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THE 87TH ANNUAL GENERAL MEETING OF SHAREHOLDERS
OTHER MATTERS SUBJECT TO THE ELECTRONIC PROVISION MEASURES
(MATTERS FOR WHICH DOCUMENT DELIVERY IS OMITTED)

Notes to the Consolidated Financial Statements

Notes to the Non-consolidated Financial Statements

(From April 1, 2023 to March 31, 2024)

OKUMURA CORPORATION

Notes to the Consolidated Financial Statements

1. Notes on Significant Matters Serving as Basis for Preparation of Consolidated Financial Statements, etc.

(1) Scope of consolidation

(i) Number of consolidated subsidiaries: 4

Names of consolidated subsidiaries:

- Okumura Machinery Corporation
- Taihei Real Estate Corporation
- ISHIKARI BIO ENERGY GODO KAISHA
- HIRATA BIO ENERGY GODO KAISHA

(ii) Number of non-consolidated subsidiaries: 7

Name of major non-consolidated subsidiaries:

- Kazo Agricultural Village Drainage PFI Corporation

(Reason of exclusion from the scope of consolidation)

Each non-consolidated subsidiary falls under a small company. The combined amounts of their total assets, net sales, profit or loss (proportional amount of equity), retained earnings (proportional amount of equity), and other items do not significantly affect the consolidated financial statements, respectively. Therefore, the Company excludes these subsidiaries from the scope of consolidation.

(2) Application of equity method

(i) No non-consolidated subsidiaries or associates apply the equity method.

(ii) Name of major non-consolidated subsidiaries not accounted for by the equity method

- Kazo Agricultural Village Drainage PFI Corporation

Number of associates not accounted for by the equity method: 6

Name of primary associates not accounted for by the equity method:

- Swim City Kagoshima Corporation

(Reason for not applying the equity method)

Regarding each non-consolidated subsidiary and associate not accounted for by the equity method, their profit or loss (proportional amount of equity), retained earnings (proportional amount of equity), and other items have an immaterial impact on the consolidated financial statements and do not have significance as a whole. Therefore, the Company excludes these companies from the scope of the equity method.

(3) Accounting policies

(i) Valuation basis and method for significant assets

- Securities

  Held-to-maturity bonds

  Amortized cost method (straight-line method)

  Available-for-sale securities

  - Securities other than shares, etc. that do not have a market price
    Market value method (net unrealized gains on available-for-sale securities are recognized directly in net assets, and cost of securities sold is calculated using the moving average method.)
  - Shares, etc. that do not have a market price
    Valuation at cost using the moving average method
  - Equity investment in investment limited partnerships and similar partnerships (items deemed as securities in accordance with Article 2, Paragraph 2 of the Financial Instruments and Exchange Act)
    Amounts corresponding to equity interests are recognized on a net basis based on the recent financial statements available according to the financial report date stipulated in partnership contracts.

- Derivatives

  Market value method

- Inventories
  - Real estate for sale
    Valuation at cost using the specific identification method (the consolidated balance sheet amount is calculated by writing down the carrying amount based on a decreased profitability.)
  - Costs on construction contracts in progress
    Valuation at cost using the specific identification method
  - Costs on real estate investment, development business and other
    Valuation at cost using the specific identification method (the consolidated balance sheet amount is calculated by writing down the carrying amount based on a decreased profitability.)
  - Work in process
    Valuation at cost using the specific identification method
  - Raw materials and supplies
    Valuation at cost mainly using the weighted average method (the consolidated balance sheet amount is calculated by writing down the carrying amount based on a decreased profitability.)

(ii) Depreciation or amortization method for significant depreciable assets or amortizable assets

- Property, plant and equipment (excluding leased assets)
  Declining-balance method. However, the straight-line method is applied to buildings (excluding facilities attached to buildings) acquired on or after April 1, 1998, and facilities attached to buildings and structures acquired on or after April 1, 2016.
  Useful lives and residual values are calculated based on the same standards as prescribed in the Corporation Tax Act. In addition, the assets acquired before March 31, 2007 are depreciated using the straight-line method over five years beginning from the fiscal year subsequent to the fiscal year when their depreciable amount is depreciated.
- Intangible assets (excluding leased assets)
  Straight-line method. Useful lives are calculated based on the same standards as prescribed in the Corporation Tax Act.
  For internal-use software, however, the straight-line method is used based on the internally available period of five years.
- Leased assets
  Leased assets related to finance lease transactions without transfer of ownership.
  The straight-line method is used by setting lease periods as useful lives and residual values as zero.

(iii) Recognition of significant provisions

- Allowance for doubtful accounts
  To provide for bad debt expenses, estimated irrecoverable loan amount is calculated, based on the past loan loss ratio for normal loans, and considering recoverability of each loan for certain loans such as doubtful loans.
- Provision for warranties for completed construction
  To provide for expenses such as warranty costs for defects in completed work, the estimated future warranty costs are provided for net sales of completed construction contracts of the fiscal year under review.
- Provision for bonuses
  To provide for the future payments of employee bonuses, the estimated payment amount attributable to the fiscal year under review is provided.
- Provision for bonuses for directors (and other officers)
  To provide for future payments of bonuses for directors and other officers, the estimated payment amount attributable to the fiscal year under review is provided.
- Provision for loss on construction contracts
  To provide for future losses on construction orders received, estimated losses are provided with respect to construction projects for which eventual losses are expected and reasonably estimated among undelivered projects as of the end of the fiscal year under review.
- Provision for share awards
  To provide for future awards of the Company's share, etc. to employees in accordance with the Share Award Regulations, etc., estimated amount of share award obligations at the end of the fiscal year under review is provided.

