





Profile

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

We will accumulate a wealth of technical expertise and strive to balance people’s comfortable, safe, and secure lives with the preservation of beautiful nature.

While aiming to become a company that future generations will need, we will create a new future as a comprehensive construction company with a harmonious mix of civil engineering and architectural construction.

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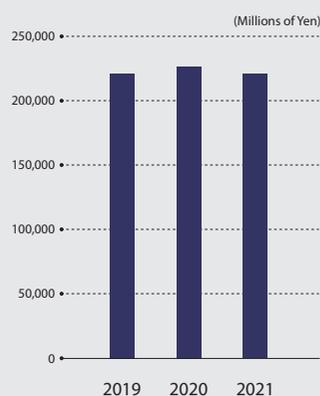
Financial Highlights

Okumura Corporation **Annual Report 2021**

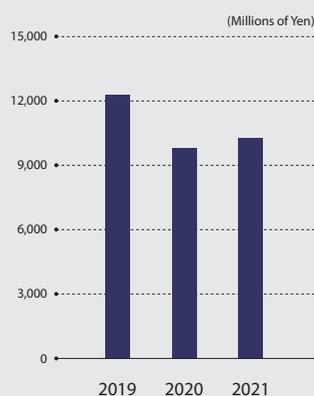
For the years ended March 31	2019	2020	2021	2021
Consolidated:	Millions of Yen			Thousands of U.S. Dollars
Net sales	¥220,884	¥226,372	¥220,712	\$1,993,428
Operating income	13,717	11,517	12,880	116,332
Net income attributable to owners of the parent	12,314	9,796	10,285	92,894
Total assets	297,691	294,919	329,005	2,971,507
Total equity	168,401	156,112	167,964	1,517,016
Per Share:	Yen			U.S. Dollars
Basic net income	¥312.93	¥258.01	¥271.90	\$2.46
Cash dividends applicable to the year	153.00	143.00	140.00	1.26

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, 2021, of ¥110.72=\$1.

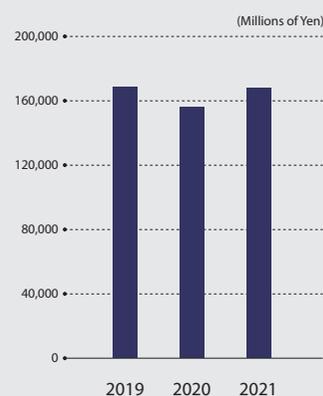
Net Sales



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 2021 (April 1, 2020 to March 31, 2021) is provided below.

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Results for the Year Ended March 31, 2021

During the period under review, the Japanese economy deteriorated significantly due to the spread of the novel coronavirus (COVID-19). The economy did seem to be moving back onto a recovery trend at one point as economic activity gradually picked up, but was fettered by the resurgence of COVID-19, resulting in extremely tough economic conditions. In this climate, the business environment for the construction industry specifically proved severely competitive. While previously volatile corporate performance settled down thanks to the calming support of robust public investments and ongoing construction progress, the worsening in corporate profits and other factors resulted in persistently restrained private-sector investments.

In these circumstances, the Company's consolidated net sales decreased 2.5% year on year to ¥220,712 million. Meanwhile, primarily due to the improvement of the gross profit from civil engineering work and construction work, consolidated gross profit increased 8.2% year on year to ¥31,480 million, operating income increased 11.8% year on year to ¥12,880 million, and net income attributable to owners of the parent increased 5.0% year on year to ¥10,285 million.

Dividend for the Year Ended March 31, 2021

The Company decided to pay a dividend of ¥140.00 per share (interim dividend of ¥37.00, year-end dividend of ¥103.00) for the period ended March 31, 2021 based on its basic policy regarding profit sharing.

Medium Term Business Plan

The outlook for the Japanese economy is expected to continue to seesaw for the time being, as conditions remain severe and with no end in sight to the COVID-19 pandemic. However, we do expect the economy will pick up gradually over time, underpinned by policy support measures and improvements in overseas economies. In the construction industry, public investments are expected to continue firm as the relevant budgets are executed, but few can be optimistic about the business environment as long as the outlook for corporate capital investment remains unclear.



Under these circumstances, the Okumura Group will continue to operate with the intent of fulfilling our social mission as a part of the construction industry while implementing thorough measures to prevent the further spread of COVID-19. Moreover, as the Group looks ahead to the achievement of the “Vision toward 2030,” it is promoting the “Medium Term Business Plan (FY2019-FY2021)” with the basic policies of business strategy, namely to “increase corporate value,” “expand business domains,” and “utilize human resources.” The Medium Term Business Plan also involves pursuing initiatives that integrate both our operational and our ESG/SDGs objectives by reflecting our commitment to “contribute to resilient infrastructure development,” “pursue environmentally friendly design and construction,” and “promote workstyle reforms,” all of which were identified as ESG/SDGs-related material issues (materiality).

Specifically, in the construction business, we will continue to work on strengthening disaster-prevention/mitigation areas, national resilience, and infrastructure longevity where demand is expected to grow going forward, promoting ICT-driven technological development that can help improve productivity as well as bolstering our capabilities to propose solutions that meet increasingly diverse customer needs, including measures to reduce the environmental impact and to adapt to new lifestyles in a with-COVID and post-COVID world. In the real estate business, we will expand our leasing business by investing in excellent assets and optimally managing our portfolio holdings, strengthen our business development initiatives, and strive to utilize our existing stock in a more environmentally friendly way through renovations, etc. Additionally, we will aim to diversify our earnings base and proactively engage in the promotion of the PPP/concession and new businesses such as renewable energy business and continue to strive to build a strong overseas business foundation primarily in regions where construction projects were carried out in the past. We will also conduct a thorough review of our business processes and seek to enhance systems for realizing diversity in order to achieve a work-life balance by, for example, firmly establishing the system of 8 days holiday for every 4 weeks at construction sites and working to reduce overtime.

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

June 2021

A handwritten signature in black ink that reads "T. Okumura". The signature is written in a cursive, flowing style.

Takanori Okumura
President and Representative Director

CIVIL ENGINEERING

Major Projects Completed



Hokuriku Shinkansen Bullet Train's Hakusan-miyabo Elevated Bridge

Work period: December 2015 to January 2021
 Construction length: 1,731m
 84 RC bridge piers, 79 RC girders (1,483m), 7 PPC T-girders (248m)



Main Civil Engineering Work of the Renewal Work of the Tsukabaru Power Station

Work period: May 2014 to July 2020
 Waterway and pipeline work: 1 set, land development work of power station site: 1 set, power station work: 1 set, tailrace work: 1 set



Civil Engineering Work of the Osawa River Floodgate on the Osawa River, a Class B River

Work period: October 2015 to May 2020
 1 main floodgate:
 Precast concrete pile work, 60 of $\phi 900$ and 99 of $\phi 600$
 Cutoff steel sheet pile work: 273 sheets of 10H-type steel sheet piles and concrete work: 6,200m³
 Bed protection work: 326 (0.5t) concrete apron blocks and 63 (5t) concrete apron blocks
 Revetment work: 1 set
 Soil improvement work: 1 set
 1 span of curtain wall work, control bridge length: 19.5m



Construction Work of the Arimaguchi Tunnel (tentative name)

Work period: February 2018 to October 2020
 Construction length: 1,015.151m
 Tunnel length: 639m
 (NATM, blasting excavation, inner cross section area: 52.4m², tunnel excavation and lining: 639m, invert work: 556.2m)
 Road improvement work length: 376.151m
 (retaining wall work, culvert work, concrete block masonry work, drainage work: 1 set)

Orders Received

Tokai-Kanjo Expressway's Funakiyama Tunnel Work

Work period: December 2020 to December 2022
 Construction length: 540m (earthwork part 79m, tunnel part 461m)
 Tunnel length: 453m
 (NATM, blasting excavation, inner cross section area: 85m², auxiliary construction method: 1 set)
 Earthwork volume: Approximately 14,000m³ (road excavation, embankment work, structure excavation)
 Bridge substructure work (1 abutment)
 Caisson pile method: 4 piles ($\Phi 2.0$ m)
 Inverted-T-type retaining wall: 3 walls
 Reinforced soil wall: 362m²
 Installation and removal work of temporary bridge: 327m², temporary stage: 54m²

Joshin-Etsu Expressway Takaiwayama Tunnel (Down Line) Reinforcement Work

Work period: November 2020 to May 2024
 Invert structure excavation: 1,700m³, invert concrete 800m³, monitoring work: 1 set, asphalt pavement improvement work 1,400m², earth retaining work (also serving as guard fences) 130m, observer pathway work 310m, tunnel facility work: 1 set

