Okumura Corporation
Annual Report 2022

奥村組
OKUMURA CORPORATION

OKUMURA CORPORATION

Profile

Since Okumura was established in 1907, our mission has been to contribute to society through our business under our corporate mottos, "steadfast management" and "sincere operation."

We will continue to accumulate a wealth of technical expertise and, as a general contractor company with a harmonious mix of civil engineering and architectural construction, make steady strides forward in our aim to realize comfortable, safe and secure lives for people, and a sustainable society as well.

Contents

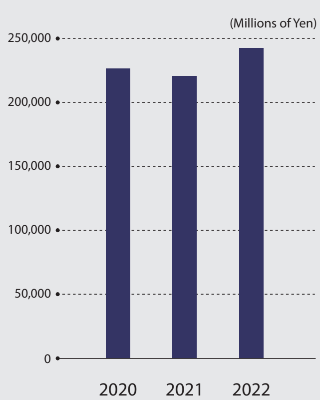
Financial Highlights

For the years ended March 31	2020	2021	**2022**	**2022**
Consolidated:		Millions of Yen		Thousands of U.S. Dollars
Net sales	¥226,372	¥220,712	**¥242,459**	**$1,980,709**
Operating income	11,517	12,880	**12,647**	**103,317**
Net income attributable to owners of the parent	9,796	10,285	**12,542**	**102,456**
Total assets	294,919	329,005	**332,349**	**2,715,044**
Total equity	156,112	167,964	**167,425**	**1,367,742**
Per Share:		Yen		U.S. Dollars
Basic net income	¥258.01	¥271.90	**¥334.11**	**$2.73**
Cash dividends applicable to the year	143.00	140.00	**172.00**	**1.41**

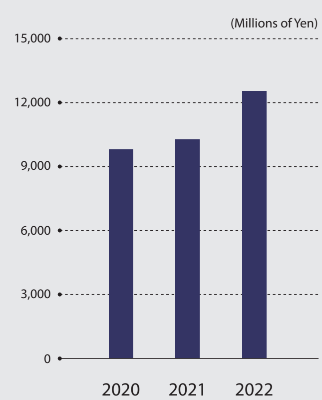
*"Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29, March 31, 2020), etc. have been applied from the beginning of the fiscal period of March 2022. Accordingly, the summaries of business results for the fiscal period of March 2022 represent performance results after applying the said accounting standards, etc.

Note: The U.S. dollar amounts included herein are presented solely for convenience of the reader. Such dollar amounts have been translated from yen at the approximate exchange rate in Tokyo on March 31, 2022, of ¥122.41=$1.

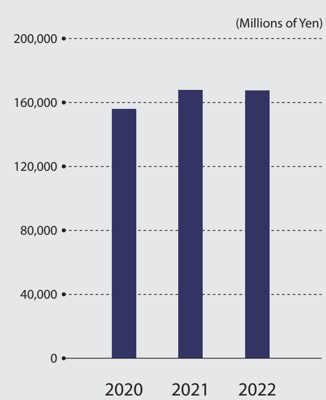
Net Sales



Net income attributable to owners of the parent



Total Equity



Disclaimer Regarding Forecasts and Projections

This Annual Report includes forecasts, projections and other predictive statements that represent Okumura's assumptions and expectations in light of currently available information. These forecasts, etc., are based on industry trends, circumstances involving clients and other factors, and involve risks, variables and uncertainties. The Okumura Group's actual performance results may differ from those projected in this Annual Report. Consequently, no guarantee is presented or implied as to the accuracy of specific forecasts, projections or predictive statements contained herein.

To Our Shareholders

We would like to thank our shareholders for their continuing support and encouragement and wish each one of them the greatest success in their endeavors.

A general overview of our business performance for the fiscal period of March 2022 (April 1, 2021 to March 31, 2022) is provided below.

Results for the Year Ended March 31, 2022

During the period under review, the Japanese economy continued to seesaw under the effects of the novel coronavirus (COVID-19), with progress made in the roll-out of vaccines on the one hand, while new variants spread on the other. Amid this, the deterioration of the situation in Ukraine and other factors contributed to an even greater sense of uncertainty. In this climate, although a certain robustness in construction investment was maintained thanks in part to various forms of policy support, increased competition for orders and the skyrocketing prices of steel and other materials added to the severe business environment in the construction industry.

In these circumstances, mainly due to increases in the construction business, the Company's consolidated net sales increased 9.9% year on year to ¥242,459 million, which led to an increase of 1.1% year on year in consolidated gross profit to ¥31,838 million. Consolidated operating income decreased 1.8% year on year to ¥12,647 million, primarily due to increases in selling, general and administrative expenses, but net income attributable to owners of the parent increased 21.9% year on year to ¥12,542 million, mainly due to an increase in gain on sale of investment securities.

Dividend for the Year Ended March 31, 2022

The Company decided to pay a dividend of ¥172.00 per share (interim dividend of ¥65.00, year-end dividend of ¥107.00) for the period ended March 31, 2022 based on its basic policy regarding profit sharing.

The Company has reviewed its shareholder return policy for next fiscal year and beyond due to the need to balance active investments for the realization of its "Vision toward 2030" with steady profit sharing with our shareholders.

Medium Term Business Plan

The outlook for the Japanese economy is expected to follow a moderate path to recovery, underpinned by policy support measures, albeit it with some fluctuation caused by the impact of COVID-19. However, the sense of uncertainty due to the course of the pandemic and geopolitical risks remains strong, and the

unpredictable situation is likely to continue. In the construction industry, construction investment is expected to remain firm, particularly in the public sector, but there are concerns about even further rises in construction costs, and the business environment is likely to become even more severe.

Under these circumstances, the Okumura Group will continue to contribute to the sustainable development of society through the long-term continuation of our business into the future, amid accelerating changes in the business environment and increasingly diverse social needs. As the second step toward the realization of our "Vision toward 2030," we have formulated our Medium Term Business Plan (FY2022-FY2024). While following the same basic policies for business strategies upheld in the previous Medium Term Management Plan, we intend to deepen the efforts we have made to date even further.

Specifically, we will pursue the "enhancement of corporate value" by improving our productivity and technological advantage through operational reforms and the promotion of strategic technological developments and digital transformation (DX), and the reinforcement of ESG/SDG initiatives, as well as the "expansion of business domains" by further expanding our real estate business and new businesses and building the foundations for our overseas business. Further, we will continue with our efforts to "leverage our human resources" by promoting work style reform, giving our diverse people, who underpin our business strategies, the opportunity to flourish, and promoting initiatives to strengthen staff education.

Under the Medium Term Business Plan, we will undertake initiatives for business activities and ESG/SDGs by reflecting measures to solve sustainability-related issues in the Plan. We declared our endorsement of the Task Force on Climate-Related Financial Disclosures (TCFD) in April 2022, and we will further strengthen our efforts toward the realization of a sustainable society.

The Company looks forward to the continued support and guidance of our shareholders.

June 2022

T. Okumura

Takanori Okumura
President and Representative Director

Review of Operations

CIVIL ENGINEERING

Major Projects Completed

Hirayama Elevated Bridge on the Kyushu Shinkansen Bullet Train's West Kyushu Route

Work period: January 2017 to May 2021
Bridge length (5 RC girders): 75 m
Elevated bridge length: 476 m (5-grider rigid-frame elevated bridge: 210 m, 18-girder elevated bridge: 266 m)

Hokuriku Shinkansen Bullet Train's Shin-Hokuriku Tunnel (Kashimagari), etc.

Work period: March 2016 to November 2021
Tunnel: 2,130 m, NATM, inclined shaft: 284 m, 1 reinforced soil abutment, subgrade: 47 m, buffer work: 1 set

Expansion Work of the Heisaka Final Disposal Site

Work period: October 2017 to June 2021
Expansion of final disposal site, land development of the new landfill site, (cut and fill volume of 805,361 m^3 and foundation work over existing waste), expansion of disaster prevention reservoir (retaining wall work, revetment work, etc.), rainwater drainage work (rainwater drainage gutter, pipe and culvert work, and slope drainage work), road construction (cut volume: 97,292 m^3, fill volume: 23,218 m^3), collection and drainage pipework (groundwater drainage piping, leakage collection and drainage piping), work on leachate treatment facility (concrete water tank volume: 14,061 m^3, plant construction: 1 set), leakage containment work

Construction Work of Joint General Final Disposal Site

Work period: August 2019 to February 2022
Area of project zone: approximately 69,000 m^2, development area: approximately 38,000 m^2, land development work, storage structure work, insulation facility work, leakage containment work, groundwater collection and drainage work, work on leachate water collection and drainage facility, bottom surface protective soil, work on flood control reservoir, work on rainwater collection and drainage facility, road facility work, gate and enclosure work, work on leachate treatment facility, etc.

Orders Received

North Part of Tokai-Kanjo Expressway's Yoro Tunnel

Work period: August 2021 to November 2025
Construction length: 2,665 m on north side of the total 4,730 m

Fukushima Sendatsuyama Solar Power Plant

Work period: November 2021 to July 2024
Development area: 97.2 ha, land development area: 57.6 ha, reservoirs: 4, cut volume: 4,280,000 m^3, fill volume: 4,620,000 m^3

Taiwan Power Company's Tunnel from Datan to Meihu (2nd Work Area)

Work period: June 2021 to November 2024
Construction length: 1,890 m, finished internal diameter: 3.9 m, TBM: 1 machine, launching and retrieval shafts, soil improvement: 1 set

FY 2021 Bridge Substructure Work of South Part of Sasebo Elevated Bridge on Sasebo Road

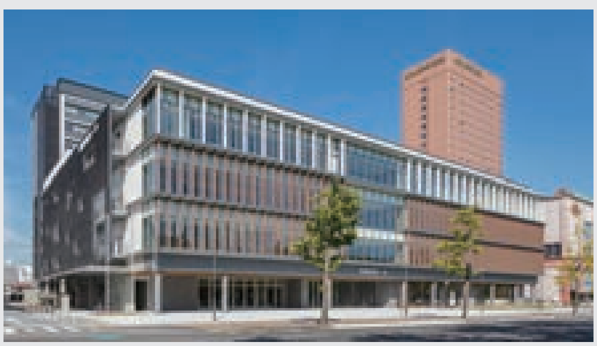
Work period: February 2022 to August 2024
10 bridge piers, foundation work (offshore: 4 steel pipe sheet-pile foundations, overland: 2 caisson piles)

BUILDINGS

Major Projects Completed

Landport Koshigaya
Work period: February 2019 to May 2021
Structure: RC and steel
Total floor space: 31,980.95 m^2

Manazuru-kai Medical Corporation's Kokura Daiichi Hospital
Work period: May 2020 to September 2021
Structure: steel
Total floor space: 13, 697.86 m^2



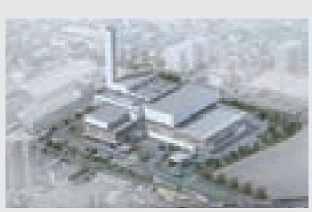
Wakayama-Jo Hall
Work period: July 2019 to December 2021
Structure: SRC (partially steel and RC)
Total floor space: 14,279.86 m^2

Toyoshikidai Apartment Complex
Work period: February 2020 to February 2022
Structure: RC
Stories above ground: 8
Total units: 142

Orders Received

GLP ALFALINK Nagareyama 5th and 6th Projects
Work period: May 2021 to January 2023
Structure: PC and steel
Total floor space: 225,301.42 m^2

Development/operation project for cross-jurisdictional combustible waste treatment facility in Okayama City
Work period: March 2022 to March 2027
Structure: Steel, SRC and RC
Total floor space: 9,269.5 m^2



New Building of Setsunan University's Neyagawa Campus
Work period: August 2021 to January 2023
Structure: Steel
Total floor space: 12,159 m^2

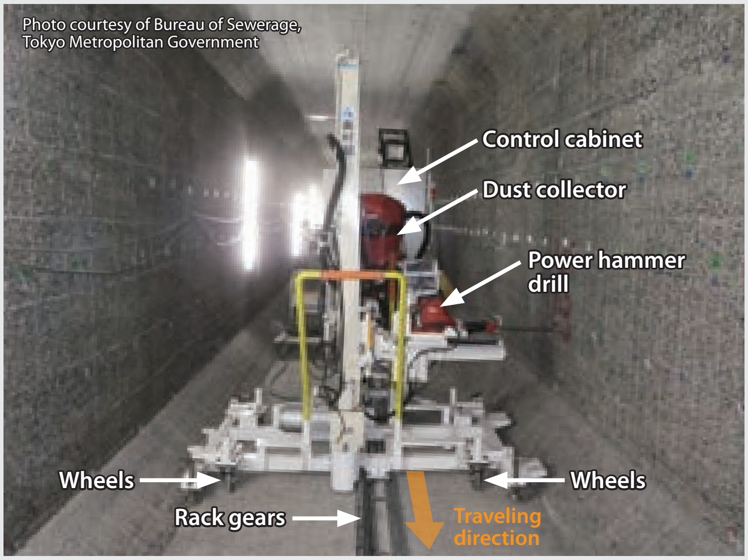
New Building of Sano City Hospital
Work period: March 2022 to February 2024
Structure: Steel
Total floor space: 9,567.92 m^2

Improvement of Automatic Drilling System for Small-diameter Holes, and its Application to Actual Construction Work

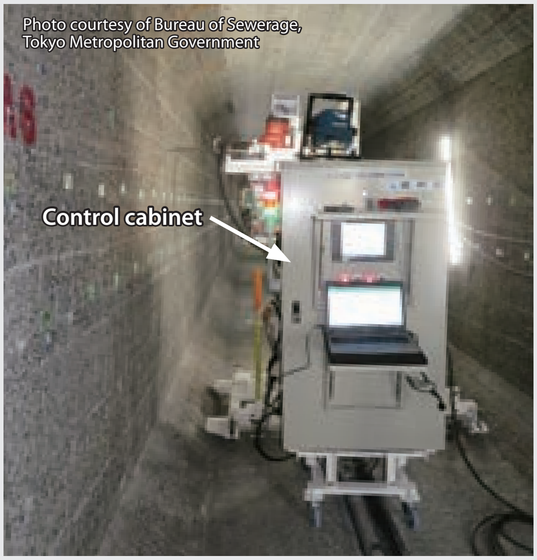
Okumura has improved an automatic drilling system for small-diameter holes, which it had developed to reduce labor and improve efficiency in drilling work of the wall expansion method using post-construction anchors, a method for reinforcing existing RC structures, and used it for an actual construction project for the first time. The Company confirmed that the system has the prescribed performance.