(iv) Recognition of significant revenues and expenses

Regarding the construction business, the primary business of the Group, the Company recognizes revenue when control of promised goods or services is transferred to a customer.

The performance obligations for construction contracts in the construction business are mainly construction and delivery of buildings, etc. When control of goods or services is transferred over time, the Company applies the method of recognizing revenue over time as the performance obligations for goods or services are satisfied. The progress toward complete satisfaction of a performance obligation is measured based on the proportion of construction costs incurred by the end of the reporting period to the total expected construction costs.

In some circumstances such as the first stage of a contract, the Company may not be able to reasonably measure the progress toward complete satisfaction of a performance obligation but expect to recover the costs. In those circumstances, the Company applies the cost recovery method.

Regarding construction contracts whose periods are very short from the initial transaction date of the contract to the expected date of completely satisfying performance obligations, the Company does not recognize revenue over time, but recognizes revenue when the performance obligations are satisfied completely (the time of completing and delivering constructions).

(v) Significant hedge accounting method

In principle, the Company adopts the deferred hedge accounting.

The Company adopts special treatment for interest rate swaps that meet the requirements for special treatment.

(vi) Other significant matters for preparation of the consolidated financial statements

- Accounting method for estimated retirement benefits
  - Attribution method for estimated retirement benefits
    In calculating retirement benefit liabilities, the benefit formula basis is used as a method of attributing estimated retirement benefits to the period up to the end of the fiscal year under review.
  - Expensing method for actuarial gains (losses) and past service costs
    Actuarial gains (losses) are amortized using the straight-line method over certain years (10 years) within the average remaining service period for employees at the time of recognition, and expensed proportionally starting from the fiscal year following the respective fiscal year of recognition.
    Past service costs are amortized using the straight-line method over certain years (10 years) within the average remaining service period for employees at the time of recognition.
- Amortization method and period for goodwill
  Goodwill is amortized over 17 years using the straight-line method.
- Accounting policies and procedures adopted when the provisions of the relevant accounting standards are not clear
  Accounting for works by joint ventures formed in order to take orders and carry out the works jointly with several constructors are incorporated in the consolidated financial statements according to the proportion of investment equities.

2. Notes on accounting estimates

Revenue recognition using the method to recognize revenue over time and provision for loss on construction contracts

(1) Amounts recorded in the consolidated financial statements for the fiscal year ended March 31, 2024

・Net sales of completed construction contracts using the method to recognize revenue over time	¥263,935 million
・Provision for loss on construction contracts	¥859 million

(2) Information about the contents of significant accounting estimates on the identified items

(i) Calculation method

Net sales of completed construction contracts under the method to recognize revenue over time are recorded by multiplying the total construction revenue by the percentage of completion. The progress is estimated based on the proportion of construction costs incurred by the end of the reporting period to the total expected construction costs.

In addition, when it is probable that the total construction costs will exceed total construction revenue, provision for loss on construction contracts will be recorded at the expected excess amount (loss on construction contracts) less the profit or loss already recognized.

(ii) Major assumptions

In the event an agreement on consideration for changes in design or scope of a construction is not timely finalized in the contracts and other documents, the total construction revenue is obtained by estimating consideration based on the details of the change in works and other matters as instructed. Total construction costs are estimated mainly considering the market conditions of materials and outsourcing expenses and individual risk factors associated with the progress of works.

These estimates and underlying assumptions are continuously reviewed.

(iii) Impact on the consolidated financial statements for the following fiscal year

Any changes in major assumptions might affect net sales of completed construction contracts and provision for loss on construction contracts for the following fiscal year.

3. Additional information

Employee Share Award Plan

(i) Outline of transaction

Effective April 1, 2023, the Company introduced the Employee Share Award Plan (hereinafter referred to as the "Plan" and the trust established in accordance with the trust agreement concluded with Resona Bank, Limited. with respect to the Plan shall be referred to as the "Trust") as an incentive plan for the Company's employees.

Under the Plan, the Trust, which is established by the Company through its cash contribution, acquires the Company's shares and awards the Company's shares and cash equivalent to their market value (hereinafter collectively referred to as the "Company's shares, etc.") to employees who satisfy certain beneficiary requirements in accordance with the share award regulations stipulated by the Board of Directors of the Company in advance (hereinafter referred to as the "Share Award Regulations").

The Company grants points to eligible employees in accordance with performance evaluations, etc., under the Share Award Regulations, and if they satisfy certain beneficiary requirements, the Company's shares, etc. will be awarded to them in proportion to the points granted to them by following the prescribed procedures. As the Company will contribute the entire amount of money related to the establishment of the Trust, there will be no financial burden on the employees.