Ground Leveling Work for Toin Industrial Park and Surrounding Areas

Work period: September 2020 to October 2022
 Work area: 14.4 ha
 Road earthwork: 77,800m³ of excavation, 215,400m³ of road embankment, reservoir construction: 1 location, sheet pile revetment work: 992 sheets, drain facility construction: 1 set, pre-cast slab concrete work: 586m, retaining wall work: 329m, sewage pipework: 524m, sewage manhole: 16 locations, drain structure, road drainage: 2,007m, irrigation ditch: 534m, paving work: 5,416m², construction of pump facility: 1 set, service water pipe laying work: 967m, structure removal work: 1 set

Land Development Work for HISAKA WORKS, LTD.'s Ikoma Plant

Work period: October 2020 to January 2022
 Development area: 52,165m²
 Site area: 52,165m²
 Topsoil disposal: Approximately 39,000m³
 Earthwork volume: Approximately 28,000m³ of excavation, approximately 35,000m³ of embankment
 Slope shaping: 2,900m²
 Concrete block retaining wall: 632.1m
 L-type retaining wall: 92.8m
 Inverted-T-type retaining wall: 179.0m
 Soil improvement: 1 set
 Drainage work: 1 set
 Pavement work: 1,600m²

BUILDINGS

Major Projects Completed



Hamanako Eden no Sono Nursing Home
 Work period: December 2016 to July 2020
 (i) Expansion of Building No. 4: Structure: RC, Total floor space: 4,202m²
 (ii) New Buildings Nos. 1 and 2: Structure: RC, Total floor space: 9,098m²



Onagawa Town's Elementary and Junior High Schools
 Work period: December 2018 to July 2020
 Structure: RC (partially steel)
 Total floor space: 13,482.89m²



SEKISUI SEIKEI CO., LTD.'s Kanto Factory
 Work period: April 2019 to February 2021
 Structure: Steel
 Total floor space: 15,372.40m²



Laurel i+ ABENO
 Work period: August 2018 to September 2020
 Structure: RC
 Total floor space: 6,714.14m²

Orders Received

GLP Nagoya Moriyama Project
 Work period: November 2020 to April 2022
 Structure: Steel
 Total floor space: 43,746.42m²



Kokura Daiichi Hospital
 Work period: May 2020 to September 2021
 Structure: Steel
 Total floor space: 13,697.86m²



Meiji Co., Ltd.'s Eniwa Plant
 Work period: October 2020 to May 2022
 Structure: Steel
 Total floor space: Approximately 17,000m²



Tagawa City's Tagawa Higashi Junior High School
 Work period: March 2021 to August 2022
 Structure: RC
 Total floor space: 8,650.62m²



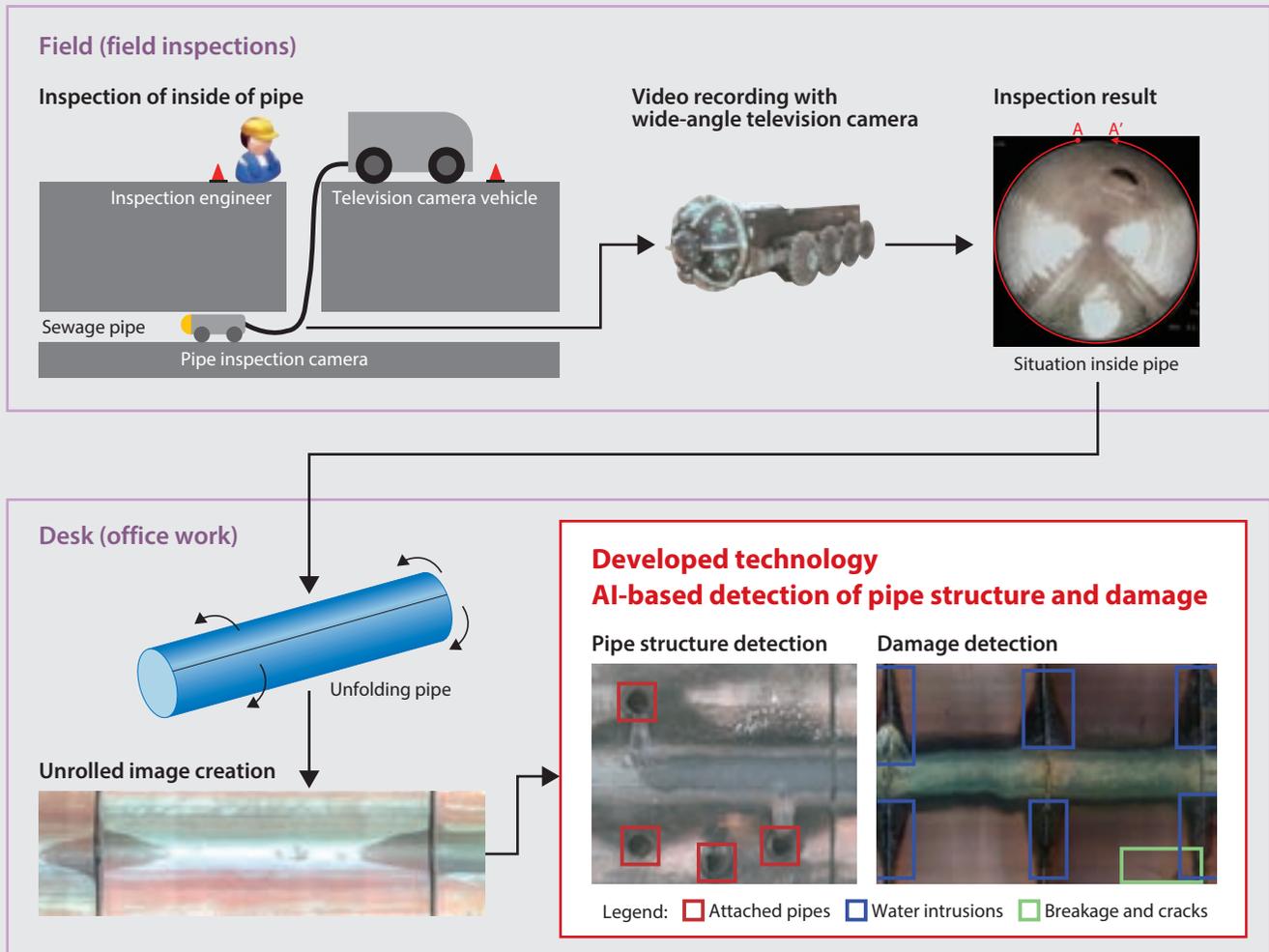
Development of an AI-based Damage Detection System for Sewage Pipes

Okumura has developed a damage detection system that streamlines inspection work for the inside of pipes, and ensures the quality of damage detection in the maintenance and management of sewage pipes.

This system uses AI to conduct a television camera inspection with a wide-angle lens, detecting damaged areas inside of pipes. Footage shot with the self-driving wide-angle television camera is unrolled into a flattened image which is then segmented and fed into this system, which uses AI to analyze the image and provide information about pipe structure and damage. Instead of having to check the entire length, engineers can focus on checking the analyzed results (which

consist of unrolled images annotated with damage information, and a list of the acquired information) that are automatically generated by the system. Not only does this reduce labor, it also contributes to better quality damage detection. The generated results can then be used as documentation for inspection reports.

Going forward, Okumura will improve the functionality of this system with even greater detection accuracy and expand the range of applicable types and diameters of pipe, while actively proposing it as a technology for accurate and efficient sewage pipe maintenance and management work.



Improvements and Functionality Enhancements of the Sound Environment Presentation System

Okumura has improved the mobility of its previously developed sound environment presentation system by making it possible to operate in a cloud environment.

To address the difficulty for the untrained to recognize sound environment performance (such as resonance and insulation), which is typically indicated with numerical values, the Company has developed a system that creates and plays back sample sounds using predictive calculations based on design specifications. Whereas the existing system creates sample sounds using a laptop PC, the updated system performs this task in the cloud, which boosts processing speeds, allowing sample sounds to be created in real time while

reflecting specification changes that occur during discussions. The system offers good portability, requiring only a mobile device and headphones for listening. It can be used anywhere with internet connection. This allows the engineer to create sample sounds in the cloud while being in a remote location, thus offering a high level of mobility. Okumura will leverage the enhanced mobility of this system by actively using it in discussions with project owners and designers, VE proposals, and other scenes.

Sponsorship of Osaka Women's Marathon

—Set Up a Blindfold Fence around the Course—

Okumura sponsored the 40th Osaka Women's Marathon held on Sunday, January 31, 2021.

In light of the rapid spread of COVID-19 since the end of 2020, various measures were put in place for this race to prevent the spread of infection, including changing the course from conventional route that passes through the Osaka city streets to one that lapped the Nagai Park, and even erecting a blindfold fence around most of the course to avoid concentrated numbers of supporters gathering along the route.

