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**THE 89TH ANNUAL GENERAL MEETING OF SHAREHOLDERS
OTHER MATTERS SUBJECT TO THE ELECTRONIC PROVISION MEASURES
(MATTERS FOR WHICH DOCUMENT DELIVERY IS OMITTED)**

- Business Report
Overview of Systems for Ensuring Appropriateness
of Operations and Operational Status

- Consolidated Financial Statements
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(From April 1, 2025 to March 31, 2026)

OKUMURA CORPORATION

Overview of Systems for Ensuring Appropriateness of Operations and Operational Status

I. Basic Approach

The Company has established and operates an internal control system to manage risks associated with its businesses and increase profits while fulfilling its corporate social responsibility amid an ever-changing business environment.

II. Basic Policy

Systems to Ensure that the Execution of Duties by Directors and Employees Is in Compliance with Laws, Regulations, and the Articles of Incorporation.

- (1) Following the provisions of laws, regulations, the Company's Articles of Incorporation, and the Regulations of the Board of Directors, the Board of Directors shall establish a policy for the Company's business execution and continually supervise the execution of duties by the Directors and Executive Officers.
- (2) In order to ensure that decision-making at the Board of Directors and the execution of duties by the Directors, Executive Officers, and employees comply with laws, regulations, and the Articles of Incorporation, the Company shall seek confirmation and advice from experts such as attorneys, certified public accountants, etc. as appropriate.
- (3) Considering compliance as one of the highest management priorities, the Company shall establish a Compliance Committee as an advisory body for decision-making and executing duties by the Board of Directors and Representative Directors. The committee is chaired by a Director that the Company appoints, including attorneys at law.
- (4) In order to ensure thorough compliance with the Antimonopoly Act, the Company shall establish an expert committee on preventing collusion consisting of outside experts under the Compliance Committee to propose measures to prevent violation of the act and verify and ensure the appropriateness and effectiveness of those measures.
- (5) In order to promote penetration and firm establishment of compliance awareness and ensure the properness of business execution by internal organizations, the Company shall establish and implement Basic Regulations on Compliance and related regulations based on the Management Philosophy and Corporate Code of Conduct while the Internal Audit Division shall carry out monitoring as appropriate.
- (6) The Representative Directors shall focus on internal education and awareness-building activities to ensure thorough compliance, including severing relationships with antisocial forces.
- (7) Following Internal Whistleblowing Regulations, the Company shall swiftly and firmly respond to complaints lodged with contact points inside the Company and the attorney's office.

Systems to Store and Manage Information Related to the Execution of Duties by Directors

- (1) The Company prepares and stores information related to the execution of duties by the Directors following laws and regulations and manages it so that the Directors, Accounting Auditor, and others can access it as needed.
- (2) Through the operation of an integrated management system and monitoring by the Internal Audit Division, the Company verifies the retention period for legal documents, etc., and the organization, storage, etc. of documents requesting approval related to decision-making.
- (3) In addition to protecting information assets from threats such as loss, theft, destruction, and unauthorized access, the Company manages information based on an Information Security Policy and Privacy Policy in order to protect personal information.
- (4) The persons in charge of handling information and the IR Team verify the information and disclose it according to the Disclosure Policy in order to provide shareholders and investors with timely, accurate, and unbiased information.

Regulations and Other Systems to Manage the Risk of Loss

- (1) In order to ensure the effective functioning of internal control over financial reporting, the Company continually reviews its systems following the Basic Policy on Financial Reporting.
- (2) The Company prepares and manages a natural disaster response manual, a crisis communication manual, etc. and works on continuously improving the Business Continuity Plan (BCP) to prevent the spread of losses.

- (3) In order to keep track of the risks that significantly impact the business daily and take the necessary measures to address them, the Company continuously reviews the risk management system and takes swift and appropriate action when risks manifest themselves.

Systems to Ensure the Efficient Execution of Duties by Directors

- (1) The Company adopts an executive officer system to expedite decision-making by the Board of Directors and enhance the execution of duties by Executive Officers.
- (2) The Company establishes a Management Committee with Representative Directors at the core to deliberate on and decide matters related to the execution of the Company's business other than those matters to be submitted to the Board of Directors and those matters to be decided by the Board of Directors.
- (3) The Board of Directors establishes management targets, business plans, etc., based on the Management Philosophy, and the President and Representative Director and Executive Officers carry out duties to achieve them, while the Board of Directors supervises the status of execution.
- (4) In order to maintain a governance structure suited to the business environment, the Company continuously reviews its organization and operations.