The introduction of the Plan is expected to have the effect of incentivizing employees to work harder to improve the Company's business performance with an awareness of the share price since they can receive economic benefits from an increase in the Company's share price. In addition, since the exercise of voting rights for the Company's shares, which are the trust assets of the Trust, reflects the will of employees who satisfy the requirements for beneficiaries, the effect of raising employees' sense of participation in management can also be expected.

(ii) Company shares remaining in the Trust

The Company's shares remaining in the Trust are recorded as treasury shares under the net assets section at the carrying amount in the Trust (excluding the amount of incidental expenses). As of March 31, 2024, the carrying amount and number of such treasury shares amounted to ¥959 million and 275,000 shares, respectively.

4. Notes to the consolidated balance sheet

(1) Assets pledged as collateral and obligations related to collateral

(i) The following assets are pledged as collateral for deposits received of ¥325 million.

Buildings	¥894 million
Land	¥1,479 million
Total	¥2,373 million

(ii) The following assets are pledged as collateral for the performance obligations of contracts and other obligations of the PFI business

Investment securities	¥15 million

(iii) The following assets are pledged as collateral for borrowings of subsidiaries and associates.

Investment securities	¥58 million

(iv) The following assets are pledged as collateral for performance obligations of construction contracts, etc.

Cash and deposits (time deposits)	¥1,208 million

Collaterals corresponding to non-recourse obligations are included in "(2) Assets corresponding to non-recourse obligations."

(2) Assets corresponding to non-recourse obligations
Amount of business assets of consolidated subsidiaries that operate the renewable energy business corresponding to non-recourse borrowings ¥41,865 million

(3) Accumulated depreciation of property, plant and equipment ¥23,418 million

(4) Amounts of receivables arising from contracts with customers and contract assets, out of notes receivable, accounts receivable from completed construction contracts and other

Notes receivable – trade	¥1,799 million
Electronically recorded monetary claims – operating	¥1,862 million
Accounts receivable from completed construction contracts and other	¥52,693 million
Contract assets	¥115,962 million

(5) Amount of costs on construction contracts in progress corresponding to provision for loss on construction contracts
Costs on construction contracts in progress and work in process related to construction contracts, etc. that are expected to incur losses as well as provision for loss on construction contracts are presented as is and are not offset. The amount corresponding to provision for loss on construction contracts was ¥1 million, out of costs on construction contracts in progress related to construction contracts, etc. that are expected to incur losses.

(6) Amount of contract liabilities out of advances received on construction contracts in progress
Contract liabilities ¥18,799 million

5. Notes on the consolidated statement of income

(1) Revenue from contracts with customers
The Company does not disaggregate revenue from contracts with customers and other revenue. The amount of revenue from contracts with customers is as presented in "9. Notes on revenue recognition, (1) Disaggregation of revenue from contracts with customers."

(2) Provision (reversal of provision) for loss on construction contracts out of cost of sales ¥(99) million

(3) Total amount of research and development expenses ¥1,804 million

6. Notes to the consolidated statement of changes in equity

(1) Type and total number of shares issued

Type of shares	Number of shares as of April 1, 2023	Increase in shares	Decrease in shares	Number of shares as of March 31, 2024
Common stock	38,665,226	–	–	38,665,226

(2) Dividends

(i) Dividends paid

Resolution	Type of shares	Total amount of dividends (millions of yen)	Dividend per share (yen)	Record date	Effective date
Annual general meeting of shareholders held on June 29, 2023	Common stock	5,778	157	March 31, 2023	June 30, 2023
Board of Directors held on November 13, 2023	Common stock	2,857	77	September 30, 2023	December 8, 2023

Note: The total amount of dividends resolved at the Board of Directors meeting held on November 13, 2023 includes dividends of ¥21 million to for the Company's shares held by the trust account for the Employee Share Award Plan.

(ii) Dividends whose effective dates come in the following fiscal year out of those whose record dates are attributable to the fiscal year under review

The Company plans to adopt a resolution as follows:

Resolution	Type of shares	Total amount of dividends (millions of yen)	Funds for dividend payments	Dividend per share (yen)	Record date	Effective date
Annual General Meeting of Shareholders to be held on June 27, 2024	Common stock	5,936	Retained earnings	160	March 31, 2024	June 28, 2024

Note: The total amount of dividends resolved at the Annual General Meeting of Shareholders to be held on June 27, 2024 includes dividends of ¥44 million to for the Company's shares held by the trust account for the Employee Share Award Plan.

7. Notes on financial instruments

(1) Status of financial instruments

(i) Group policy for financial instruments

The Group adopts a policy to raise funds through bank loans and manage its funds mainly through short-term deposits and savings under the principle of taking low risks and securing principals. Derivatives are used to avoid the foreign exchange fluctuation risk of transactions denominated in foreign currencies and the interest rate fluctuation risk of borrowings, but not for speculative purposes.

(ii) Nature and risks of financial instruments and risk management system

Trade receivables, such as notes receivable and accounts receivable from completed construction contracts and other, are exposed to customer credit risk.

