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May 9, 2025

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Name of representative: Takanori Okumura
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Notice Concerning the Recording of Extraordinary Losses

ISHIKARI BIO ENERGY GODO KAISHA ("ISHIKARI BIO"), a consolidated subsidiary of OKUMURA CORPORATION (the "Company"), is engaged in the power generation and power sales business using renewable energy (the "Business"). The Business is classified in the Company's "Investment Development" reportable segment. An explosion occurred in the ISHIKARI BIO's power generation equipment on July 19, 2024, and it suspended commercial operation.

The Company subsequently established an accident investigation committee composed of external experts, which investigated and analyzed the causes of the accident and compiled measures to prevent recurrence. ISHIKARI BIO is currently working toward recommencing operation.

For the reasons described below, related to this accident, ISHIKARI BIO will record impairment losses of ¥12,915 million under extraordinary losses in its non-consolidated results for the fiscal year ended March 31, 2025. As a result, the Company will record a loss on business of subsidiaries and associates of ¥5,014 million under extraordinary losses in its non-consolidated results for the fiscal year ended March 31, 2025, and impairment losses of ¥13,234 million (including impairment losses of ¥319 million on the goodwill recorded in the consolidated financial results) under extraordinary losses in its consolidated results for the same period. The Company hereby presents a summary of these losses.

*Overview of the relevant subsidiary

Name	ISHIKARI BIO ENERGY GODO KAISHA
Location	2-763-3 Shinko, Chuo, Ishikari, Hokkaido, Japan
Representative	Representative Employee, OKUMURA CORPORATION Executive Officer, Katsumi Fukuchi
Business	Businesses relating to power generation and electricity supply (wood biomass power generation)
Capital	¥5 million

1. Recording of extraordinary losses

Although ISHIKARI BIO determined that there were “indications of impairment” as a result of the explosion, based on the Accounting Standard for Impairment of Fixed Assets (“Impairment Accounting”), when the financial results were finalized for the nine months ended December 31, 2024, at the next step, the “recognition of impairment losses,” there was no need to recognize impairment losses at that time, as total expected undiscounted future cash flows (here, cash flows refer to operating cash flows) from the Business exceeded the book value of non-current assets. However, at the end of the fiscal year ended March 31, 2025, the total expected undiscounted future cash flows decreased (due to factors such as an increase in construction costs for measures to prevent recurrence). Given this situation, as a result of several careful discussions with the accounting auditor concerning the interpretation of cash flows from forward exchange contracts under Impairment Accounting, it was concluded that impairment losses should be recognized. ISHIKARI BIO recorded impairment losses of ¥12,915 million for the fiscal year ended March 31, 2025, resulting in a negative net worth of ¥10,480 million.

Based on this, the Company will record a loss on business of subsidiaries and associates of ¥5,014 million (including a loss on valuation of investments in capital of ¥1,477 million for its investment in ISHIKARI BIO, provision of allowance for doubtful accounts of ¥2,999 million for loans to ISHIKARI BIO, and ¥536 million in the cancellation of accrued interest recorded against ISHIKARI BIO in previous fiscal years) in its non-consolidated results for the fiscal year ended March 31, 2025. It will record impairment losses of ¥13,234 million (including impairment losses of ¥319 million on the goodwill recorded in the consolidated financial results) in its consolidated results for the same period.

◆Main reasons for recording impairment losses

(1) Increase in estimated undiscounted future cash outflow

- Increase in construction costs for measures to prevent recurrence
  Construction costs were estimated based on the information available, but the official quote received from the construction contractor was substantially higher than initially expected due to factors such as a greater-than-anticipated rise in personnel expenses.
- Implementation of high-temperature corrosion countermeasures for internal piping in the facility’s boiler
  It was discovered that high-temperature corrosion due to chlorine in the internal boiler piping, part of the power generation equipment, was more advanced than anticipated. Expenditure is therefore necessary to replace the piping with materials more resilient to corrosion.

(2) Decrease in estimated undiscounted future cash inflows

- Decrease in expected income from power sales through the FIT (Feed-In Tariff) system
  The recommencement of operation is expected to be delayed more than initially anticipated due to factors such as the implementation of measures to prevent recurrence and construction work to replace piping. As a result, the expected income from power sales through FIT has decreased. (Reference: expected annual income is approximately ¥8.0 billion.)

(3) Forward exchange contracts in undiscounted future cash flows

In the Business, ISHIKARI BIO procures fuel from overseas and enters into long-term forward exchange contracts for most of its fuel purchases.

These forward exchange contracts are limited to the procurement of fuel for the Business. These transactions are an integral and inseparable part of fuel purchases. The total estimated undiscounted future cash flows, including these transactions, exceeded the book value of non-current assets, even taking into account the negative factors described in (1) and (2), above.

However, as a result of the explosion, the application of hedge accounting was suspended for these forward exchange contracts. Therefore, a corresponding amount of the cash flows arising from the forward exchange contracts was reclassified from operating cash flows to financing cash flows, and was no longer included in total estimated undiscounted future cash flows. As the book value of non-current assets is not expected to be recoverable from operating cash flows after the exclusion of these forward exchange contracts, it was decided, as a result of several careful discussions with the accounting auditor, to recognize impairment losses.

2. Outlook for a recovery in the performance of ISHIKARI BIO

ISHIKARI BIO is working toward recommencing operation during the fiscal year ending March 31, 2026. Once operations recommence, its performance is expected to recover through income from power sales through FIT.

The Company believes that ISHIKARI BIO's overall business will be profitable in the long term. It will be necessary to record impairment losses on this occasion because the book value of the assets cannot be recovered through operating cash flow alone. This is a result of the reclassification of undiscounted future cash flows from the Business from "operating" to "financing." If the Business progresses as planned from the fiscal year ending March 31, 2026, onward, then operating profit will improve substantially, as the impairment losses recorded on this occasion lead to lower depreciation expense. Moreover, taking into account the effect of forward exchange contracts on non-operating income and non-operating expenses, the Company believes that it can expect a boost in performance equivalent in amount to the impairment losses recorded on this occasion.

3. Other matters

Please refer to "Notice Concerning the Revision of Financial Results Forecasts" and "Notice Concerning the Shareholder Return Policy during the Medium-Term Business Plan (FY2025–2027)," announced today, for information including the Company's consolidated and non-consolidated financial results forecasts and year-end dividend forecast.