Systems to Ensure the Appropriateness of Business Operations of the Corporate Group Consisting of the Company and Its Subsidiaries

- (1) The Internal Audit Division plays a central role in auditing and instructing subsidiaries so that the Company's basic approach to and initiatives for internal control continually spread throughout the entire Group.
- (2) The Company's Audit and Supervisory Committee requests business reports from subsidiaries as necessary and/or investigates the status of their operations and assets.
- (3) The Company dispatches its Executive Officers and/or employees to subsidiaries to serve as Directors or Corporate Auditors. In addition to monitoring and supervising the status of business execution, the Company's Internal Audit Division reports to the Company's Board of Directors, Representative Directors, and Audit and Supervisory Committee as necessary on the results of audits, including those of subsidiaries.

Matters Related to Employees Who Are Requested to Assist the Audit and Supervisory Committee in Their Duties

- (1) The Company assigns dedicated and non-dedicated staff to the Internal Audit Division to assist the Audit and Supervisory Committee with its duties.
- (2) Staff assigned to the Internal Audit Division shall be recommended by departments executing business and approved by the Audit and Supervisory Committee beforehand. If the Audit and Supervisory Committee makes a request concerning the personnel assigned as staff, the Company addresses the request as appropriate.
- (3) To ensure independence, the Internal Audit Division is clearly distinguished from departments executing business, and confirmation is obtained from the Audit and Supervisory Committee concerning staff goal management and performance evaluations.
- (4) Staff belonging to the Internal Audit Division that receive instructions from the Audit and Supervisory Committee do not receive instructions from Directors (excluding Directors who are Audit and Supervisory Committee Members) when executing said instructions and report the results only to the Audit and Supervisory Committee.

Systems to Report to the Audit and Supervisory Committee

- (1) Representative Directors make arrangements to exchange opinions with the Audit and Supervisory Committee on policies related to business execution and other such matters.
- (2) In order to contribute to the audit policies and sharing of duties established by the Audit and Supervisory Committee, Audit and Supervisory Committee Members are requested by the Board of Directors to attend meetings of the Management Committee and other important meetings.

- (3) When so requested by the Audit and Supervisory Committee, Directors (excluding Directors who are Audit and Supervisory Committee Members), Executive Officers, and employees report on the status of execution of their duties and present the important approval documents as well as investigate and report on the status of operations and assets at the head office, branch offices, and subsidiaries.
- (4) When discussions are conducted on the effectiveness of the internal control system, compliance violations or whistleblowing at meetings of the Compliance Committee, the content is reported to the Audit and Supervisory Committee via the Internal Audit Division.
- (5) If a Director (excluding Directors who are Audit and Supervisory Committee Members), Executive Officer or employee learns of something that will bring significant damages to the Company and its subsidiaries or a serious violation of the laws and regulations or Articles of Incorporation in the execution of duties, they report it immediately to the Audit and Supervisory Committee.
- (6) The Internal Whistleblowing Regulations apply to those who report to the Audit and Supervisory Committee, and they are not to be treated unfavorably because of the report.

Systems to Ensure that the Audit and Supervisory Committee Conducts Audits Effectively

- (1) In order to contribute to the duties of the Audit and Supervisory Committee, the Internal Audit Division discusses audit policies and plans with the Audit and Supervisory Committee and reports on the results of internal audits in a timely manner.
- (2) In order to strengthen coordination between the Audit and Supervisory Committee and the Accounting Auditor, opportunities are provided for discussing the audit plan and the status of implementation.
- (3) The ERP backbone system, etc. are continuously reviewed to provide an environment in which the Audit and Supervisory Committee can monitor the Company's financial status and profit and loss situation in a timely manner.
- (4) Four of the five members of the Audit and Supervisory Committee are made Outside Directors to ensure soundness and transparency of management.
- (5) The Company bears the costs arising from the execution of duties by the Audit and Supervisory Committee and accepts advance payment thereof.

III. Overview of Operational Status

(1) Execution of duties by Directors and employees

The Company's Board of Directors consists of 13 Directors. In principle, the Board of Directors meets once per month. It also holds extraordinary meetings as necessary and makes decisions on important matters concerning management, including the Medium-Term Business Plan. Five of the members are Independent Outside Directors in order to strengthen the management supervision function.

