

Okumura Corporation

Annual Report

2023



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



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# Financial Highlights

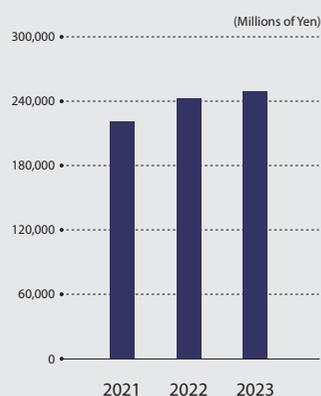
Okumura Corporation **Annual Report 2023**

For the years ended March 31	2021	2022	2023	2023
<b>Consolidated:</b>	Millions of Yen			Thousands of U.S. Dollars
Net sales	¥220,712	¥242,459	¥249,443	\$1,867,927
Operating income	12,880	12,647	11,847	88,719
Net income attributable to owners of the parent	10,285	12,542	11,262	84,332
Total assets	329,005	332,349	343,728	2,573,969
Total equity	167,964	167,425	173,216	1,297,109
<b>Per Share:</b>	Yen			U.S. Dollars
Basic net income	¥271.90	¥334.11	¥306.08	\$2.29
Cash dividends applicable to the year	140.00	172.00	223.00	1.67

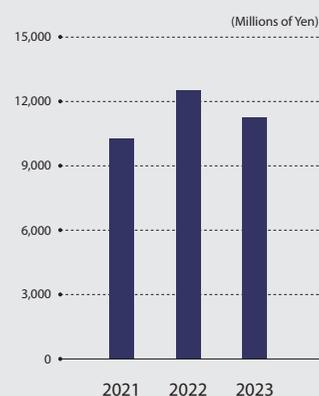
\*"Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29, March 31, 2020), etc. have been applied from the beginning of the fiscal period of March 2022. Accordingly, the summaries of business results for the fiscal period of March 2022 and thereafter represent performance results after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

Note: The U.S. dollar amounts included herein are presented solely for convenience of the reader. Such dollar amounts have been translated from yen at the approximate exchange rate in Tokyo on March 31, 2023, of ¥133.54=\$1.

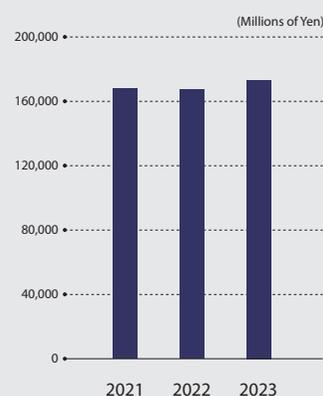
## Net Sales



## 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 2023 (April 1, 2022 to March 31, 2023) is provided below.

## Results for the Year Ended March 31, 2023

During the period under review, socioeconomic activity progressively returned to normal, due mainly to the relaxation of movement restrictions implemented in response to the novel coronavirus (COVID-19), but the pace of recovery in the Japanese economy remained sluggish due to factors such as the soaring price of goods resulting from the deteriorating global situation. In this climate, construction investment was robust against the backdrop of elevated demand for capital investment in the private sector. However, the construction industry continued to face an unpredictable business environment with the impact of soaring materials prices, etc.

In these circumstances, the Company's consolidated net sales increased 2.9% year on year to ¥249,443 million, which led to an increase of 0.5% year on year in consolidated gross profit to ¥32,001 million. Consolidated operating income decreased 6.3% year on year to ¥11,847 million, primarily due to increases in selling, general and administrative expenses, and net income attributable to owners of the parent decreased 10.2% year on year to ¥11,262 million.

## Dividend for the Year Ended March 31, 2023

The Company decided to pay a dividend of ¥223.00 per share (interim dividend of ¥66.00, year-end dividend of ¥157.00) for the period ended March 31, 2023 based on its policy regarding profit sharing.

Under the Medium Term Business Plan (FY2022-FY2024), we have revised its shareholder return policy as follows, to achieve the further enhancement of profit sharing.

### Shareholder Return Policy

#### Basic policy

To distribute profits in line with business performance and flexibly implement the purchase of treasury stock, premised on the continuation of stable dividends.

#### Policy from FY2022 to FY2024

◆ Consolidated payout ratio of 70% or more

( Dividend on equity ratio (DOE) of 2.0% or more, regardless of business performance.  
Note: Dividend on equity ratio (DOE) = Total annual dividends (interim + year-end) ÷ equity )



## Medium Term Business Plan

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Despite fears of the impact of a further rise in the price of goods and a downturn in economy overseas, the outlook for the Japanese economy is expected to follow a recovery trajectory underpinned mainly by domestic demand due to progressively more vigorous socioeconomic activity. In the construction industry, although construction investment is forecast to remain strong, still the business environment does not warrant excessive optimism due to factors such as the uncertainty surrounding movements in materials prices, which remain at an elevated level.

Under these circumstances, the Okumura Group will aim to continue to grow into the future by responding to the trust placed in us by society through reliable technologies and honest business operations. This includes developing businesses and services that anticipate changing social needs and undertaking initiatives for ESG/SDGs in an integrated manner. We will push ahead with initiatives founded on the basic policies for business strategies upheld in our Medium Term Business Plan (FY2022-FY2024), the second step toward the realization of our “Vision toward 2030.”

Specifically, we will pursue the “enhancement of corporate value” by improving our productivity and technological advantage through companywide structural reforms, including a radical review of business processes, and the promotion of digital transformation (DX) and strategic technological developments, while also working to reinforce our ESG/SDG initiatives. Regarding the “expansion of business domains,” we are further expanding our new businesses and real estate business, including the launch of commercial operations at our biomass power generation plants in Hokkaido and Fukushima Prefecture as renewable energy businesses that contribute to achieving a decarbonized society. We are also building the foundations for our overseas business. We will continue with our efforts to “leverage our human resources” by upgrading our internal programs to help employees achieve a good work-life balance and undertaking other measures to promote work style reform, as well as giving our diverse people the opportunity to flourish and promoting initiatives to strengthen staff education.

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

June 2023

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



#### Construction of Futtsu-Chiba High-voltage Main Line

Work period: July 2018 to May 2022  
Kisarazu shield tunnel: 2,212 m, Obitsugawa shield tunnel: 2,398 m, Anesaki shield tunnel: 1,390 m, Kaneda shield tunnel: 2,555 m



#### Hokuriku Shinkansen Bullet Train's Shin-Hokuriku Tunnel (Tajiri area)

Work period: March 2016 to June 2022  
Tunnel length: 2,170 m, NATM, inclined shaft: 712 m



#### Power Generation Equipment Renewal Work (Penstock and Headrace) of the Misumigawa Power Plant

Work period: August 2018 to March 2023  
Penstock replacement: 497 m (diameter 1,600 mm), headrace reinforcement: 1,500 m (horseshoe shape, radius 1.0 m), cableway equipment (fixed cable cranes): 1 unit rated at 4.0 t (540 m) and 1 unit rated at 2.6 t (220 m)



#### Improvement Work of Toin Industrial Park's Periphery

Work period: September 2020 to November 2022  
Work area: 14.7 ha, road earthwork: 50,800 m<sup>3</sup> of excavation, 162,200 m<sup>3</sup> of road embankment, reservoir construction: 1 location, sheet pile revetment work: 998 sheets, drain facility construction: 1 set, pre-cast slab concrete work: 585 m, retaining wall work: 329 m, sewage pipework: 649 m, sewage manhole: 19 locations, drain structure, road drainage: 2,014 m, irrigation ditch: 545 m, paving work: 8,821 m<sup>2</sup>, construction of pump facility: 1 set, service water pipe laying work: 1,000 m, structure removal work: 1 set

### Orders Received

#### Baoshan Water supply and Sewerage Tunnel

Work period: August 2022 to May 2024  
Shield tunneling : length 2,813 m, internal diameter: 3.9 m, 2 TBMs, soil improvement: 1 set

#### Akita Expressway's Sannai Tunnel

Work period: August 2022 to June 2027  
Yuda IC to Sannai Tunnel, NATM tunnel length: 2,438.0 m, two lanes, cut and fill volume: 80,000 m<sup>3</sup>, tunnel excavation volume: 230,000 m<sup>3</sup>

#### Construction of Main Part of Underground Cut-off Channel for Uzuma River a Class A River

Work period: March 2023 to March 2026  
Construction length: 2,344.3 m, EPB shield (segment external diameter: 6.0 m), 2,336.9 m launching shaft construction (press-in open caisson method): 1 set

#### Anti-seismic Reinforcement Work of Upper Section (2021-2-Kan Bridge)

Work period: July 2022 to February 2027  
Plant production: approx. 400 t, anti-seismic connectors (rubber-clad chains): 387 sets, anti-seismic connectors (PC cable connectors): 15 sets, bridge pier and structure widening: 3 sets, bearing reinforcement devices (lateral force dispersion): 432 sets, bearing replacement: 2 sets, structural repairs: 196 locations, on-sight painting: approx. 500 m<sup>2</sup>, temporary construction: 1 set, common temporary construction cost: 1 set, detailed design cost: 1 set

**BUILDINGS**

**Major Projects Completed**



**Yawata City Hall**  
 Work period: February 2019 to March 2023  
 Structure: RC and Steel (partially SRC)  
 Total floor space: 22,500 m<sup>2</sup>



**Building 3 of Setsunan University's Neyagawa Campus**  
 Work period: August 2021 to January 2023  
 Structure: Steel  
 Total floor space: 12,313.00 m<sup>2</sup>



**Meiji Co., Ltd.'s Eniwa Plant**  
 Work period: October 2020 to June 2022  
 Structure: Steel  
 Total floor space: 18,779.9 m<sup>2</sup>



**Akashi Cocoro no Hospital's West Wing**  
 Work period: June 2019 to February 2023  
 Structure: RC  
 Total floor space: 6,252 m<sup>2</sup> (including demolition of RC building with two stories high totaling 3,000 m<sup>2</sup>)

**Orders Received**

**New NITORI Satte DC**  
 Work period: August 2022 to March 2024  
 Structure: RC and steel  
 Total floor space: 175,254.07 m<sup>2</sup>



**GLP Chibakita Project**  
 Work period: February 2023 to February 2024  
 Structure: Steel  
 Total floor space: 22,651.47 m<sup>2</sup>



**New Main Building of the Nanto Bank**  
 Work period: February 2023 to October 2024  
 Structure: Steel  
 Total floor space: 14,267.76 m<sup>2</sup>



**RA Nara Hotel Project**  
 Work period: January 2023 to May 2024  
 Structure: Steel  
 Total floor space: 13,498 m<sup>2</sup>



## Sustainability-related Initiatives

Under the Okumura Group's basic philosophy of "creating and sustaining an environment that is friendly to both people and the planet," we strive to prevent environmental pollution, reduce environmental burden, and protect the environment. We are working toward the "realization of a sustainable society" in addressing sustainability issues, including climate change, based on a recognition of these as key management issues.