The conventional system has been modified with a motor that drives the system along a floor-mounted rack gear rail, making it possible to automate the entire process from moving to the drilling position to drilling according to the drilling plan (drilling position, depth, and number of holes to be drilled). The Company applied this to an actual construction project and confirmed that the system can drill approximately 400 holes in two days (approximately 200 holes for each diameter) according to a set drilling plan and automatically record the construction data.

Going forward, Okumura will actively propose this system as a technology that contributes to labor-saving and improved efficiency in reinforcement work of existing RC structures, as well as to improve productivity through mechanization and automation at construction sites.



Automatic Drilling System for Small-diameter Holes



Automatic drilling in action

Demonstration Started for Japanese Puffer Aquaculture (Closed Land-based Recirculating Aquaculture)

To enter the closed recirculating land-based aquaculture business, notable for its small environmental footprint and location independence, Okumura has constructed a land-based farming experiment building equipped with two 20-ton cultivating tanks and four 4-ton cultivating tanks within the Okumura Technical Research Institute in Tsukuba City, Ibaraki. We have started demonstration on land-based aquaculture technology.

The 20-ton tanks are designed for comparative verification of different filtration systems, with the first experiment being a comparative growth experiment on Japanese puffers. The 4-ton tanks are designed for multi-purpose use, such as aquaculture experiments of various fish species. Each tank is equipped with a system that constantly monitors and records the state of the tank with sensors for water quality and oxygen concentration, as well as surveillance cameras. The system also has an alert feature that enables immediate response in the event of power outages or water quality problems.

Through these demonstration experiments, we will verify the feasibility of commercialization and aim at establishing water purification technology that can provide synergies with its core business.

Okumura will continue to promote not only the establishment of water purification technology and a sustainable aquaculture business, but also job creation and industrial development in regional areas, to ensure both the safe and secure life of people and preservation of a beautiful, rich marine environment, and ultimately, to achieve SDG number 14, "Life below water."

Inside of the land-based aquaculture experiment building

Japanese puffer breeding

Works of Paralym Artists Displayed at Offices and Construction Sites Around Japan

As part of its efforts to contribute to the SDGs, Okumura has signed an official partnership agreement with the Minato-ku, Tokyo-based Shogaisha Jiritsu Suishin Kikou Association (Representative Director: Ryo Nakai) to support people with disabilities to live independent lives through the organization's Paralym Art program. Works created by artists with disabilities who are registered with Paralym Art are displayed at 30 locations around Japan, including Okumura's offices and on temporary fencing at its construction sites.

We will continue to help people with disabilities participate in society and gain financial independence through our ongoing support of this program.

Paralym Art (Shogaisha Jiritsu Suishin Kikou Association)

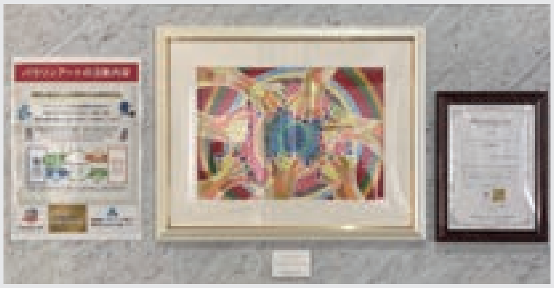
Paralym Art is a program for artists with disabilities that was launched in 2007. Its philosophy is to create a world where people with disabilities can make their dreams come true with art. It has around 710 registered artists (as of March 2022) all over Japan and undertakes initiatives with more than 200 companies every year.

Official website: https://paralymart.or.jp/association/

Paralym Art works on display

Railway construction site (Miyagi Prefecture)

Condominium construction site (Tokyo)



Tokyo Head Office (Tokyo)

Construction site of a local government building (Kagoshima Prefecture)

Sponsorship of Osaka Women's Marathon

Okumura sponsored the 41st Osaka Women's Marathon held on January 30, 2022. The Company has supported female athletes as a sponsor of this event since 2018 because we empathize with the athletes, as we identify the images of the athletes dedicated to the race with those of our own employees determined to work on a construction project to achieve the goal of successful completion by overcoming difficulties with supports from various people. Another reason is the Company's efforts to contribute to its hometown of Osaka and to promote the participation and advancement of women through its business. Through its ongoing sponsorship of the Osaka Women's Marathon, the Company will continue to bring excitement to the streets of Osaka and to support female athletes as they take flight from Osaka out into the world.

Photo courtesy: SANKEI SHIMBUN CO., LTD.

Consolidated Balance Sheet

Okumura Corporation and Consolidated Subsidiaries
March 31, 2022

ASSETS	Millions of Yen 2022	2021	Thousands of U.S. Dollars (Note 1) 2022
Current assets:			
Cash and cash equivalents (Note 14)	**¥ 31,622**	¥ 20,130	**$ 258,330**
Time deposits (Notes 14 and 16)	**1,534**	1,483	**12,531**
Marketable securities (Notes 4 and 14)	**—**	123	**—**
Receivables:			
Trade notes (Note 14)	**1,723**	5,547	**14,076**
Trade accounts (Note 14)	**133,967**	137,249	**1,094,412**
Unconsolidated subsidiaries and associated companies (Note 14)	**6,618**	661	**54,066**
Other	**10,030**	10,670	**81,935**
Allowance for doubtful receivables (Note 14)	**(152)**	(153)	**(1,243)**
Inventories (Note 5)	**5,466**	9,942	**44,649**
Prepaid expenses and other	**1,207**	1,443	**9,861**
Total current assets	**192,015**	187,095	**1,568,617**
Property, plant and equipment (Notes 6 and 7)**:**			
Land (Note 16)	**34,667**	34,406	**283,203**
Buildings and structures (Note 16)	**15,273**	15,760	**124,768**
Machinery and equipment	**807**	1,264	**6,591**
Furniture and fixtures	**387**	415	**3,163**
Lease assets (Note 13)	**2**	2	**17**
Construction in progress	**22,240**	15,968	**181,687**
Total property, plant and equipment	**73,376**	67,815	**599,429**
Investments and other assets:			
Investment securities (Notes 4, 14 and 16)	**56,415**	67,127	**460,868**
Investments in and advances to unconsolidated subsidiaries and associated companies (Notes 14 and 16)	**318**	329	**2,596**
Long-term loans receivable (Note 14)	**14**	16	**115**
Asset for retirement benefits (Note 8)	**5,077**	4,974	**41,475**
Deferred tax assets (Note 10)	**3**	4	**27**
Goodwill	**408**	438	**3,335**
Other assets	**6,679**	3,176	**54,563**
Allowance for doubtful receivables (Note 14)	**(1,956)**	(1,969)	**(15,981)**
Total investments and other assets	**66,958**	74,095	**546,998**
Total	**¥332,349**	¥329,005	**$2,715,044**

See notes to consolidated financial statements.

LIABILITIES AND EQUITY	Millions of Yen 2022	Millions of Yen 2021	Thousands of U.S. Dollars (Note 1) 2022
Current liabilities:			
Short-term bank loans including current portion of long-term debt (Notes 7, 13 and 14)	**¥ 9,481**	¥ 7,460	**$ 77,452**
Payables:			
Trade notes (Note 14)	**2,460**	1,949	**20,093**
Trade accounts (Note 14)	**48,869**	45,090	**399,226**
Other	**575**	942	**4,696**
Advances received on construction projects in progress	**11,537**	15,713	**94,248**
Income taxes payable	**1,656**	4,523	**13,530**
Allowance for warranty work on construction projects	**540**	462	**4,412**
Allowance for losses on construction contracts	**973**	863	**7,952**
Deposits received (Note 16)	**25,610**	24,562	**209,219**
Suspense receipt of consumption taxes	**18,051**	16,119	**147,461**
Other	**7,059**	6,498	**57,664**
Total current liabilities	**126,811**	124,181	**1,035,953**
Long-term liabilities:			
Long-term debt (Notes 7, 13,14 and 15)	**5,114**	7,115	**41,775**
Non-recourse loans (Notes 7, 14, 15 and 16)	**21,063**	16,228	**172,066**
Deferred tax liabilities (Note 10)	**11,659**	12,431	**95,243**
Other	**277**	1,086	**2,265**
Total long-term liabilities	**38,113**	36,860	**311,349**
Total liabilities	**164,924**	161,041	**1,347,302**
Commitments and contingent liabilities (Note 16)			
Equity (Notes 9, 17 and 18)**:**			
Common stock			
authorized, 96,000,000 shares; issued, 39,665,226 shares	**19,839**	19,839	**162,069**
Capital surplus	**26,240**	26,240	**214,365**
Retained earnings	**101,711**	95,460	**830,901**
Treasury stock—at cost			
2,892,468 shares in 2022 and 1,838,723 shares in 2021	**(8,062)**	(4,637)	**(65,860)**
Accumulated other comprehensive income (loss):			
Unrealized gain on available-for-sale securities	**24,666**	30,958	**201,500**
Deferred gain (loss) on hedges	**1,099**	(475)	**8,980**
Defined retirement benefit plans	**1,465**	1,753	**11,969**
Total	**27,230**	32,236	**222,449**
Noncontrolling interests	**467**	(1,174)	**3,818**
Total equity	**167,425**	167,964	**1,367,742**
Total	**¥332,349**	¥329,005	**$2,715,044**

Consolidated Statement of Income

Okumura Corporation and Consolidated Subsidiaries
Year Ended March 31, 2022

	Millions of Yen 2022	Millions of Yen 2021	Thousands of U.S. Dollars (Note 1) 2022
Net sales	**¥242,459**	¥220,712	**$1,980,709**
Cost of sales	**210,621**	189,232	**1,720,616**
Gross profit	**31,838**	31,480	**260,093**
Selling, general and administrative expenses (Note 12)	**19,191**	18,600	**156,776**
Operating income	**12,647**	12,880	**103,317**
Other income (expenses):			
Interest and dividend income	**1,240**	1,213	**10,131**
Interest expense	**(394)**	(366)	**(3,215)**
Gain on sale of investment securities	**3,201**	429	**26,148**
Other—net	**508**	744	**4,148**
Other income —net	**4,555**	2,020	**37,212**
Income before income taxes	**17,202**	14,900	**140,529**
Income taxes (Note 10)**:**			
Current	**4,225**	5,802	**34,513**
Deferred	**964**	(550)	**7,875**
Total income taxes	**5,189**	5,252	**42,388**
Net income	**12,013**	9,648	**98,141**
Net loss attributable to noncontrolling interests	**(529)**	(637)	**(4,315)**
Net income attributable to owners of the parent	**¥ 12,542**	¥ 10,285	**$ 102,456**

	Yen 2022	Yen 2021	U.S. Dollars (Note 1) 2022
Per share of common stock (Notes 2.p and 18)**:**			
Basic net income	**¥ 334.11**	¥ 271.90	**$ 2.73**
Cash dividends applicable to the year	**172.00**	140.00	**1.41**

See notes to consolidated financial statements.

Consolidated Statement of Comprehensive Income

Okumura Corporation and Consolidated Subsidiaries
Year Ended March 31, 2022

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2022	2021	**2022**
Net income	**¥12,013**	¥ 9,648	**$ 98,141**
Other comprehensive income (loss) (Note 17)**:**			
Unrealized gain (loss) on available-for-sale securities	**(6,292)**	7,724	**(51,401)**
Deferred gain (loss) on hedges	**3,149**	(1,043)	**25,724**
Defined retirement benefit plans	**(287)**	388	**(2,348)**
Total other comprehensive income (loss)	**(3,430)**	7,069	**(28,025)**
Comprehensive income	**¥ 8,583**	¥16,717	**$ 70,116**
Total comprehensive income (loss) attributable to:			
Owners of the parent	**¥ 7,537**	¥17,876	**$ 61,569**
Noncontrolling interests	**1,046**	(1,159)	**8,547**

See notes to consolidated financial statements.

