

Okumura Corporation

Annual Report 2011



Okumura was established in 1907 based on two key principles enshrined in the corporate mottoes “steadfast management” and “sincere operation.” The steady growth achieved over the years has been made possible through the unflinching support of our customers.

Okumura’s main business activities include construction projects for houses, public facilities, medical facilities, and office buildings. In the area of civil engineering are projects such as railways, roads, power station facilities, sewage and water works, and others. The Company has developed technology at the highest level, with achievements including the seismic isolation system used to construct Japan’s first earthquake-absorbing building. In the area of environment-related technology, Okumura has developed techniques for 100% recycling of demolished concrete, and natural greening of concrete surfaces on buildings.

Okumura understands what an important mission it is to provide a better environment for the future. Accordingly, the Company is dedicated to contributing to meaningful social infrastructure investment and to always being a corporation regarded highly by society. It will achieve this by continuing to develop as an all-around construction company based on steadfast business management.

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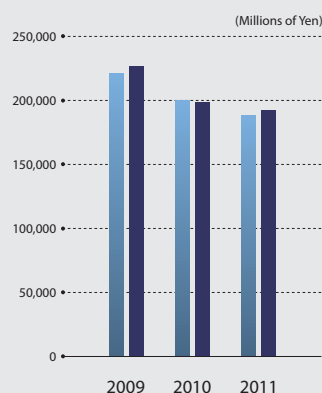
# Financial Highlights

For the years ended March 31

	2009	2010	2011	2011
<b>Consolidated:</b>	Millions of yen			Thousands of U.S. dollars
Net sales	¥226,974	¥198,494	¥192,617	\$2,316,501
Operating income	4,399	864	3,380	40,653
Net income (loss)	(3,406)	652	3,605	43,354
Total assets	293,677	241,759	229,771	2,763,335
Total equity	115,155	115,469	114,387	1,375,671
<b>Per Share:</b>	Yen			U.S. dollars
Basic net income (loss)	¥(17.03)	¥3.26	¥18.04	\$0.22
<b>Non-Consolidated:</b>	Millions of yen			Thousands of U.S. dollars
Net sales	¥220,760	¥199,562	¥187,969	\$2,260,607
Operating income	4,310	1,461	3,183	38,284
Net income (loss)	(3,800)	649	3,594	43,218
Total assets	288,492	236,533	224,903	2,704,785
Total equity	113,034	113,319	112,187	1,349,215
<b>Per Share:</b>	Yen			U.S. dollars
Basic net income (loss)	¥(19.00)	¥3.24	¥17.98	\$0.22

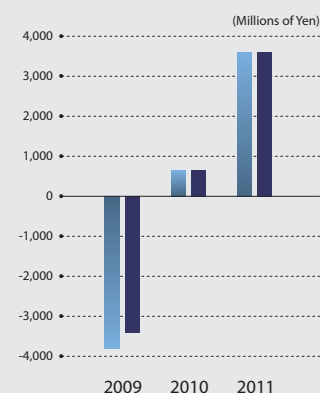
Note: The U.S. dollar amounts included herein are presented solely for convenience of the reader. Such dollar amounts have been translated from yen at the approximate exchange rate in Tokyo on March 31, 2011, of ¥83=U.S.\$1.

## Net Sales



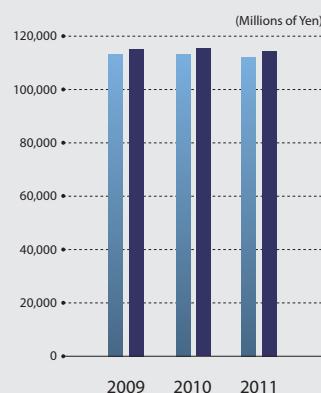
■ Non-Consolidated  
■ Consolidated

## Net Income



■ Non-Consolidated  
■ Consolidated

## Total Equity



■ Non-Consolidated  
■ Consolidated

## Disclaimer Regarding Forecasts and Projections

This Annual Report includes forecasts, projections and other predictive statements that represent Okumura's assumptions and expectations in light of currently available information. These forecasts, etc., are based on industry trends, circumstances involving clients and other factors, and involve risks, variables and uncertainties. The Okumura Group's actual performance results may differ from those projected in this Annual Report. Consequently, no guarantee is presented or implied as to the accuracy of specific forecasts, projections or predictive statements contained herein.

We would like to thank our shareholders for their continuing support and encouragement, and we wish each of them the greatest success in their own range of endeavors.

Our deepest sympathy goes out to all of our shareholders affected by the Great East Japan Earthquake.

A general overview of business performance for the period to March 2011 (April 1, 2010 to March 31, 2011) is provided in the following sections.

## **Fiscal 2011 Results**

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During the period under review, the Japanese economy had been on track for gradual recovery as corporate earnings picked up, but experienced downward pressure due to the further appreciation of the yen and the slowdown in exports. The construction industry was affected by this and found itself in an environment of fierce competition stemming from the contraction of the market as reflected in dramatic cuts in public investment, while capital investment in the private sector remained low.

In these circumstances, the Company's consolidated net sales fell 3.0% year on year, to ¥192,617 million, whereas consolidated gross profit increased 21.1%, to ¥19,277 million due to the improvement of profitability, as a result of which consolidated operating income soared 291.2%, to ¥3,380 million, a substantial increase over the previous corresponding period. Consequently, the Company posted net income of ¥3,605 million, up 453.2% year on year, despite declaring an extraordinary loss in the amount of ¥701 million for impairment losses on investment securities.

Although the business climate surrounding the Company is harsh, the Company decided to uphold its basic corporate policy regarding profit sharing and paid a regular dividend of ¥9.00 per share for the period ended March 31, 2011.

## **Looking Ahead and Key Strategies**

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The Japanese economy is expected to be weak for the foreseeable future, due in part to the impact of the Great East Japan Earthquake. Business performance in the construction industry is likely to be substantially dependent on the timing of recovery of capital investment in the private sector, fluctuations in materials and equipment prices and other such factors.

In these circumstances, the Okumura Group is vigorously implementing various measures set forth in its Five-Year Medium-Term Business Plan formulated in fiscal 2008, and will remain committed to fulfilling



its targets, given that its efforts have been steadily yielding results as reflected in its profitability.

In construction operations, the Company's top priority for the time being will be to secure a certain volume of business while firmly maintaining its profitability-oriented approach, as competition to win orders is becoming increasingly fierce in response to the contraction of the market and dramatic changes in the business environment. The Company intends to overcome these conflicting challenges by such means as enhancing its price competitiveness based on thoroughgoing cost reduction and improved precision of estimates, proposing technologies and providing quality to the satisfaction of customers' needs.

The real estate operations are making substantial contributions to the Company in securing stable profit. The Company plans to acquire profit-earning real estate and engage in leasing activities by maximizing the potential use of company-held properties in a careful but aggressive manner.