As the company tasked with the fence installation work, Okumura displayed our true strength as a construction company by safely erecting the fence along approximately 1.5km of route in the three days prior to the race. The Company also contributed to the event's success in our role as sponsor.



Photo: SANKEI SHIMBUN CO., LTD



Fence installation work



The 40th Osaka Women's Marathon

Photo: SANKEI SHIMBUN CO., LTD

—Extending Sponsorship Commitment from 2022 to 2027—

Okumura has decided to continue sponsoring the Osaka Women's Marathon for six more years from 2022 to 2027.

The Company has supported the global strides of female athletes from Osaka as sponsor of the Osaka Women's Marathon since 2018. Okumura does this because it related to the fact that there are some similarities between the athletes' dedication to the race and its own employees' determination to overcome various difficulties and achieve their goal of successfully completing a construction project. This is also the Company's way of contributing to the development of its hometown Osaka through its business and encouraging the active participation of women.

Through Okumura's continued sponsorship activities for the Osaka Women's Marathon going forward, it aims to exhibit its own philosophy and attitude and improve the brand recognition, as well as to bring excitement to the streets of Osaka and help female athletes make huge strides in their sport.



Osaka Women's Marathon support website:
<https://www.okumuragumi.co.jp/osaka-marathon/>

Sponsorship of TOKYO GUITAR JAMBOREE 2020 RETURNS

—Magnificent Artists Singing to the Guitar—

Okumura sponsored the J-WAVE TOKYO GUITAR JAMBOREE 2020 RETURNS supported by Okumura Corporation event held in the Ryogoku Kogukikan hall on Saturday and Sunday, December 26 and 27, 2020.

The Company has been sponsoring the Osaka Women's Marathon since 2018, but it has long considered sponsoring cultural events to be just as important as sponsoring sports events in terms of the opportunity they provide us to display Okumura's corporate philosophy and attitude. It decided to sponsor this event even though it was held under thorough Covid-restrictions because, with little indication of when the COVID-19 pandemic will be brought under control, Okumura wants to use the power of music to bring a little cheer and brightness to the world.



Photo: J-WAVE Inc.

Consolidated Balance Sheet

Okumura Corporation and Consolidated Subsidiaries
March 31, 2021

ASSETS	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2021	2020	2021
Current assets:			
Cash and cash equivalents (Note 13)	¥ 20,130	¥ 27,258	\$ 181,810
Time deposits (Notes 13 and 15)	1,483	1,922	13,397
Marketable securities (Notes 4, 13 and 15)	123	—	1,111
Receivables:			
Trade notes (Note 13)	5,547	4,586	50,101
Trade accounts (Note 13)	137,249	117,154	1,239,602
Unconsolidated subsidiaries and associated companies (Note 13)	661	34	5,973
Other	10,670	6,949	96,372
Allowance for doubtful receivables (Note 13)	(153)	(190)	(1,386)
Inventories (Note 5)	9,942	10,268	89,796
Prepaid expenses and other	1,443	3,684	13,029
Total current assets	187,095	171,665	1,689,805
Property, plant and equipment (Notes 6 and 7):			
Land (Note 15)	34,406	33,604	310,747
Buildings and structures (Note 15)	15,760	14,865	142,338
Machinery and equipment	1,264	1,140	11,417
Furniture and fixtures	415	438	3,750
Lease assets (Note 12)	2	3	14
Construction in progress	15,968	9,506	144,221
Total property, plant and equipment	67,815	59,556	612,487
Investments and other assets:			
Investment securities (Notes 4, 13 and 15)	67,127	57,130	606,280
Investments in and advances to unconsolidated subsidiaries and associated companies (Notes 13 and 15)	329	446	2,968
Long-term loans receivable (Note 13)	16	18	147
Asset for retirement benefits (Note 8)	4,974	4,068	44,923
Deferred tax assets (Note 10)	4	2	39
Goodwill	438	468	3,956
Other assets	3,176	3,547	28,681
Allowance for doubtful receivables (Note 13)	(1,969)	(1,981)	(17,779)
Total investments and other assets	74,095	63,698	669,215
Total	¥329,005	¥294,919	\$2,971,507

See notes to consolidated financial statements.

LIABILITIES AND EQUITY	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2021	2020	2021
Current liabilities:			
Short-term bank loans including current portion of long-term debt (Notes 7, 12 and 13)	¥ 7,460	¥ 8,947	\$ 67,376
Payables:			
Trade notes (Note 13)	1,949	3,064	17,601
Trade accounts (Note 13)	45,090	40,881	407,242
Other	942	1,338	8,511
Advances received on construction projects in progress	15,713	12,599	141,917
Income taxes payable	4,523	1,939	40,846
Allowance for warranty work on construction projects	462	667	4,176
Allowance for losses on construction contracts	863	1,128	7,798
Deposits received (Note 15)	24,562	22,983	221,841
Other	22,617	19,444	204,272
Total current liabilities	124,181	112,990	1,121,580
Long-term liabilities:			
Long-term debt (Notes 7, 12,13 and 14)	7,115	6,018	64,263
Non-recourse loans (Notes 7, 13, 14 and 15)	16,228	9,221	146,572
Deferred tax liabilities (Note 10)	12,431	10,216	112,271
Other	1,086	362	9,805
Total long-term liabilities	36,860	25,817	332,911
Total liabilities	161,041	138,807	1,454,491

Commitments and contingent liabilities (Note 15)**Equity** (Notes 9, 16 and 17):

Common stock			
authorized, 96,000,000 shares; issued, 39,665,226 shares*	19,839	19,839	179,181
Capital surplus	26,240	26,248	236,997
Retained earnings	95,460	105,554	862,175
Treasury stock—at cost			
1,838,723 shares in 2021 and 7,836,832 shares in 2020*	(4,637)	(19,761)	(41,877)
Accumulated other comprehensive income (loss):			
Unrealized gain on available-for-sale securities	30,958	23,234	279,602
Deferred gain (loss) on hedges	(475)	46	(4,292)
Defined retirement benefit plans	1,753	1,365	15,830
Total	32,236	24,645	291,140
Noncontrolling interests	(1,174)	(413)	(10,600)
Total equity	167,964	156,112	1,517,016
Total	¥329,005	¥294,919	\$2,971,507

*The cancellation of treasury stock (6,000,000 shares) conducted on June 5, 2020 has been reflected in the number of shares.

Consolidated Statement of Income

Okumura Corporation and Consolidated Subsidiaries
Year Ended March 31, 2021

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2021	2020	2021
Net sales	¥220,712	¥226,372	\$1,993,428
Cost of sales	189,232	197,283	1,709,108
Gross profit	31,480	29,089	284,320
Selling, general and administrative expenses (Note 11)	18,600	17,572	167,988
Operating income	12,880	11,517	116,332
Other income (expenses):			
Interest and dividend income	1,213	1,460	10,953
Interest expense	(366)	(208)	(3,309)
Other—net	1,173	971	10,596
Other income —net	2,020	2,223	18,240
Income before income taxes	14,900	13,740	134,572
Income taxes (Note 10):			
Current	5,802	3,602	52,404
Deferred	(550)	434	(4,972)
Total income taxes	5,252	4,036	47,432
Net income	9,648	9,704	87,140
Net loss attributable to noncontrolling interests	(637)	(92)	(5,754)
Net income attributable to owners of the parent	¥ 10,285	¥ 9,796	\$ 92,894
Per share of common stock (Notes 2.p and 17):		Yen	U.S. Dollars (Note 1)
Basic net income	¥ 271.90	¥ 258.01	\$ 2.46
Cash dividends applicable to the year	140.00	143.00	1.26

See notes to consolidated financial statements.

Consolidated Statement of Comprehensive Income

Okumura Corporation and Consolidated Subsidiaries
Year Ended March 31, 2021

Okumura Corporation **Annual Report 2021**

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2021	2020	2021
Net income	¥ 9,648	¥ 9,704	\$ 87,140
Other comprehensive income (loss) (Note 16):			
Unrealized gain (loss) on available-for-sale securities	7,724	(11,181)	69,760
Deferred gain (loss) on hedges	(1,043)	92	(9,417)
Defined retirement benefit plans	388	(328)	3,503
Total other comprehensive income (loss)	7,069	(11,417)	63,846
Comprehensive income (loss)	¥16,717	¥ (1,713)	\$150,986
Total comprehensive income (loss) attributable to:			
Owners of the parent	¥17,876	¥ (1,668)	\$161,449
Noncontrolling interests	(1,159)	(45)	(10,463)

See notes to consolidated financial statements.