The Group manages these trade receivables by transaction in terms of dates and balances, and adopts the system to continuously monitor the status of trading partners from receipt of orders to collection of receivables.

Securities and investment securities are held-to-maturity debt securities as well as equity securities issued by the companies to whom the Group mainly has a business relationship and they are exposed to market risk.

The Group regularly monitors the fair value, financial conditions of issuing companies (trading partners), and other. The Group also continuously reviews its holding status of financial instruments other than held-to-maturity debt securities in light of the relationship with trading partners.

Most trade payables, such as notes payable and accounts payable for construction contracts and other, have a payment period within one year.

Borrowings are raised mainly as an operating fund, of which non-recourse borrowings are financed as the business fund for the renewable energy business of the consolidated subsidiary.

Trade payables and borrowings are exposed to liquidity risk, but the Group manages them by taking measures such as developing monthly financing plans.

Borrowings with floating interest rates are exposed to fluctuation risk. With respect to non-recourse borrowings, the Group utilizes derivatives (interest rate swaps) by individual contract as hedging instruments to avoid the fluctuation risk of interest expenses and fix interest expenses.

Foreign-currency-denominated debts resulting from the import of materials for the renewable energy business are exposed to fluctuation risk, but the Group utilizes derivatives (comprehensive forward exchange contracts transactions) as hedging instruments to avoid foreign exchange fluctuations.

The hedge accounting method is as presented in the preceding “1. Notes on Significant Matters Serving as Basis for Preparation of Consolidated Financial Statements, etc., (3) Accounting policies, (v) Significant hedge accounting method.”

Derivative transactions are executed and managed in accordance with the internal rules that stipulate the authority of transactions. In addition, the counterparties of derivatives are limited to major financial institutions with high creditworthiness, and the Group judges that these derivatives entail low credit risk.

(iii) Supplementary explanations on the fair value of financial instruments

Since fluctuation factors are considered in calculating the fair value of financial instruments, the value may fluctuate when different assumptions, etc. are adopted.

(2) Fair value of financial instruments

Carrying amounts, fair value, and their differences as of March 31, 2024, are as follows:

(Millions of Yen)

	Carrying amount	Fair value	Difference
(i) Notes receivable, accounts receivable from completed construction contracts and other	172,323		
Allowance for doubtful accounts (*1)	(183)		
	172,140	172,012	(128)
(ii) Investment securities			
Available-for-sale securities	66,599	66,599	–
(iii) Long-term loans receivable	48		
Allowance for doubtful accounts (*1)	(0)		
	48	45	(3)
Total Assets	238,789	238,657	(131)
(i) Lease liabilities	21	20	(1)
(ii) Long-term borrowings	5,100	5,075	(24)
(iii) Non-recourse borrowings	22,333	21,922	(411)
Total Liabilities	27,455	27,018	(437)
Derivative transactions (*2)	11,306	11,306	–

(*1) The Company deducted the allowance for doubtful accounts that are individually recorded for notes receivable, accounts receivable from completed construction contracts and other and for long-term loans receivable.

(*2) Net receivables and debts resulting from derivative transactions are presented on a net basis, and items whose amounts are debts on a net basis are presented in parentheses.

Notes 1. "Cash and deposits," "notes payable, accounts payable for construction contracts and other," and "short-term borrowings" are omitted because they comprise cash and also because carrying amount approximates their fair value as they are short-term instruments.

2. Equity investment in the partnerships that record their equity interests on the consolidated balance sheet on a net basis and other quasi-entities (¥744 million recorded on the consolidated balance sheet) and shares, etc. that do not have a market price (unlisted shares; ¥1,388 million recorded on the consolidated balance sheet) are not included in "(ii) Investment securities."

3. Borrowings from Organization for Workers' Retirement Allowance Mutual Aid (long-term borrowings; ¥8 million recorded on the consolidated balance sheet) and subletting to employees (long-term loans receivable; ¥9 million recorded on the consolidated balance sheet) are omitted due to low significance.

(3) Fair value information by level within the fair value hierarchy

The fair value of financial instruments is classified into the following three levels according to the observability and materiality of inputs used to measure fair value.

Level 1 fair value: Fair value measured using observable inputs, i.e., quoted prices in active markets for assets or liabilities that are the subject of the measurement.

Level 2 fair value: Fair value measured using observable inputs other than Level 1 inputs.

Level 3 fair value: Fair value measured using unobservable inputs.

If multiple inputs are used that are significant to the fair value measurement, the fair value measurement is categorized in its entirety in the level of the lowest priority in the entire measurement.

(i) Financial instruments measured at fair value

(Millions of Yen)

Classification	Fair value			
	Level 1	Level 2	Level 3	Total
Investment securities				
Available-for-sale securities				
Stocks	66,599	–	–	66,599
Derivative transactions				
Currency-related derivatives	–	10,868	–	10,868
Interest-rate-related derivatives	–	437	–	437
Total Assets	66,599	11,306	–	77,906

(ii) Financial instruments other than those measured at fair value

(Millions of Yen)

Classification	Fair value			
	Level 1	Level 2	Level 3	Total
Notes receivable, accounts receivable from completed construction contracts and other	–	172,012	–	172,012
Long-term loans receivable	–	45	–	45
Total Assets	–	172,058	–	172,058
Lease liabilities	–	20	–	20
Long-term borrowings	–	5,075	–	5,075
Non-recourse borrowings	–	21,922	–	21,922
Total Liabilities	–	27,018	–	27,018

Note: A description of the valuation techniques and inputs used in the fair value measurements

Investment securities

Listed shares are valued using quoted prices. As listed shares are traded in active markets, their fair value is classified as Level 1.