Independent Outside Directors are brought on as members of the Management Committee (consisting of the Representative Directors and members selected by the Board of Directors), which deliberates on and decides important matters related to the execution of the Company's business other than those matters to be decided by the Board of Directors and matters to be submitted to the Board of Directors to increase management transparency. During the fiscal year under review, the Management Committee met 13 times.

In order to strengthen the internal control function and verify the status of implementation, the Company has a structure in which the Audit Office, which is in charge of accounting audits, and the Compliance Office, which is in charge of auditing other general business execution, coordinate to perform internal audits. The results of those audits are reported to the Board of Directors, the Management Committee, Representative Directors, and the Audit and Supervisory Committee in a timely manner so that they can be reflected in decision-making, business execution, and management supervision.

The Company has established a Compliance Committee comprised of Independent Outside Directors, the General Manager of Marketing & Sales Headquarters, the General Manager of Civil Engineering Headquarters, the General Manager of Building Headquarters, the General Manager of Administration Headquarters, the General Manager of the Human Resources Department, Attorneys, and the Manager of the Audit Office, who is responsible in the Internal Audit Division and the Manager of the Compliance Office. The committee works to educate and instruct officers and employees. During the fiscal year under review, the Compliance Committee met five times.

In order to spread and establish compliance awareness, the Company has prepared Basic Regulations for Compliance, Internal Whistleblowing Regulations addressing the Whistleblower Protection Act, and Manual on Responding to Organized Crime Groups, etc. At the same time, the Company informs all officers and employees of the “Guide on Compliance,” which provides the code of conduct for business execution, the methods and means of achieving that, and the legal grounds as a summary, distributing it directly to them as necessary and carrying out education and training.

The Representative Directors focus on internal education and awareness-building activities to ensure thorough compliance. During the fiscal year under review, training was carried out on the themes of “preventing fraud in bidding,” “regulating bribery of foreign public officials,” and “ensuring appropriate construction system.”

(2) Managing the risk of loss

The Company has developed and implemented proper internal control over financial reporting following the Basic Policy on Financial Reporting. In addition, through supervision by the Board of Directors and internal audits conducted by the Internal Audit Division, the Company verifies and evaluates the effectiveness of internal control over financial reporting and carries out ongoing review of the system, as necessary.

The Company identifies risks related to business, etc. that may have a significant impact on stakeholders’ judgment. The Compliance Office regularly checks, verifies, and reports to the Representative Directors on the status of relevant efforts at divisions of the head office and branch offices, etc. By reporting to the Representative Directors and providing internal notification of matters requiring attention, the Company works to prevent the manifestation of risks.

Based on the disaster response know-how cultivated to date, the Company has developed a Business Continuity Plan (BCP) and is working to enhance its effectiveness through ongoing review and regular training and verification.

(3) Ensuring the effectiveness of audits

The Company holds an audit and supervisory committee (with five Directors who are Audit and Supervisory Committee Members) and elects a full-time Audit and Supervisory Committee Member to ensure the effectiveness of audits. The Audit and Supervisory Committee is comprised of one full-time Audit and Supervisory Committee Member and four Independent Outside Directors. The Chair is elected from among the Outside Directors.

A monthly report is provided at the Audit and Supervisory Committee on the status of audits covering general management conducted by the full-time Audit and Supervisory Committee Member, and each Audit and Supervisory Committee Member confirms and examines the report.

The Audit and Supervisory Committee coordinates with the Company’s Internal Audit Division following the audit policies and the sharing of duties. By attending important meetings, asking Directors (excluding Directors who are Audit and Supervisory Committee Members), executive officers, and employees about the status of execution of their duties, reviewing important approval documents, and interviewing the Representative Directors, the committee expresses its opinion and investigates the status of operations and assets at the head office and major workplaces, seeking business reports from group companies as necessary as well.

In order to strengthen coordination with the Audit Office (three members), which is the Internal Audit Division, and the Compliance Office (nine members), the Audit and Supervisory Committee discusses audit plans and the status of implementation and has monthly opportunities for sharing information and opinions. In addition, the Audit and Supervisory Committee receives reports on the results of internal audits conducted by the Internal Audit Division in a timely manner. The Audit and Supervisory Committee also provides opportunities, as necessary, to exchange information and share understanding with Outside Directors (excluding Directors who are Audit and Supervisory Committee Members).

In order to strengthen coordination between the Audit and Supervisory Committee and Deloitte Touche Tohmatsu LLC, the Accounting Auditor, opportunities are provided to discuss the audit plan and status of implementation, and information and opinions are shared in a timely manner.