Consolidated Statement of Changes in Equity

Okumura Corporation and Consolidated Subsidiaries
Year Ended March 31, 2021

	Thousands	Millions of Yen								
	Number of shares of common stock outstanding	Common stock	Capital surplus	Retained earnings	Treasury stock	Accumulated other comprehensive income (loss)			Noncontrolling interests	Total equity
						Unrealized gain on available-for-sale securities	Deferred gain (loss) on hedges	Defined retirement benefit plans		
BALANCE, APRIL 1, 2019	38,830	¥19,839	¥25,330	¥103,251	¥(16,070)	¥34,415	¥ —	¥1,693	¥ (57)	¥168,401
Net income attributable to owners of the parent	—	—	—	9,796	—	—	—	—	—	9,796
Cash dividends, ¥194 per share	—	—	—	(7,493)	—	—	—	—	—	(7,493)
Purchase of treasury stock	(1,002)	—	—	—	(3,691)	—	—	—	—	(3,691)
Disposal of treasury stock	0	—	0	—	0	—	—	—	—	0
Change in the parent's ownership interest resulting from transactions with noncontrolling shareholders	—	—	918	—	—	—	—	—	—	918
Net change in the year	—	—	—	—	—	(11,181)	46	(328)	(356)	(11,819)
BALANCE, MARCH 31, 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	37,827	¥19,839	¥26,240	¥ 95,460	¥ (4,637)	¥30,958	¥(475)	¥1,753	¥(1,174)	¥167,964

	Thousands of U.S. Dollars(Note 1)									
		Common stock	Capital surplus	Retained earnings	Treasury stock	Accumulated other comprehensive income (loss)			Noncontrolling interests	Total equity
						Unrealized gain on available-for-sale securities	Deferred gain (loss) on hedges	Defined retirement benefit plans		
BALANCE, MARCH 31, 2020		\$179,181	\$237,070	\$953,344	\$(178,479)	\$209,842	\$ 416	\$12,327	\$(3,732)	\$1,409,969
Net income attributable to owners of the parent		—	—	92,894	—	—	—	—	—	92,894
Cash dividends, \$1.26 per share		—	—	(47,490)	—	—	—	—	—	(47,490)
Purchase of treasury stock		—	—	—	(45)	—	—	—	—	(45)
Disposal of treasury stock		—	(0)	—	1	—	—	—	—	1
Cancellation of treasury stock*		—	(73)	(136,573)	136,646	—	—	—	—	—
Net change in the year		—	—	—	—	69,760	(4,708)	3,503	(6,868)	61,687
BALANCE, MARCH 31, 2021		\$179,181	\$236,997	\$862,175	\$ (41,877)	\$279,602	\$(4,292)	\$15,830	\$(10,600)	\$1,517,016

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, 2021

Okumura Corporation Annual Report 2021

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2021	2020	2021
Operating activities:			
Income before income taxes	¥ 14,900	¥ 13,740	\$ 134,572
Adjustments for:			
Income taxes—paid	(3,284)	(4,148)	(29,661)
Depreciation and amortization	1,777	1,430	16,046
Amortization of goodwill	30	30	268
Changes in assets and liabilities:			
Increase in trade notes and accounts receivable	(21,673)	(20,707)	(195,749)
Decrease (increase) in accumulated costs of construction projects in progress	536	(1,073)	4,842
Decrease (increase) in other inventories	(211)	385	(1,903)
Increase (decrease) in trade notes and accounts payable	(776)	705	(7,010)
Increase (decrease) in advances received on construction projects in progress	3,114	(1,344)	28,129
Increase in asset for retirement benefits	(347)	(1,401)	(3,135)
Other—net	5,958	637	53,816
Total adjustments	(14,876)	(25,486)	(134,357)
Net cash provided by (used in) operating activities	24	(11,746)	215
Investing activities:			
Net decrease in time deposits	523	99	4,725
Payments for purchases of securities	(111)	(73)	(1,001)
Proceeds from sales of securities	1,082	1,957	9,769
Purchases of property, plant and equipment and intangible assets	(10,507)	(11,611)	(94,895)
Proceeds from sales of property, plant and equipment and intangible assets	4	1	39
Investment in loans receivable	—	(215)	—
Collection of loans receivable	151	287	1,359
Other—net	(105)	0	(948)
Net cash used in investing activities	(8,963)	(9,555)	(80,952)
Financing activities:			
Decrease in short-term bank loans—net	(425)	(158)	(3,836)
Proceeds from long-term debt	1,100	—	9,935
Repayments of long-term debt	(1,102)	(11)	(9,952)
Proceeds from non-recourse loans	7,070	9,221	63,855
Repayments of non-recourse loans	(63)	—	(570)
Purchase of treasury stock	(5)	(3,691)	(45)
Disposal of treasury stock	0	0	0
Dividends paid	(5,249)	(7,473)	(47,410)
Proceeds from sales of investments in capital of subsidiaries and associates without change in scope of consolidation	—	369	—
Proceeds from share issuance to noncontrolling shareholders	398	447	3,595
Other—net	(1)	(3)	(11)
Net cash provided by (used in) financing activities	1,723	(1,299)	15,561
Foreign currency translation adjustments on cash and cash equivalents	88	24	796
Net decrease in cash and cash equivalents	(7,128)	(22,576)	(64,380)
Cash and cash equivalents, beginning of year	27,258	49,834	246,190
Cash and cash equivalents, end of year	¥ 20,130	¥ 27,258	\$ 181,810

See notes to consolidated financial statements.

Notes to Consolidated Financial Statements

Okumura Corporation and Consolidated Subsidiaries
Year Ended March 31, 2021

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1. Basis of Presentation of Consolidated Financial Statements

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

In preparing these consolidated financial statements, certain reclassifications and rearrangements have been made to the consolidated financial statements issued domestically in order to present them in a form which is more familiar to readers outside Japan. In addition, certain reclassifications have been made in the 2020 consolidated financial statements to conform to the classifications used in 2021.

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 ¥110.72 to \$1, the approximate rate of exchange at March 31, 2021. Such translations should not be construed as representations that the Japanese yen amounts could be converted into U.S. dollars at that or any other rate.

2. Summary of Significant Accounting Policies

a. Consolidation — The consolidated financial statements as of March 31, 2021, include the accounts of the Company and its 3 (3 in 2020) significant subsidiaries (together, the "Group").

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

Investments in 9 (10 in 2020) unconsolidated subsidiaries and 6 (5 in 2020) 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 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 ¥1,685 million (\$150,698 thousand) and ¥15,527 million as of March 31, 2021 and 2020, 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 — Construction revenue and construction costs are recognized by the percentage-of-completion method, if the outcome of a construction contract can be estimated reliably. When total construction revenue, total construction costs and the stage of completion of the contract at the balance sheet date can be reliably measured, the outcome of a construction contract is deemed to be estimated reliably. If the outcome of a construction contract cannot be reliably estimated, the completed-contract method should be applied. When it is probable that the total construction costs will exceed total construction revenue, an estimated loss on the contract should be immediately recognized by providing for a loss on such construction contracts.

The revenues recognized by the percentage-of-completion method for the years ended March 31, 2021 and 2020 were ¥205,730 million (\$1,858,114 thousand) and ¥211,805 million, respectively.

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.

On March 31, 2020, the ASBJ issued ASBJ Statement No. 24, "Accounting Standard for Accounting Policy Disclosures,

Accounting Changes and Error Corrections," and the Company applied the standard from the end of the fiscal year ended March 31, 2021. Accordingly, the Company disclosed the accounting policies and procedures which are adopted when the provisions of the relevant accounting standards are not clear.

s. New Accounting Pronouncements

Accounting Standard for Revenue Recognition

The ASBJ issued ASBJ Statement No. 29, "Accounting Standard for Revenue Recognition" and ASBJ Guidance No. 30, "Implementation Guidance on Accounting Standard for Revenue Recognition" on March 31, 2020 and March 26, 2021 respectively. The core principle of the standard and guidance is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. An entity should recognize revenue in accordance with that core principle by applying the following steps:

Step 1: Identify the contract(s) with a customer

Step 2: Identify the performance obligations in the contract

Step 3: Determine the transaction price

Step 4: Allocate the transaction price to the performance obligations in the contract

Step 5: Recognize revenue when (or as) the entity satisfies a performance obligation

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

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

Accounting Standard for Fair Value Measurement

On July 4, 2019, the ASBJ issued ASBJ Statement No. 30, "Accounting Standard for Fair Value Measurement," ASBJ Guidance No. 31, "Implementation Guidance on Accounting Standard for Fair Value Measurement," ASBJ Statement No. 9, "Accounting Standard for Measurement of Inventories," and ASBJ Statement No. 10, "Accounting Standard for Financial Instruments," and on March 31, 2020, the ASBJ issued ASBJ Guidance No. 19, "Implementation Guidance on Disclosures about Fair Value of Financial Instruments."

