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**INFORMATION DISCLOSURE ON THE INTERNET  
REGARDING THE NOTICE OF  
THE 85TH ANNUAL GENERAL MEETING OF SHAREHOLDERS**

Notes to the Consolidated Financial Statements

Notes to the Non-consolidated Financial Statements

(From April 1, 2021 to March 31, 2022)

**OKUMURA CORPORATION**

Notes to the Consolidated Financial Statements and Notes to the Non-consolidated Financial Statements are provided to shareholders on the website of the Company (<https://www.okumuragumi.co.jp/en/>) in accordance with laws and regulations and Article 30 of the Articles of Incorporation of the Company.

## Notes to the Consolidated Financial Statements

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

#### (1) Scope of consolidation

- (i) Number of consolidated subsidiaries: 4

Names of consolidated subsidiaries:

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

The Company established HIRATA BIO ENERGY GODO KAISHA on January 17, 2022 as a new consolidated subsidiary.

- (ii) Number of non-consolidated subsidiaries: 9

Name of major non-consolidated subsidiaries:

- Kazo Agricultural Village Drainage PFI Corporation

(Reason of exclusion from the scope of consolidation)

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

#### (2) Application of equity method

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

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

- Kazo Agricultural Village Drainage PFI Corporation

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

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

- Swim City Kagoshima Corporation.

(Reason for not applying the equity method)

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

#### (3) Accounting policies

- (i) Valuation basis and method for significant assets

- Securities

Held-to-maturity bonds

Amortized cost method (straight-line method)

Available-for-sale securities

- Securities other than shares, etc. that do not have a market price

Market value method (net unrealized gains on available-for-sale securities are recognized directly in net assets, and cost of securities sold is calculated using the moving average method.)

- Shares, etc. that do not have a market price

Valuation at cost using the moving average method

- Equity investment in investment limited partnerships and similar partnerships (items deemed as securities in accordance with Article 2, Paragraph 2 of the Financial Instruments and Exchange Act)  
Amounts corresponding to equity interests are recognized on a net basis based on the recent financial statements available according to the financial report date stipulated in partnership contracts.

- Derivatives

Market value method

- Inventories
  - Real estate for sale  
Valuation at cost using the specific identification method (the consolidated balance sheet amount is calculated by writing down the carrying amount based on a decreased profitability.)
  - Costs on construction contracts in progress  
Valuation at cost using the specific identification method
  - Costs on real estate business  
Valuation at cost using the specific identification method (the consolidated balance sheet amount is calculated by writing down the carrying amount based on a decreased profitability.)
  - Work in process  
Valuation at cost using the specific identification method
- (ii) Depreciation or amortization method for significant depreciable assets or amortizable assets
  - Property, plant and equipment (excluding leased assets)  
Declining-balance method. However, the straight-line method is applied to buildings (excluding facilities attached to buildings) acquired on or after April 1, 1998, and facilities attached to buildings and structures acquired on or after April 1, 2016.  
Useful lives and residual values are calculated based on the same standards as prescribed in the Corporation Tax Act. In addition, the assets acquired before March 31, 2007 are depreciated using the straight-line method over five years beginning from the fiscal year subsequent to the fiscal year when their depreciable amount is depreciated.
  - Intangible assets (excluding leased assets)  
Straight-line method. Useful lives are calculated based on the same standards as prescribed in the Corporation Tax Act.  
For internal-use software, however, the straight-line method is used based on the internally available period of five years.
  - Leased assets  
Leased assets related to finance lease transactions without transfer of ownership.  
The straight-line method is used by setting lease periods as useful lives and residual values as zero.
- (iii) Recognition of significant provisions
  - Allowance for doubtful accounts  
To provide for bad debt expenses, estimated irrecoverable loan amount is calculated, based on the past loan loss ratio for normal loans, and considering recoverability of each loan for certain loans such as doubtful loans.
  - Provision for warranties for completed construction  
To provide for expenses such as warranty costs for defects in completed work, the estimated future warranty costs are provided for net sales of completed construction contracts of the fiscal year under review.
  - Provision for bonuses  
To provide for the future payments of employee bonuses, the estimated payment amount attributable to the fiscal year under review is provided.