Consolidated Statement of Changes in Equity

(April 1, 2025 through March 31, 2026)

(Millions of Yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance as of April 1, 2025	19,838	26,510	100,276	(7,972)	138,653
Changes during period					
Dividends of surplus			(7,734)		(7,734)
Profit attributable to owners of parent			18,360		18,360
Purchase of treasury shares				(1,607)	(1,607)
Disposal of treasury shares		22		93	115
Net changes in items other than shareholders' equity					
Total changes during period	–	22	10,625	(1,513)	9,134
Balance as of March 31, 2026	19,838	26,532	110,902	(9,486)	147,788

	Accumulated other comprehensive income				Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance as of April 1, 2025	30,212	5,396	3,023	38,631	(4,829)	172,455
Changes during period						
Dividends of surplus						(7,734)
Profit attributable to owners of parent						18,360
Purchase of treasury shares						(1,607)
Disposal of treasury shares						115
Net changes in items other than shareholders' equity	10,507	(258)	239	10,488	1,886	12,374
Total changes during period	10,507	(258)	239	10,488	1,886	21,509
Balance as of March 31, 2026	40,720	5,137	3,262	49,120	(2,943)	193,964

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

- (ii) Number of non-consolidated subsidiaries: 5

Name of major non-consolidated subsidiaries:

- Suita Minami Senri PFI Corporation

(Reason for 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 the 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

- Suita Minami Senri 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 the 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 following 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 most recent financial statements available, as of 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 decreased profitability.)
 - Costs on construction contracts in progress
Valuation at cost using the specific identification method
 - Costs on real estate investment, development business and other
Valuation at cost using the specific identification method (the consolidated balance sheet amount is calculated by writing down the carrying amount based on decreased profitability.)
 - Work in process
Valuation at cost using the specific identification method
 - Raw materials and supplies
Valuation at cost mainly using the weighted average method (the consolidated balance sheet amount is calculated by writing down the carrying amount based on decreased profitability.)
- (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 to 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 on or before March 31, 2007 are depreciated using the straight-line method over 5 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 five-year period that is internally available.
 - 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, the estimated irrecoverable loan amount is calculated based on the past loan loss ratio for normal loans, and considering the 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.
 - Provision for share awards
To provide for future awards of the Company's share, etc. to employees following the Share Award Regulations, etc., the estimated amount of share award obligations at the end of the fiscal year under review is provided.

(iv) Recognition of significant revenues and expenses

Regarding the construction business, the primary business of the Group, the Company 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 over time, the Company applies the method of recognizing 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.

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 the construction).

(v) Significant hedge accounting method

In principle, the Company adopts the deferred hedge accounting.

The Company has suspended the application of hedge accounting for the forward exchange contracts used by ISHIKARI BIO ENERGY GODO KAISHA, a consolidated subsidiary of the Company.

Changes in the fair value of these forward exchange contracts that have occurred since hedge accounting was suspended are recorded as non-operating income or non-operating expenses.

The Company also adopts special treatment for interest rate swaps that meet the requirements for special treatment.

(vi) Other significant matters for the 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 (10 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 (10 years) within the average remaining service period for employees at the time of recognition.

- Accounting policies and procedures 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 is incorporated in the consolidated financial statements according to the proportion of investment equities.

2. Notes on accounting estimates

(1) Revenue recognition using the method of recognizing revenue over time and provision for loss on construction contracts

(i) Amounts recorded in the consolidated financial statements for the fiscal year ended March 31, 2026

- Net sales of completed construction contracts using the method of recognizing revenue over time ¥291,375 million
- Provision for loss on construction contracts ¥2,729 million

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

• Calculation method

Net sales of completed construction contracts under the method of recognizing 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, the 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.

• Major assumptions

If an agreement on consideration for changes in design or scope of a construction is not finalized in the contracts and other documents in a timely manner, 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.

• Impact on the consolidated financial statements for the following fiscal year

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

3. Additional information

(1) Employee Share Award Plan

(i) Outline of transaction

The Company and its consolidated subsidiary Okumura Machinery Corporation (hereinafter collectively referred to as the “Company, etc.”) have introduced the Employee Share Award Plan (hereinafter referred to as the “Plan” and the trust established following the trust agreement concluded with Resona Bank, Limited. with respect to the Plan shall be referred to as the “Trust”) as an incentive plan for the employees of the Company, etc.