Derivative transactions

The fair value of interest rate swaps and forward exchange contracts is measured using the discounted cash flow method based on observable inputs, such as interest rates and exchange rates, and is classified as Level 2.

Notes receivable, accounts receivable from completed construction contracts and other

The fair value of these items is measured using the discounted cash flow method based on the recoverable amount reflecting credit risk and an interest rate obtained from appropriate indicators such as government bond yields according to maturity periods, for each receivable amount categorized by a specified period, and is classified as Level 2 because the impact of unobservable inputs on the fair value is immaterial.

Long-term loans receivable

The fair value of long-term loans receivable is categorized by individual loan contract and measured using the discounted cash flow method based on future cash flows and an interest rate obtained by adding the credit spread to government bond yields and other appropriate indicators, and is classified as Level 2.

Lease liabilities

The fair value of lease liabilities is measured using the discounted cash flow method based on the total amount of principals and interests, the remaining period of such liabilities, and an interest rate obtained by adding credit risk, for each liabilities amount categorized by a specified period, and is classified as Level 2.

Long-term borrowings and non-recourse borrowings

The fair value of these items is measured using the discounted cash flow method and categorized by individual borrowing contract and classified as Level 2. Specifically, the borrowings with floating interest rates are measured based on their carrying amounts because they reflect the market interest rates in a short term and their fair value approximates carrying amounts. Meanwhile, the borrowings with fixed interest rates are valued based on future cash flows and an interest rate obtained by adding the credit spread to government bond yields and other appropriate indicators.

8. Notes on real estate for rent

The Company and some consolidated subsidiaries own rental properties such as land, warehouses, and residential buildings in Osaka and other areas.

Of rental properties, the properties that include the part used by the Company are classified as real estate for rent in part.

The followings are carrying amounts, increase/decrease during the fiscal year under review, and fair value for real estate for rent and real estate for rent in part.

(Millions of Yen)

	Carrying amount			Fair value as of March 31, 2024
	Balance as of April 1, 2023	Increase/decrease during the fiscal year under review	Balance as of March 31, 2024	
Real estate for rent	34,128	973	35,101	72,678
Real estate for rent in part	1,112	(32)	1,080	2,041
Total	35,240	941	36,181	74,719

Notes: 1. Carrying amounts are acquisition cost less accumulated depreciation.

2. Fair value of primary properties as of March 31, 2024 is measured in accordance with real-estate appraisal performed by external real-estate appraisers. For other properties, the Group measures the amount (including those measured using indicators) in accordance with its Real-Estate Appraisal Standard.

Profits or losses for real estate for rent and real estate for rent in part during the fiscal year under review are as follows:

(Millions of Yen)

	Amounts on the consolidated statement of income		
	Rental revenue	Rental expenses	Difference
Real estate for rent	3,949	923	3,025
Real estate for rent in part	125	42	83
Total	4,075	966	3,109

Note: Rental revenue and the related rental expenses (depreciation, repair expenses, insurance expenses, taxes and dues, and others) are recorded in "net sales of real estate investment, development business and other" and "cost of real estate investment, development business and other," respectively.

9. Notes on revenue recognition

(1) Disaggregation of revenue from contracts with customers

(Millions of Yen)

		Domestic government and municipal offices	Domestic private sector	Overseas	Total
Net sales of completed construction contracts	Revenue from contracts with customers	84,579	174,841	8,918	268,340
	Other revenue	–	–	–	–
Net sales of real estate investment, development business and other	Revenue from contracts with customers	89	15,301	308	15,698
	Other revenue	–	–	–	4,107

(2) Underlying information in understanding revenue

The information is as presented in "1. Notes on Significant Matters Serving as Basis for Preparation of Consolidated Financial Statements, etc., (3) Accounting policies, (iv) Recognition of significant revenues and expenses."

(3) Information for understanding revenue amounts for the fiscal year under review and the following fiscal year onward

(i) Balances of contract assets and contract liabilities, etc.

(Millions of Yen)

	Beginning balance	Ending balance
Receivables from contracts with customers	60,544	56,356
Contract assets	71,903	115,962
Contract liabilities	12,192	18,799

Notes: 1. Contract assets relate to the right of the Group, primarily based on the construction contracts with customers, to consideration for goods or services for which control has been transferred to a customer. Once the Group has an unconditional right to consideration, it reclassifies contract assets to receivables from contracts with customers. The consideration is charged and received in accordance with the payment term determined with a customer by contract.

2. Contract liabilities primarily relate to advances received from customers based on the payment terms of construction contracts with customers. Contract liabilities are reversed as revenue is recognized.
The beginning balance of contract liabilities is included in revenue from contracts with customers for the fiscal year under review in its almost entirety.