On the organizational front, the Company will continue to make improvements and exercise ingenuity in pursuit of even greater excellence, having arrived at its current form as a result of streamlining executive/management structures suited to the business environment and improving operational efficiency, such as reforming the business divisions into a dual branch structure—East Japan and West Japan Branch at its core, and consolidating the headquarters into civil engineering, building, and administration.

For the future, Okumura will apply all of its resources with the aim of responding quickly and flexibly to shifting trends and the changing operating environment, and thereby build a strong business foundation in accordance with its corporate philosophy, which has endured through the many years since the Company's foundation. This will enable Okumura to maintain the trust and confidence of its shareholders. Okumura will also strive to assist in the Great East Japan Earthquake reconstruction efforts to fulfill its social responsibility.

In all its efforts, the Company looks forward to the continued support and patronage of its shareholders.

June 2011

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

Takanori Okumura  
President and Representative Director

# Review of Operations

## Major Projects Completed

### BUILDINGS



#### New Main Building of Asahi Chuo General Hospital

Work period: December 2008 to March 2011  
Structure: RC and steel (seismic isolation structure)  
Total floor area: 55,865.94m<sup>2</sup>



#### Eco Clean Matsue

Work period: July 2008 to March 2011  
Structure: SRC  
Total floor area: 12,673m<sup>2</sup>



#### Saitama Governmental Joint Office of Legal Affairs No.2

Work period: March 2009 to October 2010  
Structure: RC  
Total floor area: 8,843.61m<sup>2</sup>



#### Tennoji Gakkan High School

Work period: November 2009 to August 2010  
Structure: Steel  
Total floor area: 3,418.81 m<sup>2</sup>

### CIVIL ENGINEERING



#### Nara Overpass in Omiya Region: New BL Construction and one other construction task

Work period: December 2004 to October 2010  
145 cast-in-place piles  
7 elevated bridges  
3 rigid-frame bridge substructures  
8 RC slabs, etc.



#### Aburagimachi-Nishimachi City Road Improvement Work

Work period: March 2008 to February 2011  
Road length: 230m  
Road earthwork  
(drilling: 22,000m<sup>3</sup>, filling: 55,000m<sup>3</sup>)  
Complete set of slope protection work, revetment work, culvert construction, drainage structure construction, etc.



#### Hokuriku Shinkansen: Elevated Bridge at Nakatsuka, Namerikawa City

Work period: October 2007 to October 2010  
Bridge length: 1,336m  
22 bridge columns  
29 RC T-beams  
16 rigid-frame elevated bridges



#### Landslide Prevention Work in the Sako area

Work period: August 2008 to March 2011  
Drilling/boulders and bounding stone  
Treatment: 8,410m<sup>3</sup>  
Counterweight fill: 118,000m<sup>3</sup>  
123 restraint anchors, etc.

## Orders Received

## BUILDINGS


**Kotoni 4-2 Region: Category I  
Urban Redevelopment Project**

Work period: May 2011 to  
October 2013  
Structure: RC and steel  
Total floor area: 44,734m<sup>2</sup>


**Shokei Gakuen's Kuhonji  
Campus**

Work period: January 2011 to  
March 2013  
Structure: RC and steel  
Total floor area: 16,843.05m<sup>2</sup>


**Yamabiko Medical Welfare Center  
for Children with Severe Motor &  
Intellectual Disabilities**

Work period: November 2010 to  
March 2013  
Structure: RC  
Total floor area: 9,000.1m<sup>2</sup>


**Tokyo Metropolitan Art Space**

Work period: February 2011 to  
June 2012  
Renovation  
Structure: SRC and steel  
Total floor area: 51,298.9m<sup>2</sup>

## CIVIL ENGINEERING


**Higashi-Kyushu Expressway:  
No.2 litani Tunnel Construction  
Work**

Work period: July 2010 to  
December 2012  
Length: 1,601m  
Two tunnels: 1,079m  
2 bridge substructures


**Kakogawa Chuo Junction Ramp  
Improvement Work**

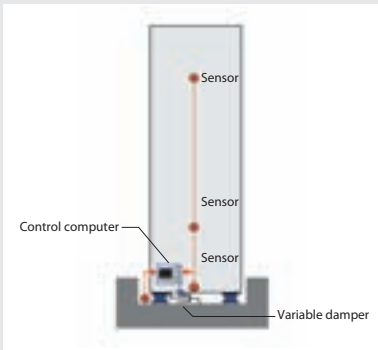
Work period: January 2011 to  
February 2013  
Construction length: 1,180m  
7 reverse T-shaped retaining walls  
8 overhang bridge columns  
64 cast-in-place piles


**Saitama City: New Clean Center  
Development Project**

Work period: June 2010 to March 2015  
Vertical impervious wall construction  
(bentonite cut-off wall construction:  
9,310m<sup>2</sup>)  
Capping work (internal cut-and-fill  
earthwork: 7,700m<sup>3</sup>)  
Breathable/impermeable sheets:  
22,200m<sup>2</sup>)


**Removal of Soil Contamination,  
etc. at Former Site of Policy  
Research Institute of the  
Ministry of Agriculture, Forestry  
and Fisheries: Phase II Work**

Work period: August 2010 to  
August 2011  
Soil contamination removal work, etc.  
(target soil volume: 13,316m<sup>3</sup>)



① Conceptual diagram

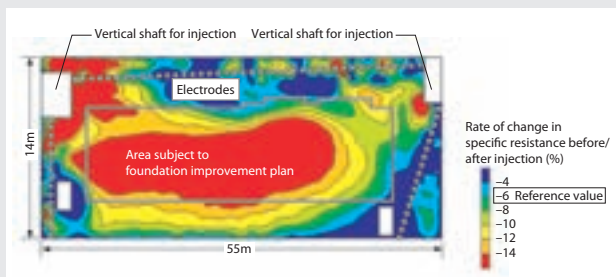


① Variable damper installed

② Circular steel sheet piling



② Construction site (aerial view)



③ Distribution of rate of change in specific resistance at time of completion of foundation improvement (two-dimensional diagram)

## ① Development of Technology to Curb Shaking of Seismically Isolated Buildings according to Seismic Wave Characteristics

The Company has developed a system that can automatically control shaking of seismically isolated buildings in the event of an earthquake by detecting any shake with a sensor installed in such buildings.

This system helps improve safety as it can curb shaking of buildings by flexibly operating the seismic isolation device according to the seismic wave characteristics.

## ② Development of Small-diameter Circular Steel Sheet Pile Vertical Shaft Construction Method

The Company has developed a method of constructing circular vertical shafts with a small diameter for shield tunneling, etc. at low cost by using generic steel sheet piles as earth retaining materials. Steel sheet piles are not intrinsically suitable for installation along curved surfaces due to the performance limitations of hydraulic pile drivers. By developing a special attachment for hydraulic pile drivers, the Company has made it possible to install steel sheet piles in circular vertical shafts with a small diameter (smaller than the minimum diameter of 8m utilized in conventional construction methods). The new construction method will be applied to the Company's future construction projects step by step in an effort to reduce costs.