To improve comparability with the international accounting standards, "Accounting Standard for Fair Value Measurement" and "Implementation Guidance on Accounting Standard for Fair Value Measurement" (collectively "Fair Value Measurement Accounting Standards, etc." have been developed, and guidance and other rules have been established with regard to the method for fair value measurement. The Fair Value Measurement Accounting Standards, etc. will be applicable to the fair value of the following items:

- Financial instruments included in "Accounting Standard for Financial Instruments"

Inventories held for trading purposes included in "Accounting Standard for Measurement of Inventories"

In addition, "Implementation Guidance on Disclosures about Fair Value of Financial Instruments" has been amended and disclosure requirements, such as a breakdown by level of fair value of financial instruments, have been defined.

The Company expects to apply the accounting standards and guidance for fiscal years beginning on or after April 1, 2021 and is in the process of measuring the effects of applying the accounting standards and guidance in future applicable periods.

t. 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, 2021.

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 and Allowance for Losses on Construction Contracts in accordance with the Percentage-of-Completion Method

(1) Amounts recorded in the consolidated financial statements for the fiscal year ended March 31, 2021

	Thousands of	
	Millions of Yen	U.S. Dollars
Construction revenue by the percentage-of-completion method	¥205,730	\$1,858,114
Allowance for losses on construction contracts	863	7,798

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

1) Calculation method

Construction revenue by the percentage-of-completion method are recorded by multiplying the total construction revenue by the percentage of completion if the outcome of a construction contract is reliable (total construction revenue, total construction costs and the stage of completion of the contract can be estimated reliably) for the completed portion at the balance sheet date. Percentage-of-completion is estimated by measuring the proportion of costs incurred for the completed portion to 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

Individual construction contracts uncompleted as of the end of the fiscal year ended March 31, 2021 amounted to ¥364,015 million (\$3,287,704 thousand). Any changes in major assumptions might affect construction revenue and allowance for losses on construction contracts in the fiscal year ending March 31, 2022.

On March 31, 2020, the ASBJ issued ASBJ Statement No. 31, "Accounting Standard for Disclosure of Accounting Estimates." The Company applied this accounting standard from the end of the fiscal year ended March 31, 2021, and provided notes on significant accounting estimates.

4. Marketable and Investment Securities

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

	Millions of Yen		Thousands of U.S. Dollars
	2021	2020	2021
Current:			
Government and corporate bonds	¥123	¥—	\$1,111
Total	¥123	¥—	\$1,111
Non-current:			
Marketable equity securities	¥65,634	¥55,605	\$592,797
Government and corporate bonds	—	122	—
Non-marketable equity securities and other	1,493	1,403	13,483
Total	¥67,127	¥57,130	\$606,280

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

	Millions of Yen			
	Cost	Unrealized Gains	Unrealized Losses	Fair Value
March 31, 2021				
Securities classified as:				
Available-for-sale:				
Equity securities	¥22,773	¥42,883	¥22	¥65,634
Held-to-maturity:				
Debt securities	123	1	—	124
				Millions of Yen
March 31, 2020				
Securities classified as:				
Available-for-sale:				
Equity securities	¥23,041	¥32,803	¥239	¥55,605
Held-to-maturity:				
Debt securities	122	2	—	124
				Thousands of U.S. Dollars
March 31, 2021				
Securities classified as:				
Available-for-sale:				
Equity securities	\$205,682	\$387,314	\$199	\$592,797
Held-to-maturity:				
Debt securities	1,111	11	—	1,122

The information for available-for-sale securities which were sold during the years ended March 31, 2021 and 2020 is as follows:

	Millions of Yen		
	Proceeds	Realized Gains	Realized Losses
March 31, 2021			
Available-for-sale:			
Equity securities	¥663	¥429	¥—
			Millions of Yen
March 31, 2020			
Available-for-sale:			
Equity securities	¥1,921	¥980	¥—

March 31, 2021	Thousands of U.S. Dollars		
	Proceeds	Realized Gains	Realized Losses
Available-for-sale:			
Equity securities	\$5,985	\$3,877	\$—

The impairment losses on available-for-sale equity securities for the year ended March 31, 2021, was ¥146 million (\$1,315 thousand).

The impairment losses on available-for-sale equity securities for the year ended March 31, 2020, was ¥430 million.

5. Inventories

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

	Millions of Yen		Thousands of U.S. Dollars
	2021	2020	2021
Construction projects in progress	¥4,874	¥5,410	\$44,021
Real estate held for sale	715	593	6,454
Development projects in progress	3,376	3,102	30,496
Other	977	1,163	8,825
Total	¥9,942	¥10,268	\$89,796

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 ¥3,153 million (\$28,481 thousand) and ¥3,118 million for the years ended March 31, 2021 and 2020, respectively.

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

	Millions of Yen			Millions of Yen
	Carrying Amount		March 31, 2021	Fair Value
	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

	Millions of Yen			Millions of Yen
	Carrying Amount		March 31, 2020	Fair Value
	April 1, 2019	Increase/Decrease	March 31, 2020	March 31, 2020
Rental properties	¥32,786	¥2,767	¥35,553	¥64,324
Rental properties in part	1,225	(31)	1,194	1,996
Total	¥34,011	¥2,736	¥36,747	¥66,320

	Thousands of U.S. Dollars			Thousands of U.S. Dollars
	Carrying Amount		March 31, 2021	Fair Value
	April 1, 2020	Increase/Decrease	March 31, 2021	March 31, 2021
Rental properties	\$321,111	\$(2,046)	\$319,065	\$582,070
Rental properties in part	10,781	(171)	10,610	18,006
Total	\$331,892	\$(2,217)	\$329,675	\$600,076

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, 2021 and 2020 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, 2021 and 2020, consisted of notes to banks and bank overdrafts. The annual interest rates applicable to the short-term bank loans ranged from 0.7% to 1.0% at March 31, 2021 and 0.7% to 1.5% at March 31, 2020.

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

	Millions of Yen		Thousands of U.S. Dollars
	2021	2020	2021
Loans from banks and other financial institutions, due serially to 2037 with interest rates ranging from 0.5% to 6.0%			
Unsecured	¥ 7,116	¥ 7,118	\$ 64,269
Non-recourse loans	16,228	9,221	146,572
Obligations under finance leases	2	3	16
Total	23,346	16,342	210,857
Less current portion	(3)	(1,103)	(22)
Long-term debt, less current portion	¥23,343	¥15,239	\$210,835

Annual maturities of long-term debt, excluding finance leases (see Note 12), at March 31, 2021, were as follows:

Year Ending March 31	Millions of Yen	Thousands of U.S. Dollars
2022	¥ 2	\$ 17
2023	2,547	23,003
2024	5,850	52,838
2025	1,295	11,700
2026	2,409	21,755
2027 and thereafter	11,241	101,528
Total	¥23,344	\$210,841

Assets pledged as collateral for non-recourse debt

	Millions of Yen		Thousands of U.S. Dollars
	2021	2020	2021
Amount of business assets of a consolidated subsidiary engaged in renewable energy business pledged as collateral for non-recourse loans	¥17,163	¥10,228	\$155,015

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, 2021 and 2020, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2021	2020	2021
Balance at beginning of year	¥19,619	¥20,664	\$177,197
Current service costs	1,165	1,131	10,523
Interest costs	98	103	886
Actuarial losses (gains)	(21)	18	(192)
Benefits paid	(1,512)	(1,928)	(13,658)
Past service costs	—	(369)	—
Balance at end of year	¥19,349	¥19,619	\$174,756

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

	Millions of Yen		Thousands of U.S. Dollars
	2021	2020	2021
Balance at beginning of year	¥23,687	¥23,805	\$213,938
Expected return on plan assets	213	214	1,926
Actuarial gains (losses)	940	(290)	8,492
Contributions from the employer	995	1,886	8,981
Benefits paid	(1,512)	(1,928)	(13,658)
Balance at end of year	¥24,323	¥23,687	\$219,679

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

	Millions of Yen		Thousands of U.S. Dollars
	2021	2020	2021
Defined benefit obligation	¥ 19,349	¥ 19,619	\$174,756
Plan assets	(24,323)	(23,687)	(219,679)
Total	(4,974)	(4,068)	(44,923)
Unfunded defined benefit obligation	—	—	—
Net asset arising from defined benefit obligation	¥ (4,974)	¥ (4,068)	\$ (44,923)