We declared our endorsement of the Task Force on Climate-Related Financial Disclosures (TCFD) in April 2022. We will aim to realize a sustainable society as we push ahead with the disclosure of climate change-related information based on the four frameworks in the TCFD recommendations: (1) Governance, (2) Strategy, (3) Risk Management, and (4) Metrics and Targets.



Note: The Task Force on Climate-Related Financial Disclosures (TCFD) was established by the Financial Stability Board (FSB) to consider how to engage in the disclosure of climate-related information.

### (1) Governance

We have established the ESG/SDGs Promotion Committee under the supervision of the Board of Directors to deliberate on climate-related policies and the evaluation and management of risks and opportunities, as well as other issues related to ESG/SDGs for the promotion of strategic initiatives

The committee is chaired by the President (top management) and composed of the heads of each Head Office section and the presidents of the East Japan and West Japan Branch Offices. The results of its deliberations are submitted or reported to the Board of Directors as necessary, and a framework is in place for appropriate monitoring by the Board of Directors.



### (2) Strategy

We analyze the impact that risks and opportunities will have on the organization, including those related to climate associated with an examination (scenario analysis) based on the "2°C or lower scenario" and the "4°C scenario."\*Please refer to Table 1.

- 2°C or lower scenario: A scenario that assumes that the rise in average global temperatures will be kept well within 2°C above pre-industrial levels and continuing efforts will be made to keep the rise in temperatures within 1.5°C.
- 4°C scenario: A scenario that assumes that the rise in average global temperatures will be approximately 4°C above pre-industrial levels.

Specifically, we analyze the risks and opportunities associated with ESG/SDGs, including climate-related risks and opportunities, and the impact of these risks and opportunities materialize. We assess the significance of each scenario in terms of the two axes of probability and impact, then pinpoint the ESG/SDGs-related issues for the Okumura Group. In addition to identifying the need to "contribute to resilient infrastructure development" and "pursue environmentally friendly businesses" as climate-related material issues (materiality), we have identified the need to "promote workstyle reforms," which constitutes the foundation of our business activities, as an ESG/SDGs-related material issue (materiality). By reflecting measures to solve these issues in each division's plans for business promotion, we undertake initiatives for business activities and ESG/SDGs.

### (3) Risk Management

The ESG/SDGs Promotion Committee analyzes, identifies, evaluates and manages risks associated with ESG/SDGs, and the results are reflected in measures taken by each division.\*Please refer to Table 1.

### (4) Metrics and Targets

At the Okumura Group, we set the following targets for the reduction of greenhouse gas (GHG) emissions. They are used as metrics and targets to evaluate and manage climate-related risks and opportunities. We obtained SBT certification for these targets in January 2023.

Note: SBT (Science Based Targets): These are greenhouse gas emission reduction targets set by companies to meet the goals of the Paris Agreement (to keep the rise in average global temperatures well within 2°C above pre-industrial levels and continue efforts to keep the rise in temperatures within 1.5°C) with the target years 5-15 years from now.



Metrics <sup>*1</sup>	GHG Emission Reduction Targets for FY2030 (Total Emissions) <sup>*2</sup>
Scope 1+2	25% (from FY2020)
Scope 3	13% (from FY2020)

\*1 Scope 1: Direct greenhouse gas emissions from sources that are owned or controlled by the company  
 Scope 2: Indirect greenhouse gas emissions from the use of electricity, heat and vapor supplied by other companies  
 Scope 3: Other indirect greenhouse gas emissions that are a consequence of the activities of the company, but occur from sources not owned or controlled by the company

\*2 (Reference)  
 Total emissions in FY2020  
 Scope 1+2: 41,466.13t-CO<sub>2</sub>    Scope 3: 1,180,258.95t-CO<sub>2</sub>  
 Total emissions in FY2022  
 Scope 1+2: 54,122.45t-CO<sub>2</sub>    Scope 3: 1,243,914.93t-CO<sub>2</sub>

Table 1: ESG/SDGs-related material issues (materiality)

ESG	SDGs	ESG/SDGs-related risks and opportunities	Impact if the risk or opportunity materializes <sup>*1</sup>	Significance under the 2°C or lower scenario <sup>*2</sup>	Significance under the 4°C scenario <sup>*2</sup>	Type of risk or opportunity	Timing	The Okumura Group's ESG/SDGs-related challenges <sup>*3</sup>	
E		Risks	Increasingly frequent and devastating large-scale disasters due to abnormal weather associated with climate change as well as earthquakes and typhoons	Deterioration of the foundation for livelihood and industry due to the failure of infrastructure, as well as damages to assets held	4	5	Physical risk (acute) / transition risk (regulatory, market)	Short, medium and long term	Contribution to resilient infrastructure development ★
E			Destruction of the natural environment due to rising temperatures associated with climate change and development without regard for the environment	Destruction of ecosystems and the pollution of water sources; decline in orders received due to the deterioration of corporate valuation	4	5	Physical risk (acute, chronic) / transition risk (regulatory, reputation)	Short, medium and long term	Promotion of environmentally friendly businesses ★
E			Skyrocketing materials and outsourcing costs due to the introduction of carbon taxes (carbon pricing) associated with climate change	Decline in profitability due to the increase in construction costs	4	3	Transition risk (regulatory, market)	Short, medium and long term	Promotion of decarbonization ★
E			Waste of the natural resources contained in construction materials	Decline in sustainability due to the depletion of natural resources	3	3	Transition risk (market)	Medium and long term	Effective use of resources through recycling
S			Dangerous working environments	Decline in worker motivation	3	3	Physical risk (acute) / transition risk (market)	Short and medium term	Safe and secure working environments
S			Increase in vacant houses and shops, as well as derelict buildings	Deterioration in the public security and hygienic environment, disasters due to building collapse, and a decrease in real estate rental income	3	3	Physical risk (chronic) / transition risk (market)	Medium and long term	Effective use of real estate stock
S			Lack of diversity in working environments	Outflow of female employees and other diverse talent, and the loss of employment opportunities	3	3	Physical risk (acute) / transition risk (market)	Short and medium term	Promotion of diversity-focused management
E and S		Deterioration in working environments due to rising temperatures associated with climate change	Increase in the risk of heatstroke and rise in construction costs due to lower labor productivity	3	4	Physical risk (chronic) / transition risk (market)	Short, medium and long term	Promotion of mechanization, labor saving and greater efficiency ★	
E		Opportunities	Increase in demand for more energy-saving buildings as climate change countermeasures	Progressive shift to energy-saving buildings	4	3	Products and services, market	Short, medium and long term	Energy-saving design of buildings ★
S			Advance of ICT and its application to construction techniques	Better construction techniques through ICT	3	3	Products and services, market	Short, medium and long term	Enhancement of technical capabilities and productivity through ICT
S and G			Rise in demand for high-quality infrastructure	Construction of long-lived infrastructure	3	3	Products and services, resilience	Medium and long term	Assurance and enhancement of construction quality
E			Rise in demand for clean energy as a climate change countermeasure	Spread of power generation methods with low CO <sub>2</sub> emissions	4	3	Products and services, energy sources, market	Short, medium and long term	Promotion of renewable energy businesses ★
S and G			Promotion of collaboration with local communities and companies	Demonstration of synergies through partnerships with local communities and companies	3	3	Products and services, market	Short, medium and long term	Collaboration with local communities and companies
S			Reduction in overtime work through more efficient operations	Increase in the attraction of the construction industry and the promotion of employee health	4	4	Products and services	Short and medium term	Promotion of <u>workstyle reforms</u>
S			Progressively more diverse workstyles and greater employment mobility	Realization of diverse workstyles	3	3	Products and services	Short and medium term	Promotion of decent work

\*1 Negative impact is described for risks and positive impact is described for opportunities.

\*2 Significance is evaluated using the two axes of probability and impact. Each is given a score from 1 to 5, with 5 indicating the highest degree of significance (5: Extremely high; 4: High; 3: Medium; 2: Low; 1: Extremely low).

\*3 The ESG/SDGs-related material issues (materiality) for the Okumura Group are indicated in **bold and underlined** type. The ★ and ★ marks indicate climate change-related issues.

## The ISHIKARI New Port Biomass Power Station in Hokkaido Commences Commercial Operation

ISHIKARI BIO ENERGY GODO KAISHA, jointly invested by Okumura Corporation, Kyuden Mirai Energy Company, Inc. and New Circle Energy Co., Ltd., has completed the construction of the ISHIKARI New Port Biomass Power Station in Ishikari city, Hokkaido, and commercial operation began on March 2, 2023.

The power station, with a capacity of 51,500kW, is fueled by confirmed-sustainable wood pellets and PKS (palm kernel shells). Okumura supports the running, management and administration of the power station and Kyuden Mirai Energy Company, Inc. provides all technological support, to enable long-term stable operation.

It is located in the Ishikari Bay New Port Industrial Park, which the Ishikari municipal government aims to turn into an RE zone (inside which 100% of the energy used for business activities is derived from renewable energy sources). We will strive to contribute to regional decarbonization with the understanding and cooperation of the local community, local government and other relevant bodies.



Exterior of the ISHIKARI New Port Biomass Power Station

Okumura will continue to actively promote businesses utilizing renewable energy, aiming to achieve a sustainable society.