## ③ Establishment of Survey Technology for Areas with Improved Foundations by Resistivity Tomography

The Company has established a survey technology that makes it possible to confirm, with high precision, the finish of areas where foundation improvement work has been performed by applying

resistivity tomography (a type of electrical prospecting technology for investigating the internal properties of the target area by using electrical resistance). The Company has applied this technology to actual construction work.

This survey technology makes it possible to confirm the status of the improved foundations as a plane by putting electrodes into the ground at multiple locations around the area where foundation improvement work has been performed. The Company will promote the application of this technology in the future as a quality control method for the improvement of foundations directly beneath structures where it is difficult to perform boring surveys, etc.

## ④ Hosting of a Technical Seminar

On December 2, 2010, Okumura hosted the 22nd Technical Seminar at the Tokyo International Forum in Tokyo's Chiyoda Ward. The seminar was attended by approximately 200 participants, such as government agencies and clients of Okumura from the private sector.

Okumura began hosting the seminar in 1988 as part of the collaboration among industrial, governmental and academic sectors related to the construction industry. Under the theme "For Accelerated Social Infrastructure Development", this year's Seminar was jointly hosted with the Global Center of Excellence for Sustainable Urban Regeneration—one of the centers of the University of Tokyo Global COE Program\*. Tomonari Yashiro, Director General of the Institute of Industrial Science (IIS), the University of Tokyo, and Koichi Maekawa, Professor of School of Engineering, the University of Tokyo, delivered a keynote speech. In addition, a panel discussion was held on topics including the construction of systems and technological innovations to realize "the acceleration of construction projects".



④ Inside the seminar hall



④ Panel discussion



⑤ Award ceremony



⑥ View of tunnel

\* Global COE Program: A funding support project of Japan's Ministry of Education, Culture, Sports, Science and Technology (MEXT) aimed at intensively assisting the development of internationally outstanding education and research centers and promoting the establishment of internationally-competitive universities for the purpose of further enhancing and strengthening the education and research functions of graduate schools in Japan and fostering highly creative young researchers who will go on to become world leaders in their respective fields.

#### ⑤ Recipients of the Okumura Environmental Construction Technology Foundation Grant for the Fiscal Year Ended March 31, 2011 Are Announced

In 2007, the Company established a charitable trust fund, the Okumura Environmental Construction Technology Foundation Grant, whose objective is to further promote the preservation and improvement of Japan's environment by providing funds to various research projects on construction technologies that reduce the environmental load.

The steering committee—comprising experts such as university professors—met on July 8, 2010 to select the recipients and determine the amount of the grant awarded for the fiscal year ended March 31, 2011. The foundation has ensured that all those chosen for the fiscal year have received the grant.

Research themes of the recipients are as follows:

- Empirical research on autonomous renovation of old residential estates in consideration of resources recycling
- High-precision discrimination analysis of ligneous waste based on visible/near-infrared hyper spectral imaging technology
- Proposal of building life cycle design techniques
- Proposal and development of wooden building construction methods with high reusability and recyclability, fulfilling both environmental performance and seismic safety
- Impact of flood-control dams on benthic invertebrate community structures

#### ⑥ Okumura's Work in Taoyuan International Airport Access MRT System Construction Project (Tender CU02A) Wins Taiwan's Highest Honor for Public Works: Award for Excellence of Golden Quality Awards

Okumura's Work in Taoyuan International Airport Access MRT System construction project (Tender CU02A), executed jointly with Taiwanese construction firm RSEA Engineering Corporation, has won the Award for Excellence in Civil Engineering of the 10th Golden Quality Awards for public works.

The Award, which is granted by the Public Construction Commission, Executive Yuan of Taiwan, is regarded as the highest honor of public works in Taiwan.

Our work involved constructing a subway tunnel running immediately beneath Taoyuan International Airport, constituting part of the railway construction project to connect Taipei Station, Taoyuan International Airport and Taiwan High Speed Rail (THSR) Taoyuan Station. Under harsh conditions including tackling layers of earth consisting of boulders exceeding 1m in diameter, our work was unprecedented in that 8 tunnel boring machines were utilized. In the screening process for the Award, our work was rated as having contributed to the progress of Taiwan's shield tunneling technology and paved the way for the construction industry's future.

# Consolidated Balance Sheets

Okumura Corporation and Consolidated Subsidiaries  
As of March 31, 2011 and 2010

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ASSETS	Millions of yen		Thousands of U.S. dollars (Note 1)
	2011	2010	2011
<b>Current assets:</b>			
Cash and cash equivalents (Note 12)	¥ 34,721	¥ 27,831	\$ 417,569
Time deposits (Notes 12 and 13)	232	468	2,792
Marketable securities (Notes 3 and 12)	1	56	16
Receivables:			
Trade notes (Note 12)	2,320	6,305	27,907
Trade accounts (Note 12)	80,037	56,744	962,557
Unconsolidated subsidiaries and associated companies (Note 12)	2,257	157	27,148
Other	8,179	10,803	98,361
Allowance for doubtful receivables	(3,482)	(3,802)	(41,874)
Inventories (Note 4)	40,033	73,739	481,450
Prepaid expenses and other	454	639	5,456
Total current assets	164,752	172,940	1,981,382
<b>Property, plant and equipment (Notes 5 and 6):</b>			
Land (Note 13)	17,966	16,680	216,066
Buildings and structures	17,331	16,161	208,436
Machinery and equipment	3,323	3,355	39,961
Furniture and fixtures	2,109	2,160	25,362
Lease assets (Note 11)	41	27	491
Construction in progress	19	40	234
Total	40,789	38,423	490,550
Accumulated depreciation	(14,841)	(14,285)	(178,486)
Net property, plant and equipment	25,948	24,138	312,064
<b>Investments and other assets:</b>			
Investment securities (Notes 3, 12 and 13)	37,448	42,496	450,366
Investments in and advances to unconsolidated subsidiaries and associated companies (Note 12)	1,001	1,138	12,042
Long-term loans receivable (Note 12)	339	450	4,080
Other assets	4,534	4,049	54,523
Allowance for doubtful receivables	(4,251)	(3,452)	(51,122)
Total investments and other assets	39,071	44,681	469,889
Total	¥229,771	¥241,759	\$2,763,335

See notes to consolidated financial statements.