Consolidated Statement of Changes in Equity

Okumura Corporation and Consolidated Subsidiaries
Year Ended March 31, 2022

	Thousands	Millions of Yen								
						Accumulated other comprehensive income (loss)				
	Number of shares of common stock outstanding	Common stock	Capital surplus	Retained earnings	Treasury stock	Unrealized gain on available-for-sale securities	Deferred gain (loss) on hedges	Defined retirement benefit plans	Noncontrolling interests	Total equity
BALANCE, APRIL 1, 2020	37,828	¥19,839	¥26,248	¥105,554	¥(19,761)	¥23,234	¥ 46	¥1,365	¥ (413)	¥156,112
Net income attributable to owners of the parent	—	—	—	10,285	—	—	—	—	—	10,285
Cash dividends, ¥139 per share	—	—	—	(5,258)	—	—	—	—	—	(5,258)
Purchase of treasury stock	(1)	—	—	—	(5)	—	—	—	—	(5)
Disposal of treasury stock	0	—	(0)	—	0	—	—	—	—	0
Cancellation of treasury stock*	—	—	(8)	(15,121)	15,129	—	—	—	—	—
Net change in the year	—	—	—	—	—	7,724	(521)	388	(761)	6,830
BALANCE, MARCH 31, 2021 (APRIL 1, 2021, as previously reported)	37,827	19,839	26,240	95,460	(4,637)	30,958	(475)	1,753	(1,174)	167,964
Cumulative effect of accounting change	—	—	—	64	—	—	—	—	—	64
BALANCE, APRIL 1, 2021 (as restarted)	**37,827**	**19,839**	**26,240**	**95,524**	**(4,637)**	**30,958**	**(475)**	**1,753**	**(1,174)**	**168,028**
Net income attributable to owners of the parent	**—**	**—**	**—**	**12,542**	**—**	**—**	**—**	**—**	**—**	**12,542**
Cash dividends, ¥168 per share	**—**	**—**	**—**	**(6,355)**	**—**	**—**	**—**	**—**	**—**	**(6,355)**
Purchase of treasury stock	**(1,054)**	**—**	**—**	**—**	**(3,425)**	**—**	**—**	**—**	**—**	**(3,425)**
Disposal of treasury stock	**0**	**—**	**0**	**—**	**0**	**—**	**—**	**—**	**—**	**0**
Net change in the year	**—**	**—**	**—**	**—**	**—**	**(6,292)**	**1,574**	**(288)**	**1,641**	**(3,365)**
BALANCE, MARCH 31, 2022	**36,773**	**¥19,839**	**¥26,240**	**¥101,711**	**¥ (8,062)**	**¥24,666**	**¥1,099**	**¥1,465**	**¥ 467**	**¥167,425**

	Thousands of U.S. Dollars(Note 1)								
					Accumulated other comprehensive income (loss)				
	Common stock	Capital surplus	Retained earnings	Treasury stock	Unrealized gain on available-for-sale securities	Deferred gain (loss) on hedges	Defined retirement benefit plans	Noncontrolling interests	Total equity
BALANCE, MARCH 31, 2021 (APRIL 1, 2021, as previously reported)	$162,069	$214,364	$779,839	$(37,878)	$252,901	$(3,882)	$14,318	$(9,588)	$1,372,143
Cumulative effect of accounting change	—	—	520	—	—	—	—	—	520
BALANCE, APRIL 1, 2021 (as restarted)	**162,069**	**214,364**	**780,359**	**(37,878)**	**252,901**	**(3,882)**	**14,318**	**(9,588)**	**1,372,663**
Net income attributable to owners of the parent	**—**	**—**	**102,456**	**—**	**—**	**—**	**—**	**—**	**102,456**
Cash dividends, $1.37 per share	**—**	**—**	**(51,914)**	**—**	**—**	**—**	**—**	**—**	**(51,914)**
Purchase of treasury stock	**—**	**—**	**—**	**(27,984)**	**—**	**—**	**—**	**—**	**(27,984)**
Disposal of treasury stock	**—**	**1**	**—**	**2**	**—**	**—**	**—**	**—**	**3**
Net change in the year	**—**	**—**	**—**	**—**	**(51,401)**	**12,862**	**(2,349)**	**13,406**	**(27,482)**
BALANCE, MARCH 31, 2022	**$162,069**	**$214,365**	**$830,901**	**$(65,860)**	**$201,500**	**$ 8,980**	**$11,969**	**$ 3,818**	**$1,367,742**

See notes to consolidated financial statements.
*The Company cancelled some treasury stock (6 million shares) on June 5, 2020.

Consolidated Statement of Cash Flows

Okumura Corporation and Consolidated Subsidiaries
Year Ended March 31, 2022

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2022	2021	**2022**
Operating activities:			
Income before income taxes	**¥17,202**	¥ 14,900	**$140,529**
Adjustments for:			
Income taxes—paid	**(6,994)**	(3,284)	**(57,138)**
Depreciation and amortization	**1,804**	1,777	**14,735**
Amortization of goodwill	**30**	30	**243**
Changes in assets and liabilities:			
Decrease (increase) in trade notes and accounts receivable	**1,125**	(21,673)	**9,194**
Decrease in accumulated costs of construction projects in progress	**2,261**	536	**18,473**
Decrease (increase) in other inventories	**2,215**	(211)	**18,099**
Increase (decrease) in trade notes and accounts payable	**4,932**	(776)	**40,292**
Increase (decrease) in advances received on construction projects in progress	**(4,176)**	3,114	**(34,117)**
Increase in asset for retirement benefits	**(517)**	(347)	**(4,226)**
Other—net	**407**	5,958	**3,326**
Total adjustments	**1,087**	(14,876)	**8,881**
Net cash provided by operating activities	**18,289**	24	**149,410**
Investing activities:			
Net decrease in time deposits	**39**	523	**319**
Payments for purchases of securities	**(136)**	(111)	**(1,111)**
Proceeds from sales of securities	**5,192**	1,082	**42,415**
Purchases of property, plant and equipment and intangible assets	**(7,912)**	(10,507)	**(64,636)**
Proceeds from sales of property, plant and equipment and intangible assets	**1**	4	**4**
Collection of loans receivable	**35**	151	**289**
Other—net	**26**	(105)	**215**
Net cash used in investing activities	**(2,755)**	(8,963)	**(22,505)**
Financing activities:			
Decrease in short-term bank loans—net	**(31)**	(425)	**(252)**
Proceeds from long-term debt	**—**	1,100	**—**
Repayments of long-term debt	**(2)**	(1,102)	**(16)**
Proceeds from non-recourse loans	**4,927**	7,070	**40,251**
Repayments of non-recourse loans	**(93)**	(63)	**(759)**
Purchase of treasury stock	**(3,256)**	(5)	**(26,598)**
Disposal of treasury stock	**1**	0	**3**
Dividends paid	**(6,350)**	(5,249)	**(51,872)**
Proceeds from share issuance to noncontrolling shareholders	**595**	398	**4,859**
Other—net	**(1)**	(1)	**(6)**
Net cash provided by (used in) financing activities	**(4,210)**	1,723	**(34,390)**
Foreign currency translation adjustments on cash and cash equivalents	**168**	88	**1,368**
Net increase (decrease) in cash and cash equivalents	**11,492**	(7,128)	**93,883**
Cash and cash equivalents, beginning of year	**20,130**	27,258	**164,447**
Cash and cash equivalents, end of year	**¥31,622**	¥ 20,130	**$258,330**

See notes to consolidated financial statements.

1. Basis of Presentation of Consolidated Financial Statements

The accompanying consolidated financial statements have been prepared in accordance with the provisions set forth in the Japanese Financial Instruments and Exchange Act and its related accounting regulations and in accordance with accounting principles generally accepted in Japan, which are different in certain respects as to the application and disclosure requirements of International Financial Reporting Standards.

In preparing these consolidated financial statements, certain reclassifications and rearrangements have been made to the consolidated financial statements issued domestically in order to present them in a form which is more familiar to readers outside Japan. In addition, certain reclassifications have been made in the 2021 consolidated financial statements to conform to the classifications used in 2022.

The consolidated financial statements are stated in Japanese yen, the currency of the country in which Okumura Corporation (the "Company") is incorporated and operates. The translations of Japanese yen amounts into U.S. dollar amounts are included solely for the convenience of readers outside Japan and have been made at the rate of ¥122.41 to $1, the approximate rate of exchange at March 31, 2022. Such translations should not be construed as representations that the Japanese yen amounts could be converted into U.S. dollars at that or any other rate.

2. Summary of Significant Accounting Policies

a. Consolidation — The consolidated financial statements as of March 31, 2022, include the accounts of the Company and its 4 (3 in 2021) significant subsidiaries (together, the "Group"). HIRATA BIO ENERGY GODO KAISHA was established on January 17, 2022 and newly consolidated for the year ended March 31, 2022.

Under the control and influence concepts, those companies in which the Company, directly or indirectly, is able to exercise control over operations are fully consolidated, and those companies over which the Group has the ability to exercise significant influence are accounted for by the equity method.

Investments in 9 (9 in 2021) unconsolidated subsidiaries and 6 (6 in 2021) associated companies are stated at cost. If the equity method of accounting had been applied to the investments in these companies, the effect on the accompanying consolidated financial statements would not be material.

The excess of the cost of acquisition over the fair value of the net assets of an acquired subsidiary at the date of acquisition is amortized over a period of 17 years.

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

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

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

Cash equivalents include time deposits, certificates of deposit and commercial paper, all of which mature or become due within 3 months of the date of acquisition.

d. Inventories — Construction projects in progress are stated at cost, determined by the specific identification method.

Real estate held for sale and development projects in progress are stated at the lower of cost, determined by the specific identification method, or net selling value, which is defined as the selling price less additional estimated manufacturing costs and estimated direct selling expenses.

e. Marketable and Investment Securities — Marketable and investment securities are classified and accounted for, depending on management's intent, as follows:

(1) held-to-maturity debt securities, for which there is a positive intent and ability to hold to maturity, are reported at amortized cost; and

(2) available-for-sale securities, which are not classified as held-to-maturity are reported at fair value, with unrealized gains and losses, net of applicable taxes, reported in a separate component of equity.

Nonmarketable available-for-sale securities, which do not have a market price, are stated at cost determined by the moving-average method. For other-than-temporary declines in fair value, investment securities are reduced to net realizable value by a charge to income.

Investments in limited partnerships, which are considered securities under Article 2, Clause 2 of the Japanese Financial Instruments and Exchange Act, are recorded under the equity method and based on the latest consolidated financial statements available on the reportable date ruled by the partnership contracts.

f. Property, Plant and Equipment — Property, plant and equipment are stated at cost. Depreciation, except for lease assets, is computed 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 and building improvements and structures acquired on or after April 1, 2016, and lease assets. The range of useful lives is principally from 3 to 60 years for buildings and structures, from 4 to 17 years for machinery and equipment, and from 2 to 15 years for furniture and fixtures. Lease assets under finance lease arrangements are depreciated using the straight-line method over the terms of the respective leases without any salvage value.

Accumulated depreciation totaled ¥18,144 million ($148,225 thousand) and ¥16,685 million as of March 31, 2022 and 2021, respectively.

g. Long-Lived Assets — The Group reviews its long-lived assets for impairment whenever events or changes in circumstance indicate the carrying amount of an asset or asset group may not be recoverable. An impairment loss is recognized if the carrying amount of an asset or asset group exceeds the sum of the undiscounted future cash flows expected to result from the continued use and eventual disposition of the asset or asset group. The impairment loss would be measured as the amount by which the carrying amount of the asset exceeds its recoverable amount, which is the higher of the discounted cash flows from the continued use and eventual disposition of the asset or the net selling price at disposition.

h. Allowance for Doubtful Receivables — The allowance for doubtful receivables is stated in amounts considered to be appropriate based on the Group's past credit loss experience and an evaluation of estimated losses in the receivables outstanding.

i. Allowance for Warranty Work on Construction Projects — The allowance for warranty costs for completed work is provided at the amount of warranty costs based on past loss experience.

j. Allowance for Losses on Construction Contracts — An allowance for losses on construction contracts is provided with respect to construction projects for which eventual losses are reasonably expected and estimated.

k. Employees' Retirement Benefits — The Company has a contributory funded pension plan covering substantially all of its employees.