## The Hietakun® Mass Concrete Pipe Cooling Control System is Registered on NETIS

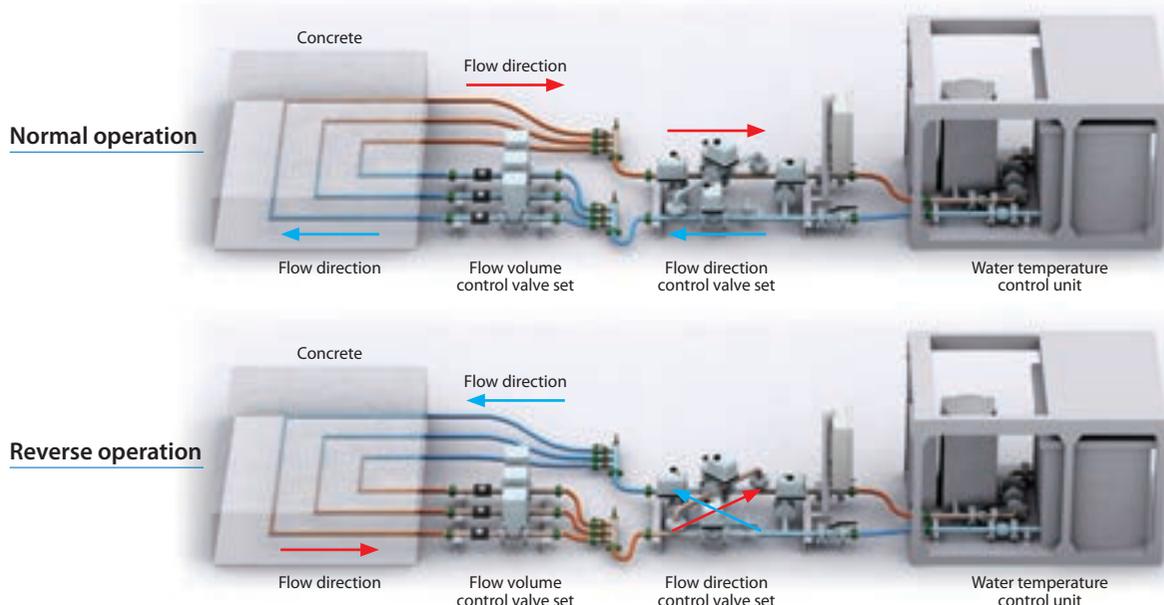
Okumura, in collaboration with ACTIO CORPORATION, has developed a system to automatically regulate the volume and flow direction of cooling water to boost the effectiveness of pipe cooling (a method used to reduce the temperature by circulating water through pipes placed within the concrete) used to control thermal cracks in mass concrete (concrete with a large structural cross-section). We have registered trademarks for the new system under the name Hietakun®, and registered it on the New Technology Information System (NETIS) operated by the Ministry of Land, Infrastructure, Transport and Tourism.

This system automatically adjusts the volume of cooling water flow to reduce the temperature of the concrete towards the target

management level asymptotically. Moreover, by automatically reversing the flow of cooling water to reduce the temperature difference between concrete near the entrance and exit of the cooling pipe, it prevents thermal cracks in the concrete arising from cement hydration heat. The cooling status can be checked remotely through an online monitoring system, enabling a reduction in the work required to manage the temperature of the concrete.

We will spread and expand this system to enhance the quality of concrete structures where thermal cracking is anticipated to occur and contribute to labor-saving.

### Overview of the pipe cooling control system



## Support for the Food Loss Reduction Project and the Shogaisha Jiritsu Suishin Kikou Association

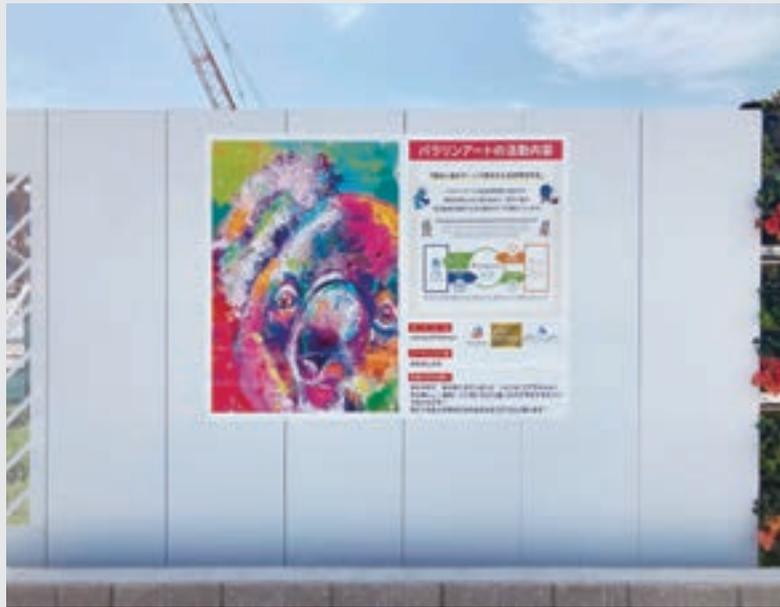
Okumura supports the Corporate Food Loss Reduction Project planned and operated jointly by Nikkeisha, Inc. and Ame Kaze Taiyo. Under this project, companies distribute nonstandard food products and excess stock of food products to their employees for effective consumption, thus contributing to society and promoting a deeper understanding of the SDGs within each company. In a survey conducted after the project was implemented, most of Okumura's employees responded that their interest in the issue of food loss and the SDGs had increased, and we believe that employees have a greater awareness of the SDGs as a result.

We have also signed an official partnership agreement with the Shogaisha Jiritsu Suishin Kikou Association to support people with disabilities to live independent lives through the organization's Paralymp Art program. Artworks created by artists with disabilities who are registered with Paralymp Art are displayed at 25 locations, including Okumura's Head Office and other main offices, as well as on temporary fencing at its working construction sites.

We will continue to contribute to achieving the SDGs through initiatives such as these, in addition to our business activities.



Osaka Head Office (Osaka)



Hospital construction site (Fukuoka)

## Operation of the Okumura Commemorative Museum

In 2007, we built the Okumura Commemorative Museum in Nara, a region deeply connected with Okumura Corporation, to show our gratitude for the opportunity to celebrate our centennial anniversary. The museum is designed in harmony with the atmosphere of this ancient capital. It features relaxation spaces where visitors can rest at ease and display spaces showing Okumura's history and technologies. Admission is free of charge. The museum incorporates seismic isolation technology, one of Okumura's areas of special expertise, and a space where visitors can learn about how actual Seismic Isolation System is installed. It also features an earthquake and seismic isolation experience simulator that enables visitors to experience the feeling of an earthquake and the effect of seismic isolation, as well as comparative seismic isolation models, by which visitors can observe the difference depending on the presence or absence of Seismic Isolation System, and a model shield machine.

The museum also provides a space for performances by amateur musicians, and concerts are held for the enjoyment of visitors.

Please take time to visit when you are next in Nara.



A concert

# Consolidated Balance Sheet

Okumura Corporation and Consolidated Subsidiaries  
March 31, 2023

10

ASSETS	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2023	2022	2023
<b>Current assets:</b>			
Cash and cash equivalents (Note 14)	¥ 48,793	¥ 31,622	\$ 365,381
Time deposits (Notes 14 and 16)	1,451	1,534	10,869
Receivables:			
Trade notes (Note 14)	3,007	1,723	22,514
Trade accounts (Note 14)	126,717	133,967	948,909
Unconsolidated subsidiaries and associated companies (Note 14)	2,743	6,618	20,542
Other	5,936	10,030	44,454
Allowance for doubtful receivables (Note 14)	(142)	(152)	(1,067)
Inventories (Note 5)	6,912	5,466	51,760
Prepaid expenses and other	3,438	1,207	25,744
Total current assets	198,855	192,015	1,489,106
<b>Property, plant and equipment (Notes 6 and 7):</b>			
Land (Note 16)	34,668	34,667	259,606
Buildings and structures (Note 16)	22,840	15,273	171,034
Machinery and equipment	19,169	807	143,544
Furniture and fixtures	389	387	2,915
Lease assets (Note 13)	6	2	47
Construction in progress	50	22,240	374
Total property, plant and equipment	77,122	73,376	577,520
<b>Investments and other assets:</b>			
Investment securities (Notes 4, 14 and 16)	54,698	56,415	409,603
Investments in and advances to unconsolidated subsidiaries and associated companies (Notes 14 and 16)	307	318	2,296
Long-term loans receivable (Note 14)	12	14	90
Asset for retirement benefits (Note 8)	4,435	5,077	33,212
Deferred tax assets (Note 10)	3	3	24
Goodwill	379	408	2,835
Other assets	9,861	6,679	73,840
Allowance for doubtful receivables (Note 14)	(1,944)	(1,956)	(14,557)
Total investments and other assets	67,751	66,958	507,343
<b>Total</b>	<b>¥343,728</b>	<b>¥332,349</b>	<b>\$2,573,969</b>

See notes to consolidated financial statements.

LIABILITIES AND EQUITY	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2023	2022	2023
<b>Current liabilities:</b>			
Short-term bank loans including current portion of long-term debt (Notes 7, 13 and 14)	¥ 10,710	¥ 9,481	\$ 80,204
Payables:			
Trade notes (Note 14)	3,003	2,460	22,490
Trade accounts (Note 14)	47,265	48,869	353,938
Other	3,313	575	24,809
Advances received on construction projects in progress	12,594	11,537	94,311
Income taxes payable	3,051	1,656	22,844
Allowance for warranty work on construction projects	505	540	3,779
Allowance for losses on construction contracts	1,566	973	11,728
Deposits received (Note 16)	20,062	25,610	150,230
Suspense receipt of consumption taxes	17,939	18,051	134,333
Other	9,040	7,059	67,696
Total current liabilities	129,048	126,811	966,362
<b>Long-term liabilities:</b>			
Long-term debt (Notes 7, 13,14 and 15)	3,115	5,114	23,328
Non-recourse loans (Notes 7, 14, 15 and 16)	26,003	21,063	194,722
Deferred tax liabilities (Note 10)	11,999	11,659	89,852
Other	347	277	2,596
Total long-term liabilities	41,464	38,113	310,498
Total liabilities	170,512	164,924	1,276,860
<b>Commitments and contingent liabilities</b>			
<b>Equity</b> (Notes 9, 17 and 18):			
Common stock			
authorized, 96,000,000 shares; issued, 38,665,226 shares*	19,839	19,839	148,562
Capital surplus	26,240	26,240	196,498
Retained earnings	103,827	101,711	777,498
Treasury stock—at cost			
1,860,310 shares in 2023 and 2,892,468 shares in 2022*	(5,185)	(8,062)	(38,831)
Accumulated other comprehensive income:			
Unrealized gain on available-for-sale securities	24,802	24,666	185,723
Deferred gain on hedges	1,830	1,099	13,703
Defined retirement benefit plans	662	1,465	4,959
Total	27,294	27,230	204,385
Noncontrolling interests	1,201	467	8,997
Total equity	173,216	167,425	1,297,109
Total	¥343,728	¥332,349	\$2,573,969

\*The cancellation of treasury stock (1,000,000 shares) conducted on April 5, 2022 has been reflected in the number of shares.

