030	17,574	33,613	6,364	39,978	—	39,978
(Other revenue)	—	8,085,031	80,807	8,165,838	34,553	8,200,400	—	8,200,400
Sales to external customers	\$ 3,536,489	\$ 8,695,399	\$ 82,032	\$ 12,313,922	\$ 620,156	\$ 12,934,087	\$ —	\$ 12,934,087
Intersegment sales or transfers	12,239	35,043	125,819	173,110	3,954	177,073	(177,073)	—
Total	\$ 3,548,729	\$ 8,730,451	\$ 207,851	\$ 12,487,041	\$ 624,119	\$ 13,111,161	\$ (177,073)	\$ 12,934,087
Segment profit (loss)	\$ 288,520	\$ 637,405	\$ 37,388	\$ 963,313	\$ 80,668	\$ 1,043,990	\$ (230,239)	\$ 813,742
Segment assets	971,639	2,899,231	1,106,095	4,976,975	1,324,144	6,301,127	1,917,509	8,218,637
Other:								
Increase in property, plant and equipment and intangible assets (Notes 5)	16,602	89,950	964	107,525	47,038	154,571	3,733	158,313
Depreciation (Notes 5)	48,901	52,014	1,021	101,944	28,327	130,280	1,936	132,216
Amortization of goodwill	—	1,241	—	1,241	5,997	7,247	—	7,247
Impairment losses of assets	—	1,454	—	1,454	32	1,495	—	1,495

(3) Information on sales, profit (loss), assets and other Items and disaggregation of revenue (continued)

	Thousands of U.S. Dollars							
	2022							
	Reportable Segment				Other	Total	Reconciliations	Consolidated
Construction	Real Estate	Finance	Subtotal					
Goodwill as of March 31, 2022	—	6,454	—	6,454	86,175	92,630	—	92,630

Notes

- (1) "Other" includes LP gas supply business, aged care business and investment condominium business, which are excluded from the reportable segments.
- (2) Adjustments and eliminations for segment profit of ¥28,179 million (\$230,239 thousand) and ¥22,528 million include intersegment eliminations of ¥1,921 million (\$15,695 thousand) and ¥907 million, and the corporate expenses not allocated to each business segment of ¥26,258 million (\$214,543 thousand) and ¥21,621 million for the years ended March 31, 2022 and 2021, respectively. Corporate expenses are primarily the Company's general administration expenses.
- (3) Adjustments and eliminations for segment assets of ¥234,684 million (\$1,917,509 thousand) and ¥201,248 million include intersegment eliminations of ¥15,300 million (\$125,010 thousand) and ¥8,794 million, and the corporate expenses not allocated to each business segment of ¥249,984 million (\$2,042,519 thousand) and ¥ 210,042 million for the years ended March 31, 2022 and 2021, respectively. Corporate assets primarily consist of the Group's surplus fund (cash and bank deposits), the Group's long-term (investment securities) held by the Company and other assets associated with administrative departments of the Company.
- (4) Consolidated amounts of segment profit as mentioned above correspond to the amounts of operating income in the consolidated statement of income.
- (5) The depreciation and increase in property, plant and equipment and intangible assets include the amortization and increase of long-term prepaid expenses.

27. Additional Information

(1) Information and products and service information

The information is omitted because the same information is disclosed in Note 26 "Segment Information".

(2) Geographical information

(a) Net sales

The information is omitted because sales from external customers in Japan account for over 90% of net sales stated in the consolidated statement of income.

(b) Property, plant and equipment

	Millions of Yen		Thousands of U.S. Dollars
	2022	2021	2022
Japan	¥ 153,394	¥ 148,695	\$ 1,253,321
Other countries	24,233	23,450	197,998
Total	¥ 177,627	¥ 172,145	\$ 1,451,319

(3) Related party transactions

(a) Transactions with related parties.

1) The information is omitted because there were no related-party transactions for the fiscal years ended March 31, 2022 and 2021.

2) The information is omitted because there were no transactions between the Company's subsidiaries and related parties for the fiscal years ended March 31, 2022 and 2021.

(b) Notes to the Company's parent company or significant related companies

1) This information is omitted because there is no applicable information on the Company's parent for the fiscal years ended March 31, 2022, and 2021.

2) Condensed financial information is omitted because there is no applicable information on any of the Company's significant related companies for the fiscal years ended March 31, 2022, and 2021.



Independent Auditor’s Report

The Board of Directors
Daito Trust Construction Co., Ltd.

Opinion

We have audited the accompanying consolidated financial statements of Daito Trust Construction Co., Ltd. and its consolidated subsidiaries (the “Group”), which comprise the consolidated balance sheet as at March 31, 2022, and the consolidated statements of income, comprehensive income, changes in net assets, and cash flows for the year then ended, and notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at March 31, 2022, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with accounting principles generally accepted in Japan.

Basis for Opinion

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

Key Audit Matters

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

Recognition of revenue as performance obligations are satisfied over time in the construction business	
Description of Key Audit Matter	Auditor’s Response
<p>DAITO TRUST CONSTRUCTION CO., LTD. (the “Company”) and its consolidated subsidiaries are engaged in construction, real estate, finance, and other businesses. In the construction business, the Company is mainly engaged in the construction of rental apartments and condominiums.</p> <p>As described in Note 1 (s) “Significant Revenue and Expenses,” with the exception of short-term building and repair work, the Company and its consolidated</p>	<p>We mainly performed the following audit procedures in assessing the adequacy of the estimates of total construction costs under the method of satisfying performance obligations and recognizing revenue over time.</p> <p>(1) Evaluation of internal controls</p>

subsidiaries apply the method of recognizing revenue as performance obligations are satisfied over time (cost-based input method is applied for estimates of progress toward satisfaction of the performance obligation) for construction contracts. Among net sales of ¥432,831 million (\$3,536,489 thousand*) in the construction business for the fiscal year ended March 31, 2022, the Company recorded revenue from construction contracts of ¥425,655 million (\$3,477,857 thousand*) under the method of recognizing revenue as performance obligations are satisfied over time. Of this amount, the amount related to construction in progress as of the end of the fiscal year was ¥59,559 million (\$486,632 thousand*), accounting for 13.7% of revenue from construction contracts.