The Company accounts for the liability for retirement benefits based on the projected benefit obligations and plan assets at the balance sheet date. The projected benefit obligations are attributed to periods on a benefit formula basis. Actuarial gains and losses and past service costs that are yet to be recognized in profit or loss are recognized within equity (accumulated other comprehensive income), after adjusting for tax effects, and are recognized in profit or loss over 10 years but no longer than the expected average remaining service period of the employees.

l. Asset Retirement Obligations — An asset retirement obligation is recorded for a legal obligation imposed either by law or contract that results from the acquisition, construction, development and normal operation of a tangible fixed asset and is associated with the retirement of such tangible fixed asset. The asset retirement obligation is recognized as the sum of the discounted cash flows required for the future asset retirement and is recorded in the period in which the obligation is incurred if a reasonable estimate can be made. If a reasonable estimate of the asset retirement obligation cannot be made in the period the asset retirement obligation is incurred, the liability should be recognized when a reasonable estimate of the asset retirement obligation can be made. Upon initial recognition of a liability for an asset retirement obligation, an asset retirement cost is capitalized by increasing the carrying amount of the related fixed asset by the amount of the liability. The asset retirement cost is subsequently allocated to expense through depreciation over the remaining useful life of the asset. Over time, the liability is accreted to its present value each period. Any subsequent revisions to the timing or the amount of the original estimate of undiscounted cash flows are reflected as an adjustment to the carrying amount of the liability and the capitalized amount of the related asset retirement cost.

m. Construction Contracts — Regarding the construction business, the primary business of the Group, the Group recognizes revenue when control of a promised good or service 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 a good or service is transferred to a customer over time, the Group recognizes revenue over time as the performance obligation is satisfied by transferring a promised good or service to a customer. 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, if the Group may not be able to reasonably measure the progress toward complete satisfaction of a performance obligation but expect to recover the costs, the Group 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 Group does not recognize revenue over time, but recognizes revenue when the performance obligations are satisfied completely (the time of completing and delivering constructions).

n. Income Taxes — The provision for income taxes is computed based on the 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 income tax rates to the temporary differences.

o. Derivatives and Hedging Activities — The Group uses derivative financial instruments to manage its exposures to fluctuations in foreign exchange and interest rates. Foreign currency forward contracts are utilized by the Group to reduce foreign currency exchange rate risks on foreign currency denominated trade payables for imported materials. In addition, interest rate swaps are utilized by the Group to reduce interest rate risks on long-term loans. The Group does not enter into derivatives for trading or speculative purposes.

Interest rate swaps that qualify for hedge accounting and meet specific matching criteria are not remeasured at market value, but the differential paid or received under the swap agreements is recognized and included in interest expense or income.

p. 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 is not disclosed because there are no securities with a dilutive effect upon exercise or conversion into common stock.

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

q. Accounting Policy Disclosures, Accounting Changes and Error Corrections — Under ASBJ Statement No. 24, "Accounting Standard for Accounting Policy Disclosures, Accounting Changes and Error Corrections," and ASBJ Guidance No. 24, "Guidance on Accounting Standard for Accounting Policy Disclosures, Accounting Changes and Error Corrections," accounting treatments are required as follows:

(1) Changes in Accounting Policies:
When a new accounting policy is applied following revision of an accounting standard, the new policy is applied retrospectively unless the revised accounting standard includes specific transitional provisions, in which case the entity shall comply with the specific transitional provisions.

(2) Changes in Presentation:
When the presentation of financial statements is changed, prior-period financial statements are reclassified in accordance with the new presentation.

(3) Changes in Accounting Estimates:
A change in an accounting estimate is accounted for in the period of the change if the change affects that period only, and is accounted for prospectively if the change affects both the period of the change and future periods.

(4) Corrections of Prior-Period Errors:
When an error in prior-period financial statements is discovered, those statements are restated.

r. Accounting policies and procedures which are 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.

s. Accounting Changes

Application of Accounting Standard for Revenue Recognition, etc.

The Group has applied ASBJ Statement No. 29, "Accounting Standard for Revenue Recognition" (March 31, 2020; hereinafter the "Revenue Recognition Standard") and others from the beginning of the fiscal year ended March 31, 2022. The Group recognizes revenue when control of promised goods or services is transferred to a customer in an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods and services.

Regarding the construction business, the primary business of the Group, the Company used to apply the percentage-of-completion method for works for which the outcome of the construction activity is deemed certain while applying the completed contract method for other construction contracts including those that were commenced before March 31, 2009. For the works whose control of goods or services is transferred to a customer over time, however, the Group has changed its method to recognize their 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 Group 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 Group applies the cost recovery method. The Group has applied an alternative treatment for construction contracts whose periods are very short from the initial transaction date of the contract to the expected date of completely satisfying performance obligations. Specifically, the Company does not recognize revenue for those contracts over time but recognizes revenue when the performance obligations are satisfied completely (the time of completing and delivering constructions).

The Group applies the Revenue Recognition Standard, etc. in accordance with the transitional treatment provided for in the proviso to Paragraph 84 of the Revenue Recognition Standard. The cumulative impact of retrospectively applying the new accounting policies to prior periods is adjusted to retained earnings at the beginning of the fiscal year ended March 31, 2022, with the new accounting policies applied from the beginning balance of the fiscal year ended March 31, 2022. However, the Group applies the method provided for in Paragraph 86 of the Revenue Recognition Standard and does not apply the new accounting policies retrospectively to contracts for which substantially all revenue amounts has been recognized prior to the beginning of the fiscal year ended March 31, 2022, in accordance with the previous treatment. In addition, applying the method stipulated in proviso (1) to Paragraph 86 of the Revenue Recognition Standard, contract modifications that occurred prior to the beginning of the fiscal year ended March 31, 2022 were accounted for based on the terms of the contract after reflecting all contract modifications, with the cumulative impact adjusted to retained earnings at the beginning of the fiscal year ended March 31, 2022.

As a result, these changes have had an immaterial impact on operating income, ordinary income, income before income taxes, and net assets per share and net income per share of the fiscal year ended March 31, 2022. Since cumulative effects are reflected on the net assets at the beginning of the fiscal year ended March 31, 2022, the beginning balance of retained earnings in the consolidated statement of changes in equity increased by ¥64 million ($520 thousand).

In accordance with the transitional measures set forth in Paragraph 89-3 of the Revenue Recognition Standard, a note on revenue recognition for the fiscal year ended March 31, 2021 is not stated.

Application of Accounting Standard for Fair Value Measurement, etc.

The Group has applied ASBJ Statement No. 30, "Accounting Standard for Fair Value Measurement" (July 4, 2019; hereinafter "Fair Value Measurement Standard"), etc. from the beginning of the fiscal year ended March 31, 2022, and will prospectively apply the new accounting policies stipulated by the Fair Value Measurement Standard, etc. in accordance with the transitional treatment provided 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). These changes do not affect the consolidated financial statements. In addition, the Group includes notes on fair value information by level within the fair value hierarchy under Note 14 "Financial Instruments and Related Disclosures."

However, in accordance with the transitional treatment set forth in paragraph 7-4 of the "Implementation Guidance on Disclosures of fair value of Financial Instruments" (ASBJ Guidance No. 19, July 4, 2019), the note does not include matters regarding the fiscal year ended March 31, 2021.

t. New Accounting Pronouncements

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

ASBJ Guidance No. 31 provided a treatment on the note regarding fair value measurement of investment trust and fair value of investments in partnerships recorded in a net amount of equity interests in the balance sheet.

The Group expects to apply the accounting standard and guidance for fiscal years beginning on or after April 1, 2022, but there is no impact on the consolidated financial statements.

u. Additional Information

Accounting Estimates on the Impact of COVID-19

The Group is responding to the COVID-19 pandemic through efforts to minimize the impact on its business activities and implements measures to prevent infection with a focus on avoiding the "Three Cs" (Closed spaces with poor ventilation, Crowded places with many people nearby and Close-contact setting such as close-range conversations). Measures include implementing remote working at offices across Japan and effective use of online meetings based on the policies and guidelines of national and local governments.

In this context, the Group expects the impact of the pandemic on the Group's business will be limited and there was no significant impact of COVID-19 on the accounting estimates for the fiscal year ended March 31, 2022.

It is uncertain when COVID-19 will be contained and any significant changes in the business environment due to the spread of COVID-19 might affect the accounting estimates in the following fiscal year onward.

3. Significant Accounting Estimates

Revenue Recognition over Time and Allowance for Losses on Construction Contracts

(1) Amounts recorded in the consolidated financial statements for the fiscal year ended March 31, 2022

	Millions of Yen		Thousands of U.S. Dollars
	2022	2021	**2022**
Construction revenues recognized over time	**¥226,012**	¥205,730	**$1,846,355**
Allowance for losses on construction contracts	**973**	863	**7,952**

*Construction revenues for the year ended March 31, 2021 were recorded by the percentage-of-completion method in accordance with ASBJ Statement No. 15, "Accounting Standard for Construction Contracts."

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

1) Calculation method

Construction revenues recognized over time are recognized by multiplying the total construction revenue by progress, which is estimated based on a proportion of construction costs incurred by the end of each reporting period to the estimated total construction costs.

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

2) Major assumptions

For example, in the event an agreement on consideration for changes in design or scope of a construction are 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 subcontract costs and individual risk factors associated with the progress of works.

These estimates and underlying assumptions are continuously reviewed.

3) Impact on consolidated financial statements for the following fiscal year

Any changes in major assumptions as of March 31, 2022 might affect construction revenue and allowance for losses on construction contracts for the following fiscal year.

4. Marketable and Investment Securities

Marketable and investment securities as of March 31, 2022 and 2021, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2022	2021	**2022**
Current:			
Government and corporate bonds	**¥—**	¥123	**$—**
Total	**¥—**	¥123	**$—**
Non-current:			
Marketable equity securities	**¥55,010**	¥65,634	**$449,393**
Non-marketable equity securities and other	**1,405**	1,493	**11,475**
Total	**¥56,415**	¥67,127	**$460,868**

The costs and aggregate fair values of marketable and investment securities at March 31, 2022 and 2021, were as follows:

	Millions of Yen			
March 31, 2022	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Securities classified as:				
Available-for-sale:				
Equity securities	¥20,940	¥34,126	¥56	¥55,010

	Millions of Yen			
March 31, 2021	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Securities classified as:				
Available-for-sale:				
Equity securities	¥22,773	¥42,883	¥22	¥65,634
Held-to-maturity:				
Debt securities	123	1	—	124

	Thousands of U.S. Dollars			
March 31, 2022	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Securities classified as:				
Available-for-sale:				
Equity securities	$171,064	$278,790	$461	$449,393

The information for available-for-sale securities which were sold during the years ended March 31, 2022 and 2021 is as follows:

	Millions of Yen		
March 31, 2022	Proceeds	Realized Gains	Realized Losses
Available-for-sale:			
Equity securities	¥5,045	¥3,201	¥—

	Millions of Yen		
March 31, 2021	Proceeds	Realized Gains	Realized Losses
Available-for-sale:			
Equity securities	¥663	¥429	¥—

March 31, 2022	Proceeds	Realized Gains	Realized Losses
	Thousands of U.S. Dollars		
Available-for-sale:			
Equity securities	$41,213	$26,148	$—

The impairment losses on unlisted available-for-sale equity securities for the year ended March 31, 2022, was ¥6 million ($50 thousand).

The impairment losses on listed available-for-sale equity securities for the year ended March 31, 2021, was ¥146 million.

5. Inventories

Inventories at March 31, 2022 and 2021, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2022	2021	**2022**
Construction projects in progress	**¥2,613**	¥4,874	**$21,344**
Real estate held for sale	**1,081**	715	**8,835**
Development projects in progress	**983**	3,376	**8,028**
Other	**789**	977	**6,442**
Total	**¥5,466**	¥9,942	**$44,649**

6. Investment Property

The Group owns certain rental properties such as residential buildings, warehouses, and land in Osaka and other areas. Some rental warehouses leased to third parties of which the Company utilizes a part are classified as rental properties in part.

The net of rental income and operating expenses for those rental properties was ¥3,173 million ($25,918 thousand) and ¥3,153 million for the years ended March 31, 2022 and 2021, respectively.

In addition, the carrying amounts, changes in such balances and market prices of such properties were as follows:

	Carrying Amount			Fair Value
	Millions of Yen			
	April 1, 2021	Increase/ Decrease	March 31, 2022	March 31, 2022
Rental properties	¥35,327	¥ (993)	¥34,334	¥64,839
Rental properties in part	1,175	(31)	1,144	2,026
Total	¥36,502	¥(1,024)	¥35,478	¥66,865

	Carrying Amount			Fair Value
	Millions of Yen			
	April 1, 2020	Increase/ Decrease	March 31, 2021	March 31, 2021
Rental properties	¥35,553	¥(226)	¥35,327	¥64,447
Rental properties in part	1,194	(19)	1,175	1,993
Total	¥36,747	¥(245)	¥36,502	¥66,440

	Carrying Amount			Fair Value
	Thousands of U.S. Dollars			
	April 1, 2021	Increase/ Decrease	March 31, 2022	March 31, 2022
Rental properties	$288,595	$(8,110)	$280,485	$529,690
Rental properties in part	9,597	(250)	9,347	16,547
Total	$298,192	$(8,360)	$289,832	$546,237

Notes:

(1) Carrying amount recognized in the consolidated balance sheets is net of accumulated depreciation and accumulated impairment losses, if any.

(2) Fair value of properties as of March 31, 2022 and 2021 is measured in accordance with real-estate appraisal performed by real-estate appraisers for primary properties. The amount measured by the Group is in accordance with its Real-Estate Appraisal Standard for other properties (including those measured using indicators).