3. The amount of revenue recognized in the fiscal year under review from performance obligations that were satisfied (or partially satisfied) in previous periods (mainly fluctuations of transaction amounts based on changes in design or scope) is immaterial.

(ii) Transaction price allocated to the remaining performance obligations

The transaction price allocated to the remaining performance obligations is ¥538,294 million (*1, 2), and the Company expects to recognize the amount within five years in general.

*1. The transaction price describes the price allocated to the remaining performance obligations for the construction business, the primary business of the Group.

*2. The transaction price includes the changes in design or scope for which an agreement on the consideration is not determined in the contracts and other documents. The transaction price for the changes in design or scope is estimated based on the details of the change in works and other matters as instructed.

10. Notes on per share information

(1) Net assets per share ¥5,123.61

Note: For the purpose of determining the amount of net assets per share, the Company’s shares held by the trust account for the Employee Share Award Plan are included in treasury shares, which are to be deducted from the total number of shares issued at the end of the period. The number of the treasury shares at the end of the period is 1,837 thousand shares, of which the number of the Company’s shares held by the trust account at the end of the period is 275 thousand shares.

(2) Profit per share ¥339.30

Note: For the purpose of determining the amount of profit per share, the Company’s shares held by the trust account for the Employee Share Award Plan are included in treasury shares, which are to be deducted to calculate the average number of shares during the period. The average number of the treasury shares during the period is 1,845 thousand shares, of which the average number of the Company’s shares held by the trust account during the period is 275 thousand shares.

11. Japanese yen amounts are rounded down to the nearest million.

Notes to the Non-consolidated Financial Statements

1. Notes on significant accounting policies

(1) Valuation basis and method for assets

(i) Securities

- Held-to-maturity bonds
  Amortized cost method (straight-line method)
- Shares of subsidiaries and associates and investments in capital of subsidiaries and associates
  Valuation at cost using the moving average method
- Available-for-sale securities
  - Securities other than shares, etc. that do not have a market price
    Market value method (net unrealized gains on available-for-sale securities are recognized directly in net assets, and cost of securities sold is calculated using the moving average method.)
  - Shares, etc. that do not have a market price
    Valuation at cost using the moving average method
  - Equity investment in investment limited partnerships and similar partnerships (items deemed as securities in accordance with Article 2, Paragraph 2 of the Financial Instruments and Exchange Act)
    Amounts corresponding to equity interests are recognized on a net basis based on the recent financial statements available according to the reporting date stipulated in partnership contracts.

(ii) Derivatives Market value method

(iii) Inventories

- Real estate for sale
  Valuation at cost using the specific identification method (the balance sheet amount is calculated by writing down the carrying amount based on a decreased profitability.)
- Costs on construction contracts in progress
  Valuation at cost using the specific identification method
- Costs on real estate investment, development business and other
  Valuation at cost using the specific identification method (the balance sheet amount is calculated by writing down the carrying amount based on a decreased profitability.)

(2) Depreciation or amortization method for non-current assets

(i) Property, plant and equipment (excluding leased assets)

Declining-balance method. However, the straight-line method is applied to buildings (excluding facilities attached to buildings) acquired on or after April 1, 1998, and facilities attached to buildings and structures acquired on or after April 1, 2016.

Useful lives and residual values are calculated based on the same standards as prescribed in the Corporation Tax Act. In addition, the assets acquired before March 31, 2007 are depreciated using the straight-line method over five years beginning from the fiscal year subsequent to the fiscal year when their depreciable amount was depreciated.

(ii) Intangible assets (excluding leased assets)

Straight-line method. Useful lives are calculated based on the same standards as prescribed in the Corporation Tax Act.

For internal-use software, however, the straight-line method is used based on the internally available period of five years.

(iii) Leased assets

Leased assets related to finance lease transactions without transfer of ownership.

The straight-line method is used by setting lease periods as useful lives and residual values as zero.

(3) Recognition of provisions

(i) Allowance for doubtful accounts

To provide for bad debt expenses, estimated irrecoverable loan amount is calculated, based on the past loss ratio for normal loans, and considering recoverability of each loan for certain loans such as doubtful loans.

(ii) Provision for warranties for completed construction

To provide for expenses such as warranty costs for defects of completed work, the estimated future warranty costs are provided for net sales of completed construction contracts of the fiscal year under review.

(iii) Provision for bonuses

To provide for the future payments of employee bonuses, the estimated payment amount attributable to the fiscal year under review is provided.

(iv) Provision for bonuses for directors (and other officers)

To provide for future payments of bonuses for directors and other officers, the estimated payment amount attributable to the fiscal year under review is provided.

(v) Provision for loss on construction contracts

To provide for future losses on construction contracts, estimated losses are provided with respect to construction projects for which eventual losses are expected and reasonably estimated among undelivered projects as of the end of the fiscal year under review.

(vi) Provision for retirement benefits

To provide for retirement benefits for employees, the amount is recorded based on the estimated amounts of retirement benefit liabilities and plan assets as of the end of the fiscal year under review.