# Consolidated Statement of Income

Okumura Corporation and Consolidated Subsidiaries  
Year Ended March 31, 2023

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2023	2022	2023
<b>Net sales</b>	<b>¥249,443</b>	¥242,459	<b>\$1,867,927</b>
<b>Cost of sales</b>	<b>217,442</b>	210,621	<b>1,628,288</b>
Gross profit	<b>32,001</b>	31,838	<b>239,639</b>
<b>Selling, general and administrative expenses</b> (Note 12)	<b>20,154</b>	19,191	<b>150,920</b>
Operating income	<b>11,847</b>	12,647	<b>88,719</b>
<b>Other income (expenses):</b>			
Interest and dividend income	<b>1,190</b>	1,240	<b>8,908</b>
Interest expense	<b>(550)</b>	(394)	<b>(4,122)</b>
Gain on sale of investment securities	<b>3,056</b>	3,201	<b>22,886</b>
Other—net	<b>(207)</b>	508	<b>(1,549)</b>
Other income —net	<b>3,489</b>	4,555	<b>26,123</b>
Income before income taxes	<b>15,336</b>	17,202	<b>114,842</b>
<b>Income taxes</b> (Note 10):			
Current	<b>4,693</b>	4,225	<b>35,144</b>
Deferred	<b>100</b>	964	<b>748</b>
Total income taxes	<b>4,793</b>	5,189	<b>35,892</b>
<b>Net income</b>	<b>10,543</b>	12,013	<b>78,950</b>
<b>Net loss attributable to noncontrolling interests</b>	<b>(719)</b>	(529)	<b>(5,382)</b>
<b>Net income attributable to owners of the parent</b>	<b>¥ 11,262</b>	¥ 12,542	<b>\$ 84,332</b>

<b>Per share of common stock</b> (Notes 2.o and 18):	Yen		U.S. Dollars (Note 1)
Basic net income	<b>¥ 306.08</b>	¥ 334.11	<b>\$ 2.29</b>
Cash dividends applicable to the year	<b>223.00</b>	172.00	<b>1.67</b>

See notes to consolidated financial statements.

# Consolidated Statement of Comprehensive Income

Okumura Corporation and Consolidated Subsidiaries  
Year Ended March 31, 2023

Okumura Corporation **Annual Report 2023**

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2023	2022	2023
<b>Net income</b>	<b>¥10,543</b>	¥12,013	<b>\$78,950</b>
<b>Other comprehensive income (loss)</b> (Note 17):			
Unrealized gain (loss) on available-for-sale securities	<b>136</b>	(6,292)	<b>1,017</b>
Deferred gain on hedges	<b>1,461</b>	3,149	<b>10,943</b>
Defined retirement benefit plans	<b>(803)</b>	(287)	<b>(6,012)</b>
Total other comprehensive income (loss)	<b>794</b>	(3,430)	<b>5,948</b>
<b>Comprehensive income</b>	<b>¥11,337</b>	¥ 8,583	<b>\$84,898</b>
<b>Total comprehensive income attributable to:</b>			
Owners of the parent	<b>¥11,325</b>	¥ 7,537	<b>\$84,808</b>
Noncontrolling interests	<b>12</b>	1,046	<b>90</b>

See notes to consolidated financial statements.

# Consolidated Statement of Changes in Equity

Okumura Corporation and Consolidated Subsidiaries  
Year Ended March 31, 2023

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	Thousands	Millions of Yen								
		Number of shares of common stock outstanding	Common stock	Capital surplus	Retained earnings	Treasury stock	Accumulated other comprehensive income (loss)			Total equity
							Unrealized gain on available-for-sale securities	Deferred gain (loss) on hedges	Defined retirement benefit plans	
<b>BALANCE, APRIL 1, 2021 (as previously reported)</b>	37,827	¥19,839	¥26,240	¥ 95,460	¥(4,637)	¥30,958	¥ (475)	¥ 1,753	¥(1,174)	¥167,964
Cumulative effect of accounting change	—	—	—	64	—	—	—	—	—	64
<b>BALANCE, APRIL 1, 2021 (as restarted)</b>	37,827	19,839	26,240	95,524	(4,637)	30,958	(475)	1,753	(1,174)	168,028
Net income attributable to owners of the parent	—	—	—	12,542	—	—	—	—	—	12,542
Cash dividends, ¥168 per share	—	—	—	(6,355)	—	—	—	—	—	(6,355)
Purchase of treasury stock	(1,054)	—	—	—	(3,425)	—	—	—	—	(3,425)
Disposal of treasury stock	0	—	0	—	0	—	—	—	—	0
Net change in the year	—	—	—	—	—	(6,292)	1,574	(288)	1,641	(3,365)
<b>BALANCE, MARCH 31, 2022</b>	<b>36,773</b>	<b>19,839</b>	<b>26,240</b>	<b>101,711</b>	<b>(8,062)</b>	<b>24,666</b>	<b>1,099</b>	<b>1,465</b>	<b>467</b>	<b>167,425</b>
Net income attributable to owners of the parent	—	—	—	11,262	—	—	—	—	—	11,262
Cash dividends, ¥173 per share	—	—	—	(6,364)	—	—	—	—	—	(6,364)
Purchase of treasury stock	(2)	—	—	—	(5)	—	—	—	—	(5)
Disposal of treasury stock	34	—	6	—	94	—	—	—	—	100
Cancellation of treasury stock*	—	—	(6)	(2,782)	2,788	—	—	—	—	—
Net change in the year	—	—	—	—	—	136	731	(803)	734	798
<b>BALANCE, MARCH 31, 2023</b>	<b>36,805</b>	<b>¥19,839</b>	<b>¥26,240</b>	<b>¥103,827</b>	<b>¥(5,185)</b>	<b>¥24,802</b>	<b>¥ 1,830</b>	<b>¥ 662</b>	<b>¥ 1,201</b>	<b>¥173,216</b>

	Thousands	Thousands of U.S. Dollars(Note 1)								
		Number of shares of common stock outstanding	Common stock	Capital surplus	Retained earnings	Treasury stock	Accumulated other comprehensive income (loss)			Total equity
							Unrealized gain on available-for-sale securities	Deferred gain (loss) on hedges	Defined retirement benefit plans	
<b>BALANCE, MARCH 31, 2022</b>		<b>\$148,562</b>	<b>\$196,498</b>	<b>\$761,648</b>	<b>\$(60,371)</b>	<b>\$184,706</b>	<b>\$ 8,232</b>	<b>\$10,971</b>	<b>\$3,500</b>	<b>\$1,253,746</b>
Net income attributable to owners of the parent		—	—	84,332	—	—	—	—	—	84,332
Cash dividends, \$1.30 per share		—	—	(47,655)	—	—	—	—	—	(47,655)
Purchase of treasury stock		—	—	—	(40)	—	—	—	—	(40)
Disposal of treasury stock		—	45	—	708	—	—	—	—	753
Cancellation of treasury stock*		—	(45)	(20,827)	20,872	—	—	—	—	—
Net change in the year		—	—	—	—	1,017	5,471	(6,012)	5,497	5,973
<b>BALANCE, MARCH 31, 2023</b>		<b>\$148,562</b>	<b>\$196,498</b>	<b>\$777,498</b>	<b>\$(38,831)</b>	<b>\$185,723</b>	<b>\$13,703</b>	<b>\$ 4,959</b>	<b>\$8,997</b>	<b>\$1,297,109</b>

See notes to consolidated financial statements.

\*The Company cancelled some treasury stock (1 million shares) on April 5, 2022.

# Consolidated Statement of Cash Flows

Okumura Corporation and Consolidated Subsidiaries  
Year Ended March 31, 2023

Okumura Corporation Annual Report 2023

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2023	2022	2023
<b>Operating activities:</b>			
Income before income taxes	¥15,336	¥17,202	\$114,842
Adjustments for:			
Income taxes—paid	(3,388)	(6,994)	(25,369)
Depreciation and amortization	2,302	1,804	17,236
Amortization of goodwill	30	30	222
Gain on sale of investment securities	(3,024)	(3,201)	(22,641)
Changes in assets and liabilities:			
Decrease in trade notes and accounts receivable	9,841	1,125	73,697
Decrease (increase) in accumulated costs of construction projects in progress	(568)	2,261	(4,255)
Decrease (increase) in other inventories	(878)	2,215	(6,578)
Increase in trade notes and accounts payable	3,095	4,932	23,176
Increase (decrease) in advances received on construction projects in progress	1,058	(4,176)	7,919
Increase in asset for retirement benefits	(515)	(517)	(3,857)
Increase (decrease) in deposits received	(5,549)	1,048	(41,551)
Other—net	161	2,560	1,206
Total adjustments	2,565	1,087	19,205
Net cash provided by operating activities	17,901	18,289	134,047
<b>Investing activities:</b>			
Net decrease in time deposits	140	39	1,046
Payments for purchases of securities	(761)	(136)	(5,699)
Proceeds from sales of securities	5,592	5,192	41,878
Purchases of property, plant and equipment and intangible assets	(4,115)	(7,912)	(30,814)
Proceeds from sales of property, plant and equipment and intangible assets	19	1	139
Collection of loans receivable	13	35	98
Other—net	(115)	26	(860)
Net cash provided by (used in) investing activities	773	(2,755)	5,788
<b>Financing activities:</b>			
Decrease in short-term bank loans—net	(833)	(31)	(6,235)
Proceeds from long-term debt	2,000	—	14,977
Repayments of long-term debt	(2,002)	(2)	(14,991)
Proceeds from non-recourse loans	5,947	4,927	44,536
Repayments of non-recourse loans	(1,007)	(93)	(7,539)
Purchase of treasury stock	(30)	(3,256)	(228)
Disposal of treasury stock	0	1	3
Dividends paid	(6,368)	(6,350)	(47,687)
Proceeds from share issuance to noncontrolling shareholders	722	595	5,407
Other—net	(1)	(1)	(11)
Net cash used in financing activities	(1,572)	(4,210)	(11,768)
<b>Foreign currency translation adjustments on cash and cash equivalents</b>	<b>69</b>	<b>168</b>	<b>515</b>
<b>Net increase in cash and cash equivalents</b>	<b>17,171</b>	<b>11,492</b>	<b>128,582</b>
<b>Cash and cash equivalents, beginning of year</b>	<b>31,622</b>	<b>20,130</b>	<b>236,799</b>
<b>Cash and cash equivalents, end of year</b>	<b>¥48,793</b>	<b>¥31,622</b>	<b>\$365,381</b>

See notes to consolidated financial statements.

# Notes to Consolidated Financial Statements

Okumura Corporation and Consolidated Subsidiaries  
Year Ended March 31, 2023

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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 2022 consolidated financial statements to conform to the classifications used in 2023.

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 ¥133.54 to \$1, the approximate rate of exchange at March 31, 2023. 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, 2023, include the accounts of the Company and its 4 (4 in 2022) 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 (9 in 2022) unconsolidated subsidiaries and 6 (6 in 2022) 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. 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.

**c. Inventories** — Construction projects in progress and work in process 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.

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

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

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

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

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

**e. 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 2 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 ¥19,762 million (\$147,989 thousand) and ¥18,144 million as of March 31, 2023 and 2022, respectively.

**f. 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.

**g. 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.

**h. 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.

**i. 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.

**j. Employees' Retirement Benefits** — The Company and certain consolidated subsidiaries have a contributory funded pension plan covering substantially all of its employees.