7. Short-Term Bank Loans and Long-Term Debt

Short-term bank loans at March 31, 2022 and 2021, consisted of notes to banks and bank overdrafts. The annual interest rates applicable to the short-term bank loans ranged from 0.7% to 1.3% at March 31, 2022 and 0.7% to 1.0% at March 31, 2021.

Long-term debt at March 31, 2022 and 2021, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2022	2021	**2022**
Loans from banks and other financial institutions, due serially to 2037 with interest rates ranging from 0.5% to 6.0%			
Unsecured	**¥ 7,114**	¥ 7,116	**$ 58,116**
Non-recourse loans	**21,063**	16,228	**172,066**
Obligations under finance leases	**2**	2	**19**
Total	**28,179**	23,346	**230,201**
Less current portion	**(2,002)**	(3)	**(16,360)**
Long-term debt, less current portion	**¥26,177**	¥23,343	**$213,841**

Annual maturities of long-term debt, excluding finance leases (see Note 13), at March 31, 2022, were as follows:

Year Ending March 31	Millions of Yen	Thousands of U.S. Dollars
2023	¥ 2,002	$ 16,354
2024	7,280	59,467
2025	1,694	13,841
2026	2,714	22,173
2027	1,585	12,949
2028 and thereafter	12,902	105,398
Total	¥28,177	$230,182

Assets pledged as collateral for non-recourse debt

	Millions of Yen		Thousands of U.S. Dollars
	2022	2021	**2022**
Amount of business assets of a consolidated subsidiary engaged in renewable energy business pledged as collateral for non-recourse loans	**¥27,596**	¥17,163	**$225,440**

As is customary in Japan, the Company maintains 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 Group has never been requested to provide any additional collateral.

8. Employees' Retirement Benefits

Most of the employees of the Company are covered by a contributory trusted pension plan.

The Company has a cash balance plan (pension plan linked to the market interest rates) based on the Defined Benefit Corporate Pension Law.

(1) The changes in defined benefit obligations 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	**¥19,349**	¥19,619	**$158,067**
Current service costs	**1,187**	1,165	**9,698**
Interest costs	**97**	98	**790**
Actuarial losses (gains)	**13**	(21)	**105**
Benefits paid	**(752)**	(1,512)	**(6,140)**
Balance at end of year	**¥19,894**	¥19,349	**$162,520**

(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	**¥24,323**	¥23,687	**$198,700**
Expected return on plan assets	**219**	213	**1,788**
Actuarial gains	**158**	940	**1,289**
Contributions from the employer	**1,023**	995	**8,358**
Benefits paid	**(752)**	(1,512)	**(6,140)**
Balance at end of year	**¥24,971**	¥24,323	**$203,995**

(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**
Defined benefit obligation	**¥ 19,894**	¥ 19,349	**$ 162,520**
Plan assets	**(24,971)**	(24,323)	**(203,995)**
Total	**(5,077)**	(4,974)	**(41,475)**
Unfunded defined benefit obligation	**—**	—	**—**
Net asset arising from defined benefit obligation	**¥ (5,077)**	¥ (4,974)	**$ (41,475)**

	Millions of Yen		Thousands of U.S. Dollars
	2022	2021	**2022**
Asset for retirement benefits	**¥ (5,077)**	¥ (4,974)	**$ (41,475)**
Net asset arising from defined benefit obligation	**¥ (5,077)**	¥ (4,974)	**$ (41,475)**

(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 costs	**¥ 1,187**	¥ 1,165	**$ 9,698**
Interest costs	**97**	98	**790**
Expected return on plan assets	**(219)**	(213)	**(1,788)**
Recognized actuarial gains	**(522)**	(366)	**(4,266)**
Amortization of past service costs	**(37)**	(37)	**(302)**
Net periodic benefit costs	**¥ 506**	¥ 647	**$ 4,132**

(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**
Actuarial gains (losses)	**¥(377)**	¥596	**$(3,083)**
Past service costs	**(37)**	(37)	**(301)**
Total	**¥(414)**	¥559	**$(3,384)**

(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 actuarial gains	**¥(1,853)**	¥(2,230)	**$(15,136)**
Unrecognized past service costs	**(258)**	(295)	**(2,111)**
Total	**¥(2,111)**	¥(2,525)	**$(17,247)**

(7) Plan assets

a. Components of plan assets

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

	2022	2021
Debt investments	**43%**	43%
Equity investments	**12**	12
Life insurance general account assets	**31**	31
Others	**14**	14
Total	**100%**	100%

b. Method of determining the expected rate of return on plan assets

The expected rate of return on plan assets is determined considering allocation of plan assets, which are expected currently and in the future, and 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, are set forth as follows:

	2022	2021
Discount rate	**0.5%**	0.5%
Expected rate of return on plan assets	**0.9**	0.9

9. Equity

Japanese companies are subject to the Companies Act of Japan (the "Companies Act"). The significant provisions in the Companies Act that affect financial and accounting matters are summarized below:

a. Dividends

Under the Companies Act, companies can pay dividends at any time during the fiscal year in addition to the year-end dividend upon resolution at the shareholders' meeting. Additionally, for companies that meet certain criteria including (1) having a Board of Directors, (2) having independent auditors, (3) having an Audit and Supervisory Committee, and (4) the term of service of the directors being prescribed as one year rather than the normal two-year term by its articles of incorporation, the Board of Directors may declare dividends (except for dividends-in-kind) at any time during the fiscal year if the Company has prescribed so in its articles of incorporation. However, the Company does not meet all the above criteria.

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

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

b. Increases/Decreases and Transfer of Common Stock, Reserve and Surplus

The Companies Act requires that an amount equal to 10% of dividends must be appropriated as a legal reserve (a component of retained earnings) or as additional paid-in capital (a component of capital surplus), depending on the equity account charged upon the payment of such dividends, until the aggregate amount of legal reserve and additional paid-in capital equals 25% of the common stock. Under the Companies Act, the total amount of additional paid-in capital and legal reserve may be reversed without limitation. The Companies Act also provides that common stock, legal reserve, additional paid-in capital, other capital surplus and retained earnings can be transferred among the accounts within equity under certain conditions upon resolution of the shareholders.

c. Treasury Stock and Treasury Stock Acquisition Rights

The Companies Act also provides for companies to purchase treasury stock and dispose of such treasury stock by resolution of the Board of Directors. The amount of treasury stock purchased cannot exceed the amount available for distribution to the shareholders which is determined by a specific formula. Under the Companies Act, stock acquisition rights are presented as a separate component of equity. The Companies Act also provides that companies can purchase both treasury stock acquisition rights and treasury stock. Such treasury stock acquisition rights are presented as a separate component of equity or deducted directly from stock acquisition rights.

10. Income Taxes

The Group is subject to Japanese national and local income taxes which, in the aggregate, resulted in a normal effective statutory tax rate of approximately 30.6% for the years ended March 31, 2022 and 2021.

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

	Millions of Yen		Thousands of U.S. Dollars
	2022	2021	**2022**
Deferred tax assets:			
Impairment losses on securities	**¥ 1,894**	¥ 1,952	**$ 15,474**
Write-down of inventories	**1,199**	1,198	**9,798**
Allowance for bonuses	**1,152**	1,007	**9,410**
Tax loss carryforwards (Note)	**1,128**	831	**9,211**
Allowance for doubtful accounts	**648**	651	**5,290**
Accrued expenses	**617**	1,776	**5,043**
Allowance for losses on construction contracts	**298**	264	**2,433**
Other	**421**	817	**3,439**
Less valuation allowance on tax loss carryforward	**(1,128)**	(831)	**(9,211)**
Less valuation allowance on sum of future deductible temporary difference	**(4,194)**	(4,785)	**(34,259)**
Total	**2,035**	2,880	**16,628**
Deferred tax liabilities:			
Net unrealized gains on available-for-sale securities	**(9,412)**	(12,080)	**(76,893)**
Retained earnings appropriated for special allowance	**(1,694)**	(1,705)	**(13,836)**
Asset for retirement benefits	**(1,554)**	(1,522)	**(12,691)**
Deferred loss on hedges	**(1,031)**	—	**(8,424)**
Total	**(13,691)**	(15,307)	**(111,844)**
Net deferred tax liabilities	**¥(11,656)**	¥(12,427)	**$ (95,216)**

(Note) Tax loss carryforwards and amount of deferred tax assets by maturity

Millions of Yen

March 31, 2022	Within one year	Over one year within two years	Over two years within three years	Over three years within four years	Over four years within five years	Over five years	Total
Tax loss carryforwards*	¥—	¥—	¥ 3	¥ 95	¥ 47	¥ 983	¥ 1,128
Valuation allowance	—	—	(3)	(95)	(47)	(983)	(1,128)
Deferred tax assets	—	—	—	—	—	—	—

Millions of Yen

March 31, 2021	Within one year	Over one year within two years	Over two years within three years	Over three years within four years	Over four years within five years	Over five years	Total
Tax loss carryforwards*	¥—	¥—	¥—	¥ 3	¥ 95	¥ 733	¥ 831
Valuation allowance	—	—	—	(3)	(95)	(733)	(831)
Deferred tax assets	—	—	—	—	—	—	—

Thousands of U.S. Dollars

March 31, 2022	Within one year	Over one year within two years	Over two years within three years	Over three years within four years	Over four years within five years	Over five years	Total
Tax loss carryforwards*	$—	$—	$ 21	$ 775	$ 385	$ 8,030	$ 9,211
Valuation allowance	—	—	(21)	(775)	(385)	(8,030)	(9,211)
Deferred tax assets	—	—	—	—	—	—	—

* The tax loss carryforwards presented above are the amounts multiplied by the effective statutory tax rate.

A reconciliation between the normal effective statutory tax rate and the actual effective tax rate reflected in the accompanying consolidated statement of income for the year ended March 31, 2022 is omitted since the difference is 5% or less of the normal effective statutory tax rate.

A reconciliation between the normal effective statutory tax rate and the actual effective tax rate reflected in the accompanying consolidated statement of income for the year ended March 31, 2021 was as follows:

	2021
Normal effective statutory tax rate	30.6%
Expenses not deductible for income tax purposes	0.5
Non-taxable income	(0.6)
Inhabitant tax per capita	0.9
Special income tax credits	(1.5)
Valuation allowance	5.1
Other—net	0.2
Actual effective tax rate	35.2%

11. Revenue Recognition

(1) Disaggregation of revenue from contracts with customers
Please see Note 19 "Segment Information."

(2) Underlying information in understanding revenue from contracts with customers
Please see 2. Summary of Significant Accounting Policies, m. Construction Contracts.

(3) Satisfaction of performance obligations based on contracts with customers and relationship with cash flows arising from such contracts, and the amount and timing of revenue from contracts with customers existing at the end of the fiscal year expected to be recognized in the following fiscal years

a. Balances of contract assets and contract liabilities, etc.

	2022			
	Millions of Yen		Thousands of U.S. Dollars	
	Beginning balance	Ending balance	Beginning balance	Ending balance
Receivables from contracts with customers	¥68,264	¥52,816	$557,668	$431,471
Contract assets	75,335	89,474	615,432	730,939
Contract liabilities	12,489	11,254	102,023	91,937

(Note) 1. Contract assets primarily 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 that are reversed as revenue is recognized. The beginning balance of contract liabilities is included in revenue from contracts with customers for the fiscal year ended March 31, 2022 in its almost entirety.

3. The amount of revenue recognized in the fiscal year ended March 31, 2022 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.

b. Transaction price allocated to remaining performance obligations

The transaction price allocated to remaining performance obligation that are unsatisfied as of March 31, 2022 amounted to ¥424,798 million (*1, 2) ($3,470,290 thousand) and revenue is expected to be recognized within approximately 5 years.

*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.

12. Research and Development Costs

Research and development costs charged to income were ¥1,630 million ($13,313 thousand) and ¥1,667 million for the years ended March 31, 2022 and 2021, respectively.

13. Leases

(1) Finance leases

The Group leases certain machinery and equipment, office space and other assets.

Total rental expenses including lease payments under finance leases for the years ended March 31, 2022 and 2021, were ¥1 million ($6 thousand) and ¥1 million, respectively.

Obligations under finance leases at March 31, 2022 and 2021, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2022	2021	**2022**
Due within one year	**¥1**	¥1	**$ 6**
Due after one year	**1**	1	**13**
Total	**¥2**	¥2	**$19**

(2) Operating leases

Future minimum lease receivables or payments under noncancelable operating leases at March 31, 2022 and 2021, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2022	2021	**2022**
As a lessor:			
Due within one year	**¥ 2,233**	¥ 2,370	**$ 18,242**
Due after one year	**12,996**	14,495	**106,168**
Total	**¥15,229**	¥16,865	**$124,410**
As a lessee:			
Due within one year	**¥ 89**	¥ 88	**$ 727**
Due after one year	**718**	784	**5,869**
Total	**¥ 807**	¥ 872	**$ 6,596**

14. Financial Instruments and Related Disclosures

(1) Disclosures on financial instruments

1) Group policy for financial instruments

At the Group level, cash surpluses, if any, are invested in low-risk financial assets. Short-term bank loans are used to fund its ongoing operations. Derivatives are not used for speculative purposes, but to manage its exposure to fluctuations in foreign currency exchange and interest rates.