	Millions of Yen		Thousands of U.S. Dollars
	2021	2020	2021
Asset for retirement benefits	¥ (4,974)	¥ (4,068)	\$ (44,923)
Net asset arising from defined benefit obligation	¥ (4,974)	¥ (4,068)	\$ (44,923)

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

	Millions of Yen		Thousands of U.S. Dollars
	2021	2020	2021
Service costs	¥ 1,165	¥ 1,131	\$ 10,523
Interest costs	98	103	886
Expected return on plan assets	(213)	(214)	(1,926)
Recognized actuarial gains	(366)	(497)	(3,304)
Amortization of past service costs	(37)	(37)	(333)
Net periodic benefit costs	¥ 647	¥ 486	\$ 5,846

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

	Millions of Yen		Thousands of U.S. Dollars
	2021	2020	2021
Actuarial gains (losses)	¥596	¥(805)	\$5,380
Past service costs	(37)	332	(333)
Total	¥559	¥(473)	\$5,047

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

	Millions of Yen		Thousands of U.S. Dollars
	2021	2020	2021
Unrecognized actuarial gains	¥(2,230)	¥(1,635)	\$(20,142)
Unrecognized past service costs	(295)	(332)	(2,667)
Total	¥(2,525)	¥(1,967)	\$(22,809)

(7) Plan assets

a. Components of plan assets

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

	2021	2020
Debt investments	43%	46%
Equity investments	12	8
Life insurance general account assets	31	32
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, 2021 and 2020, are set forth as follows:

	2021	2020
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 & Supervisory Board, and (4) the term of service of the directors being prescribed as one year rather than the normal two-year term by its articles of incorporation, the Board of Directors may declare dividends (except for dividends-in-kind) at any time during the fiscal year if the Company has prescribed so in its articles of incorporation. However, the Company does not meet all the above criteria.

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

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

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

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

c. Treasury Stock and Treasury Stock Acquisition Rights

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

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, 2021 and 2020.

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

	Millions of Yen		Thousands of U.S. Dollars
	2021	2020	2021
Deferred tax assets:			
Impairment losses on securities	¥ 1,952	¥ 1,907	\$ 17,632
Accrued expenses	1,776	648	16,037
Write-down of inventories	1,198	1,252	10,821
Allowance for bonuses	1,007	1,003	9,097
Tax loss carryforwards	831	494	7,501
Allowance for doubtful accounts	651	666	5,881
Allowance for losses on construction contracts	264	345	2,386
Other	817	556	7,381
Less valuation allowance	(5,616)	(4,625)	(50,723)
Total	2,880	2,246	26,013
Deferred tax liabilities:			
Net unrealized gains on available-for-sale securities	(12,080)	(9,334)	(109,101)
Retained earnings appropriated for special allowance	(1,705)	(1,881)	(15,397)
Asset for retirement benefits	(1,522)	(1,245)	(13,747)
Total	(15,307)	(12,460)	(138,245)
Net deferred tax liabilities	¥(12,427)	¥(10,214)	\$ (112,232)

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%

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, 2020 is omitted since the difference is 5% or less of the normal effective statutory tax rate.

11. Research and Development Costs

Research and development costs charged to income were ¥1,667 million (\$15,053 thousand) and ¥1,444 million for the years ended March 31, 2021 and 2020, respectively.

12. 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, 2021 and 2020, were ¥1 million (\$9 thousand) and ¥2 million, respectively.

Obligations under finance leases at March 31, 2021 and 2020, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2021	2020	2021
Due within one year	¥1	¥1	\$ 5
Due after one year	1	2	11
Total	¥2	¥3	\$16

(2) Operating leases

Future minimum lease receivables or payments under noncancelable operating leases at March 31, 2021 and 2020, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2021	2020	2021
As a lessor:			
Due within one year	¥ 2,370	¥ 2,391	\$ 21,407
Due after one year	14,495	15,975	130,918
Total	¥16,865	¥18,366	\$152,325
As a lessee:			
Due within one year	¥ 88	¥ 95	\$ 796
Due after one year	784	555	7,080
Total	¥ 872	¥ 650	\$ 7,876

13. Financial Instruments and Related Disclosures

(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 14 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.

(4) Fair values of financial instruments

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

Financial instruments whose fair value is extremely difficult to be identified, loans associated with sub-leasing loans for property accumulation savings for the acquisition of a house operated by the Organization for Workers Retirement Allowance Mutual Aid and its related sub-leasing loans are not included in the following table:

(a) Fair value of financial instruments

	Millions of Yen		
	Carrying Amount	Fair Value	Unrealized Gain/Loss
March 31, 2021			
Cash and cash equivalents and time deposits	¥ 21,613	¥ 21,613	¥ —
Marketable securities	123	124	1
Receivables—trade notes and accounts	143,422		
Allowance for doubtful receivables (*1)	(142)		
Net	143,280	143,280	—
Investment securities	65,634	65,634	—
Long-term loans receivable	114		
Allowance for doubtful long-term loans receivable (*1)	(0)		
Net	114	114	(0)
Total	¥230,764	¥230,765	¥ 1
Short-term bank loans	¥ 7,457	¥ 7,457	¥ —
Long-term bank loans	7,100	7,088	(12)
Non-recourse loans	16,228	16,169	(59)
Payables—trade notes and accounts	47,039	47,039	—
Lease obligation	2	2	(0)
Total	¥ 77,826	¥ 77,755	¥(71)
Derivatives (*2)	¥ (950)	¥ (950)	¥ —

	Millions of Yen		
	Carrying Amount	Fair Value	Unrealized Gain/Loss
March 31, 2020			
Cash and cash equivalents and time deposits	¥ 29,180	¥ 29,180	¥—
Receivables—trade notes and accounts	121,749		
Allowance for doubtful receivables (*1)	(121)		
Net	121,628	121,628	—
Investment securities	55,726	55,729	3
Long-term loans receivable	147		
Allowance for doubtful long-term loans receivable (*1)	(0)		
Net	147	148	1
Total	¥206,681	¥206,685	¥ 4
Short-term bank loans	¥ 8,945	¥ 8,945	¥—
Long-term bank loans	6,000	6,013	13
Non-recourse loans	9,221	9,207	(14)
Payables—trade notes and accounts	43,945	43,945	—
Lease obligation	3	3	(0)
Total	¥ 68,114	¥ 68,113	¥ (1)
Derivatives (*2)	¥ 246	¥ 246	¥—

	Thousands of U.S. Dollars		
March 31, 2021	Carrying Amount	Fair Value	Unrealized Gain/Loss
Cash and cash equivalents and time deposits	\$ 195,207	\$ 195,207	\$ —
Marketable securities	1,111	1,122	11
Receivables—trade notes and accounts	1,295,356		
Allowance for doubtful receivables (*1)	(1,278)		
Net	1,294,078	1,294,078	—
Investment securities	592,797	592,797	—
Long-term loans receivable	1,025		
Allowance for doubtful long-term loans receivable (*1)	(1)		
Net	1,024	1,023	(1)
Total	\$2,084,217	\$2,084,227	\$ 10
Short-term bank loans	\$ 67,353	\$ 67,353	\$ —
Long-term bank loans	64,125	64,018	(107)
Non-recourse loans	146,572	146,042	(530)
Payables—trade notes and accounts	424,843	424,843	—
Lease obligation	16	15	(1)
Total	\$ 702,909	\$ 702,271	\$(638)
Derivatives (*2)	\$ (8,584)	\$ (8,584)	\$ —

(*1) Amounts due from unconsolidated subsidiaries and associated companies are included in receivables—trade notes and accounts and long-term loans receivable.

(*2) Net receivables and payables generated from derivatives are presented in net amount and net payables are shown in parentheses.

Cash and cash equivalents and time deposits

The carrying values of cash and cash equivalents and time deposits approximate fair value because of their short maturities.

Marketable securities and investment securities

The fair values of marketable securities and investment securities are measured at the quoted market price of the stock exchange for the equity instruments and at the quoted price obtained from the financial institution for certain debt instruments. Fair value information for the marketable securities and the investment securities by classification is included in Note 4.

Receivables—trade notes and accounts and long-term loans receivable

The fair values of receivables—trade notes and accounts and long-term loans receivable are measured at the amount to be received at maturity, discounted at the Group's assumed corporate discount rate, such as the rate of national bonds at maturity. Also, the amounts of the allowance for doubtful receivables are deducted from the fair values.

Short-term bank loans and payables—trade notes and accounts

The carrying values of short-term bank loans and payables—trade notes and accounts approximate fair value because of their short maturities.

Lease obligation

The fair value of lease obligation is determined by discounting the cash flows related to the debt at the Group's assumed corporate borrowing rate.