LIABILITIES AND EQUITY	Millions of yen		Thousands of U.S. dollars (Note 1)
	2011	2010	2011
<b>Current liabilities:</b>			
Short-term bank loans including current portion of long-term debt (Notes 6, 11 and 12)	¥ 11,299	¥ 10,319	\$ 135,889
Payables:			
Trade notes (Note 12)	6,258	4,843	75,259
Trade accounts (Note 12)	40,546	35,302	487,623
Other	174	195	2,091
Advances received on construction projects in progress	25,928	40,796	311,828
Income taxes payable	205	248	2,468
Allowance for warranty work on construction projects	347	408	4,179
Allowance for losses on construction contracts	4,272	5,752	51,372
Other (Note 13)	14,512	13,615	174,524
Total current liabilities	103,541	111,478	1,245,233
<b>Long-term liabilities:</b>			
Long-term debt (Notes 6, 11 and 12)	204	247	2,452
Liability for retirement benefits (Note 7)	4,683	5,785	56,325
Deferred tax liabilities (Note 9)	6,242	7,806	75,071
Negative goodwill	567	851	6,821
Other	147	123	1,762
Total long-term liabilities	11,843	14,812	142,431
Total liabilities	115,384	126,290	1,387,664
<b>Commitments and contingent liabilities</b> (Notes 11 and 13)			
<b>Equity</b> (Notes 8, 14 and 15):			
Common stock			
authorized, 480,376,000 shares; issued, 228,326,133 shares	19,839	19,839	238,592
Capital surplus	25,327	25,327	304,592
Retained earnings	74,006	72,200	890,037
Treasury stock—at cost			
28,549,412 shares in 2011 and 28,496,086 shares in 2010	(12,348)	(12,332)	(148,507)
Accumulated other comprehensive income			
Unrealized gain on available-for-sale securities	7,563	10,435	90,957
Total	7,563	10,435	90,957
Total equity	114,387	115,469	1,375,671
Total	¥229,771	¥241,759	\$2,763,335

# Consolidated Statements of Income

Okumura Corporation and Consolidated Subsidiaries  
For the years ended March 31, 2011 and 2010

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	Millions of yen		Thousands of U.S. dollars (Note 1)
	2011	2010	2011
<b>Net sales</b>	<b>¥192,617</b>	¥198,494	<b>\$2,316,501</b>
<b>Cost of sales</b>	<b>173,340</b>	182,582	<b>2,084,670</b>
Gross profit	<b>19,277</b>	15,912	<b>231,831</b>
<b>Selling, general and administrative expenses</b> (Note 10)	<b>15,897</b>	15,048	<b>191,178</b>
Operating income	<b>3,380</b>	864	<b>40,653</b>
<b>Other income (expenses):</b>			
Interest and dividend income	<b>951</b>	956	<b>11,441</b>
Interest expense	<b>(193)</b>	(197)	<b>(2,320)</b>
Amortization of negative goodwill	<b>284</b>	284	<b>3,410</b>
Impairment losses on investment securities	<b>(701)</b>	(168)	<b>(8,436)</b>
Provision of allowance for doubtful accounts	—	(1,022)	—
Loss on fire accident	—	(1,353)	—
Other—net	<b>(1)</b>	1,384	<b>(14)</b>
Other income (expenses)—net	<b>340</b>	(116)	<b>4,081</b>
Income before income taxes and minority interests	<b>3,720</b>	748	<b>44,734</b>
<b>Income taxes</b> (Note 9):			
Current	<b>138</b>	137	<b>1,660</b>
Deferred	<b>(23)</b>	(41)	<b>(280)</b>
Total income taxes	<b>115</b>	96	<b>1,380</b>
<b>Net income before minority interests</b>	<b>3,605</b>	652	<b>43,354</b>
<b>Net income</b>	<b>¥ 3,605</b>	¥ 652	<b>\$ 43,354</b>
<b>Per share of common stock</b> (Notes 2.n and 14):		Yen	U.S. dollars (Note 1)
Basic net income	<b>¥ 18.04</b>	¥ 3.26	<b>\$ 0.22</b>
Cash dividends applicable to the year	<b>9.00</b>	9.00	<b>0.11</b>

See notes to consolidated financial statements.

# Consolidated Statement of Comprehensive Income

Okumura Corporation and Consolidated Subsidiaries  
For the year ended March 31, 2011

Okumura Corporation **Annual Report 2011**

	Millions of yen	Thousands of U.S. dollars (Note 1)
	2011	2011
<b>Net income before minority interests</b>	<b>¥3,605</b>	<b>\$43,354</b>
<b>Other comprehensive income (Note 14):</b>		
Unrealized loss on available-for-sale securities	(2,872)	(34,534)
Total other comprehensive income	(2,872)	(34,534)
<b>Comprehensive income (Note 14)</b>	<b>733</b>	<b>8,820</b>
<b>Total comprehensive income attributable to (Note 14):</b>		
Owners of the parent	¥ 733	\$ 8,820
Minority interests	—	—

See notes to consolidated financial statements.

# Consolidated Statements of Changes in Equity

Okumura Corporation and Consolidated Subsidiaries  
For the years ended March 31, 2011 and 2010

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	Thousands						Millions of yen	
	Outstanding number of shares of common stock	Common stock	Capital surplus	Retained earnings	Treasury stock	Accumulated other comprehensive income	Total equity	
						Unrealized gain on available for-sale securities		
<b>BALANCE, MARCH 31, 2009</b>	199,875	¥19,839	¥25,327	¥73,347	¥(12,317)	¥ 8,959	¥115,155	
Net income	—	—	—	652	—	—	652	
Cash dividends, ¥9 per share	—	—	—	(1,799)	—	—	(1,799)	
Purchase of treasury stock	(50)	—	—	—	(18)	—	(18)	
Disposal of treasury stock	5	—	(0)	—	3	—	3	
Net change in the year	—	—	—	—	—	1,476	1,476	
<b>BALANCE, MARCH 31, 2010</b>	199,830	¥19,839	¥25,327	¥72,200	¥(12,332)	¥10,435	¥115,469	
Net income	—	—	—	<b>3,605</b>	—	—	<b>3,605</b>	
Cash dividends, ¥9 per share	—	—	—	<b>(1,799)</b>	—	—	<b>(1,799)</b>	
Purchase of treasury stock	<b>(56)</b>	—	—	—	<b>(17)</b>	—	<b>(17)</b>	
Disposal of treasury stock	<b>3</b>	—	<b>(0)</b>	—	<b>1</b>	—	<b>1</b>	
Net change in the year	—	—	—	—	—	<b>(2,872)</b>	<b>(2,872)</b>	
<b>BALANCE, MARCH 31, 2011</b>	<b>199,777</b>	<b>¥19,839</b>	<b>¥25,327</b>	<b>¥74,006</b>	<b>¥(12,348)</b>	<b>¥ 7,563</b>	<b>¥114,387</b>	

	Thousands of U.S. dollars (Note 1)					
	Common stock	Capital surplus	Retained earnings	Treasury stock	Accumulated other comprehensive income	Total equity
					Unrealized gain on available for-sale securities	
<b>BALANCE, MARCH 31, 2010</b>	\$238,592	\$304,597	\$868,312	\$(148,313)	\$125,491	\$1,388,679
Net income	—	—	<b>43,354</b>	—	—	<b>43,354</b>
Cash dividends, \$0.11 per share	—	—	<b>(21,629)</b>	—	—	<b>(21,629)</b>
Purchase of treasury stock	—	—	—	<b>(210)</b>	—	<b>(210)</b>
Disposal of treasury stock	—	<b>(5)</b>	—	<b>16</b>	—	<b>11</b>
Net change in the year	—	—	—	—	<b>(34,534)</b>	<b>(34,534)</b>
<b>BALANCE, MARCH 31, 2011</b>	<b>\$238,592</b>	<b>\$304,592</b>	<b>\$890,037</b>	<b>\$(148,507)</b>	<b>\$ 90,957</b>	<b>\$1,375,671</b>

See notes to consolidated financial statements.