- Provision for bonuses for directors (and other officers)  
To provide for future payments of bonuses for directors and other officers, the estimated payment amount attributable to the fiscal year under review is provided.
  - Provision for loss on construction contracts  
To provide for future losses on construction orders received, estimated losses are provided with respect to construction projects for which eventual losses are expected and reasonably estimated among undelivered projects as of the end of the fiscal year under review.
- (iv) Recognition of significant revenues and expenses  
Regarding the construction business, the primary business of the Group, the Company recognizes revenue when control of a promised good or service is transferred to a customer. The performance obligations for construction contracts in the construction business are mainly construction and delivery of buildings, etc. When control of a good or service is transferred over time, the Company applies the method of recognizing revenue over time as the performance obligations for a good or service are satisfied. The progress toward complete satisfaction of a performance obligation is measured based on the proportion of construction costs incurred by the end of the reporting period to the total expected construction costs. In some circumstances such as the first stage of a contract, the Company may not be able to reasonably measure the progress toward complete satisfaction of a performance obligation but expect to recover the costs. In those circumstances, the Company applies the cost recovery method. Regarding construction contracts whose periods are very short from the initial transaction date of the contract to the expected date of completely satisfying performance obligations, the Company does not recognize revenue over time, but recognizes revenue when the performance obligations are satisfied completely (the time of completing and delivering constructions).
- (v) Significant hedge accounting method  
In principle, the Company adopts the deferred hedge accounting. The Company adopts special treatment for interest rate swaps that meet the requirements for special treatment.
- (vi) Other significant matters for preparation of the consolidated financial statements
- Accounting method for estimated retirement benefits
    - Attribution method for estimated retirement benefits  
In calculating retirement benefit liabilities, the benefit formula basis is used as a method of attributing estimated retirement benefits to the period up to the end of the fiscal year under review.
    - Expensing method for actuarial gains (losses) and past service costs  
Actuarial gains (losses) are amortized using the straight-line method over certain years (ten years) within the average remaining service period for employees at the time of recognition, and expensed proportionally starting from the fiscal year following the respective fiscal year of recognition. Past service costs are amortized using the straight-line method over certain years (ten years) within the average remaining service period for employees at the time of recognition.
  - Amortization method and period for goodwill  
Goodwill is amortized over 17 years using the straight-line method.
  - Accounting policies and procedures adopted when the provisions of the relevant accounting standards are not clear  
Accounting for works by joint ventures formed in order to take orders and carry out the works jointly with several constructors are incorporated in the consolidated financial statements according to the proportion of investment equities.

## 2. Notes on changes in accounting policies

### (1) Application of “Accounting Standard for Revenue Recognition” and other standards

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

Regarding the construction business, the primary business of the Group, the Company used to apply the percentage-of-completion method for works for which the outcome of the construction activity is deemed certain while applying the completed contract method for other construction contracts including those that were commenced before March 31, 2009. For the works whose control of goods or services is transferred over time, however, the Company has changed its method to recognize their revenue over time as the performance obligations for goods or services are satisfied. The progress

toward complete satisfaction of a performance obligation is measured based on the proportion of construction costs incurred by the end of the reporting period to the total expected construction costs. In some circumstances such as the first stage of a contract, the Company may not be able to reasonably measure the progress toward complete satisfaction of a performance obligation but expect to recover the costs. In those circumstances, the Company applies the cost recovery method. The Company has applied an alternative treatment for construction contracts whose periods are very short from the initial transaction date of the contract to the expected date of completely satisfying performance obligations. Specifically, the Company does not recognize revenue for those contracts over time but recognizes revenue when the performance obligations are satisfied completely (the time of completing and delivering constructions).