Under the Plan, the Trust, which is established by the Company through its cash contribution, acquires the Company’s shares and awards the Company’s shares and cash equivalent to their market value (hereinafter collectively referred to as the “Company’s shares, etc.”) to employees who satisfy certain beneficiary requirements following the share award regulations stipulated by the Board of Directors of the Company, etc. in advance (hereinafter referred to as the “Share Award Regulations”).

The Company, etc. grant points to eligible employees in accordance with performance evaluations, etc., under the Share Award Regulations. If they satisfy certain beneficiary requirements, the Company’s shares, etc. will be awarded to them in proportion to the points granted to them by following the prescribed procedures. As the Company will contribute the entire amount of money related to the establishment of the Trust, there will be no financial burden on the employees.

The introduction of the Plan is expected to incentivize employees to work harder to improve the Company’s business performance with an awareness of the share price since they can receive economic benefits from an increase in the Company’s share price. In addition, since the exercise of voting rights for the Company’s shares, which are the trust assets of the Trust, reflects the will of employees who satisfy the requirements for beneficiaries, the effect of raising employees’ sense of participation in management can also be expected.

(ii) Company shares remaining in the Trust

The Company’s shares remaining in the Trust are recorded as treasury shares under the net assets section at the carrying amount in the Trust (excluding incidental expenses). As of March 31, 2026, the carrying amount and number of such treasury shares amounted to ¥936 million and 268,200 shares, respectively.

(2) Financial covenants

The Company has recognized a breach in the financial covenants for non-recourse borrowings by ISHIKARI BIO ENERGY GODO KAISHA, a consolidated subsidiary. To support its day-to-day cash flow, the Company has concluded an additional loan agreement with ISHIKARI BIO ENERGY GODO KAISHA. The lender has not exercised its right to demand early repayment.

4. 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 “other” current liabilities (deposits received) of ¥305 million.

Buildings	¥813 million
Land	¥1,479 million
<u>Total</u>	<u>¥2,292 million</u>

(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

(iii) The following assets are pledged as collateral for borrowings of subsidiaries and associates.

Investment securities ¥48 million

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

Cash and deposits (time deposits) ¥893 million

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

¥34,995 million

(3) Accumulated depreciation of property, plant and equipment

¥29,062 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

Electronically recorded monetary claims – operating

¥3,466 million

Accounts receivable from completed construction contracts and other

¥85,765 million

Contract assets

¥128,199 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, etc. that are expected to incur losses as well as the provision for loss on construction contracts are presented as is and are not offset. The amount corresponding to the provision for loss on construction contracts was ¥232 million, out of costs on construction contracts in progress related to construction contracts, etc. that are expected to incur losses.

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

Contract liabilities

¥23,840 million

(7) Change in the purpose of asset holding

Due to a change in the purpose of holding, land of ¥114 million, buildings and structures of ¥78 million that were previously recorded as property, plant and equipment have been reclassified as real estate for sale.

5. 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 “9. Notes on revenue recognition,

(1) Disaggregation of revenue from contracts with customers.”

(2) Provision for loss on construction contracts out of cost of sales	¥1,290 million
(3) Total amount of research and development expenses	¥1,871 million

6. 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, 2025	Increase in shares	Decrease in shares	Number of shares as of March 31, 2026
Common stock	38,665,226	–	–	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 27, 2025	Common stock	3,759	103	March 31, 2025	June 30, 2025
Board of Directors held on November 13, 2025	Common stock	3,975	110	September 30, 2025	December 11, 2025

Note: The total amount of dividends resolved at the Annual General Meeting of Shareholders held on June 27, 2025 includes dividends of ¥28 million for the Company’s shares held by the trust account for the Employee Share Award Plan.

The total amount of dividends resolved at the Board of Directors meeting held on November 13, 2025 includes dividends of ¥29 million for the Company’s shares held by the trust account for the Employee Share Award Plan.

(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 to be held on June 26, 2026	Common stock	6,757	Retained earnings	187	March 31, 2026	June 29, 2026

Note: The total amount of dividends resolved at the Annual General Meeting of Shareholders to be held on June 26, 2026 includes dividends of ¥50 million for the Company’s shares held by the trust account for the Employee Share Award Plan.

7. Notes on financial instruments

(1) Status of financial instruments

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.