# Consolidated Statements of Cash Flows

Okumura Corporation and Consolidated Subsidiaries  
For the years ended March 31, 2011 and 2010

Okumura Corporation Annual Report 2011

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2011	2010	2011
<b>Cash flows from operating activities:</b>			
Income before income taxes and minority interests	¥ 3,720	¥ 748	\$ 44,734
Adjustments for:			
Income taxes—paid	(111)	(41)	(1,333)
Depreciation and amortization	975	956	11,731
Amortization of negative goodwill	(284)	(284)	(3,410)
Provision for doubtful receivables	1,468	1,528	17,651
Impairment losses on marketable and investment securities	701	228	8,436
Loss on fire accident	—	1,353	—
Changes in assets and liabilities:			
Increase in trade notes and accounts receivable	(23,642)	(853)	(284,330)
Decrease in accumulated costs of construction projects in progress	30,504	44,338	366,855
Decrease (increase) in other inventories	3,051	(3,447)	36,689
Increase (decrease) in trade notes and accounts payable	7,365	(29,976)	88,574
Decrease in advances received on construction projects in progress	(14,868)	(19,973)	(178,808)
Increase (decrease) in liability for retirement benefits	(1,101)	146	(13,244)
Other—net	718	261	8,626
Total adjustments	4,776	(5,764)	57,437
Net cash provided by (used in) operating activities	8,496	(5,016)	102,171
<b>Cash flows from investing activities:</b>			
Net decrease in time deposits	236	1,540	2,831
Payments for purchases of securities	(113)	(98)	(1,358)
Proceeds from sales of securities	152	1,694	1,827
Purchases of property, plant and equipment	(2,398)	(911)	(28,836)
Proceeds from sales of property, plant and equipment	1	999	16
Investment in loans receivable	(204)	(504)	(2,449)
Collection of loans receivable	1,563	296	18,796
Other—net	29	108	349
Net cash provided by (used in) investing activities	(734)	3,124	(8,824)
<b>Cash flows from financing activities:</b>			
Increase in short-term bank loans—net	1,063	775	12,791
Repayments of long-term debt	(50)	(33)	(603)
Purchase of treasury stock	(17)	(18)	(210)
Disposal of treasury stock	1	2	11
Dividends paid	(1,798)	(1,800)	(21,627)
Other	(8)	(4)	(92)
Net cash used in financing activities	(809)	(1,078)	(9,730)
<b>Foreign currency translation adjustments on cash and cash equivalents</b>	<b>(63)</b>	<b>(10)</b>	<b>(760)</b>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>6,890</b>	<b>(2,980)</b>	<b>82,857</b>
<b>Cash and cash equivalents, beginning of year</b>	<b>27,831</b>	<b>30,811</b>	<b>334,712</b>
<b>Cash and cash equivalents, end of year</b>	<b>¥34,721</b>	<b>¥27,831</b>	<b>\$417,569</b>

See notes to consolidated financial statements.

# Notes to the Consolidated Financial Statements

Okumura Corporation and Consolidated Subsidiaries  
Years ended March 31, 2011 and 2010

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## 1. Basis of Presenting Consolidated Financial Statements

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

Under Japanese GAAP, a consolidated statement of comprehensive income is required from the fiscal year ended March 31, 2011 and has been presented herein. Accordingly, accumulated other comprehensive income is presented in the consolidated balance sheet and the consolidated statement of changes in equity. Information with respect to other comprehensive income for the year ended March 31, 2010 is disclosed in Note 14. In addition, "net income before minority interests" is disclosed in the consolidated statement of income from the year ended March 31, 2011.

In preparing these consolidated financial statements, certain reclassifications and rearrangements have been made to the consolidated financial statements issued domestically in order to present them in a form which is more familiar to readers outside Japan. In addition, certain reclassifications have been made in the 2010 financial statements to conform to the classifications used in 2011.

The consolidated financial statements are stated in Japanese yen, the currency of the country in which Okumura Corporation (the "Company") is incorporated and operates. The translations of Japanese yen amounts into U.S. dollar amounts are included solely for the convenience of readers outside Japan and have been made at the rate of ¥83 to \$1, the approximate rate of exchange at March 31, 2011. Such translations should not be construed as representations that the Japanese yen amounts could be converted into U.S. dollars at that or any other rate.

## 2. Summary of Significant Accounting Policies

**a. Consolidation** — The consolidated financial statements as of March 31, 2011 and 2010 include the accounts of the Company and its 2 significant subsidiaries (together, the "Group").

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

Investments in 7 (7 in 2010) unconsolidated subsidiaries and one associated company (2 in 2010) are stated at cost. If the equity method of accounting had been applied to the investments in these companies, the effect on the accompanying consolidated financial statements would not be material.

The differences between the cost of investments and the fair value of net assets of consolidated subsidiaries and associated companies at the date of acquisition are amortized on a straight-line basis over 5 years.

All significant intercompany balances and transactions have been eliminated in consolidation. All material unrealized profit included in assets resulting from transactions within the Group is eliminated.

**b. Cash Equivalents** — Cash equivalents are short-term investments that are readily convertible into cash and that are exposed to insignificant risk of changes in value.

Cash equivalents include time deposits and certificate of deposits, all of which mature or become due within 3 months of the date of acquisition.

**c. Inventories** — Construction projects in progress are stated at cost determined by the specific identification method.

Real estate held for sale and development projects in progress are stated at the lower of cost determined by specific identification method or net selling value, which is defined as the selling price less additional estimated manufacturing costs and estimated direct selling expenses.

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

(1) held-to-maturity debt securities, which are expected to be held to maturity with the positive intent and ability to hold to maturity, are reported at amortized cost and (2) available-for-sale securities, which are not classified as held-to-maturity, are reported at fair value, with unrealized gains and losses, net of applicable taxes, reported in a separate component of equity.

Non-marketable available-for-sale securities are stated at cost determined by the moving-average method. For other than temporary declines in fair value, investment securities are reduced to net realizable value by a charge to income.

Equities of limited liability partnerships for investment purpose and of other similar partnerships (defined as "securities" by Section 2 of Article 2 of the Financial Instruments and Exchange Act) are valued at the equivalent net equity based on the recently available financial statements of the partnerships corresponding to the reporting dates of the financial statements defined by the partnership agreements.