In applying the method of recognizing revenue as performance obligations are satisfied over time, revenues from construction contracts are determined by multiplying total construction revenue by the degree of progress toward satisfaction of performance obligations, which is based on total construction costs and corresponds to costs actually incurred up until the end of the fiscal year. Accordingly, it is necessary to reasonably estimate total construction revenue, total construction costs, and progress toward satisfaction of performance obligations as of the end of the fiscal year.

For estimates of total construction costs, it is necessary to consider the effect of changes in different components, including building material and labor costs, which involve a high degree of complexity and uncertainty. In particular, during the fiscal year ended March 31, 2022, uncertainty regarding estimates of total construction costs increased further due to changes in the market environment, such as the so-called “wood shock”, in which imported lumber prices rose sharply over a short period of time.

Based on the above, in the Company’s application of the method of recognizing revenue as performance obligations are satisfied over time, we determined the estimates of total construction costs are of particular significance for the fiscal year ended March 31, 2022 and, accordingly, that this is a key audit matter.

We evaluated the design and operation of the following internal controls of the Company related to the estimates of total construction costs.

- Control to ensure reliability by requiring that operating budgets upon which estimates of the total construction costs are based are prepared by responsible personnel in the construction division with specialized knowledge, and that necessary approvals have been obtained for such budgets
- Control to confirm that each component of total construction costs is compiled and calculated in detail based on objective prices such as internally-approved projected unit prices and third-party quotations
- IT application controls related to restrictions for entering orders and assessment results, and automated calculations of progress toward completion of construction, and IT general controls on which these IT application controls are based
- Control in which management in the construction division regularly monitors construction progress

(2) Evaluation of the reasonableness of estimates of total construction costs

For construction in progress as of the end of the fiscal year, we identified construction contracts in which there was either quantitatively or qualitatively material uncertainty over the estimate of total construction costs in light of factors such as construction contract amount, profit (loss) on construction, construction details, and the status of construction (including construction projects for which there were large discrepancies with the average of similar projects in the past for comparisons between construction progress and progress against planned construction periods and comparisons between contract amounts and estimates of total construction costs), and performed the following procedures. In identifying the aforementioned construction contracts, we took into consideration unusual construction progress detected using a progress anomaly detection tool*.

- We agreed estimates of total construction costs to operating budgets upon which the estimates are based, and considered whether the estimates were consistent with construction deliverables set forth in construction contracts, whether the

* The translation of Japanese yen amounts into U.S. dollar amounts has been made on the basis described in Note 3 to the consolidated financial statements.

- estimated costs were calculated by aggregating amounts by type of construction, whether key construction items were not omitted, and whether any unusual amounts of adjustment items were not included in the operating budget.
- We made inquiries of personnel responsible for construction management about construction progress, determinations of whether changes were needed to be made to total construction costs, as well as the reasons for those construction projects in which there were large discrepancies with the average of similar projects in the past based on data analysis. In order to evaluate the reasonableness of their responses, we referenced the corresponding work schedules and amounts of expenses incurred.
 - For imported construction materials, we considered whether cost variances generated in cost calculations based on the planned unit prices were included in actual costs incurred and total construction costs.
 - We inspected the details of requests and approvals of additional costs in operating budgets subsequent to the close of the fiscal year ended March 31, 2022, and considered whether there were any construction contracts in which total construction costs should be revised at the end of the fiscal year.
 - We performed on-site observations for certain construction projects and considered the consistency of construction progress with work schedules for on-site management and the status of construction progress.
 - We evaluated the estimation processes for total construction costs by comparing the Company's previous estimates of total construction costs with actual amounts or revised estimates.

* Tool that detects abnormal progress for construction contracts in which the method of recognizing revenue as performance obligations are satisfied over time has been applied based on forecasts of progress toward completion of construction using machine learning, as well as forecasts of loss-generating contracts and detects any abnormalities in timing of costs being incurred.



Other Matter

The predecessor auditor audited the consolidated financial statements of the Group as at March 31, 2021 and for the year then ended. It expressed an unqualified auditor's opinion on the consolidated financial statements effective June 25, 2021.

Other Information

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

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

Responsibilities of Management, the Corporate Auditor and the Board of Corporate Auditors for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these 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 and disclosing, as required by accounting principles generally accepted in Japan, matters related to going concern.

The Corporate Auditor and the Board of Corporate Auditors are responsible for overseeing the 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. 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, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.
- Consider internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances for our risk assessments, while the purpose of the audit of the consolidated financial statements is not 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 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 in accordance with accounting principles generally accepted in Japan.
- 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 the Corporate Auditor and the Board of Corporate Auditors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Corporate Auditor and the Board of Corporate Auditors with a statement that we have complied with the ethical requirements regarding independence that are relevant to our audit of the consolidated financial statements in Japan, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Corporate Auditor and the Board of Corporate Auditors, we determine those matters that were of most significance in the audit of the 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.



Convenience Translation

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2022 are presented solely for convenience. Our audit also included the translation of Japanese yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 3 to the consolidated financial statements.

Ernst & Young ShinNihon LLC
Tokyo, Japan

September 16, 2022

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