2) Nature and extent of risks arising from financial instruments

Receivables, such as trade notes and trade accounts, are exposed to customer credit risk. Marketable and investment securities, mainly held-to-maturity securities and equity instruments of customers and suppliers of the Group, are exposed to the risk of market price fluctuations.

Payment terms of payables, such as trade notes and trade accounts, are mostly less than one year.

Bank loans are utilized to finance principally working capital and non-recourse loans are used for financing the renewable energy business of a consolidated subsidiary.

3) Risk management for financial instruments

Credit risk management

Credit risk is the risk of economic loss arising from a counterparty's failure to repay or service debt according to the contractual terms. The Group manages its credit risk from receivables based on internal guidelines, which include continuously determining customers' circumstances from the phase of accepting orders to that of collection of the receivables, along with monitoring of payment terms and balances of each transaction.

Market risk management (foreign exchange risk and interest rate risk)

Marketable and investment securities are managed by monitoring market values and the financial position of issuers on a regular basis. Also, the Group continuously reviews its possession of those securities, except for held-to-maturity securities.

Long-term debt denominated in foreign currencies in association with import of materials for renewable energy business is exposed to fluctuations in foreign exchange rates. The Group utilizes derivative instruments (comprehensive long-term foreign currency forward contracts) as hedging instruments to manage these market risks.

Bank loans with floating interest rates are exposed to fluctuations in interest rates. With respect to long-term bank loans and non-recourse loans, the Group utilizes derivatives (interest rate swaps) by individual contract as hedging instruments to fix the interest expenses. The hedge accounting method is described in Note 2.o.

Please see Note 15 for more details about derivatives.

Liquidity risk management

Liquidity risk comprises the risk that the Group cannot meet its contractual obligations in full on maturity dates. The Group manages its liquidity risk by making the appropriate cash schedule on a monthly basis.

(2) Fair value of financial instruments

March 31, 2022	Carrying Amount	Fair Value	Unrealized Gain/Loss
			Millions of Yen
Receivables—trade notes and accounts	¥142,296		
Allowance for doubtful receivables (*4)	(140)		
Net	142,156	¥142,155	¥ (1)
Investment securities			
Available-for-sale securities	55,010	55,010	—
Long-term loans receivable	103		
Allowance for doubtful long-term loans receivable (*4)	(0)		
Net	103	101	(2)
Total	¥197,269	¥197,266	¥ (3)
Lease obligations	¥ 2	¥ 2	¥ (0)
Long-term bank loans	5,100	5,088	(12)
Non-recourse loans	21,063	20,973	(90)
Total	¥ 26,165	¥ 26,063	¥(102)
Derivatives (*5)	¥ 3,230	¥ 3,230	¥ —

(*1) The fair value of "Cash and cash equivalents and time deposits," "Payables – Trade notes, accounts, etc." and "Short-term loans" is omitted because they are cash and the carrying amount approximates the fair value because of their short maturities.
(*2) Investments in limited partnerships and other similar entities recorded in a net amount of equity equivalents in the consolidated balance sheet are omitted. Such investments recorded in the consolidated balance sheet amounted to ¥441 million.
(*3) Equity securities, etc. which do not have a quoted market price in an active market are not included in above "Investment securities." Such amount of financial instruments (unlisted equity securities) recorded in the consolidated balance sheet was ¥1,179 million.
(*4) Allowance for doubtful receivables recorded on "Receivables – trade notes and accounts" or "Long-term loans receivable" is individually recognized and deducted from such receivables.
(*5) Net receivables and payables generated from derivatives are presented in net amounts and net payables are shown in parentheses.

March 31, 2021	Carrying Amount	Fair Value	Unrealized Gain/Loss
			Millions of Yen
Receivables—trade notes and accounts	¥143,422		
Allowance for doubtful receivables (*3)	(142)		
Net	143,280	¥143,280	¥ —
Marketable and Investment securities			
Held-to-maturity securities	123	124	1
Available-for-sale securities	65,634	65,634	—
Long-term loans receivable	114		
Allowance for doubtful long-term loans receivable (*3)	(0)		
Net	114	114	(0)
Total	¥209,151	¥209,152	¥ 1
Lease obligation	¥ 2	¥ 2	¥ (0)
Long-term bank loans	7,100	7,088	(12)
Non-recourse loans	16,228	16,169	(59)
Total	¥ 23,330	¥ 23,259	¥(71)
Derivatives (*4)	¥ (950)	¥ (950)	¥ —

(*1) The fair value of "Cash and cash equivalents and time deposits," "Payables – Trade notes, accounts, etc." and "Short-term loans" is omitted because they are cash and the carrying amount approximates the fair value because of their short maturities.
(*2) The carrying amounts of financial instruments whose fair value cannot be reliably determined were unlisted equity securities in an amount of ¥1,185 million and investments in limited partnerships in an amount of ¥523 million.
(*3) Allowance for doubtful receivables recorded on "Receivables – trade notes and accounts" or "Long-term loans receivable" is individually recognized and deducted from such receivables.
(*4) Net receivables and payables generated from derivatives are presented in net amounts and net payables are shown in parentheses.

	Thousands of U.S. Dollars		
March 31, 2022	Carrying Amount	Fair Value	Unrealized Gain/Loss
Receivables—trade notes and accounts	$1,162,457		
Allowance for doubtful receivables (*4)	(1,144)		
Net	1,161,313	$1,161,301	$ (12)
Investment securities			
Available-for-sale securities	449,393	449,393	—
Long-term loans receivable	838		
Allowance for doubtful long-term loans receivable (*4)	(1)		
Net	837	824	(13)
Total	$1,611,543	$1,611,518	$ (25)
Lease obligation	$ 19	$ 18	$ (1)
Long-term bank loans	41,663	41,562	(101)
Non-recourse loans	172,066	171,336	(730)
Total	$ 213,748	$ 212,916	$(832)
Derivatives (*5)	$ 26,383	$ 26,383	$ —

(*1) The fair value of "Cash and cash equivalents and time deposits," "Payables – Trade notes, accounts, etc." and "Short-term loans" is omitted because they are cash and the carrying amount approximates the fair value because of their short maturities.
(*2) Investments in limited partnerships and other similar entities recorded in a net amount of equity equivalents in the consolidated balance sheet are omitted. Such investments recorded in the consolidated balance sheet amounted to $3,605 thousand.
(*3) Equity securities, etc. which do not have a quoted market price in an active market are not included in above "Investment securities." Such amount of financial instruments (unlisted equity securities) recorded in the consolidated balance sheet was $9,628 thousand.
(*4) Allowance for doubtful receivables recorded on "Receivables – trade notes and accounts" or "Long-term loans receivable" is individually recognized and deducted from such receivables.
(*5) Net receivables and payables generated from derivatives are presented in net amounts and net payables are shown in parentheses.

(Note) 1 Maturity Analysis for Financial Assets and Securities with Contractual Maturities

March 31, 2022	Due in 1 Year or Less	Due after 1 Year through 5 Years	Due after 5 Years through 10 Years	Due after 10 Years
	Millions of Yen			
Cash and cash equivalents and time deposits	¥ 33,156	¥ —	¥ —	¥—
Receivables—trade notes and accounts	112,226	29,926	144	—
Long-term loans receivable	—	83	33	—
Total	¥145,382	¥30,009	¥177	¥—

March 31, 2022	Due in 1 Year or Less	Due after 1 Year through 5 Years	Due after 5 Years through 10 Years	Due after 10 Years
	Thousands of U.S. Dollars			
Cash and cash equivalents and time deposits	$ 270,861	$ —	$ —	$—
Receivables—trade notes and accounts	916,807	244,475	1,175	—
Long-term loans receivable	—	680	273	—
Total	$1,187,668	$245,155	$1,448	$—

(Note) 2 Please see Note 7 for annual maturities of long-term debt and Note 13 for obligations under finance leases.

(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 by using quoted prices in active markets for assets or liabilities that are the subject of the measurement.

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

Level 3 fair value: Fair value measured by 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.

1) Financial instruments measured at fair values in the consolidated balance sheet

March 31, 2022	Level 1	Level 2	Level 3	Fair value Total
	Millions of Yen			
Investment securities				
Available-for-sale securities:				
Equity securities	¥55,010	¥ —	¥—	¥55,010
Derivatives				
Currency related	—	3,370	—	3,370
Total assets	¥55,010	¥3,370	¥—	¥58,380
Derivatives				
Interest rate related	¥ —	¥ (140)	¥—	¥ (140)
Total liabilities	¥ —	¥ (140)	¥—	¥ (140)

March 31, 2022	Level 1	Level 2	Level 3	Fair value Total
	Thousands of U.S. Dollars			
Investment securities				
Available-for-sale securities:				
Equity securities	$449,393	$ —	$—	$449,393
Derivatives				
Currency related	—	27,528	—	27,528
Total assets	$449,393	$27,528	$—	$476,921
Derivatives				
Interest rate related	$ —	$ (1,145)	$—	$ (1,145)
Total liabilities	$ —	$ (1,145)	$—	$ (1,145)

2) Financial instruments not measured at fair values in the consolidated balance sheet

	Millions of Yen			
	Fair value			
March 31, 2022	Level 1	Level 2	Level 3	Total
Receivables—trade notes and accounts	¥—	¥142,155	¥—	¥142,155
Long-term loans receivable	—	101	—	101
Total assets	¥—	¥142,256	¥—	¥142,256
Lease obligations	¥—	¥ 2	¥—	¥ 2
Long-term debt	—	5,088	—	5,088
Non-recourse loans	—	20,973	—	20,973
Total liabilities	¥—	¥ 26,063	¥—	¥ 26,063

	Thousands of U.S. Dollars			
	Fair value			
March 31, 2022	Level 1	Level 2	Level 3	Total
Receivables—trade notes and accounts	$—	$1,161,301	$—	$1,161,301
Long-term loans receivable	—	824	—	824
Total assets	$—	$1,162,125	$—	$1,162,125
Lease obligations	$—	$ 18	$—	$ 18
Long-term debt	—	41,562	—	41,562
Non-recourse loans	—	171,336	—	171,336
Total liabilities	$—	$ 212,916	$—	$ 212,916

(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.

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

Trade notes and accounts receivable
The fair value of these items is measured using the discounted present value techniques 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 measured separately for each loan agreement using the discounted present value techniques based on future cash flows and an interest rate obtained by adding the credit spread to appropriate indicators such as government bond yields for each loan agreement, and is classified as Level 2.

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

Long-term debt and non-recourse loans
The fair value of these items is measured separately for each loan agreement. The fair value of floating rate borrowings is measured as carrying value because their rates reflect the market interest rates in a timely manner and their carrying values approximate fair value. The fair value of fixed-rate borrowings is measured using the discounted present value techniques based on future cash flows and an interest rate obtained by adding the credit spread to appropriate indicators such as government bond yields. The fair value is classified as Level 2.

15. Derivatives

The Group enters into derivatives, in the normal course of business, to reduce the exposure to fluctuations in foreign exchange and interest rates. The primary classes of derivatives used by the Group are foreign currency forward contracts and interest rate swaps.

The Group does not hold or issue derivatives for trading purposes.

Because the counterparties to these derivatives are limited to major financial institutions, the Group does not anticipate any losses arising from credit risk.

Derivative transactions entered into by the Group have been made in accordance with internal policies which regulate the authorization and credit limit amount.

Derivative transactions to which hedge accounting is not applied:
There were no derivative transactions to which hedge accounting is not applied at March 31, 2022 and 2021.

Derivative transactions to which hedge accounting is applied:

	Millions of Yen			
March 31, 2022	Hedged item	Contract amount	Contract amount due after one year	Fair value
Foreign currency forward contracts Buying: U.S. Dollars	Foreign currency denominated forward contracts	¥47,960	¥45,902	¥3,370
Interest rate swaps Floating-rate receipt, fixed-rate payment	Non-recourse loans	19,664	18,888	(140)
Interest rate swaps Floating-rate receipt, fixed-rate payment	Long-term bank loans	4,000	4,000	Note

	Millions of Yen			
March 31, 2021	Hedged item	Contract amount	Contract amount due after one year	Fair value
Foreign currency forward contracts Buying: U.S. Dollars	Foreign currency denominated forward contracts	¥47,960	¥47,960	¥(720)
Interest rate swaps Floating-rate receipt, fixed-rate payment	Non-recourse loans	19,664	19,664	(230)
Interest rate swaps Floating-rate receipt, fixed-rate payment	Long-term bank loans	4,000	4,000	Note

	Thousands of U.S. Dollars			
March 31, 2022	Hedged item	Contract amount	Contract amount due after one year	Fair value
Foreign currency forward contracts Buying: U.S. Dollars	Foreign currency denominated forward contracts	$391,796	$374,984	$27,528
Interest rate swaps Floating-rate receipt, fixed-rate payment	Non-recourse loans	160,640	154,305	(1,145)
Interest rate swaps Floating-rate receipt, fixed-rate payment	Long-term bank loans	32,677	32,677	Note

Note: Interest rate swaps which qualify for hedge accounting and meet specific matching criteria are not remeasured at market value but the differential paid or received under the swap agreement is recognized and included in interest expense or income. The fair value of such interest rate swaps is included in those of the hedged items (i.e., long-term bank loans) in Note 14.