Long-term bank loans and non-recourse loans

The fair values of long-term bank loans and non-recourse loans are determined by the present value calculated by discounting the total amount of the principal and interest expense at the interest rate considering the remaining maturities of the loans and credit risk of the Company. With respect to loans with floating interest rates, as the interest rates reflect market interest rates within a short period of time, the carrying values of such loans approximate fair value and thus the fair values are stated at the carrying value.

Derivatives

Fair value information for derivatives is included in Note 14.

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

	Millions of Yen		Thousands of U.S. Dollars
	2021	2020	2021
Investments in equity instruments that do not have a quoted market price in an active market	¥1,185	¥1,280	\$10,699
Investments in limited partnerships	523	423	4,726

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

	Millions of Yen			
	Due in 1 Year or Less	Due after 1 Year through 5 Years	Due after 5 Years through 10 Years	Due after 10 Years
March 31, 2021				
Cash and cash equivalents and time deposits	¥ 21,613	¥ —	¥—	¥—
Marketable securities	124	—	—	—
Receivables—trade notes and accounts	121,904	21,518	—	—
Long-term loans receivable	—	86	28	17
Total	¥143,641	¥21,604	¥28	¥17

	Thousands of U.S. Dollars			
	Due in 1 Year or Less	Due after 1 Year through 5 Years	Due after 5 Years through 10 Years	Due after 10 Years
March 31, 2021				
Cash and cash equivalents and time deposits	\$ 195,207	\$ —	\$ —	\$ —
Marketable securities	1,121	—	—	—
Receivables—trade notes and accounts	1,101,005	194,350	—	—
Long-term loans receivable	—	773	249	150
Total	\$1,297,333	\$195,123	\$249	\$150

Please see Note 7 for annual maturities of long-term debt and Note 12 for obligations under finance leases.

14. 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, 2021 and 2020.

Derivative transactions to which hedge accounting is applied:

				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	Note2
				Millions of Yen
March 31, 2020	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	¥504
Interest rate swaps Floating-rate receipt, fixed-rate payment	Non-recourse loans	19,664	19,664	(258)
Interest rate swaps Floating-rate receipt, fixed-rate payment	Long-term bank loans	4,000	4,000	Note2
				Thousands of U.S. Dollars
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	\$433,162	\$433,162	\$(6,505)
Interest rate swaps Floating-rate receipt, fixed-rate payment	Non-recourse loans	177,601	177,601	(2,080)
Interest rate swaps Floating-rate receipt, fixed-rate payment	Long-term bank loans	36,127	36,127	Note2

Notes:

1. Fair value is based on the price provided by the financial institutions.

2. 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 13.

15. Commitments and Contingent Liabilities

Land in the amount of ¥21 million (\$188 thousand) is pledged for a deposit received from a lessee related to a fixed-term land leasehold at March 31, 2021. Land in the amount of ¥1,458 million (\$13,171 thousand) and buildings in the amount of ¥1,023 million (\$9,235 thousand) are pledged as construction assistance funds pursuant to building lease contracts at March 31, 2021. Marketable securities in the amount of ¥123 million (\$1,111 thousand), investment securities in the amount of ¥16 million (\$143 thousand) and investments in and advances to unconsolidated subsidiaries and associated companies in the amount of ¥62 million (\$555 thousand) are pledged as collateral for the guarantee against defect of the house construction, contract performance obligation of the private finance initiative (PFI) business, and the loans of an affiliate, respectively, at March 31, 2021. Time deposits in the amount of ¥1,133 million (\$10,235 thousand) are pledged as security for performance obligation of construction contracts at March 31, 2021.

Assets pledged as collateral for non-recourse debts are business assets of a consolidated subsidiary engaged in renewable energy business for the amount of ¥17,163 million (\$155,015 thousand) at March 31, 2021.

16. Other Comprehensive Income

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

	Millions of Yen		Thousands of U.S. Dollars
	2021	2020	2021
Unrealized gain (loss) on available-for-sale securities			
Gain (loss) arising during the year	¥10,754	¥(14,870)	\$ 97,124
Reclassification adjustments to profit or loss	(284)	(550)	(2,562)
Amount before income tax effect	10,470	(15,420)	94,562
Income tax effect	(2,746)	4,239	(24,802)
Total	¥ 7,724	¥(11,181)	\$ 69,760
Deferred gain (loss) on hedges			
Gain (loss) arising during the year	¥ (1,197)	¥ 246	\$(10,810)
Reclassification adjustments to profit or loss	—	—	—
Amount before income tax effect	(1,197)	246	(10,810)
Income tax effect	154	(154)	1,393
Total	¥ (1,043)	¥ 92	\$ (9,417)
Defined retirement benefit plans			
Adjustments arising during the year	¥ 962	¥ 24	\$ 8,684
Reclassification adjustments to profit or loss	(403)	(497)	(3,637)
Amount before income tax effect	559	(473)	5,047
Income tax effect	(171)	145	(1,544)
Total	¥ 388	¥ (328)	\$ 3,503
Total other comprehensive income (loss)	¥ 7,069	¥(11,417)	\$ 63,846

17. Subsequent Events

Appropriation of Retained Earnings

The following appropriation of retained earnings at March 31, 2021, was approved at the Company's shareholders' meeting held on June 29, 2021:

	Millions of Yen	Thousands of U.S. Dollars
Year-end cash dividends, ¥103 (\$0.93) per share	¥3,896	\$35,189

18. 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."

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

	Millions of Yen							
	2021							
	Reportable segment				Other (Note 1)	Total	Reconciliations (Note 2)	Consolidated (Note 3)
	Civil engineering	Architectural construction	Investment development	Total				
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

	Millions of Yen							
	2020							
	Reportable segment				Other (Note 1)	Total	Reconciliations (Note 2)	Consolidated (Note 3)
	Civil engineering	Architectural construction	Investment development	Total				
Sales								
Sales to external customers	¥100,146	¥116,760	¥4,792	¥221,698	¥4,674	¥226,372	¥ —	¥226,372
Intersegment sales or transfers	—	—	35	35	1,947	1,982	(1,982)	—
Total	100,146	116,760	4,827	221,733	6,621	228,354	(1,982)	226,372
Segment profit	8,837	109	2,139	11,085	552	11,637	(120)	11,517
Other:								
Depreciation	¥ 474	¥ 506	¥ 408	¥ 1,388	¥ 49	¥ 1,437	¥ (7)	¥ 1,430
Amortization of goodwill	—	—	30	30	—	30	—	30

Thousands of U.S. Dollars

2021

	Reportable segment				Other (Note 1)	Total	Reconciliations (Note 2)	Consolidated (Note 3)
	Civil engineering	Architectural construction	Investment development	Total				
Sales								
Sales to external customers	\$ 945,615	\$ 949,303	\$ 46,095	\$ 1,941,013	\$ 52,415	\$ 1,993,428	\$ —	\$ 1,993,428
Intersegment sales or transfers	—	—	315	315	5,077	5,392	(5,392)	—
Total	945,615	949,303	46,410	1,941,328	57,492	1,998,820	(5,392)	1,933,428
Segment profit	83,445	9,439	18,802	111,686	4,111	115,797	535	116,332
Other:								
Depreciation	\$ 6,126	\$ 5,572	\$ 3,939	\$ 15,637	\$ 472	\$ 16,109	\$ (63)	\$ 16,046
Amortization of goodwill	—	—	268	268	—	268	—	268

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 ¥59 million (\$535 thousand) and ¥(120) million for the years ended March 31, 2021 and 2020, 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.



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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, 2021, and the consolidated statement of income, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies, all expressed in Japanese yen.

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

Convenience Translation

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

Basis for Opinion

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

Key Audit 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.