(2) Fair value of financial instruments

Carrying amounts, fair value, and their differences as of March 31, 2026, are as follows:

(Millions of Yen)

	Carrying amount	Fair value	Difference
(i) Notes receivable, accounts receivable from completed construction contracts and other	217,437		
Allowance for doubtful accounts (*1)	(432)		
	217,005	215,829	(1,176)
(ii) Investment securities			
Available-for-sale securities	73,276	73,276	–
Total Assets	290,281	289,105	(1,176)
(i) Long-term borrowings	25,000	24,555	(444)
(ii) Non-recourse borrowings	18,014	17,259	(755)
Total Liabilities	43,014	41,814	(1,200)
Derivative transactions (*2)	19,627	19,627	–

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

(*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,” “short-term borrowings,” and “income taxes payable” are omitted because they comprise cash and also because the 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 (¥708 million recorded on the consolidated balance sheet) and shares, etc. that do not have a market price (unlisted shares; ¥1,222 million recorded on the consolidated balance sheet) are not included in “(ii) Investment securities.”
 3. Borrowings from Organization for Workers’ Retirement Allowance Mutual Aid (long-term borrowings; ¥4 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	73,276	–	–	73,276
Derivative transactions				
Currency-related derivatives	–	18,218	–	18,218
Interest-rate-related derivatives	–	1,409	–	1,409
Total Assets	73,276	19,627	–	92,903

(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	–	215,829	–	215,829
Total Assets	–	215,829	–	215,829
Long-term borrowings	–	24,555	–	24,555
Non-recourse borrowings	–	17,259	–	17,259
Total Liabilities	–	41,814	–	41,814

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.

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 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 the 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.

8. 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.

Among rental properties, those 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.

(Millions of Yen)

	Carrying amount			Fair value as of March 31, 2026
	Balance as of April 1, 2025	Increase/decrease during the fiscal year under review	Balance as of March 31, 2026	
Real estate for rent	39,390	2,522	41,912	89,027
Real estate for rent in part	1,140	(33)	1,107	2,367
Total	40,531	2,488	43,019	91,395

Notes: 1. Carrying amounts are acquisition cost less accumulated depreciation.

2. The fair value of primary properties as of March 31, 2026 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:

(Millions of Yen)

	Amounts on the consolidated statement of income		
	Rental revenue	Rental expenses	Difference
Real estate for rent	4,217	1,269	2,947
Real estate for rent in part	131	43	87
Total	4,349	1,313	3,035

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

9. 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	101,596	182,475	11,318	295,390
	Other revenue	–	–	–	–
Net sales of real estate investment, development business and other	Revenue from contracts with customers	494	6,928	6	7,429
	Other revenue	–	–	–	4,381

(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.

(Millions of Yen)

	Beginning balance	Ending balance
Receivables from contracts with customers	67,745	89,232
Contract assets	122,817	128,199
Contract liabilities	17,806	23,840

- Notes:
- 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.
 - 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. Almost all the beginning balance of contract liabilities is included in revenue from contracts with customers for the fiscal year under review.
 - 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 ¥683,324 million (*1, 2), and the Company expects to recognize the amount within 5 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.

10. Notes on per-share information

(1) Net assets per share ¥5,489.40

Note: For the purpose of determining the amount of net assets per share, the Company's shares held by the trust account for the Employee Share Award Plan are included in treasury shares, which are to be deducted from the total number of shares issued at the end of the period. The number of the treasury shares at the end of the period is 2,794 thousand shares, of which the number of the Company's shares held by the trust account at the end of the period is 268 thousand shares.

(2) Profit per share ¥511.80

Note: For the purpose of determining the amount of profit per share, the Company's shares held by the trust account for the Employee Share Award Plan are included in treasury shares, which are to be deducted to calculate the average number of shares during the period. The average number of the treasury shares during the period is 2,790 thousand shares, of which the average number of the Company's shares held by the trust account during the period is 268 thousand shares.