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

As a result, these changes have had an immaterial impact on operating profit, ordinary profit, profit before income taxes, and net assets per share of the fiscal year under review. Since cumulative effects are reflected on the net assets at the beginning of the fiscal year under review, the beginning balance of retained earnings under the consolidated statement of changes in equity increased by ¥63 million.

(2) Application of “Accounting Standard for Fair Value Measurement” and other standards

The Company has applied the “Accounting Standard for Fair Value Measurement” (ASBJ Statement No. 30, July 4, 2019; hereinafter “Fair Value Measurement Standard”) and other standards from the beginning of the fiscal year under review, and will prospectively apply the new accounting policies stipulated by the Fair Value Measurement Standard, etc. in accordance with the transitional treatment provided in Paragraph 19 of the Fair Value Measurement Standard and Paragraph 44-2 of the “Accounting Standard for Financial Instruments” (ASBJ Statement No. 10, July 4, 2019). These changes do not affect the consolidated financial statements. In addition, the Company includes notes on fair value information by level within the fair value hierarchy in “8. Notes on financial instruments.”

3. Notes on accounting estimates

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

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

• Net sales of completed construction contracts using the method to recognize revenue over time	¥226,012 million
• Provision for loss on construction contracts	¥973 million

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

(i) Calculation method

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

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

(ii) Major assumptions

In the event an agreement on consideration for changes in design or scope of a construction is not timely finalized in the contracts and other documents, the total construction revenue is obtained by

estimating consideration based on the details of the change in works and other matters as instructed. Total construction costs are estimated mainly considering the market conditions of materials and outsourcing expenses and individual risk factors associated with the progress of works. These estimates and underlying assumptions are continuously reviewed.

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

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

4. Additional information

Accounting estimates on the impact of COVID-19

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

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

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

5. Notes to the consolidated balance sheet

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

(i) The following assets are pledged as collateral for deposits received of ¥346 million.

Buildings	¥975 million
Land	¥1,479 million
Total	¥2,454 million

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

Investment securities	¥15 million
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(iii) The following assets are pledged as collateral for borrowings of subsidiaries and associates.

Investment securities	¥61 million
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(iv) The following assets are pledged as collateral for performance obligations of construction contracts, etc.

Cash and deposits (time deposits)	¥1,219 million
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Collaterals corresponding to non-recourse obligations are included in “(2) Assets corresponding to non-recourse obligations.”

(2) Assets corresponding to non-recourse obligations

Amount of business assets of consolidated subsidiaries that operate the renewable energy business corresponding to non-recourse borrowings

¥27,596 million

(3) Accumulated depreciation of property, plant and equipment

¥18,144 million

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

Notes receivable – trade ¥3 million

Electronically recorded monetary claims – operating ¥1,719 million

Accounts receivable from completed construction contracts ¥51,093 million

Contract assets ¥89,474 million

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

Costs on construction contracts in progress and work in process related to construction contracts that are expected to incur losses as well as provision for loss on construction contracts are presented as is and are not offset. The amount corresponding to provision for loss on construction contracts was ¥8 million, out of costs on construction contracts in progress related to construction contracts that are expected to incur losses.

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

Contract liabilities ¥11,253 million

6. Notes on the consolidated statement of income

(1) Revenue from contracts with customers

The Company does not disaggregate revenue from contracts with customers and other revenue. The amount of revenue from contracts with customers is as presented in “10. Notes on revenue recognition, (1) Disaggregation of revenue from contracts with customers.”

(2) Provision for loss on construction contracts out of cost of sales ¥287 million

(3) Total amount of research and development expenses ¥1,629 million

## 7. Notes to the consolidated statement of changes in equity

### (1) Type and total number of shares issued

Type of shares	Number of shares as of April 1, 2021	Increase in shares	Decrease in shares	Number of shares as of March 31, 2022
Common stock	39,665,226	–	–	39,665,226

Note: In line with the resolution by the Board of Directors held on March 7, 2022, the Company canceled its treasury shares as of April 5, 2022. Accordingly, the total number of shares issued decreased by 1,000,000 to 38,665,226.