The Company and certain consolidated subsidiaries account for the liability for retirement benefits based on the projected benefit obligations and plan assets at the balance sheet date. The projected benefit obligations are attributed to periods on a benefit formula basis. Actuarial gains and losses 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.

**k. 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.

**l. Construction Contracts** — Regarding the construction business, the primary business of the Group, the Group recognizes revenue when control of promised goods or services is transferred to a customer.

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

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

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

**m. 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.

**n. 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.

**o. 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.

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.

**p. Accounting Policy Disclosures, Accounting Changes and Error Corrections** — Under Accounting Standards Board of Japan (“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.

**q. 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.

**r. Accounting Changes**

**Application of Implementation Guidance on Accounting Standard for Fair Value Measurement**

The Group has applied the “Implementation Guidance on Accounting Standard for Fair Value Measurement” (ASBJ Guidance No. 31, June 17, 2021; hereinafter “Implementation Guidance on Fair Value Measurement Standard”) from the beginning of the fiscal year ended March 31, 2023, and will prospectively apply the new accounting policies stipulated by the Implementation Guidance on Fair Value Measurement Standard in accordance with the transitional treatment provided in Paragraph 27-2 of the Implementation Guidance on Fair Value Measurement Standard. These changes do not affect the consolidated financial statements.

**3. Significant Accounting Estimates**

**Revenue Recognition over Time and Allowance for Losses on Construction Contracts**

(1) Amounts recorded in the consolidated financial statements for the fiscal years ended March 31, 2023 and 2022

	Millions of Yen		Thousands of U.S. Dollars
	2023	2022	2023
Construction revenues recognized over time	<b>¥232,023</b>	¥226,012	<b>\$1,737,478</b>
Allowance for losses on construction contracts	<b>1,566</b>	973	<b>11,728</b>

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

1) Calculation method

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

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

2) Major assumptions

For example, in the event an agreement on consideration for changes in design or scope of a construction are not timely finalized in the contracts and other documents, the total construction revenue is obtained by estimating consideration based on the details of the change in works and other matters as instructed.

Total construction costs are estimated mainly considering the market conditions of materials and subcontract costs and individual risk factors associated with the progress of works.

These estimates and underlying assumptions are continuously reviewed.

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

Any changes in major assumptions as of March 31, 2023 might affect construction revenue and allowance for losses on construction contracts for the following fiscal year.

#### 4. Marketable and Investment Securities

Marketable and investment securities as of March 31, 2023 and 2022, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2023	2022	2023
Non-current:			
Marketable equity securities	¥52,879	¥55,010	\$395,977
Non-marketable equity securities and other	1,819	1,405	13,626
Total	¥54,698	¥56,415	\$409,603

The costs and aggregate fair values of marketable and investment securities at March 31, 2023 and 2022, were as follows:

	Millions of Yen			
	Cost	Unrealized Gains	Unrealized Losses	Fair Value
<b>March 31, 2023</b>				
Securities classified as:				
Available-for-sale:				
Equity securities	¥18,682	¥34,214	¥17	¥52,879

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

	Thousands of U.S. Dollars			
	Cost	Unrealized Gains	Unrealized Losses	Fair Value
<b>March 31, 2023</b>				
Securities classified as:				
Available-for-sale:				
Equity securities	\$139,899	\$256,208	\$130	\$395,977

The information for available-for-sale securities which were sold during the years ended March 31, 2023 and 2022 is as follows:

	Millions of Yen		
	Proceeds	Realized Gains	Realized Losses
<b>March 31, 2023</b>			
Available-for-sale:			
Equity securities	¥5,592	¥3,056	¥33

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

	Thousands of U.S. Dollars		
	Proceeds	Realized Gains	Realized Losses
<b>March 31, 2023</b>			
Available-for-sale:			
Equity securities	\$41,878	\$22,886	\$245

The impairment losses on unlisted available-for-sale equity securities for the year ended March 31, 2023, was ¥19 million (\$141 thousand).

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

## 5. Inventories

Inventories at March 31, 2023 and 2022, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2023	2022	2023
Construction projects in progress	<b>¥3,181</b>	¥2,613	<b>\$23,820</b>
Real estate held for sale	<b>959</b>	1,081	<b>7,182</b>
Development projects in progress	<b>796</b>	983	<b>5,965</b>
Work in process	<b>1,231</b>	697	<b>9,216</b>
Other	<b>745</b>	92	<b>5,577</b>
Total	<b>¥6,912</b>	¥5,466	<b>\$51,760</b>

## 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 ¥3,205 million (\$23,998 thousand) and ¥3,173 million for the years ended March 31, 2023 and 2022, 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		Fair Value	
	April 1, 2022	Increase/ Decrease	March 31, 2023	March 31, 2023
Rental properties	¥34,334	¥ (206)	¥34,128	¥65,375
Rental properties in part	1,144	(32)	1,112	2,025
Total	¥35,478	¥ (238)	¥35,240	¥67,400

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

	Thousands of U.S. Dollars			Thousands of U.S. Dollars
	Carrying Amount		Fair Value	
	April 1, 2022	Increase/ Decrease	March 31, 2023	March 31, 2023
Rental properties	\$257,108	\$(1,541)	\$255,567	\$489,555
Rental properties in part	8,568	(241)	8,327	15,162
Total	\$265,676	\$(1,782)	\$263,894	\$504,717

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, 2023 and 2022 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, 2023 and 2022, consisted of notes to banks and bank overdrafts. The annual interest rates applicable to the short-term bank loans ranged from 0.7% to 4.5% at March 31, 2023 and 0.7% to 1.3% at March 31, 2022.

Long-term debt at March 31, 2023 and 2022, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2023	2022	2023
Loans from banks and other financial institutions, due serially to 2037 with interest rates ranging from 0.5% to 6.0%			
Unsecured	¥ 7,112	¥ 7,114	\$ 53,258
Non-recourse loans	26,003	21,063	194,722
Obligations under finance leases	7	2	52
Total	33,122	28,179	248,032
Less current portion	(4,004)	(2,002)	(29,982)
Long-term debt, less current portion	¥29,118	¥26,177	\$218,050

Annual maturities of long-term debt, excluding finance leases, at March 31, 2023, were as follows:

Year Ending March 31	Millions of Yen	Thousands of U.S. Dollars
2024	¥ 4,002	\$ 29,968
2025	5,293	39,636
2026	3,029	22,679
2027	1,886	14,126
2028	3,610	27,033
2029 and thereafter	15,295	114,538
Total	¥33,115	\$247,980

Assets pledged as collateral for non-recourse debt

	Millions of Yen		Thousands of U.S. Dollars
	2023	2022	2023
Amount of business assets of a consolidated subsidiary engaged in renewable energy business pledged as collateral for non-recourse loans	¥40,367	¥27,596	\$302,286

## 8. Employees' Retirement Benefits

Most of the employees of the Company and certain consolidated subsidiaries are covered by a contributory trusted pension plan.

The Company and certain consolidated subsidiaries have 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, 2023 and 2022, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2023	2022	2023
Balance at beginning of year	¥19,894	¥19,349	\$148,975
Current service costs	1,220	1,187	9,136
Interest costs	100	97	745
Actuarial losses	10	13	75
Benefits paid	(765)	(752)	(5,730)
Past service costs	373	—	2,796
Balance at end of year	¥20,832	¥19,894	\$155,997

(2) The changes in plan assets for the years ended March 31, 2023 and 2022, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2023	2022	2023
Balance at beginning of year	¥24,971	¥24,323	\$186,993
Expected return on plan assets	225	219	1,683
Actuarial gains (losses)	(218)	158	(1,634)
Contributions from the employer	1,054	1,023	7,897
Benefits paid	(765)	(752)	(5,730)
Balance at end of year	¥25,267	¥24,971	\$189,209

(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
	2023	2022	2023
Defined benefit obligation	¥ 20,832	¥ 19,894	\$ 155,997
Plan assets	(25,267)	(24,971)	(189,209)
Total	(4,435)	(5,077)	(33,212)
Unfunded defined benefit obligation	—	—	—
Net asset arising from defined benefit obligation	¥ (4,435)	¥ (5,077)	\$ (33,212)

	Millions of Yen		Thousands of U.S. Dollars
	2023	2022	2023
Asset for retirement benefits	¥ (4,435)	¥ (5,077)	\$ (33,212)
Net asset arising from defined benefit obligation	¥ (4,435)	¥ (5,077)	\$ (33,212)

(4) The components of net periodic benefit costs for the years ended March 31, 2023 and 2022, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2023	2022	2023
Service costs	¥ 1,220	¥ 1,187	\$ 9,136
Interest costs	100	97	745
Expected return on plan assets	(225)	(219)	(1,683)
Recognized actuarial gains	(527)	(522)	(3,950)
Amortization of past service costs	(28)	(37)	(207)
Net periodic benefit costs	¥ 540	¥ 506	\$ 4,041

(5) Amounts recognized in other comprehensive income (before income tax effect) in respect of defined retirement benefit plans for the years ended March 31, 2023 and 2022, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2023	2022	2023
Actuarial losses	¥ (756)	¥(377)	<b>\$(5,660)</b>
Past service costs	(401)	(37)	<b>(3,003)</b>
Total	<b>¥(1,157)</b>	¥(414)	<b>\$(8,663)</b>

(6) Amounts recognized in accumulated other comprehensive income (before income tax effect) in respect of defined retirement benefit plans as of March 31, 2023 and 2022, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2023	2022	2023
Unrecognized actuarial gains	¥(1,097)	¥(1,853)	<b>\$(8,214)</b>
Unrecognized past service costs	143	(258)	<b>1,068</b>
Total	<b>¥ (954)</b>	¥(2,111)	<b>\$(7,146)</b>

(7) Plan assets

*a. Components of plan assets*

Plan assets as of March 31, 2023 and 2022, consisted of the following:

	2023	2022
Debt investments	<b>43%</b>	43%
Equity investments	<b>11</b>	12
Life insurance general account assets	<b>32</b>	31
Others	<b>14</b>	14
Total	<b>100%</b>	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, 2023 and 2022, are set forth as follows:

	2023	2022
Discount rate	<b>0.5%</b>	0.5%
Expected rate of return on plan assets	<b>0.9</b>	0.9

## 9. Equity

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

### a. Dividends

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

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

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

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

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

### c. Treasury Stock and Treasury Stock Acquisition Rights

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

## 10. Income Taxes

The Group is subject to Japanese national and local income taxes which, in the aggregate, resulted in a normal effective statutory tax rate of approximately 30.6% for the years ended March 31, 2023 and 2022.