**e. Property, Plant and Equipment** — Property, plant and equipment are stated at cost. Depreciation is computed by the declining-balance method based on the estimated useful lives of the assets, while the straight-line method is applied to buildings acquired after April 1, 1998 and lease assets. The range of useful lives is principally from 3 to 60 years for buildings and structures, from 4 to 17 years for machinery and equipment, and from 2 to 20 years for furniture and fixtures. The useful lives for lease assets are the terms of the respective leases.

**f. Long-lived assets** — The Group reviews its long-lived assets for impairment whenever events or changes in circumstance indicate the carrying amount of an asset or asset group may not be recoverable. An impairment loss would be recognized if the carrying amount of an asset or asset group exceeds the sum of the undiscounted future cash flows expected to result from the continued use and eventual disposition of the asset or asset group. The impairment loss would be measured as the amount by which the carrying amount of the asset exceeds its recoverable amount, which is the higher of the discounted cash flows from the continued use and eventual disposition of the asset or the net selling price at disposition.

**g. Allowance for Doubtful Receivables** — The allowance for doubtful receivables is stated in amounts considered to be appropriate based on the Group's past credit loss experience and an evaluation of estimated losses in the receivables outstanding.

**h. Allowance for Warranty Work on Construction Projects** — The allowance for warranty costs for completed work is provided at the amount of warranty costs based on past rate expenses.

**i. Allowance for Losses on Construction Contracts** — Allowance for losses on construction contracts is provided with respect to construction projects for which eventual losses are reasonably expected and estimated.

**j. Employees' Retirement Benefits** — The Company has a contributory funded pension plan covering substantially all of their employees.

Liability for retirement benefits for employees is recorded based on the estimated present value of projected benefit obligations and the fair value of the plan assets at the end of the fiscal year.

The unrecognized transition amount which arose from adopting the new standard during the year ended March 31, 2001 has been amortized on a straight-line basis over 15 years, and unrecognized actuarial differences are amortized subsequent to the year in which they arise on a straight-line basis over the period of 10 years which is within the employees' average remaining service years. Unrecognized prior service costs have been amortized on straight-line over the period of 10 years which is within the employees' average remaining service years.

**k. Asset Retirement Obligations** — In March 2008, the Accounting Standards Board of Japan (the "ASBJ") published the accounting standard for asset retirement obligations, ASBJ Statement No.18 "Accounting Standard for Asset Retirement Obligations" and ASBJ Guidance No.21 "Guidance on Accounting Standard for Asset Retirement Obligations". Under this accounting standard, an asset retirement obligation is defined as a legal obligation imposed either by law or contract that results from the acquisition,

construction, development and the normal operation of a tangible fixed asset and is associated with the retirement of such tangible fixed asset. The asset retirement obligation is recognized as the sum of the discounted cash flows required for the future asset retirement and is recorded in the period in which the obligation is incurred if a reasonable estimate can be made. If a reasonable estimate of the asset retirement obligation cannot be made in the period the asset retirement obligation is incurred, the liability should be recognized when a reasonable estimate of asset retirement obligation can be made. Upon initial recognition of a liability for an asset retirement obligation, an asset retirement cost is capitalized by increasing the carrying amount of the related fixed asset by the amount of the liability. The asset retirement cost is subsequently allocated to expense through depreciation over the remaining useful life of the asset. Over time, the liability is accreted to its present value each period. Any subsequent revisions to the timing or the amount of the original estimate of undiscounted cash flows are reflected as an increase or a decrease in the carrying amount of the liability and the capitalized amount of the related asset retirement cost. This standard was effective for fiscal years beginning on or after April 1, 2010.

The Group applied this accounting standard effective April 1, 2010. The effect of this change was to decrease operating income by ¥3 million (\$37 thousand) and income before income taxes and minority interests by ¥114 million (\$1,375 thousand).

**l. Construction Contracts** — The Company recognizes construction revenues and construction costs by the percentage-of-completion method, if the outcome of a construction contract can be estimated reliably. When total construction revenue, total construction costs and the stage of completion of the contract at the balance sheet date can be reliably measured, the outcome of a construction contract can be estimated reliably. The percentage of completion is determined using the percentage of the cost incurred to the estimated total cost.

Prior to April 1, 2009, the Company recognized construction revenues and construction costs for construction contracts whose total contract amounts were more than ¥5 billion (\$60,132 thousand) and the construction period exceeded two years under the percentage-of-completion method and the remaining contracts under the completed-contract method.

However, in December 2007, the ASBJ issued ASBJ Statement No.15 "Accounting Standard for Construction Contracts" and ASBJ Guidance No.18 "Guidance on Accounting Standard for Construction Contracts". Under the previous Japanese GAAP, either the completed-contract method or the percentage-of-completion method was permitted to account for construction contracts. Under this new accounting standard, the construction revenue and construction costs should be recognized by the percentage-of-com-

pletion method, if the outcome of a construction contract can be estimated reliably. When total construction revenue, total construction costs and the stage of completion of the contract at the balance sheet date can be reliably measured, the outcome of a construction contract can be estimated reliably. If the outcome of a construction contract cannot be reliably estimated, the completed-contract method should be applied. This standard is applicable to construction contracts and software development contracts and effective for fiscal years beginning on or after April 1, 2009. The Company applied the new accounting standard effective April 1, 2009.

The revenues recognized by the percentage-of-completion method for the years ended March 31, 2011 and 2010 were ¥114,963 million (\$1,382,592 thousand) and ¥43,052 million, respectively.

**m. Leases** — In March 2007, the ASBJ issued ASBJ Statement No.13, "Accounting Standard for Lease Transactions", which revised the previous accounting standard for lease transactions issued in June 1993. The revised accounting standard for lease transactions was effective for fiscal years beginning on or after April 1, 2008.

Under the previous accounting standard, finance leases that were deemed to transfer ownership of the leased property to the lessee were capitalized. However, other finance leases were permitted to be accounted for as operating lease transactions if certain "as if capitalized" information was disclosed in the note to the lessee's financial statements. The revised accounting standard requires that all finance lease transactions be capitalized to recognize lease assets and lease obligations in the balance sheet.

In addition, the accounting standard permits leases which existed at the transition date and do not transfer ownership of the leased property to the lessee to continue to be accounted for as operating lease transactions.

The Group applied the revised accounting standard effective April 1, 2008. In addition, the Group continues to account for leases which existed at the transition date and do not transfer ownership of the leased property to the lessee as operating lease transactions.

All other leases are accounted for as operating leases.

**n. Income Taxes** — The provision for income taxes is computed based on the pretax income included in the consolidated statements of income. The asset and liability approach is used to recognize deferred tax assets and liabilities for the expected future tax consequences of temporary differences between the carrying amounts and the tax bases of assets and liabilities. Deferred taxes are measured by applying currently enacted tax laws to the temporary differences.

**o. Per Share Information** — Basic net income per share is computed by dividing net income available to common shareholders by the weighted-average number of common shares outstanding for the period, retroactively adjusted for

stock splits.