### (2) Dividends

#### (i) Dividends paid

Resolution	Type of shares	Total amount of dividends (millions of yen)	Dividend per share (yen)	Record date	Effective date
Annual general meeting of shareholders held on June 29, 2021	Common stock	3,896	103	March 31, 2021	June 30, 2021
Board of directors held on November 11, 2021	Common stock	2,458	65	September 30, 2021	December 10, 2021

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

The Company plans to adopt a resolution as follows:

Resolution	Type of shares	Total amount of dividends (millions of yen)	Funds for dividend payments	Dividend per share (yen)	Record date	Effective date
Annual general meeting of shareholders held on June 29, 2022	Common stock	3,934	Retained earnings	107	March 31, 2022	June 30, 2022

## 8. Notes on financial instruments

### (1) Status of financial instruments

#### (i) Group policy for financial instruments

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

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

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

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

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

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

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

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

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



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

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

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

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

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

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

(2) Fair value of financial instruments

Carrying amounts, fair value, and their differences as of March 31, 2022, are as follows:

	(Millions of yen)		
	Carrying amount	Fair value	Difference
(i) Notes receivable, accounts receivable from completed construction contracts and other Allowance for doubtful accounts (*1)	142,296 (140)		
	142,156	142,154	(1)
(ii) Investment securities Available-for-sale securities	55,010	55,010	-
(iii) Long-term loans receivable Allowance for doubtful accounts (*1)	102 (0)		
	102	100	(1)
Total Assets	197,268	197,265	(3)
(i) Lease obligations	2	2	(0)
(ii) Long-term borrowings	5,100	5,087	(12)
(iii) Non-recourse borrowings	21,062	20,973	(89)
Total Liabilities	26,164	26,063	(101)
Derivative Transactions (*2)	3,229	3,229	-

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

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

- Notes
1. “Cash and deposits,” “notes payable, accounts payable for construction contracts and other,” and “short-term borrowings” are omitted because they comprise cash and also because carrying amount approximates their fair value as they are short-term instruments.
  2. Equity investment in the partnerships that record their equity interests on the consolidated balance sheet on a net basis and other quasi-entities (¥441 million recorded on the consolidated balance sheet) are omitted.
  3. Shares, etc. that do not have a market price (unlisted shares; ¥1,178 million recorded on the consolidated balance sheet) are not included in “(ii) Investment securities.”
  4. Borrowings from Organization for Workers' Retirement Allowance Mutual Aid (long-term borrowings; ¥12 million recorded on the consolidated balance sheet) and subletting to employees (long-term loans receivable; ¥14 million recorded on the consolidated balance sheet) are omitted due to low significance.

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

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

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

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

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

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

## (i) Financial instruments measured at fair value

(Millions of yen)

Classification	Fair value			
	Level 1	Level 2	Level 3	Total
Investment securities				
Available-for-sale securities				
Stocks	55,010	–	–	55,010
Derivative transactions				
Currency-related derivatives	–	3,369	–	3,369
Total Assets	55,010	3,369	–	58,379
Derivative transactions				
Interest-rate-related derivatives	–	(140)	–	(140)
Total Liabilities	–	(140)	–	(140)

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

(Millions of yen)

Classification	Fair value			
	Level 1	Level 2	Level 3	Total
Notes receivable, accounts receivable from completed construction contracts and other	–	142,154	–	142,154
Long-term loans receivable	–	100	–	100
Total Assets	–	142,255	–	142,255
Lease obligations	–	2	–	2
Long-term borrowings	–	5,087	–	5,087
Non-recourse borrowings	–	20,973	–	20,973
Total Liabilities	–	26,063	–	26,063

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

Investment securities

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

Derivative transactions

The fair value of interest rate swaps and forward exchange contracts is measured using the discounted cash flow method based on observable inputs, such as interest rates and exchange rates, and is classified as Level 2. As interest rate swaps subject to special treatment are treated together with long-term borrowings which are hedged items, those derivatives are included in the fair value of the long-term borrowings.