Revenue recognition by the percentage-of-completion method	
Key Audit Matter Description	How the Key Audit Matter Was Addressed in the Audit
<p>As described in Note 2.m. "Summary of Significant Accounting Policies - Construction Contracts" to the consolidated financial statements, construction revenue and construction costs are recognized by the percentage-of-completion method. Revenues recognized by the percentage-of-completion method were JPY 205,730 million out of total construction revenue of JPY 209,805 million for the current year.</p> <p>As described in Note 3. "Significant Accounting Estimates", when applying the percentage-of-completion method, revenues are recognized 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.</p> <p>The reliability of estimating the total construction revenue and the total construction costs in applying the percentage-of-completion method has a significant impact on the consolidated financial statements, where a higher estimation uncertainty may exist in relation to the following matters:</p>	<p>Based on our understanding of the business environment surrounding the Group and its industry, we evaluated the design and operating effectiveness of controls, including Information Technology controls, over the process of revenue recognition by the percentage-of-completion method. Our processes related to estimating total construction revenue and total construction costs were as follows:</p> <p>(1) Estimating total construction revenue</p> <p>We performed inquiries and inspected related documents to test the effectiveness of controls related to the determination of the uncontracted amount. This included approval of the reports on uncontracted projects prepared by estimating the contract amount for the agreed changes in each construction project, and monitoring activities.</p> <p>(2) Estimating total construction costs</p> <p>We performed inquiries and inspected related documents to test the effectiveness of controls related to approval of the reports on working budget, construction projects and costs incurred to date, and monitoring activities.</p>

Revenue recognition by the percentage-of-completion method	
Key Audit Matter Description	How the Key Audit Matter Was Addressed in the Audit
<p>(1) Estimating total construction revenue</p> <p>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, total construction revenue may be revised using the estimated contract amount based on initial agreement (the "uncontracted amount"). The estimate of total construction revenue by management may affect the accuracy of the construction revenue.</p> <p>(2) Estimating total construction costs</p> <p>It may be necessary to modify total construction costs due to unexpected events, changes in market conditions such as materials and subcontracting costs, and construction in a rush responding 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.</p> <p>We determined revenue recognition by the percentage-of-completion method 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.</p>	<p>In addition, we assessed the reasonableness of the construction revenue determined using the percentage-of-completion method 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 significantly higher or lower profit margins ratio, large fluctuating profit margins ratio, deficit projects, projects with large uncontracted amounts, or large-scale projects.</p> <p>Specifically, for the estimate of total construction revenue and total construction costs, we performed the following:</p> <p>(1) Estimating total construction revenue</p> <p>We tested the uncontracted amount by inspection of documents underlying the estimate, reviewed meeting minutes with customers and inquiries of construction managers.</p> <p>In addition, for construction projects that contained uncontracted 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.</p> <p>(2) Estimating total construction costs</p> <p>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 for the order, performed inquiries of the construction managers, and inspected the vendor invoices, as necessary.</p>

Responsibilities of Management and Audit & Supervisory Board Members 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.

Audit & Supervisory Board members and 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.

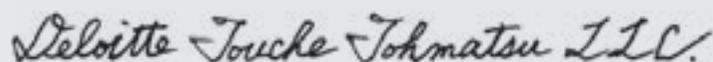
We communicate with Audit & Supervisory Board members and the Audit and Supervisory Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide Audit & Supervisory Board members and 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 Audit & Supervisory Board members and 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.



June 29, 2021

Breakdown of Orders (Nonconsolidated)

Okumura Corporation
Year Ended March 31, 2021

Okumura Corporation Annual Report 2021

Construction Orders Awarded

	2021		2020		2021
	Millions of Yen	Composition ratio	Millions of Yen	Composition ratio	Thousands of U.S. Dollars
Civil engineering:					
Domestic:					
Public sector	¥ 93,119		¥ 30,943		\$ 841,028
Private sector	34,125		50,680		308,213
Overseas	987		8,027		8,914
Subtotal	128,231	57.7%	89,650	41.0%	1,158,155
Architectural construction:					
Domestic:					
Public sector	32,708		38,373		295,416
Private sector	61,285		90,840		553,512
Overseas	—		—		—
Subtotal	93,993	42.3	129,213	59.0	848,928
Total:					
Domestic:					
Public sector	125,827		69,316		1,136,444
Private sector	95,410		141,520		861,725
Overseas	987		8,027		8,914
Total	¥222,224	100 %	¥218,863	100 %	\$2,007,083

Net Sales

	2021		2020		2021
	Millions of Yen	Composition ratio	Millions of Yen	Composition ratio	Thousands of U.S. Dollars
Projects completed:					
Civil engineering:					
Domestic:					
Public sector	¥ 66,405		¥ 69,240		\$ 599,755
Private sector	36,501		28,552		329,671
Overseas	1,793		2,354		16,189
Subtotal	104,699	48.5%	100,146	45.0%	945,615
Architectural construction:					
Domestic:					
Public sector	23,712		12,258		214,162
Private sector	81,395		104,502		735,141
Overseas	—		—		—
Subtotal	105,107	48.7	116,760	52.5	949,303
Subtotal:					
Domestic:					
Public sector	90,117		81,498		813,917
Private sector	117,896		133,054		1,064,812
Overseas	1,793		2,354		16,189
Subtotal	209,806	97.2	216,906	97.5	1,894,918
Real estate and other	5,977	2.8	5,521	2.5	53,986
Total	¥215,783	100 %	¥222,427	100 %	\$1,948,904

Year-end Backlog

	2021		2020		2021
	Millions of Yen	Composition ratio	Millions of Yen	Composition ratio	Thousands of U.S. Dollars
Civil engineering:					
Domestic:					
Public sector	¥113,225		¥ 86,511		\$1,022,621
Private sector	70,512		72,888		636,852
Overseas	13,102		13,908		118,334
Subtotal	196,839	54.1%	173,307	49.3%	1,777,807
Architectural construction:					
Domestic:					
Public sector	58,053		49,056		524,319
Private sector	109,123		129,233		985,578
Overseas	—		—		—
Subtotal	167,176	45.9	178,289	50.7	1,509,897
Total:					
Domestic:					
Public sector	171,278		135,567		1,546,940
Private sector	179,635		202,121		1,622,430
Overseas	13,102		13,908		118,334
Total	¥364,015	100 %	¥351,596	100 %	\$3,287,704

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,
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West Japan Branch Office

2-2-2, Matsuzaki-cho, Abeno-ku,
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TEL: +81-6-6621-1101 FAX: +81-6-6623-7692

West Japan Branch Office (HARUKAS Office)

26F ABENO HARUKAS, 1-1-43 Abenosuji,
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Sapporo Branch

2-1-18, Kita Shijo Nishi,
Chuo-ku, Sapporo 060-0004, Japan
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Tohoku Branch

2-25, Tsutsumi dori, Amamiya-machi,
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TEL: +81-22-274-1231 FAX: +81-22-273-9805

Tokyo Branch

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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,
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Kansai Branch

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Abeno-ku, Osaka 545-6026, Japan
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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,
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Hiroshima Branch

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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: +81-133-62-9505 FAX: +81-133-62-9506
Business line: Power generation using renew-
able energy and sales of electricity

Board of Directors

(As of June 29, 2021)

Directors

President and Representative Director

Takanori Okumura

Representative Director

Atsushi Tanaka

Directors

Yuichi Mizuno

Kenji Kotera

Toru Osumi

Masahiro Kaneshige

Tamotsu Tsuchiya

Director (Full-time Audit and Supervisory Committee Member)

Harumitsu Yoshimura

Directors (Audit and Supervisory Committee Member)

Tetsuo Koderu

Hiroyo Yashiro

Hideshi Nio

Kenji Nishihara

Note: Tetsuo Koderu, Hiroyo Yashiro, Hideshi Nio and Kenji Nishihara are outside directors.

Executive Officers

Executive Vice Presidents

Yuichi Mizuno*

Hajime Kosaka

Senior Managing Executive Officers

Osamu Harada

Shunso Iijima

Managing Executive Officers

Kenji Kotera*

Atsushi Tanaka*

Hiroyuki Hayashi

Toru Osumi*

Kazuyuki Yoshimi

Masahiro Kaneshige*

Wataru Onishi

Tamotsu Tsuchiya*

Executive Officers

Takanori Hayashi

Naoki Magoori

Hirohide Taniguchi

Nobuyasu Kawai

Sawayuki Kawatani

Yoshinori Yasui

Kunitake Konishi

Nobuharu Suga

Yasuhiko Goto

Yoshihiko Wakimoto

Hiroki Machida

Kazuyoshi Okuma

Hiroyuki Matsushima

Akira Sasaki

Takami Nakada

Koji Furusawa

Masanari Kashiki

Koichi Isogami

Yoshihiro Kadotani

Junichi Hori

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

Investor Information

(As of March 31, 2021)

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

2,138

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)	3,154	8.34%
Northern Trust Co. (AVFC) Re Silchester International Investors International Value Equity Trust	2,466	6.52
Okumura Employees' Shareholding Association	1,703	4.50
Northern Trust Co. (AVFC) Re U.S. Tax Exempted Pension Funds	1,335	3.53
Custody Bank of Japan, Ltd. (Trust Account)	1,224	3.24
Resona Bank, Limited.	1,214	3.21
Sumitomo Realty & Development Co., Ltd.	1,210	3.20
Northern Trust Co. (AVFC) Sub A/C Non Treaty	792	2.09
Nippon Life Insurance Company	643	1.70
The Bank of New York, Treaty Jasdec Account	591	1.56

Note:

1. The Company holds 1,838,723 shares of treasury stock, which are excluded from the above.
2. Shareholding ratio is computed excluding treasury stock.



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