Diluted net income per share is not disclosed because there are no securities with dilutive effect upon exercise or conversion into common stock.

Cash dividends per share presented in the accompanying consolidated statements of income are dividends applicable to the respective years including dividends to be paid after the end of the year.

#### **p. New Accounting Pronouncements**

**Accounting Changes and Error Corrections** — In December 2009, ASBJ issued ASBJ Statement No.24 "Accounting Standard for Accounting Changes and Error Corrections" and ASBJ Guidance No.24 "Guidance on Accounting Standard for Accounting Changes and Error Corrections". Accounting treatments under this standard and guidance are as follows:

(1) Changes in Accounting Policies:

When a new accounting policy is applied with revision of accounting standards, the new policy is applied retrospectively unless the revised accounting standards include specific transitional provisions. When the revised accounting standards include specific transitional provisions, an entity shall comply with the specific transitional provisions.

(2) Changes in Presentations:

When the presentation of financial statements is changed, prior period financial statements are reclassified in accordance with the new presentation.

(3) Changes in Accounting Estimates:

A change in an accounting estimate is accounted for in the period of the change if the change affects that period only, and is accounted for prospectively if the change affects both the period of the change and future periods.

(4) Corrections of Prior Period Errors:

When an error in prior period financial statements is discovered, those statements are restated.

This accounting standard and the guidance are applicable to accounting changes and corrections of prior period errors which are made from the beginning of the fiscal year that begins on or after April 1, 2011.

### 3. Marketable and Investment Securities

Marketable and investment securities as of March 31, 2011 and 2010 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2011	2010	2011
Current:			
Investments in limited liability partnerships and other	¥ 1	¥ 56	\$ 16
Total	¥ 1	¥ 56	\$ 16
Non-current:			
Marketable equity securities	¥34,989	¥39,924	\$420,796
Trust fund investments and other	2,459	2,572	29,570
Total	¥37,448	¥42,496	\$450,366

The costs and aggregate fair values of marketable and investment securities at March 31, 2011 and 2010 were as follows:

	Millions of yen			
	Cost	Unrealized gains	Unrealized losses	Fair value
<b>March 31, 2011</b>				
Securities classified as:				
Available-for-sale:				
Equity securities	¥23,197	¥12,481	¥ 689	¥34,989
Debt securities	1,200	3	232	971

#### March 31, 2010

Securities classified as:				
Available-for-sale:				
Equity securities	¥23,786	¥16,983	¥ 845	¥39,924
Debt securities	1,200	8	171	1,037

	Thousands of U.S. dollars			
	Cost	Unrealized gains	Unrealized losses	Fair value
<b>March 31, 2011</b>				
Securities classified as:				
Available-for-sale:				
Equity securities	\$278,977	\$150,104	\$8,285	\$420,796
Debt securities	14,432	33	2,789	11,676

The information for available-for-sale securities which were sold during the years ended March 31, 2011 and 2010 was as follows:

		Millions of yen		
		Proceeds	Realized gains	Realized loss
<b>March 31, 2011</b>				
Available-for-sale:				
Equity securities		¥ 91	¥ 44	¥ —
		Millions of yen		
		Proceeds	Realized gains	Realized loss
<b>March 31, 2010</b>				
Available-for-sale:				
Equity securities		¥ 687	¥ 436	¥ 2
		Thousands of U.S. dollars		
		Proceeds	Realized gains	Realized loss
<b>March 31, 2011</b>				
Available-for-sale:				
Equity securities		\$1,090	\$ 527	\$ —

The impairment losses on available-for-sale equity securities for the years ended March 31, 2011 and 2010 were ¥701 million (\$8,436 thousand) and ¥109 million, respectively.

#### 4. Inventories

Inventories at March 31, 2011 and 2010 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2011	2010	2011
Construction projects in progress	<b>¥27,281</b>	¥57,785	<b>\$328,095</b>
Real estate held for sale	<b>8,226</b>	10,017	<b>98,925</b>
Development projects in progress	<b>3,019</b>	4,552	<b>36,304</b>
Other	<b>1,507</b>	1,385	<b>18,126</b>
Total	<b>¥40,033</b>	¥73,739	<b>\$481,450</b>

## 5. Investment Property

In November, 2008, the ASBJ issued ASBJ Statement No.20 "Accounting Standard for Investment Property and Related Disclosures" and issued ASBJ Guidance No.23 "Guidance on Accounting Standard for Investment Property and Related Disclosures". This accounting standard and the guidance were applicable to investment property and related disclosures at the end of the fiscal years ending on or after March 31, 2010. The Group applied the accounting standard and guidance effective March 31, 2010.

The Group owns certain rental properties such as office buildings, warehouses, and land in Osaka and other areas. Some rental warehouse, part of which the Company uses, are classified as rental properties in part.

The net of rental income and operating expenses for those rental properties was ¥2,162 million (\$26,000 thousand) and ¥2,130 million for the fiscal years ended March 31, 2011 and 2010, respectively.

The carrying amounts, changes in such balances and market prices of such properties are as follows:

	Millions of yen			Fair value March 31, 2011
	Carrying amount April 1, 2010	Increase/ Decrease	March 31, 2011	
Rental properties	¥14,400	¥2,187	¥16,587	¥34,102
Rental properties in part	1,537	(55)	1,482	9,357
<b>Total</b>	<b>¥15,937</b>	<b>¥2,132</b>	<b>¥18,069</b>	<b>¥43,459</b>

	Millions of yen			Fair value March 31, 2010
	Carrying amount April 1, 2009	Increase/ Decrease	March 31, 2010	
Rental properties	¥14,013	¥387	¥14,400	¥31,867
Rental properties in part	1,597	(60)	1,537	9,767
<b>Total</b>	<b>¥15,610</b>	<b>¥327</b>	<b>¥15,937</b>	<b>¥41,634</b>

	Thousands of U.S. dollars			Fair value March 31, 2011
	Carrying amount April 1, 2010	Increase/ Decrease	March 31, 2011	
Rental properties	\$173,183	\$26,299	\$199,482	\$410,125
Rental properties in part	18,479	(661)	17,818	112,537
<b>Total</b>	<b>\$191,662</b>	<b>\$25,638</b>	<b>\$217,300</b>	<b>\$522,662</b>

Notes:

- (1) Carrying amount recognized in the balance sheet is net of accumulated depreciation and accumulated impairment losses, if any.
- (2) Fair value of properties as of March 31, 2011 and 2010 are measured by the Group in accordance with its Real-estate Appraisal Standard.

## 6. Short-term Bank Loans and Long-term Debt

Short-term bank loans at March 31, 2011 and 2010 consisted of notes to banks and bank overdrafts. The annual interest rates applicable to the short-term bank loans were 1.475% and ranged from 1.475% to 2.000% at March 31, 2011 and 2010, respectively.