Notes receivable, accounts receivable from completed construction contracts and other

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

Long-term loans receivable

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

Lease obligations

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

Long-term borrowings and non-recourse borrowings

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

## 9. Notes on real estate for rent

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

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

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

	Carrying amount			Fair value as of March 31, 2022
	Balance as of April 1, 2021	Increase/decrease during the fiscal year under review	Balance as of March 31, 2022	
Real estate for rent	35,326	(992)	34,334	64,839
Real estate for rent in part	1,174	(30)	1,144	2,025
Total	36,501	(1,023)	35,478	66,864

- Note: 1. Carrying amounts are acquisition cost less accumulated depreciation.  
 2. Fair value of primary properties as of March 31, 2022 is measured in accordance with real-estate appraisal performed by external real-estate appraisers. For other properties, the Group measures the amount (including those measured using indicators) in accordance with its Real-Estate Appraisal Standard.

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

	Amounts on the consolidated statement of income		
	Rental revenue	Rental expenses	Difference
Real estate for rent	4,040	950	3,090
Real estate for rent in part	125	43	82
Total	4,166	993	3,172

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

## 10. Notes on revenue recognition

### (1) Disaggregation of revenue from contracts with customers

		Domestic government and municipal offices	Domestic private sector	Overseas	Total
Net sales of completed construction contracts	Revenue from contracts with customers	96,350	130,261	3,294	229,906
	Other revenue	–	–	–	–
Net sales in real estate business and other	Revenue from contracts with customers	140	8,163	49	8,353
	Other revenue	–	–	–	4,198

### (2) Underlying information in understanding revenue

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

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

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

	Beginning balance	Ending balance
Receivables from contracts with customers	68,264	52,816
Contract assets	75,335	89,474
Contract liabilities	12,488	11,253

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

The beginning balance of contract liabilities is included in revenue from contracts with customers for the fiscal year under review in its almost entirety.

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

(ii) Transaction price allocated to the remaining performance obligations

The transaction price allocated to the remaining performance obligations is ¥424,798 million (\*1, 2), and the Company expects to recognize the amount within five years in general.

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

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

11. Notes on per share information

(1) Net assets per share	¥4,540.26
(2) Profit per share	¥334.10

12. Notes on significant subsequent events

Cancellation of treasury shares

At the Board of Directors held on March 7, 2022, the Company resolved to cancel its treasury shares in accordance with Article 178 of the Companies Act and implemented the process as follows:

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

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

## Notes to the Non-consolidated Financial Statements

### 1. Notes on significant accounting policies

#### (1) Valuation basis and method for assets

##### (i) Securities

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

##### (ii) Derivatives

Market value method

##### (iii) Inventories

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

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

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

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

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

##### (ii) Intangible assets (excluding leased assets)

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

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

##### (iii) Leased assets

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

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

(3) Recognition of provisions

(i) Allowance for doubtful accounts

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

(ii) Provision for warranties for completed construction

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

(iii) Provision for bonuses

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

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

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

(v) Provision for loss on construction contracts

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

(vi) Provision for retirement benefits

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

- Attribution method for estimated retirement benefits

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

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

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

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

The amount is recorded as prepaid pension costs as of March 31, 2022.