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

Non-Consolidated Statement of Changes in Equity

(April 1, 2025 through March 31, 2026)

(Millions of Yen)

	Shareholders' equity									
	Share capital	Capital surplus			Retained earnings					
		Legal capital surplus	Other capital surplus	Total capital surplus	Legal retained earnings	Other retained earnings				Total retained earnings
						Reserve for investment loss on developing new business	Reserve for tax purpose reduction entry of non-current assets	General reserve	Retained earnings brought forward	
Balance as of April 1, 2025	19,838	25,322	270	25,592	4,959	106	3,629	91,400	2,937	103,033
Changes during period										
Reversal of general reserve								(900)	900	-
Dividends of surplus									(7,734)	(7,734)
Profit									15,658	15,658
Purchase of treasury shares										
Disposal of treasury shares			22	22						
Provision of reserve for investment loss on developing new business						106			(106)	-
Reversal of reserve for investment loss on developing new business						(106)			106	-
Reversal of reserve for tax purpose reduction entry of non-current assets							(40)		40	-
Net changes in items other than shareholders' equity										
Total changes during period	-	-	22	22	-	-	(40)	(900)	8,864	7,923
Balance as of March 31, 2026	19,838	25,322	292	25,614	4,959	106	3,589	90,500	11,801	110,956

(Millions of Yen)

	Shareholders' equity		Valuation and translation adjustments		Total net assets
	Treasury shares	Total shareholders' equity	Valuation difference on available-for-sale securities	Total valuation and translation adjustments	
Balance as of April 1, 2025	(7,972)	140,492	29,303	29,303	169,795
Changes during period					
Reversal of general reserve		–			–
Dividends of surplus		(7,734)			(7,734)
Profit		15,658			15,658
Purchase of treasury shares	(1,607)	(1,607)			(1,607)
Disposal of treasury shares	93	115			115
Provision of reserve for investment loss on developing new business		–			–
Reversal of reserve for investment loss on developing new business		–			–
Reversal of reserve for tax purpose reduction entry of non-current assets		–			–
Net changes in items other than shareholders' equity			10,450	10,450	10,450
Total changes during period	(1,513)	6,431	10,450	10,450	16,882
Balance as of March 31, 2026	(9,486)	146,924	39,754	39,754	186,678

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 the 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 following 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 most recent financial statements available as of 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 decreased profitability.)
- Costs on construction contracts in progress
Valuation at cost using the specific identification method
- Costs on real estate investment, development business and other
Valuation at cost using the specific identification method (the balance sheet amount is calculated by writing down the carrying amount based on 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 on or before March 31, 2007 are depreciated using the straight-line method over 5 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 five-year period that is internally available.

(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, the estimated irrecoverable loan amount is calculated, based on the past loss ratio for normal loans, and considering the recoverability of each loan for certain 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 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 employees' retirement benefits, 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 (10 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 (10 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, 2026.

(vii) Provision for share awards

To provide for future awards of the Company's share, etc. to employees following the Share Award Regulations, etc., the estimated amount of share award obligations at the end of the fiscal year under review is provided.

(4) Recognition of revenues and expenses

Regarding the construction business, the Company's primary business, the Company 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 the construction and delivery of buildings, etc. When control of goods or services is transferred over time, the Company applies the method of recognizing 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.

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 deferred hedge accounting. It also 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 a 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 is incorporated in the non-consolidated financial statements according to the proportion of investment equities.

2. 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 non-consolidated financial statements for the fiscal year ended March 31, 2026

- Net sales of completed construction contracts using the method to recognize revenue over time ¥291,375 million
- Provision for loss on construction contracts ¥2,712 million

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

The information is the same as the nature of "2. Notes on accounting estimates, (1) Revenue recognition using the method to recognize revenue over time and provision for loss on construction contracts" in the notes to the consolidated financial statements.

3. Additional information

(1) Employee Share Award Plan

The information is the same as the nature of "3. Additional information, (1) Employee Share Award Plan" in the notes to the consolidated financial statements.

4. 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 ¥221 million.

Buildings	¥467 million
Land	¥679 million
Total	¥1,146 million

(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.

“Other” under current assets (Short-term loans receivable)	¥1,556 million
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Shares of subsidiaries and associates, investments in the capital of subsidiaries and associates	¥48 million
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Long-term loans receivable	¥11,701 million
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(v) The following assets are pledged as collateral for performance obligations of construction contracts, etc.

Cash and deposits (time deposits)	¥893 million
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(2) Accumulated depreciation of property, plant and equipment ¥20,045 million

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

Short-term receivables from subsidiaries and associates ¥1,587 million

Short-term liabilities from subsidiaries and associates ¥1,052 million

Long-term receivables from subsidiaries and associates ¥17,325 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 ¥84,125 million

Contract assets ¥128,199 million

(5) Amount of costs on construction contracts in progress corresponding to the 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 the provision for loss on construction contracts, are presented as is and are not offset. The amount corresponding to the provision for loss on construction contracts was ¥232 million, out of the 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 ¥23,840 million

(7) Change in the purpose of asset holding

Due to a change in the purpose of holding, land of ¥114 million, buildings and structures of ¥78 million that were previously recorded as property, plant and equipment have been reclassified as real estate for sale.