The tax effects of significant temporary differences and tax loss carryforwards which resulted in deferred tax assets and liabilities at March 31, 2023 and 2022, are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2023	2022	2023
Deferred tax assets:			
Impairment losses on securities	¥ 1,749	¥ 1,894	\$ 13,096
Tax loss carryforwards (Note)	1,550	1,128	11,608
Write-down of inventories and others	1,134	1,199	8,488
Allowance for bonuses	1,057	1,152	7,919
Allowance for doubtful accounts	639	648	4,787
Accrued expenses	518	617	3,879
Allowance for losses on construction contracts	479	298	3,589
Other	632	421	4,733
Less valuation allowance on tax loss carryforward	(1,550)	(1,128)	(11,608)
Less valuation allowance on sum of future deductible temporary difference	(4,101)	(4,194)	(30,708)
Total	2,107	2,035	15,783
Deferred tax liabilities:			
Net unrealized gains on available-for-sale securities	(9,424)	(9,412)	(70,572)
Retained earnings appropriated for special allowance	(1,708)	(1,694)	(12,792)
Deferred gain on hedges	(1,614)	(1,031)	(12,084)
Asset for retirement benefits	(1,357)	(1,554)	(10,163)
Total	(14,103)	(13,691)	(105,611)
Net deferred tax liabilities	¥(11,996)	¥(11,656)	\$ (89,828)

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

	Millions of Yen						
	Within one year	Over one year within two years	Over two years within three years	Over three years within four years	Over four years within five years	Over five years	Total
<b>March 31, 2023</b>							
Tax loss carryforwards*	¥—	¥ 3	¥ 95	¥ 47	¥—	¥ 1,405	¥ 1,550
Valuation allowance	—	(3)	(95)	(47)	—	(1,405)	(1,550)
Deferred tax assets	—	—	—	—	—	—	—

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

	Thousands of U.S. Dollars						
	Within one year	Over one year within two years	Over two years within three years	Over three years within four years	Over four years within five years	Over five years	Total
<b>March 31, 2023</b>							
Tax loss carryforwards*	\$—	\$ 20	\$ 710	\$ 353	\$—	\$ 10,525	\$ 11,608
Valuation allowance	—	(20)	(710)	(353)	—	(10,525)	(11,608)
Deferred tax assets	—	—	—	—	—	—	—

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

A reconciliation between the normal effective statutory tax rate and the actual effective tax rate reflected in the accompanying consolidated statement of income for the years ended March 31, 2023 and 2022 is omitted since the difference is 5% or less of the normal effective statutory tax rate.

## 11. Revenue Recognition

(1) Disaggregation of revenue from contracts with customers

Please see Note 19 "Segment Information."

(2) Underlying information in understanding revenue from contracts with customers

Please see 2. Summary of Significant Accounting Policies, I. Construction Contracts.

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

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

	Millions of Yen				Thousands of U.S. Dollars	
	2023		2022		2023	
	Beginning balance	Ending balance	Beginning balance	Ending balance	Beginning balance	Ending balance
Receivables from contracts with customers	¥52,816	¥60,545	¥68,264	¥52,816	\$395,510	\$453,383
Contract assets	89,474	71,903	75,335	89,474	670,018	538,439
Contract liabilities	11,254	12,192	12,489	11,254	84,274	91,301

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

2. Contract liabilities primarily relate to advances received from customers based on the payment terms of construction contracts with customers. Contract liabilities that are reversed as revenue is recognized. The beginning balance of contract liabilities is included in revenue from contracts with customers for the fiscal years ended March 31, 2023 and 2022 in its almost entirety.

3. The amount of revenue recognized in the fiscal years ended March 31, 2023 and 2022 from performance obligations that were satisfied (or partially satisfied) in previous periods (mainly fluctuations of transaction amounts based on changes in design or scope) is immaterial.

b. Transaction prices allocated to remaining performance obligations

The transaction prices allocated to remaining performance obligations that are unsatisfied as of March 31, 2023 and 2022 amounted to ¥468,149 million (\*1, 2) (\$3,505,686 thousand) and ¥424,798 million (\*1, 2), respectively, and revenue is expected to be recognized within approximately 5 years.

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

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

**12. Research and Development Costs**

Research and development costs charged to income were ¥1,771 million (\$13,266 thousand) and ¥1,630 million for the years ended March 31, 2023 and 2022, respectively.

**13. Leases**

Operating leases

Future minimum lease receivables or payments under noncancelable operating leases at March 31, 2023 and 2022, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2023	2022	2023
As a lessor:			
Due within one year	¥ 2,302	¥ 2,233	\$ 17,235
Due after one year	17,930	12,996	134,267
Total	¥20,232	¥15,229	\$151,502
As a lessee:			
Due within one year	¥ 88	¥ 89	\$ 664
Due after one year	630	718	4,716
Total	¥ 718	¥ 807	\$ 5,380

## 14. Financial Instruments and Related Disclosures

### (1) Disclosures on financial instruments

#### 1) Group policy for financial instruments

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

#### 2) Nature and extent of risks arising from financial instruments

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

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

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

#### 3) Risk management for financial instruments

##### *Credit risk management*

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

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

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

Payables denominated in foreign currencies in association with import of materials for renewable energy business are 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 certain short-term bank loans and non-recourse loans, the Group utilizes derivatives (interest rate swaps) by individual contract as hedging instruments to avoid the fluctuation risk of interest expenses and fix interest expenses. The hedge accounting method is described in Note 2.n.

Please see Note 15 for more details about derivatives.

##### *Liquidity risk management*

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

## (2) Fair value of financial instruments

	Millions of Yen		
	Carrying Amount	Fair Value	Unrealized Gain/Loss
<b>March 31, 2023</b>			
Receivables—trade notes and accounts	¥132,455		
Allowance for doubtful receivables (*4)	(137)		
Net	132,318	¥132,253	¥ (65)
Investment securities (*3)			
Available-for-sale securities	52,879	52,879	—
Long-term loans receivable	92		
Allowance for doubtful long-term loans receivable (*4)	(0)		
Net	92	88	(4)
Total	¥185,289	¥185,220	¥ (69)
Lease liabilities	¥7	¥ 7	¥ (0)
Long-term bank loans	3,100	3,094	(6)
Non-recourse loans	26,003	25,729	(274)
Total	¥ 29,110	¥ 28,830	¥(280)
Derivatives (*5)	¥ 5,507	¥ 5,507	¥ —

(\*1) The fair value of "Cash and cash equivalents," "Time deposits," "Marketable securities," "Payables – Trade notes, accounts, etc." and "Short-term loans" is omitted because they are cash and the carrying amount approximates the fair value because of their short maturities.

(\*2) Investments in equity instruments that do not have a quoted market price in an active market are not included in above "Investment securities." Such amount of financial instruments (unlisted equity securities) recorded in the consolidated balance sheet was ¥1,360 million.

(\*3) Investments in limited partnerships and other similar entities recorded in a net amount of equity equivalents in the consolidated balance sheet are not included. Such investments recorded in the consolidated balance sheet amounted to ¥675 million.

(\*4) Allowance for doubtful receivables recorded on "Receivables – trade notes and accounts" or "Long-term loans receivable" is individually recognized and deducted from such receivables.

(\*5) Net receivables and payables generated from derivatives are presented in net amounts and net payables are shown in parentheses.

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

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

	Thousands of U.S. Dollars		
	Carrying Amount	Fair Value	Unrealized Gain/Loss
<b>March 31, 2023</b>			
Receivables—trade notes and accounts	\$ 991,875		
Allowance for doubtful receivables (*4)	(1,023)		
Net	990,852	\$ 990,366	\$ (486)
Investment securities (*3)			
Available-for-sale securities	395,977	395,977	—
Long-term loans receivable	685		
Allowance for doubtful long-term loans receivable (*4)	(1)		
Net	684	661	(23)
Total	\$1,387,513	\$1,387,004	\$ (509)
Lease liabilities	\$ 52	\$ 49	\$ (3)
Long-term bank loans	23,214	23,170	(44)
Non-recourse loans	194,722	192,672	(2,050)
Total	\$ 217,988	\$ 215,891	\$(2,097)
Derivatives (*5)	\$ 41,238	\$ 41,238	\$ —

- (\*1) The fair value of "Cash and cash equivalents," "Time deposits," "Marketable securities," "Payables – Trade notes, accounts, etc." and "Short-term loans" is omitted because they are cash and the carrying amount approximates the fair value because of their short maturities.
- (\*2) Investments in equity instruments that do not have a quoted market price in an active market are not included in above "Investment securities." Such amount of financial instruments (unlisted equity securities) recorded in the consolidated balance sheet was \$10,182 thousand.
- (\*3) Investments in limited partnerships and other similar entities recorded in a net amount of equity equivalents in the consolidated balance sheet are not included. Such investments recorded in the consolidated balance sheet amounted to \$5,056 thousand.
- (\*4) Allowance for doubtful receivables recorded on "Receivables – trade notes and accounts" or "Long-term loans receivable" is individually recognized and deducted from such receivables.
- (\*5) Net receivables and payables generated from derivatives are presented in net amounts and net payables are shown in parentheses.

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

	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
<b>March 31, 2023</b>				
Cash and cash equivalents, Time deposits	¥ 50,244	¥ —	¥ —	¥—
Receivables—trade notes and accounts	94,760	37,541	154	—
Long-term loans receivable	—	75	29	—
<b>Total</b>	<b>¥145,004</b>	<b>¥37,616</b>	<b>¥183</b>	<b>¥—</b>

	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
<b>March 31, 2022</b>				
Cash and cash equivalents, Time deposits	¥ 33,156	¥ —	¥ —	¥—
Receivables—trade notes and accounts	112,226	29,926	144	—
Long-term loans receivable	—	83	33	—
<b>Total</b>	<b>¥145,382</b>	<b>¥30,009</b>	<b>¥177</b>	<b>¥—</b>

	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
<b>March 31, 2023</b>				
Cash and cash equivalents, Time deposits	\$ 376,250	\$ —	\$ —	\$—
Receivables—trade notes and accounts	709,601	281,118	1,156	—
Long-term loans receivable	—	561	214	—
<b>Total</b>	<b>\$1,085,851</b>	<b>\$281,679</b>	<b>\$1,370</b>	<b>\$—</b>

(Note) 2 Please see Note 7 for annual maturities of long-term debt.