16. Commitments and Contingent Liabilities

Land in the amount of ¥21 million ($170 thousand) is pledged for a deposit received from a lessee related to a fixed-term land leasehold at March 31, 2022. Land in the amount of ¥1,458 million ($11,913 thousand) and buildings in the amount of ¥975 million ($7,968 thousand) are pledged as construction assistance funds pursuant to building lease contracts at March 31, 2022.

Investment securities in the amount of ¥16 million ($129 thousand) and investments in and advances to unconsolidated subsidiaries and associated companies in the amount of ¥62 million ($502 thousand) are pledged as collateral for contract performance obligation of the private finance initiative (PFI) business, and the loans of an affiliate, respectively, at March 31, 2022.

Time deposits in the amount of ¥1,219 million ($9,962 thousand) are pledged as security for performance obligation of construction contracts at March 31, 2022.

Assets pledged as collateral for non-recourse debts are business assets of a consolidated subsidiary engaged in renewable energy business for the amount of ¥27,596 million ($225,440 thousand) at March 31, 2022.

17. Other Comprehensive Income

The components of other comprehensive income (loss) for the 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			
Gain (loss) arising during the year	**¥(5,758)**	¥10,754	**$(47,042)**
Reclassification adjustments to profit or loss	**(3,201)**	(284)	**(26,148)**
Amount before income tax effect	**(8,959)**	10,470	**(73,190)**
Income tax effect	**2,667**	(2,746)	**21,789**
Total	**¥(6,292)**	¥ 7,724	**$(51,401)**
Deferred gain (loss) on hedges			
Gain (loss) arising during the year	**¥ 4,180**	¥ (1,197)	**$ 34,148**
Reclassification adjustments to profit or loss	**—**	—	**—**
Amount before income tax effect	**4,180**	(1,197)	**34,148**
Income tax effect	**(1,031)**	154	**(8,424)**
Total	**¥ 3,149**	¥ (1,043)	**$ 25,724**
Defined retirement benefit plans			
Adjustments arising during the year	**¥ 145**	¥ 962	**$ 1,183**
Reclassification adjustments to profit or loss	**(559)**	(403)	**(4,567)**
Amount before income tax effect	**(414)**	559	**(3,384)**
Income tax effect	**127**	(171)	**1,036**
Total	**¥ (287)**	¥ 388	**$ (2,348)**
Total other comprehensive income (loss)	**¥(3,430)**	¥ 7,069	**$(28,025)**

18. Subsequent Events

Appropriation of Retained Earnings

The following appropriation of retained earnings at March 31, 2022, was approved at the Company's shareholders' meeting held on June 29, 2022:

	Millions of Yen	Thousands of U.S. Dollars
Year-end cash dividends, ¥107 ($0.87) per share	¥3,935	$32,143

Cancellation of treasury stock

The Company resolve to cancel treasury stock based on the provision of Article 178 of the Companies Act at the Board of Directors' meeting held on March 7, 2022 and implemented as follows:

Type of shares cancelled:	Common stock of the Company
Number of the shares cancelled:	1,000,000 shares (ratio against total number of issued shares before cancellation: 2.52%)
Date of cancellation:	April 5, 2022
Total number of issued shares after cancellation:	38,665,226 shares

19. Segment Information

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. Therefore, the Group's reportable segments consist of "Civil engineering," "Architectural construction," and "Investment development."

2. Methods of measurement for the amounts of sales, profit, assets, liabilities and other items for each reportable segment

The accounting policies of each reportable segment are consistent with those disclosed in Note 2, "Summary of Significant Accounting Policies."

In addition, as stated in "Accounting Changes," the Company has applied the Revenue Accounting Standard from the beginning of the fiscal year ended March 31, 2022 and changed its accounting method for revenue recognition. Accordingly, the measurement method on profit of the reportable segment has also been changed, but the impact of these changes on sales and segment profit is immaterial.

3. Information about sales, profit, assets, liabilities, other items and disaggregation of revenue is as follows:

Millions of Yen

	2022							
	Reportable segment							
	Civil engineering	Architectural construction	Investment development	Total	Other (Note 1)	Total	Reconciliations (Note 2)	Consolidated (Note 3)
Sales								
Domestic public agencies	¥ 62,145	¥ 34,206	¥ 20	¥ 96,371	¥ 121	¥ 96,492	¥ —	¥ 96,492
Domestic non-government	27,868	102,394	620	130,882	7,543	138,425	—	138,425
Overseas	3,294	—	—	3,294	49	3,343	—	3,343
Revenue from contracts with customers	93,307	136,600	640	230,547	7,713	238,260	—	238,260
Revenue from other sources	—	—	4,199	4,199	—	4,199	—	4,199
Sales to external customers	93,307	136,600	4,839	234,746	7,713	242,459	—	242,459
Intersegment sales or transfers	—	1	35	36	423	459	(459)	—
Total	93,307	136,601	4,874	234,782	8,136	242,918	(459)	242,459
Segment profit	9,548	463	2,113	12,124	422	12,546	101	12,647
Other:								
Depreciation	¥ 570	¥ 780	¥ 403	¥ 1,753	¥ 58	¥ 1,811	¥ (7)	¥ 1,804
Amortization of goodwill	—	—	30	30	—	30	—	30

Millions of Yen

	2021							
	Reportable segment							
	Civil engineering	Architectural construction	Investment development	Total	Other (Note 1)	Total	Reconciliations (Note 2)	Consolidated (Note 3)
Sales								
Sales to external customers	¥104,699	¥105,107	¥5,103	¥214,909	¥5,803	¥220,712	¥ —	¥220,712
Intersegment sales or transfers	—	—	35	35	562	597	(597)	—
Total	104,699	105,107	5,138	214,944	6,365	221,309	(597)	220,712
Segment profit	9,239	1,045	2,082	12,366	455	12,821	59	12,880
Other:								
Depreciation	¥ 679	¥ 617	¥ 436	¥ 1,732	¥ 52	¥ 1,784	¥ (7)	¥ 1,777
Amortization of goodwill	—	—	30	30	—	30	—	30

	Thousands of U.S. Dollars							
	2022							
	Reportable segment							
	Civil engineering	Architectural construction	Investment development	Total	Other (Note 1)	Total	Reconciliations (Note 2)	Consolidated (Note 3)
Sales								
Domestic public agencies	$507,678	$ 279,437	$ 163	$ 787,278	$ 988	$ 788,266	$ —	$ 788,266
Domestic non-government	227,660	836,481	5,066	1,069,207	61,623	1,130,830	—	1,130,830
Overseas	26,912	—	—	26,912	402	27,314	—	27,314
Revenue from contracts with customers	762,250	1,115,918	5,229	1,883,397	63,013	1,946,410	—	1,946,410
Revenue from other sources	—	—	34,299	34,299	—	34,299	—	34,299
Sales to external customers	762,250	1,115,918	39,528	1,917,696	63,013	1,980,709	—	1,980,709
Intersegment sales or transfers	—	9	294	303	3,449	3,752	(3,752)	—
Total	762,250	1,115,927	39,822	1,917,999	66,462	1,984,461	(3,752)	1,980,709
Segment profit	77,995	3,785	17,261	99,041	3,447	102,488	829	103,317
Other:								
Depreciation	$ 4,655	$ 6,370	$ 3,289	$ 14,314	$ 478	$ 14,792	$ (57)	$ 14,735
Amortization of goodwill	—	—	243	243	—	243	—	243

Notes:
1. "Other" is a business segment which is not included in any reportable segment and includes business related to manufacturing and sale of construction machinery, materials, and so on.
2. Reconciliations to segment profit in the amount of ¥101 million ($829 thousand) and ¥59 million for the years ended March 31, 2022 and 2021, respectively, include eliminations of intersegment transactions.
3. The consolidated amounts of segment profit above correspond to the amounts of operating income in the consolidated statement of income.

Deloitte.

Deloitte Touche Tohmatsu LLC
Yodoyabashi Mitsui Building
4-1-1 Imabashi, Chuo-ku
Osaka 541-0042
Japan

Tel: +81 (6) 4560 6000
Fax: +81 (6) 4560 6001
www.deloitte.com/jp/en

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of Okumura Corporation:

Opinion

We have audited the consolidated financial statements of Okumura Corporation and its consolidated subsidiaries (the "Group"), which comprise the consolidated balance sheet as of March 31, 2022, and the consolidated statement of income, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies, all expressed in Japanese yen.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of March 31, 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.

Convenience Translation

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

Basis for Opinion

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

Key Audit Matter

A key audit matter is a matter that, in our professional judgment, was of most significance in our audit of the consolidated financial statements of the current period. The matter was addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on the matter.

<table>
<tr><td colspan="2">Revenue recognized over time</td></tr>
<tr><td>Key audit matter Description</td><td>How the Key Audit Matter Was Addressed in the Audit</td></tr>
<tr><td>As described in Note 2.m. "Summary of Significant Accounting Policies – Construction Contracts" to the consolidated financial statements, the Group recognizes revenue over time as the Group satisfies the performance obligations by transferring control of a promised good or service to a customer. Revenues recognized over time were JPY 226,012 million out of total construction revenue of JPY 229,906 million for the current year.

As described in Note 3. "Significant Accounting Estimates," construction revenues recognized over time based on satisfying performance obligations according to the construction contracts are recognized by multiplying the total construction revenue by the stage of completion of the contract, which is calculated as a percentage of actual costs incurred at the balance sheet date. The measurement of the total construction revenue, the total construction costs and the stage of completion of the contract involve significant estimates and judgments made by management.

The reliability of estimating the total construction revenue and the total construction costs in applying revenue recognition over time has a significant impact on the consolidated financial statements where a higher estimation uncertainty may exist in relation to the following matters:</td><td>Based on our understanding of the business environment surrounding the Group and its industry, we evaluated the design and operating effectiveness of internal controls, including Information Technology controls, over the process of revenue recognition over time based on satisfaction of the performance obligations. Our procedures related to estimated total construction revenue and total construction costs were as follows:
(1) Estimated total construction revenue
We performed inquiries and inspected related documents to test the design and operating effectiveness of internal controls related to the determination of the estimated contract amount. This included approval of the reports on certain projects prepared by estimating the contract amount for the agreed upon changes in each construction project, and monitoring activities.
(2) Estimated total construction costs
We performed inquiries and inspected related documents to test the design and operating effectiveness of internal controls related to approval of the reports on working budget, construction projects and costs incurred to date, and monitoring activities.</td></tr>
</table>

Revenue recognized over time	
Key audit matter Description	How the Key Audit Matter Was Addressed in the Audit
(1) Estimating total construction revenue During construction, when changes in the design or scope of construction are agreed with customers but the construction contract has not been revised to update the contract amount in a timely manner, the total construction revenue may be revised using the estimated contract amount based on amendments mutually agreed with customers (the "estimated contract amount"). Management's estimate of the total construction may affect the accuracy of the construction revenue. (2) Estimating total construction costs It may be necessary to modify total construction costs due to unexpected events, changes in market conditions such as materials and subcontracting costs, and accelerating construction in response to potential delays during construction. If total construction costs are not updated in a timely manner, or if management's estimate is not reasonable, it may affect the accuracy of the construction revenue and the allowance for losses on construction contracts. We determined applying revenue recognition over time to be a key audit matter because of the possible significant impact of accounting estimates of total construction revenue and total construction costs on the consolidated financial statements.	In addition, we assessed the reasonableness of the construction revenue recognized over time by performing an analysis of the quarterly progress of revenues and gross profits against the business plan in each branch office. Such analysis identified branch offices with significant fluctuations in revenues and profit margins near the end of the period. We also inspected related documents, performed inquiries of construction managers, performed site observations for construction projects that possessed characteristics such as those with significantly higher or lower profit margins ratio, large fluctuating profit margins ratio, deficit projects, projects with large estimated contract amounts, or large-scale projects. Specifically, for the estimate of total construction revenue and total construction costs, we performed the following: (1) Estimated total construction revenue We tested the estimated contract amount by inspection of documents underlying the estimate, inspection of meeting minutes with customers and inquiries of construction managers. In addition, for construction projects that contained estimated contract amounts in the prior year, we inspected revised construction contracts signed in the current year and compared the updated amounts in the contracts with total construction revenue estimated in the previous year. (2) Estimated total construction costs For samples of construction projects selected, we compared total construction costs with the original estimate identifying the reason for the change, inspected the order confirmation for purchase orders issued, quotation or underlying documents prior to the order, performed inquiries of the construction managers, and inspected the vendor invoices, as necessary.