- Attribution method for estimated retirement benefits

  In calculating estimated retirement benefit liabilities, the benefit formula basis is used as a method of attributing estimated retirement benefits to the period up to the end of the fiscal year under review.

- Expensing method for actuarial gains (losses) and past service costs

  Actuarial gains (losses) are amortized using the straight-line method over certain years (ten years) within the average remaining service period for employees at the time of recognition, and expensed proportionally starting from the fiscal year following the respective fiscal year of recognition.

  Past service costs are amortized using the straight-line method over certain years (ten years) within the average remaining service period for employees at the time of recognition.

  The amount is recorded as prepaid pension costs as of March 31, 2024.

(vii) Provision for share awards

To provide for future awards of the Company’s share, etc. to employees in accordance with the Share Award Regulations, etc., estimated amount of share award obligations at the end of the fiscal year under review is provided.

(4) Recognition of revenues and expenses

Regarding the construction business, the primary business of the Company, the Company recognizes revenue when control of promised goods or services is transferred to a customer.

The performance obligations for construction contracts in the construction business are mainly construction and delivery of buildings, etc. When control of goods or services is transferred over time, the Company applies the method of recognizing revenue over time as the performance obligations for goods or services are satisfied. The progress toward complete satisfaction of a performance obligation is measured based on the proportion of construction costs incurred by the end of the reporting period to the total expected construction costs.

In some circumstances such as the first stage of a contract, the Company may not be able to reasonably measure the progress toward complete satisfaction of a performance obligation but expects to recover the costs. In those circumstances, the Company applies the cost recovery method.

Regarding construction contracts whose periods are very short from the initial transaction date of the contract to the expected date of completely satisfying performance obligations, the Company does not recognize revenue over time, but recognizes revenue when the performance obligations are satisfied completely (the time of completing and delivering constructions).

(5) Hedge accounting method

In principle, the Company adopts the deferred hedge accounting. The Company adopts special treatment for interest rate swaps that meet the requirements for special treatment.

(6) Other significant matters serving as basis for preparation of the non-consolidated financial statements

(i) Accounting method for retirement benefits

In the balance sheet, unrecognized actual gains (losses) and unrecognized past service costs are accounted for in the different accounting treatment from the consolidated balance sheet.

(ii) Accounting policies and procedures adopted when the provisions of the relevant accounting standards are not clear

Accounting for works by joint ventures formed in order to take orders and carry out the works jointly with several constructors are incorporated in the non-consolidated financial statements according to the proportion of investment equities.

2. Notes on accounting estimates

Revenue recognition using the method to recognize revenue over time and provision for loss on construction contracts

(1) Amounts recorded in the non-consolidated financial statements for the fiscal year ended March 31, 2024

・ Net sales of completed construction contracts using the method to recognize revenue over time	¥263,935 million
・ Provision for loss on construction contracts	¥859 million

(2) Information about the contents of significant accounting estimates on the identified items

The information is the same as the nature of “2. Notes on accounting estimates” in the notes to the consolidated financial statements.

3. Additional information

Employee Share Award Plan

The information is the same as the nature of “3. Additional information” in the notes to the consolidated financial statements.

4. Notes to the balance sheet

(1) Assets pledged as collateral and obligations related to collateral

(i) The following assets are pledged as collateral for deposits received of ¥232 million.

Buildings	¥513 million
Land	¥679 million
Total	¥1,192 million

(ii) The following assets are pledged as collateral for construction assistance fund receivables based on building rental contracts of subsidiaries and associates.

Land	¥800 million

(iii) The following assets are pledged as collateral for the performance obligations of contracts and other obligations of the PFI business.

Investment securities	¥15 million

(iv) The following assets are pledged as collateral for borrowings of subsidiaries and associates.

Shares of subsidiaries and associates, investments in capital of subsidiaries and associates	¥1,536 million
Long-term loans receivable	¥3,000 million
"Other" under current assets (accounts receivable – other)	¥536 million

(v) The following assets are pledged as collateral for performance obligations of construction contracts, etc.

Cash and deposits (time deposits)	¥1,208 million

(2) Accumulated depreciation of property, plant and equipment ¥17,840 million

(3) Monetary claims and monetary liabilities on subsidiaries and associates

Short-term receivables from subsidiaries and associates	¥606 million
Short-term liabilities from subsidiaries and associates	¥3,374 million
Long-term receivables from subsidiaries and associates	¥8,886 million

(4) Amounts of receivables arising from contracts with customers and contract assets, out of accounts receivable from completed construction contracts

Accounts receivable from completed construction contracts	¥49,664 million
Contract assets	¥115,962 million

(5) Amount of costs on construction contracts in progress corresponding to provision for loss on construction contracts

Costs on construction contracts in progress related to construction contracts that are expected to incur losses as well as provision for loss on construction contracts are presented as is and are not offset. The amount corresponding to provision for loss on construction contracts was ¥1 million, out of costs on construction contracts in progress related to construction contracts that are expected to incur losses.