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

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

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

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

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

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

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

	Millions of Yen			
				Fair value
<b>March 31, 2023</b>	Level 1	Level 2	Level 3	Total
Investment securities				
Available-for-sale securities:				
Equity securities	¥52,879	¥ —	¥—	¥52,879
Derivatives				
Currency related	—	5,180	—	5,180
Interest rate related	—	327	—	327
<b>Total assets</b>	<b>¥52,879</b>	<b>¥5,507</b>	<b>¥—</b>	<b>¥58,386</b>

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

	Thousands of U.S. Dollars			
				Fair value
<b>March 31, 2023</b>	Level 1	Level 2	Level 3	Total
Investment securities				
Available-for-sale securities:				
Equity securities	\$395,977	\$ —	\$—	\$395,977
Derivatives				
Currency related	—	38,793	—	38,793
Interest rate related	—	2,445	—	2,445
<b>Total assets</b>	<b>\$395,977</b>	<b>\$41,238</b>	<b>\$—</b>	<b>\$437,215</b>

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

	Millions of Yen			
	Fair value			
	Level 1	Level 2	Level 3	Total
<b>March 31, 2023</b>				
Receivables—trade notes and accounts	¥—	¥132,253	¥—	¥132,253
Long-term loans receivable	—	88	—	88
Total assets	¥—	¥132,341	¥—	¥132,341
Lease liabilities	¥—	¥ 7	¥—	¥ 7
Long-term debt	—	3,094	—	3,094
Non-recourse loans	—	25,729	—	25,729
Total liabilities	¥—	¥ 28,830	¥—	¥ 28,830

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

	Thousands of U.S. Dollars			
	Fair value			
	Level 1	Level 2	Level 3	Total
<b>March 31, 2023</b>				
Receivables—trade notes and accounts	\$—	\$990,366	\$—	\$990,366
Long-term loans receivable	—	661	—	661
Total assets	\$—	\$991,027	\$—	\$991,027
Lease liabilities	\$—	\$ 49	\$—	\$ 49
Long-term debt	—	23,170	—	23,170
Non-recourse loans	—	192,672	—	192,672
Total liabilities	\$—	\$215,891	\$—	\$215,891

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

#### Investment securities

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

#### Derivatives

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

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#### Trade notes and accounts receivable

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

#### Long-term loans receivable

The fair values of long-term loans receivable are measured separately for each loan agreement using the discounted present value techniques based on future cash flows and an interest rate obtained by adding the credit spread to appropriate indicators such as government bond yields for each loan agreement, and are categorized as Level 2.

#### Lease liabilities

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

#### Long-term debt and non-recourse loans

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

## 15. Derivatives

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

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

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

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

Derivative transactions to which hedge accounting is not applied:

There were no derivative transactions to which hedge accounting is not applied at March 31, 2023 and 2022.

Derivative transactions to which hedge accounting is applied:

				Millions of Yen
<b>March 31, 2023</b>	Hedged item	Contract amount	Contract amount due after one year	Fair value
Foreign currency forward contracts	Foreign currency denominated forward contracts	¥46,625	¥42,543	¥5,180
Buying: U.S. Dollars				
Interest rate swaps	Non-recourse loans	18,888	17,215	326
Floating-rate receipt, fixed-rate payment				
Interest rate swaps	Short-term bank loans	4,000	—	Note
Floating-rate receipt, fixed-rate payment				

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

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

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

Thousands of U.S. Dollars

March 31, 2023	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	\$349,146	\$318,582	\$38,793
Interest rate swaps Floating-rate receipt, fixed-rate payment	Non-recourse loans	141,444	128,914	2,438
Interest rate swaps Floating-rate receipt, fixed-rate payment	Short-term bank loans	29,954	—	Note

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

### 16. Assets Pledged as Collateral

Land in the amount of ¥21 million (\$156 thousand) is pledged for a deposit received from a lessee related to a fixed-term land leasehold at March 31, 2023. Land in the amount of ¥1,458 million (\$10,920 thousand) and buildings in the amount of ¥934 million (\$6,994 thousand) are pledged as construction assistance funds pursuant to building lease contracts at March 31, 2023.

Investment securities in the amount of ¥16 million (\$118 thousand) and investments in and advances to unconsolidated subsidiaries and associated companies in the amount of ¥69 million (\$514 thousand) are pledged as collateral for contract performance obligation of the private finance initiative (PFI) business, and the loans of an affiliate, respectively, at March 31, 2023.

Time deposits in the amount of ¥1,329 million (\$9,955 thousand) are pledged as security for performance obligation of construction contracts at March 31, 2023.

Assets pledged as collateral for non-recourse debts are business assets of a consolidated subsidiary engaged in renewable energy business for the amount of ¥40,367 million (\$302,286 thousand) at March 31, 2023.

### 17. Other Comprehensive Income

The components of other comprehensive income (loss) for the years ended March 31, 2023 and 2022, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2023	2022	2023
Unrealized gain (loss) on available-for-sale securities			
Gain (loss) arising during the year	¥ 3,171	¥(5,758)	\$ 23,746
Reclassification adjustments to profit or loss	(3,023)	(3,201)	(22,641)
Amount before income tax effect	148	(8,959)	1,105
Income tax effect	(12)	2,667	(88)
Total	¥ 136	¥(6,292)	\$ 1,017
Deferred gain on hedges			
Gain arising during the year	¥ 2,865	¥ 4,180	\$ 21,454
Reclassification adjustments to profit or loss	(821)	—	(6,149)
Amount before income tax effect	2,044	4,180	15,305
Income tax effect	(583)	(1,031)	(4,362)
Total	¥ 1,461	¥ 3,149	\$ 10,943
Defined retirement benefit plans			
Adjustments arising during the year	¥ (592)	¥ 145	\$ (4,436)
Reclassification adjustments to profit or loss	(565)	(559)	(4,227)
Amount before income tax effect	(1,157)	(414)	(8,663)
Income tax effect	354	127	2,651
Total	¥ (803)	¥ (287)	\$ (6,012)
Total other comprehensive income (loss)	¥ 794	¥(3,430)	\$ 5,948

## 18. Subsequent Events

### Appropriation of Retained Earnings

The following appropriation of retained earnings at March 31, 2023, was approved at the Company's shareholders' meeting held on June 29, 2023:

	Millions of Yen	Thousands of U.S. Dollars
Year-end cash dividends, ¥157 (\$1.18) per share	¥5,778	\$43,271

### Disposal of Treasury Stock through Third-Party Allotment in Accordance with the Introduction of Employee Stock Ownership Plan

The Company resolved to dispose of treasury stock through third-party allotment (hereinafter, the "Disposal of Treasury Stock") at the Board of Directors' meeting held on May 12, 2023, as described below.

#### (1) Overview of disposal

1) Date of disposal	May 29, 2023
2) Number of shares to be disposed of	275,000 shares of common stock of the Company
3) Disposal price	¥3,490 (\$26.13) per share
4) Total disposal amount	¥959,750,000 (\$7,186,985.17)
5) Allottee	Custody Bank of Japan, Ltd. (Trust Account)
6) Other	The Disposal of Treasury Stock shall be conditional upon the filing of a securities registration statement pursuant to the Financial Instruments and Exchange Act becoming effective.

#### (2) Purpose and reasons for disposal

At the Board of Directors' meeting held on March 3, 2023, the Company resolved to introduce an employee stock ownership plan (hereinafter, the "Plan" and the trust agreement to be concluded with Resona Bank, Limited with respect to the Plan shall be referred to as the "Trust Agreement." In addition, the trust to be established based on the Trust Agreement shall be referred to as the "Trust."), which is designed for the Company's employees (hereinafter, the "Employees") and aims to enhance the Employees' motivation and morale to contribute to the improvement of the Company's medium to long-term performance and increase of its corporate value.

The Disposal of Treasury Stock refers to the disposal of treasury stock made to Custody Bank of Japan, Ltd. (Trust Account), the re-trustee of Resona Bank, Limited, which is the trustee of the Trust, by means of third-party allotment in conjunction with the introduction of the Plan.

The number of shares to be disposed of is equivalent to the total number of shares expected to be granted to the Employees during five fiscal years, based on the Stock Benefit Regulations established by the Company upon the introduction of the Plan. Such number of shares represents 0.71% of a total of 38,665,226 issued shares as of March 31, 2023 (0.75% of a total of 366,441 voting rights as of March 31, 2023 and all rounded off to two decimal places). The Company believes that the number of shares to be disposed of and the scale of dilution to be caused by the Disposal of Treasury Stock are reasonable, and therefore has determined that such disposal will have a minimal impact on the secondary market.

#### Outline of the Trust Agreement

1) Name	Employee Stock Ownership Plan
2) Trustor	The Company
3) Trustee	Resona Bank, Limited Resona Bank Limited will enter into a specific comprehensive trust agreement with Custody Bank of Japan, Ltd. and Custody Bank of Japan, Ltd. will serve as the re-trustee.
4) Beneficiaries	The Employees who meet the beneficial requirements as stipulated in the Stock Benefit Regulations
5) Trust administrator	Selected from among the Employees
6) Type of trust	Money held in trust other than a money trust (third-party benefit trust)
7) Date of execution of the Trust Agreement	May 29, 2023
8) Date on which money is placed in trust	May 29, 2023
9) Trust period	From May 29, 2023 until the termination of the Trust (No specific termination date is set, and the Trust will continue as long as the Plan continues.)

## 19. Segment Information

### 1. Description of reportable segments

The Group's reportable segments are those for which separate financial information is available and regular evaluation by the Company's management is being performed in order to decide how resources are allocated among the Group. Therefore, the Group's reportable segments consist of "Civil engineering," "Architectural construction," and "Investment development."

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

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

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

	Millions of Yen							
	2023							
	Reportable segment				Other (Note 1)	Total	Reconciliations (Note 2)	Consolidated (Note 3)
	Civil engineering	Architectural construction	Investment development	Total				
<b>Sales</b>								
Domestic public agencies	¥64,975	¥ 28,005	¥ 26	¥ 93,006	¥ 18	¥ 93,024	¥ —	¥ 93,024
Domestic non-government	26,587	111,097	3,892	141,576	4,653	146,229	—	146,229
Overseas	5,724	261	—	5,985	7	5,992	—	5,992
Revenue from contracts with customers	97,286	139,363	3,918	240,567	4,678	245,245	—	245,245
Revenue from other sources	—	—	4,198	4,198	—	4,198	—	4,198
Sales to external customers	97,286	139,363	8,116	244,765	4,678	249,443	—	249,443
Intersegment sales or transfers	—	—	37	37	2,363	2,400	(2,400)	—
Total	97,286	139,363	8,153	244,802	7,041	251,843	(2,400)	249,443
Segment profit	8,771	674	1,871	11,316	614	11,930	(83)	11,847
<b>Other:</b>								
Depreciation	¥ 566	¥ 722	¥ 969	¥ 2,257	¥ 52	¥ 2,309	¥ (7)	¥ 2,302
Amortization of goodwill	—	—	30	30	—	30	—	30