Other Information

Management is responsible for the other information. The Audit and Supervisory Committee is responsible for overseeing the Directors' execution of duties relating to the design and operating effectiveness of the controls over the other information. The other information comprises the information included in the annual report, but does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and the Audit and Supervisory Committee for the Consolidated Financial Statements

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

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

The Audit and Supervisory Committee is responsible for overseeing the Directors' execution of duties relating to the design and operating effectiveness of the controls over the Group's financial reporting process.

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

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks. The procedures selected depend on the auditor's judgment. In addition, we obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain, when performing risk assessment procedures, an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate whether the overall presentation and disclosures of the consolidated financial statements are in accordance with accounting principles generally accepted in Japan, as well as the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

Deloitte Touche Tohmatsu LLC

July 29, 2022

Member of
Deloitte Touche Tohmatsu Limited

Breakdown of Orders (Nonconsolidated)

Okumura Corporation
Year Ended March 31, 2022

Construction Orders Awarded

	2022		2021		2022
	Millions of Yen	Composition ratio	Millions of Yen	Composition ratio	Thousands of U.S. Dollars
Civil engineering:					
Domestic:					
Public sector	**¥ 67,584**		¥ 93,119		**$ 552,114**
Private sector	**23,648**		34,125		**193,187**
Overseas	**5,705**		987		**46,603**
Subtotal	**96,937**	**43.3%**	128,231	57.7%	**791,904**
Architectural construction:					
Domestic:					
Public sector	**27,200**		32,708		**222,204**
Private sector	**98,231**		61,285		**802,479**
Overseas	**1,334**		—		**10,897**
Subtotal	**126,765**	**56.7**	93,993	42.3	**1,035,580**
Total:					
Domestic:					
Public sector	**94,784**		125,827		**774,318**
Private sector	**121,879**		95,410		**995,666**
Overseas	**7,039**		987		**57,500**
Total	**¥223,702**	**100 %**	¥222,224	100 %	**$1,827,484**

Net Sales

	2022		2021		2022
	Millions of Yen	Composition ratio	Millions of Yen	Composition ratio	Thousands of U.S. Dollars
Projects completed:					
Civil engineering:					
Domestic:					
Public sector	**¥ 62,145**		¥ 66,405		**$ 507,678**
Private sector	**27,868**		36,501		**227,660**
Overseas	**3,294**		1,793		**26,912**
Subtotal	**93,307**	**39.3%**	104,699	48.5%	**762,250**
Architectural construction:					
Domestic:					
Public sector	**34,206**		23,712		**279,437**
Private sector	**102,395**		81,395		**836,490**
Overseas	**—**		—		**—**
Subtotal	**136,601**	**57.6**	105,107	48.7	**1,115,927**
Subtotal:					
Domestic:					
Public sector	**96,351**		90,117		**787,115**
Private sector	**130,263**		117,896		**1,064,150**
Overseas	**3,294**		1,793		**26,912**
Subtotal	**229,908**	**96.9**	209,806	97.2	**1,878,177**
Real estate and other	**7,322**	**3.1**	5,977	2.8	**59,819**
Total	**¥237,230**	**100 %**	¥215,783	100 %	**$1,937,996**

Year-end Backlog*

	2022		2021		2022
	Millions of Yen	Composition ratio	Millions of Yen	Composition ratio	Thousands of U.S. Dollars
Civil engineering:					
Domestic:					
Public sector	**¥118,664**		¥113,225		**$ 969,399**
Private sector	**66,293**		70,512		**541,560**
Overseas	**15,512**		13,102		**126,724**
Subtotal	**200,469**	**56.5%**	196,839	54.1%	**1,637,683**
Architectural construction:					
Domestic:					
Public sector	**51,047**		58,053		**417,014**
Private sector	**102,010**		109,123		**833,348**
Overseas	**1,334**		—		**10,897**
Subtotal	**154,391**	**43.5**	167,176	45.9	**1,261,259**
Total:					
Domestic:					
Public sector	**169,711**		171,278		**1,386,413**
Private sector	**168,303**		179,635		**1,374,908**
Overseas	**16,846**		13,102		**137,621**
Total	**¥354,860**	**100 %**	¥364,015	100 %	**$2,898,942**

*"Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29, March 31, 2020), etc. have been applied from the beginning of the fiscal year ended March 31, 2022. Accordingly, construction work carried forward as of the beginning of the fiscal year ended March 31, 2022 decreased by ¥2,949 million ($24,097 thousand) from construction work carried forward as of the end of the previous fiscal year.

Head and Branch Offices

Head Office
2-2-2, Matsuzaki-cho, Abeno-ku,
Osaka 545-8555, Japan
TEL: +81-6-6621-1101 FAX: +81-6-6627-5295

Tokyo Head Office
5-6-1, Shiba, Minato-ku,
Tokyo 108-8381, Japan
TEL: +81-3-3454-8111 FAX: +81-3-5427-8103

Technical Research Institute
387, Ohsuna, Tsukuba 300-2612, Japan
TEL: +81-29-865-1521 FAX: +81-29-865-1522

East Japan Branch Office
5-6-1, Shiba, Minato-ku,
Tokyo 108-8381, Japan
TEL: +81-3-3454-8111 FAX: +81-3-5427-8111

West Japan Branch Office
2-2-2, Matsuzaki-cho, Abeno-ku,
Osaka 545-8555, Japan
TEL: +81-6-6621-1101 FAX: +81-6-6623-7692

West Japan Branch Office (HARUKAS Office)
26F ABENO HARUKAS,1-1-43 Abenosuji,
Abeno-ku, Osaka 545-6026, Japan
TEL: +81-6-6621-1101 FAX: +81-6-6621-1921

Sapporo Branch
2-1-18, Kita Shijo Nishi,
Chuo-ku, Sapporo 060-0004, Japan
TEL: +81-11-261-9261 FAX: +81-11-251-5345

Tohoku Branch
2-25, Tsutsumi dori, Amamiya-machi,
Aoba-ku, Sendai 981-8525, Japan
TEL: +81-22-274-1231 FAX: +81-22-273-9805

Tokyo Branch
5-6-1, Shiba, Minato-ku,
Tokyo 108-8381, Japan
TEL: +81-3-3454-8111 FAX: +81-3-5427-8116

Higashikanto Office
18-14, Shinmachi, Chuo-ku,
Chiba 260-0028, Japan
TEL: +81-43-241-2255 FAX: +81-43-244-5911

Yokohama Office
60, Nihon Ohdori, Naka-ku,
Yokohama 231-0021, Japan
TEL: +81-45-662-1361 FAX: +81-45-641-3502

Hokuriku Office
2-3-26, Higashi Ohdori, Chuo-ku,
Niigata 950-0087, Japan
TEL: +81-25-241-6160 FAX: +81-25-241-6364

Nagoya Branch
29-8, Takebashi-cho, Nakamura-ku,
Nagoya 453-8555, Japan
TEL: +81-52-451-1101 FAX: +81-52-452-4331

Kansai Branch
26F ABENO HARUKAS,1-1-43 Abenosuji,
Abeno-ku, Osaka 545-6026, Japan
TEL: +81-6-6621-1101 FAX: +81-6-6621-1921

Nara Office
38-3, Takama-cho, Nara 630-8241, Japan
TEL: +81-742-22-5001 FAX: +81-742-27-0192

Kobe Office
2-2-16, Isobe dori, Chuo-ku,
Kobe 651-0084, Japan
TEL: +81-78-221-9355 FAX: +81-78-251-3374

Hiroshima Branch
1-7-22, Kokutaijimachi, Naka-ku,
Hiroshima 730-0042, Japan
TEL: +81-82-241-2246 FAX: +81-82-243-1416

Shikoku Branch
2-3-11, Kotobuki-cho,
Takamatsu 760-0023, Japan
TEL: +81-87-851-9008 FAX: +81-87-822-9286

Kyushu Branch
2-19-1, Sanno, Yahata Higashi-ku,
Kitakyushu 805-8531, Japan
TEL: +81-93-671-3131 FAX: +81-93-661-1543

Fukuoka Office
1-13-8, Yakuin, Chuo-ku,
Fukuoka 810-0022, Japan
TEL: +81-92-741-4431 FAX: +81-92-741-4740

Taiwan Branch
Rm.B, 11F-3, No.51, Hengyang Rd.,
Zhongzheng Dist.,Taipei City 100004, Taiwan
(R.O.C.)
TEL: +886-2-2311-7080 FAX: +886-2-2311-7076

Singapore Branch
175A Bencoolen Street, #05-06 Burlington
Square, Singapore 189650
TEL: +65-6884-6830 FAX: +65-6884-6831

Consolidated Subsidiaries

Okumura Machinery Corporation
3-5-26, Himejima, Nishiyodogawa-ku,
Osaka 555-0033, Japan
TEL: +81-6-6472-3461 FAX: +81-6-6477-6801
Business line:Design, manufacture, sales, and repair of construction/industrial machines and devices

Taihei Real Estate Corporation
[Head Office]
5-16-7, Shiba, Minato-ku,
Tokyo 108-0014, Japan
TEL: +81-3-5439-5401 FAX: +81-3-5439-5402
[Osaka Branch]
2-2-2, Matsuzaki-cho, Abeno-ku,
Osaka 545-8555, Japan
TEL: +81-6-6625-3959 FAX: +81-6-6629-3938
Business line: Real estate, land and building management

ISHIKARI BIO ENERGY GODO KAISHA
2-763-3, Shinko, Chuo,
Ishikari 061-3242, Japan
TEL: +81-133-77-5318 FAX: +81-133-77-5319
Business line: Power generation using renewable energy and sales of electricity

HIRATA BIO ENERGY GODO KAISHA
23-8 Tsubouchi, Tonoko, Hirata-mura,
Ishikawa-gun, Fukushima-ken 963-8204 Japan
Business line: Power generation using renewable energy and sales of electricity

Board of Directors

(As of June 29, 2022)

Directors

President and Representative Director
Takanori Okumura

Representative Director
Atsushi Tanaka

Directors
Yuichi Mizuno
Kenji Kotera
Toru Osumi
Masahiro Kaneshige
Tamotsu Tsuchiya
Rieko Ueda

Director (Audit and Supervisory Committee Member)
Tetsuo Kodera

Director (Full-time Audit and Supervisory Committee Member)
Kazutoshi Abe

Directors (Audit and Supervisory Committee Member)
Hiroyo Yashiro
Kenji Nishihara
Eiji Maeda

Note: Rieko Ueda, Tetsuo Kodera, Hiroyo Yashiro, Kenji Nishihara and Eiji Maeda are outside directors.

Executive Officers

Executive Vice Presidents
Yuichi Mizuno*
Hajime Kosaka

Senior Managing Executive Officers
Shunso Iijima
Kenji Kotera*
Atsushi Tanaka*

Managing Executive Officers
Hiroyuki Hayashi
Toru Osumi*
Kazuyuki Yoshimi
Masahiro Kaneshige*
Wataru Onishi
Tamotsu Tsuchiya*
Sawayuki Kawatani
Kazutoshi Yuyama

Executive Officers
Takanori Hayashi
Naoki Magoori
Hirohide Taniguchi
Yoshinori Yasui
Kunitake Konishi
Nobuharu Suga
Yasuhiko Goto
Hiroki Machida
Kazuyoshi Okuma
Hiroyuki Matsushima
Akira Sasaki
Takami Nakada
Koji Furusawa
Akira Okada
Masanari Kashiki
Junichi Hori
Kenichi Abe
Koichi Isogami
Yoshihiro Kadotani

Note: Those officers marked with an asterisk (*) work as directors.

Investor Information

(As of March 31, 2022)

Corporate Data

Head Office
OKUMURA CORPORATION
2-2-2, Matsuzaki-cho, Abeno-ku, Osaka 545-8555, Japan
TEL: +81-6-6621-1101 FAX: +81-6-6627-5295

Established
February 22, 1907

Capital
¥19.8 billion

Group Employees
2,194

Stock Information

Stock Exchange Listings
Tokyo

Transfer Agent
Sumitomo Mitsui Trust Bank, Limited

Major Shareholders

Shareholder	Shares held (thousands)	Shareholding ratio
The Master Trust Bank of Japan, Ltd. (Trust Account)	5,289	14.39%
Okumura Employees' Shareholding Association	1,786	4.86
Northern Trust Co. (AVFC) Re Silchester International Investors International Value Equity Trust	1,502	4.09
Custody Bank of Japan, Ltd. (Trust Account)	1,390	3.78
Resona Bank, Limited.	1,214	3.30
Sumitomo Realty & Development Co., Ltd.	1,210	3.29
Northern Trust Co. (AVFC) Re U.S. Tax Exempted Pension Funds	769	2.09
Nippon Life Insurance Company	643	1.75
State Street Bank and Trust Company 505001	567	1.54
Sumitomo Mitsui Banking Corporation	556	1.51

Note:
1. The Company holds 2,892,468 shares of treasury stock, which are excluded from the above.
2. Shareholding ratio is computed excluding treasury stock.

奥村組
OKUMURA CORPORATION

2-2-2, Matsuzaki-cho, Abeno-ku, Osaka 545-8555, Japan
TEL: +81-6-6621-1101 FAX: +81-6-6627-5295
https://www.okumuragumi.co.jp

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