(6) Amount of contract liabilities out of advances received on construction contracts in progress

Contract liabilities	¥18,796 million

5. Notes to the statement of income

(1)	Net sales attributable to subsidiaries and associates	¥313 million
(2)	Purchase amount from subsidiaries and associates out of cost of sales	¥3,343 million
(3)	Transaction volume other than business transactions with subsidiaries and associates	¥588 million

(4) Revenue from contracts with customers

The Company does not disaggregate revenue from contracts with customers and other revenue. The amount of revenue from contracts with customers is as presented in "9. Notes on revenue recognition, (1) Disaggregation of revenue from contracts with customers."

(5)	Provision (reversal of provision) for loss on construction contracts out of cost of sales of completed construction contracts	¥(99) million
(6)	Total amount of research and development expenses	¥1,800 million

6. Notes to the statement of changes in equity

Type and number of treasury shares

Type of shares	Number of shares as of April 1, 2023	Increase in shares during the fiscal year under review	Decrease in shares during the fiscal year under review	Number of shares as of March 31, 2024
Common stock	1,860,310	278,378	301,279	1,837,409

Notes: 1. The number of treasury shares of common stock as of March 31, 2024 includes the Company's shares of 275,000 shares held by the trust account of the Employee Share Award Plan.

2. Detail of the increase in shares is as follows:

Acquisition without consideration of restricted shares under the Restricted Share Compensation Plan	666 shares
Purchase of fractional shares	2,712 shares
Acquisition of the Company's shares by the trust account of the Employee Share Award Plan	275,000 shares

3. Details of the decrease in shares are as follows:

Selling of fractional shares upon requests to add those shares to holdings	118 shares
Disposal of treasury shares for restricted share compensation	26,161 shares
Disposal of treasury shares through third party allotment resulting from the introduction of the Employee Share Award Plan	275,000 shares

7. Notes on tax effect accounting

The primary causes of recording deferred tax assets and deferred tax liabilities are as follows:

Deferred tax assets	
Loss on valuation of securities and other	¥2,290 million
Loss on valuation of inventories and other	¥1,209 million
Provision for bonuses	¥1,090 million
Allowance for doubtful accounts	¥647 million
Accounts payable for construction contracts and accrued expenses and other	¥389 million
Provision for loss on construction contracts	¥262 million
Other	¥578 million
Deferred tax assets (subtotal)	¥6,467 million
Valuation allowance	¥(4,402) million
Total deferred tax assets	¥2,065 million
Deferred tax liabilities	
Valuation difference on available-for-sale securities	¥(13,411) million
Reserve for tax purpose reduction entry of non-current assets	¥(1,635) million
Prepaid pension costs	¥(1,161) million
Other	¥(125) million
Total deferred tax liabilities	¥(16,333) million
Deferred tax liabilities (net)	¥(14,267) million

8. Notes on transactions with related parties
Subsidiaries, associates, and others

Type	Name of company	Ownership ratio of voting rights	Related details	Transaction details	Transaction amount	Item	Ending balance
Subsidiary	Taihei Real Estate Corporation	Direct ownership 100%	Financial support	Loan and repayment of funds	¥279 million	Long-term loans receivable	¥4,090 million
				Interest received	¥66 million	–	–
Subsidiary	ISHIKARI BIO ENERGY GODO KAISHA	Direct ownership 50%	Provision of collateral	Provision of collateral	¥18,123 million	–	–

Notes: 1. An interest rate related to the lending of funds is determined reasonably in light of market interest rates. Collaterals are not received. In addition, transaction amounts are stated on a net basis.
2. The Company's investment in capital of, and loans to, ISHIKARI BIO ENERGY GODO KAISHA are pledged as collateral for the company's borrowings from financial institutions. The transaction amount represents the balance of the company's borrowings from the financial institutions.

9. Notes on revenue recognition
(1) Disaggregation of revenue from contracts with customers

(Millions of Yen)

		Domestic government and municipal offices	Domestic private sector	Overseas	Total
Net sales of completed construction contracts	Revenue from contracts with customers	84,579	174,841	8,918	268,340
	Other revenue	–	–	–	–
Net sales of real estate investment, development business and other	Revenue from contracts with customers	89	2,264	–	2,353
	Other revenue	–	–	–	3,765

(2) Underlying information in understanding revenue
The information is as presented in "1. Notes on Significant Matters Serving as Basis for Preparation of Consolidated Financial Statements, etc., (3) Accounting policies, (iv) Recognition of significant revenues and expenses" of the notes to the consolidated financial statements.

10. Notes on per share information
(1) Net assets per share ¥4,890.84
Note: For the purpose of determining the amount of net assets per share, the Company's shares held by the trust account for the Employee Share Award Plan are included in treasury shares, which are to be deducted from the total number of shares issued at the end of the period. The number of the treasury shares at the end of the period is 1,837 thousand shares, of which the number of the Company's shares held by the trust account at the end of the period is 275 thousand shares.

(2) Profit per share ¥341.34
Note: For the purpose of determining the amount of profit per share, the Company's shares held by the trust account for the Employee Share Award Plan are included in treasury shares, which are to be deducted to calculate the average number of shares during the period. The average number of the treasury shares during the period is 1,845 thousand shares, of which the average number of the Company's shares held by the trust account during the period is 275 thousand shares.

11. Japanese yen amounts are rounded down to the nearest million.