5. Notes to the statement of income

(1) Net sales attributable to subsidiaries and associates ¥222 million

(2) Purchase amount from subsidiaries and associates out of the cost of sales ¥5,357 million

(3) Transaction volume other than business transactions with subsidiaries and associates ¥401 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 “9. Notes on revenue recognition, (1) Disaggregation of revenue from contracts with customers.”

(5) Provision for loss on construction contracts out of the cost of sales of completed construction contracts ¥1,272 million

(6) Total amount of research and development expenses ¥1,869 million

6. Notes to the statement of changes in equity

Type and number of treasury shares

Type of shares	Number of shares as of April 1, 2025	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, 2026
Common stock	2,440,729	381,253	27,425	2,794,557

Notes: 1. The number of treasury shares of common stock as of March 31, 2026 includes the Company's 268,200 shares held by the trust account for the Employee Share Award Plan.

2. Detail of the increase in shares is as follows:

Purchase of treasury shares by resolution of the Board of Directors	379,200 shares
Acquisition without consideration of restricted shares under the Restricted Share Compensation Plan	116 shares
Purchase of fractional shares	1,937 shares

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

Selling of fractional shares upon requests to add those shares to holdings	120 shares
Disposal of treasury shares for restricted share compensation	21,805 shares
Decrease due to the sale of shares of the Company by the trust account of the Employee Share Award Plan	5,300 shares
Decrease due to the delivery of shares of the Company by the trust account of the Employee Share Award Plan	200 shares

7. 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 and other	¥2,705 million
Provision for bonuses	¥1,332 million
Allowance for doubtful accounts	¥1,231 million
Loss on valuation of inventories and other	¥1,124 million
Accounts payable for construction contracts and accrued expenses and other	¥996 million
Provision for loss on construction contracts	¥854 million
Other	¥1,454 million
Deferred tax assets (subtotal)	¥9,699 million
Valuation allowance	¥(6,521) million
Total deferred tax assets	¥3,178 million

Deferred tax liabilities

Valuation difference on available-for-sale securities	¥(16,943) million
Reserve for tax purpose reduction entry of non-current assets	¥(1,650) million
Prepaid pension costs	¥(1,413) million
Other	¥(125) million
Total deferred tax liabilities	¥(20,133) million
Deferred tax liabilities (net)	¥(16,954) million

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

Type	Name of company	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	¥88 million	Long-term loans receivable	¥4,084 million
				Interest received	¥80 million	–	–
Subsidiary	ISHIKARI BIO ENERGY GODO KAISHA	Direct ownership 50%	Provision of collateral	Provision of collateral	¥13,969 million	–	–
			Financial support	Loan	¥8,607 million	“Other” under current assets (Short-term loans receivable)	¥1,556 million
						Long-term loans receivable	¥11,701 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. The investment in capital of, and loans to, ISHIKARI BIO ENERGY GODO KAISHA are pledged as collateral for the company’s borrowings from financial institutions. The transaction amount represents the balance of the company’s borrowings from the financial institutions.
3. The Company has recorded allowance for doubtful accounts of ¥2,999 million against its loans receivable from ISHIKARI BIO ENERGY GODO KAISHA.

9. 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	101,596	182,475	11,318	295,390
	Other revenue	–	–	–	–
Net sales of real estate investment, development business and other	Revenue from contracts with customers	494	1,461	–	1,956
	Other revenue	–	–	–	4,042

(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.

10. Notes on per-share information

(1) Net assets per share ¥5,204.21

Note: To determine the amount of net assets per share, the Company’s shares held by the trust account for the Employee Share Award Plan are included in treasury shares, which are to be deducted from the total number of shares issued at the end of the period. The number of treasury shares at the end of the period is 2,794 thousand shares, of which the number of the Company’s shares held by the trust account at the end of the period is 268 thousand.

(2) Profit per share ¥436.47

Note: To determine the amount of profit per share, the Company’s shares held by the trust account for the Employee Share Award Plan are included in treasury shares, which are to be deducted to calculate the average number of shares during the period. The average number of treasury shares during the period is 2,790 thousand shares, of which the average number of the Company’s shares held by the trust account during the period is 268 thousand.

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