(4) Recognition of revenues and expenses

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

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

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

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

(5) Hedge accounting method

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

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

(i) Accounting method for retirement benefits

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

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

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

## 2. Notes on changes in accounting policies

### (1) Application of “Accounting Standard for Revenue Recognition” and other standards

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

Regarding the construction business, the primary business of the Company, the Company used to apply the percentage-of-completion method for works for which the outcome of the construction activity is deemed certain while applying the completed contract method for other construction contracts including those that were commenced before March 31, 2009. For the works whose control of goods or services is transferred over time, however, the Company has changed its method to recognize their revenue over time as the performance obligations for goods or services are satisfied. The progress toward complete satisfaction of a performance obligation is measured based on the proportion of construction costs incurred by the end of the reporting period to the total expected construction costs. In some circumstances such as the first stage of a contract, the Company may not be able to reasonably measure the progress toward complete satisfaction of a performance obligation but expects to recover the costs. In those circumstances, the Company applies the cost recovery method. The Company has applied an alternative treatment for construction contracts whose periods are very short from the initial transaction date of the contract to the expected date of completely satisfying performance obligations. Specifically, the Company does not recognize revenue for those contracts over time but recognizes revenue when the performance obligations are satisfied completely (the time of completing and delivering constructions).

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

As a result, these changes have had immaterial impact on operating profit, ordinary profit, profit before income taxes, and net assets per share of the fiscal year under review. Since cumulative effects are reflected on the net assets at the beginning of the fiscal year under review, the beginning balance of retained earnings under the non-consolidated statement of changes in equity increased by ¥63 million.

### (2) Application of “Accounting Standard for Fair Value Measurement” and other standards

The Company has applied the “Accounting Standard for Fair Value Measurement” (ASBJ Statement No. 30, July 4, 2019; hereinafter “Fair Value Measurement Standard”) and other standards from the beginning of the fiscal year under review, and will prospectively apply the new accounting policies stipulated by the Fair Value Measurement Standard, etc. in accordance with the transitional treatment provided in Paragraph 19 of the Fair Value Measurement Standard and Paragraph 44-2 of the “Accounting Standard for Financial Instruments” (ASBJ Statement No. 10, July 4, 2019). These changes do not affect the non-consolidated financial statements.



### 3. Notes on accounting estimates

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

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

- Net sales of completed construction contracts using the method to recognize revenue over time ¥226,012 million
- Provision for loss on construction contracts ¥973 million

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

The information is the same as the nature of “3. Notes on accounting estimates” in the notes to the consolidated financial statements.

### 4. Additional information

Accounting estimates on the impact of COVID-19

The information is the same as the nature of “4. Additional information” in the notes to the consolidated financial statements.

### 5. Notes to the balance sheet

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

(i) The following assets are pledged as collateral for deposits received of ¥243 million.

Buildings	¥560 million
Land	¥679 million
<u>Total</u>	<u>¥1,239 million</u>

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

Land	¥800 million
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(iii) The following assets are pledged as collateral for the performance obligations of contracts and other obligations of the PFI business.

Investment securities	¥15 million
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(iv) The following assets are pledged as collateral for borrowings of subsidiaries and associates.

Shares of subsidiaries and associates, investments in capital of subsidiaries and associates	¥1,110 million
Long-term loans receivable	¥2,126 million
“Other” under current assets (accounts receivable – other)	¥205 million

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

Cash and deposits (time deposits)	¥1,219 million
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(2) Accumulated depreciation of property, plant and equipment ¥16,024 million

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

Short-term receivables from subsidiaries and associates	¥6,835 million
Short-term liabilities from subsidiaries and associates	¥1,959 million
Long-term receivables from subsidiaries and associates	¥7,527 million

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

Accounts receivable from completed construction contracts	¥49,382 million
Contract assets	¥89,474 million

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

Costs on construction contracts in progress related to construction contracts that are expected to incur losses as well as provision for loss on construction contracts are presented as is and are not offset. The amount corresponding to provision for loss on construction contracts was ¥8 million, out of costs on construction contracts in progress related to construction contracts that are expected to incur losses.