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

Thousands of U.S. Dollars

2023

	Reportable segment				Other (Note 1)	Total	Reconciliations (Note 2)	Consolidated (Note 3)
	Civil engineering	Architectural construction	Investment development	Total				
Sales								
Domestic public agencies	\$ 486,561	\$ 209,707	\$ 198	\$ 696,466	\$ 137	\$ 696,603	\$ —	\$ 696,603
Domestic non-government	199,095	831,941	29,141	1,060,177	34,843	1,095,020	—	1,095,020
Overseas	42,864	1,954	—	44,818	47	44,865	—	44,865
Revenue from contracts with customers	728,520	1,043,602	29,339	1,801,461	35,027	1,836,488	—	1,836,488
Revenue from other sources	—	—	31,439	31,439	—	31,439	—	31,439
Sales to external customers	728,520	1,043,602	60,778	1,832,900	35,027	1,867,927	—	1,867,927
Intersegment sales or transfers	—	—	275	275	17,700	17,975	(17,975)	—
Total	728,520	1,043,602	61,053	1,833,175	52,727	1,885,902	(17,975)	1,867,927
Segment profit	65,682	5,046	14,011	84,739	4,601	89,340	(621)	88,719
Other:								
Depreciation	\$ 4,240	\$ 5,405	\$ 7,255	\$ 16,900	\$ 388	\$ 17,288	\$ (52)	\$ 17,236
Amortization of goodwill	—	—	222	222	—	222	—	222

## 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 ¥(83) million (\$(621) thousand) and ¥101 million for the years ended March 31, 2023 and 2022, 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, 2023, 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, 2023, 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 recognized over time	
Key Audit Matter Description	How the Key Audit Matter Was Addressed in the Audit
<p>As described in Note 2.I. "Summary of Significant Accounting Policies – Construction Contracts" to the consolidated financial statements, the Group recognizes revenue over time as the Group satisfies the performance obligations by transferring control of a promised good or service to a customer. Revenues recognized over time were JPY 232,022 million out of total construction revenue of JPY 236,649 million for the current year.</p> <p>As described in Note 3. "Significant Accounting Estimates," construction revenues recognized over time based on satisfying performance obligations according to the construction contracts are recognized by multiplying the total construction revenue by the stage of completion of the contract, which is calculated as a percentage of actual costs incurred at the balance sheet date. The measurement of the total construction revenue, the total construction costs and the stage of completion of the contract involve significant estimates and judgments made by management.</p> <p>The reliability of estimating the total construction revenue and the total construction costs in applying revenue recognition over time has a significant impact on the consolidated financial statements where a higher estimation uncertainty may exist in relation to the following matters:</p>	<p>Based on our understanding of the business environment surrounding the Group and its industry, we evaluated the design and operating effectiveness of internal controls, including Information Technology controls, over the process of revenue recognition over time based on satisfaction of the performance obligations. Our procedures related to estimated total construction revenue and total construction costs were as follows:</p> <p>(1) Estimated total construction revenue                      We performed inquiries and inspected related documents to test the design and operating effectiveness of internal controls related to the determination of the estimated contract amount. This included approval of the reports on certain projects prepared by estimating the contract amount for the agreed upon changes in each construction project, and monitoring activities.</p> <p>(2) Estimated total construction costs                      We performed inquiries and inspected related documents to test the design and operating effectiveness of internal controls related to approval of the reports on working budget, construction projects and costs incurred to date, and monitoring activities.</p>

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

### Other Information

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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



July 28, 2023

Member of  
**Deloitte Touche Tohmatsu Limited**

# Breakdown of Orders (Nonconsolidated)

Okumura Corporation  
Year Ended March 31, 2023

Okumura Corporation Annual Report 2023

## Construction Orders Awarded

	2023		2022		2023
	Millions of Yen	Composition ratio	Millions of Yen	Composition ratio	Thousands of U.S. Dollars
Civil engineering:					
Domestic:					
Public sector	¥ 48,302		¥ 67,584		\$ 361,702
Private sector	26,765		23,648		200,425
Overseas	12,803		5,705		95,874
Subtotal	87,870	31.4%	96,937	43.3%	658,001
Architectural construction:					
Domestic:					
Public sector	22,961		27,200		171,942
Private sector	170,159		98,231		1,274,218
Overseas	(1,073)		1,334		(8,034)
Subtotal	192,047	68.6	126,765	56.7	1,438,126
Total:					
Domestic:					
Public sector	71,263		94,784		533,644
Private sector	196,924		121,879		1,474,643
Overseas	11,730		7,039		87,840
Total	¥279,917	100 %	¥223,702	100 %	\$2,096,127

## Net Sales

	2023		2022		2023
	Millions of Yen	Composition ratio	Millions of Yen	Composition ratio	Thousands of U.S. Dollars
Construction business					
Civil engineering:					
Domestic:					
Public sector	¥ 64,975		¥ 62,145		\$ 486,561
Private sector	26,587		27,868		199,096
Overseas	5,724		3,294		42,863
Subtotal	97,286	40.2%	93,307	39.3%	728,520
Architectural construction:					
Domestic:					
Public sector	28,004		34,206		209,707
Private sector	111,098		102,395		831,941
Overseas	261		—		1,954
Subtotal	139,363	57.5	136,601	57.6	1,043,602
Subtotal:					
Domestic:					
Public sector	92,979		96,351		696,268
Private sector	137,685		130,263		1,031,037
Overseas	5,985		3,294		44,817
Subtotal	236,649	97.7	229,908	96.9	1,772,122
Real estate investment, development business and other	5,617	2.3	7,322	3.1	42,063
Total	¥242,266	100 %	¥237,230	100 %	\$1,814,185

## Year-end Backlog

	2023		2022		2023
	Millions of Yen	Composition ratio	Millions of Yen	Composition ratio	Thousands of U.S. Dollars
Civil engineering:					
Domestic:					
Public sector	¥101,991		¥118,664		\$ 763,745
Private sector	66,470		66,293		497,753
Overseas	22,591		15,512		169,173
Subtotal	191,052	48.0%	200,469	56.5%	1,430,671
Architectural construction:					
Domestic:					
Public sector	46,003		51,047		344,492
Private sector	161,072		102,010		1,206,170
Overseas	—		1,334		—
Subtotal	207,075	52.0	154,391	43.5	1,550,662
Total:					
Domestic:					
Public sector	147,994		169,711		1,108,237
Private sector	227,542		168,303		1,703,923
Overseas	22,591		16,846		169,173
Total	¥398,127	100 %	¥354,860	100 %	\$2,981,333

## Head and Branch Offices

### Head Office

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

### Tokyo Head Office

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

### Technical Research Institute

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

### East Japan Branch Office

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

### West Japan Branch Office

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

### West Japan Branch Office (HARUKAS Office)

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

### Sapporo Branch

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

### Tohoku Branch

2-11-18 Chuo,  
Aoba-ku, Sendai 980-8482, Japan  
TEL: +81-50-3495-2020 FAX: +81-50-3495-2030

### Tokyo Branch

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

### Higashikanto Office

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

### Yokohama Office

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

### Hokuriku Office

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

### Nagoya Branch

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

### Kansai Branch

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

### Nara Office

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

### Kobe Office

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

### Hiroshima Branch

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

### Shikoku Branch

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

### Kyushu Branch

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

### Fukuoka Office

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

### Taiwan Branch

Rm.A, 11F-3, No.51, Hengyang Rd.,  
Zhongzheng Dist., Taipei City 100504, Taiwan  
(R.O.C.)  
TEL: +886-2-2311-7080 FAX: +886-2-2311-7076

### Singapore Branch

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

## Consolidated Subsidiaries

### Okumura Machinery Corporation

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

### Taihei Real Estate Corporation

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

### ISHIKARI BIO ENERGY GODO KAISHA

2-763-3, Shinko, Chuo,  
Ishikari 061-3242, Japan  
TEL: +81-133-77-5318 FAX: +81-133-77-5319  
Business line: Power generation using renew-  
able energy and sales of electricity

### HIRATA BIO ENERGY GODO KAISHA

23-8 Tsubouchi, Tonoko, Hirata-mura,  
Ishikawa-gun, Fukushima-ken 963-8204 Japan  
No.1 Power planet  
TEL: +81-247-57-7351 FAX: +81-247-57-7352  
No.2 Power planet  
TEL: +81-247-57-6562 FAX: +81-247-57-6563  
Business line: Power generation using renew-  
able energy and sales of electricity

## Board of Directors

(As of June 29, 2023)

### Directors

President and Representative Director

**Takanori Okumura**

Representative Director

**Atsushi Tanaka**

Directors

**Yuichi Mizuno**

**Toru Osumi**

**Masahiro Kaneshige**

**Tamotsu Tsuchiya**

**Yasuyuki Nakatani**

**Rieko Ueda**

Director (Audit and Supervisory Committee Member)

**Tetsuo Kodera**

Director (Full-time Audit and Supervisory Committee Member)

**Kazutoshi Abe**

Directors (Audit and Supervisory Committee Member)

**Hiroyo Yashiro**

**Kenji Nishihara**

**Eiji Maeda**

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

### Executive Officers

Executive Vice Presidents

**Yuichi Mizuno\***

**Hajime Kosaka**

Senior Managing Executive Officers

**Shunso Iijima**

**Kenji Kotera**

**Atsushi Tanaka\***

Managing Executive Officers

**Hiroyuki Hayashi**

**Toru Osumi\***

**Kazuyuki Yoshimi**

**Masahiro Kaneshige\***

**Wataru Onishi**

**Tamotsu Tsuchiya\***

**Sawayuki Kawatani**

**Kazutoshi Yuyama**

**Takanori Hayashi**

**Akira Okada**

Executive Officers

**Naoki Magoori**

**Hirohide Taniguchi**

**Yoshinori Yasui**

**Kunitake Konishi**

**Nobuharu Suga**

**Yasuhiko Goto**

**Hiroki Machida**

**Kazuyoshi Okuma**

**Hiroyuki Matsushima**

**Akira Sasaki**

**Takami Nakada**

**Koji Furusawa**

**Masanari Kashiki**

**Junichi Hori**

**Kenichi Abe**

**Koichi Isogami**

**Yasuyuki Nakatani\***

**Yuji Yamamoto**

**Yoshihiro Kadotani**

**Kazutaka Kuno**

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

## Investor Information

(As of March 31, 2023)

### 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

2,281

### 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)	4,820	13.10%
Okumura Employees' Shareholding Association	1,921	5.22
Custody Bank of Japan, Ltd. (Trust Account)	1,426	3.88
Resona Bank, Limited.	1,214	3.30
Sumitomo Realty & Development Co., Ltd.	1,210	3.29
Nippon Life Insurance Company	643	1.75
Sumitomo Mitsui Banking Corporation	556	1.51
The Bank of New York, Treaty Jasdec Account	555	1.51
State Street Bank and Trust Company 505001	541	1.47
JPMorgan Securities Japan Co., Ltd.	498	1.35

Note:

1. The Company holds 1,860,310 shares of treasury stock, which are excluded from the above.
2. Shareholding ratio is computed excluding treasury stock.



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