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

Contract liabilities	¥11,253 million
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6. Notes to the statement of income
- |  |                |
|--|----------------|
| (1) Net sales attributable to subsidiaries and associates  | ¥5,825 million |
| (2) Purchase amount from subsidiaries and associates out of cost of sales  | ¥2,221 million |
| (3) Transaction volume other than business transactions with subsidiaries and associates   | ¥404 million   |
| (4) Revenue from contracts with customers  |                |
| The Company does not disaggregate revenue from contracts with customers and other revenue. The amount of revenue from contracts with customers is as presented in “10. Notes on revenue recognition, (1) Disaggregation of revenue from contracts with customers.” |                |
| (5) Provision for loss on construction contracts out of cost of sales of completed construction contracts  | ¥287 million   |
| (6) Total amount of research and development expenses  | ¥1,623 million |

7. Notes to the statement of changes in equity

Type and number of treasury shares

Type of shares	Number of shares as of April 1, 2021	Increase in shares during the fiscal year under review	Decrease in shares during the fiscal year under review	Number of shares as of March 31, 2022
Common stock	1,838,723	1,053,879	134	2,892,468

Notes: 1. Details of the increase in shares are as follows:

Purchase of fractional shares	1,435 shares
Purchase of treasury shares in accordance with the resolution by the Board of Director	1,000,000 shares
Purchase of shares held by untraceable shareholders in accordance with the resolution by the Board of Directors	52,444 shares

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

Selling of fractional shares upon requests to add those shares to holdings	134 shares
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8. Notes on tax effect accounting

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

Deferred tax assets

Loss on valuation of securities	¥2,489 million
Loss on valuation of inventories	¥1,191 million
Provision for bonuses	¥1,128 million
Allowance for doubtful accounts	¥647 million
Accounts payable for construction contracts and accrued expenses	¥443 million
Provision for loss on construction contracts	¥297 million
Other	¥339 million

Deferred tax assets (subtotal)

¥6,538 million

Valuation allowance

¥(4,506) million

Total deferred tax assets

¥2,031 million

Deferred tax liabilities

Valuation difference on available-for-sale securities	¥(9,305) million
Reserve for tax purpose reduction entry of non-current assets	¥(1,586) million
Prepaid pension costs	¥(907) million
Other	¥(80) million

Total deferred tax liabilities

¥(11,880) million

Deferred tax liabilities (net)

¥(9,848) million

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

Type	Name of companies	Ownership ratio of voting rights	Related details	Transaction details	Transaction amount	Item	Ending balance
Subsidiary	Taihei Real Estate Corporation	Direct ownership 100%	Financial support	Loan and repayment of funds	¥44 million	Long-term loans receivable	¥4,080 million
				Interest received	¥68 million	—	—
Associates	Kaizuka Civic Core Support Company Limited.	Direct ownership 36%	Receipt of construction orders	Receipt of construction orders	¥5,259 million	Accounts receivable from completed construction contracts	¥4,342 million

- Notes: 1. An interest rate related to the lending of funds is determined reasonably in light of market interest rates. Collaterals are not received. In addition, transaction amounts are stated on a net basis.  
2. After price negotiations, receipt of construction orders is determined in the same manner as general transaction conditions.  
3. Transaction amount does not include consumption and other taxes, and the ending balance includes consumption and other taxes.

10. Notes on revenue recognition

(1) Disaggregation of revenue from contracts with customers

(Millions of yen)

		Domestic government and municipal offices	Domestic private sector	Overseas	Total
Net sales of completed construction contracts	Revenue from contracts with customers	96,350	130,262	3,294	229,907
	Other revenue	—	—	—	—
Net sales in real estate business and other	Revenue from contracts with customers	140	3,353	46	3,540
	Other revenue	—	—	—	3,781

(2) Underlying information in understanding revenue

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

11. Notes on per share information

- (1) Net assets per share ¥4,383.46  
(2) Profit per share ¥338.72

12. Notes on significant subsequent events

Cancellation of treasury shares

At the Board of Directors held on March 7, 2022, the Company resolved to cancel its treasury shares in accordance with Article 178 of the Companies Act and implemented the process as follows:

- (1) Type of shares canceled Common stock of the Company  
(2) Number of shares canceled 1,000,000 shares (ratio to the total number of shares issued before cancellation: 2.52%)  
(3) Date of cancellation April 5, 2022  
(4) Total number of shares issued after cancellation 38,665,226 shares

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