Long-term debt at March 31, 2011 and 2010 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2011	2010	2011
Loans from banks and other financial institutions, due serially to 2031 with interest rates ranging from 1.33% to 5.70%			
Collateralized	¥ 44	¥ 57	\$ 533
Unsecured	156	193	1,875
Obligations under finance leases	31	24	368
<b>Total</b>	<b>231</b>	<b>274</b>	<b>2,776</b>
Less current portion	(27)	(27)	(324)
<b>Long-term debt, less current portion</b>	<b>¥204</b>	<b>¥247</b>	<b>\$2,452</b>

Annual maturities of long-term debt, excluding finance leases (See Note 11) at March 31, 2011, were as follows:

Year Ending March 31	Millions of yen	Thousands of U.S. dollars
2012	¥ 18	\$ 219
2013	18	218
2014	18	216
2015	18	215
2016	17	207
2017 and thereafter	111	1,333
<b>Total</b>	<b>¥200</b>	<b>\$2,408</b>

The carrying amount of assets pledged as collateral for the above collateralized long-term debt at March 31, 2011 was as follows:

	Millions of yen	Thousands of U.S. dollars
<b>Property, plant and equipment — net of accumulated depreciation</b>	<b>¥133</b>	<b>\$1,597</b>

As is customary in Japan, the Company maintains substantial deposit balances with banks with which it has borrowings. Such deposit balances are not legally or contractually restricted as to withdrawal.

General agreements with respective banks provide, as is customary in Japan, that additional collateral must be provided under certain circumstances if requested by such banks and that certain banks have the right to offset cash deposited with them against any long-term or short-term debt or obligation that becomes due and, in case of default and certain other specified events, against all other debt payable to the banks. The Company has never been requested to provide any additional collateral.

## 7. Employees' Retirement Benefits

Most of the employees of the Company are covered by a contributory trusted pension plan.

The Company has lump-sum retirement benefit plans and a cash balance plan (pension plan linked to the market interest rates) based on the Defined Benefit Corporate Pension Law.

The liability for employees' retirement benefits at March 31, 2011 and 2010 consisted of the following:

	Millions of yen		Thousands of U.S. Dollars
	2011	2010	2011
Projected benefit obligation	<b>¥29,190</b>	¥30,500	<b>\$351,056</b>
Fair value of plan assets	<b>(24,847)</b>	(25,930)	<b>(298,827)</b>
Unrecognized actuarial differences	<b>(28)</b>	770	<b>(335)</b>
Unrecognized transitional obligation	<b>220</b>	275	<b>2,647</b>
Unrecognized prior service cost	<b>148</b>	170	<b>1,784</b>
<b>Net liability</b>	<b>¥ 4,683</b>	¥ 5,785	<b>\$ 56,325</b>

The components of net periodic benefit costs for the years ended March 2011 and 2010 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2011	2010	2011
Service cost	<b>¥993</b>	¥1,040	<b>\$11,945</b>
Interest cost	<b>610</b>	644	<b>7,333</b>
Expected return on plan assets	<b>(389)</b>	(429)	<b>(4,678)</b>
Recognized actuarial differences	<b>(196)</b>	35	<b>(2,353)</b>
Amortization of transitional obligation	<b>(55)</b>	(55)	<b>(662)</b>
Amortization of prior service cost	<b>(21)</b>	(21)	<b>(255)</b>
<b>Net periodic benefit costs</b>	<b>¥942</b>	¥1,214	<b>\$11,330</b>

Assumptions used for the years ended March 31, 2011 and 2010 were set forth as follows:

	2011	2010
Discount rate	<b>2.0%</b>	2.0%
Expected rate of return on plan assets	<b>1.5%</b>	1.6%
Amortization period of prior service cost	<b>10 years</b>	10 years
Recognition period of actuarial differences	<b>10 years</b>	10 years
Amortization period of transitional obligation	<b>15 years</b>	15 years

## 8. Equity

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

### (1) Dividends

Under the Companies Act, companies can pay dividends at any time during the fiscal year in addition to the year-end dividend upon resolution at the shareholders meeting. For companies that meet certain criteria such as; (1) having the Board of Directors, (2) having independent auditors, (3) having the Board of Corporate Auditors, and (4) the term of service of the directors is prescribed as one year rather than two years of normal term by its articles of incorporation, the Board of Directors may declare dividends (except for dividends in kind) at any time during the fiscal year if the company has prescribed so in its articles of incorporation. However, the Company cannot do so because it does not meet all the above criteria.

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

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

### (2) Increases / decreases and transfer of common stock, reserve and surplus

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

### (3) Treasury stock and treasury stock acquisition rights

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

## 9. Income Taxes

The Company and its domestic subsidiaries are subject to Japanese national and local income taxes which, in the aggregate, resulted in normal effective statutory tax rates of approximately 40.6% for the years ended March 31, 2011 and 2010.

The tax effects of significant temporary differences and tax loss carry-forwards which resulted in deferred tax assets and liabilities at March 31, 2011 and 2010 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2011	2010	2011
Deferred tax assets:			
Tax loss carry-forwards	<b>¥11,414</b>	¥11,211	<b>\$137,271</b>
Impairment losses on securities	<b>3,033</b>	3,072	<b>36,470</b>
Allowance for doubtful accounts	<b>2,908</b>	2,349	<b>34,978</b>
Write-down of inventories	<b>2,415</b>	3,274	<b>29,038</b>
Liability for retirement benefits	<b>1,901</b>	2,348	<b>22,868</b>
Allowance for losses on construction contracts	<b>1,734</b>	2,335	<b>20,857</b>
Allowance for bonuses	<b>743</b>	314	<b>8,934</b>
Accrued expenses	<b>536</b>	576	<b>6,448</b>
Write-off of bad debt	<b>228</b>	767	<b>2,743</b>
Other	<b>314</b>	328	<b>3,775</b>
Less valuation allowances	<b>(25,226)</b>	(26,574)	<b>(303,382)</b>
Total	<b>—</b>	<b>—</b>	<b>—</b>
Deferred tax liabilities:			
Net unrealized gains on available-for-sale securities	<b>(3,985)</b>	(5,526)	<b>(47,931)</b>
Retained earnings appropriated for special allowance	<b>(2,257)</b>	(2,280)	<b>(27,140)</b>
Total	<b>(6,242)</b>	(7,806)	<b>(75,071)</b>
Net deferred tax liabilities	<b>¥(6,242)</b>	¥(7,806)	<b>\$ (75,071)</b>

A reconciliation between the normal effective statutory tax rates and the actual effective tax rates reflected in the accompanying consolidated statements of income for the years ended March 31, 2011 and 2010 was as follows:

	2011	2010
Normal effective statutory tax rate	<b>40.6%</b>	40.6%
Expenses not deductible for income tax purposes	<b>2.4</b>	11.2
Non-taxable income	<b>(4.1)</b>	(20.1)
Inhabitant tax per capita	<b>3.7</b>	18.3
Valuation allowance	<b>(36.2)</b>	(33.4)
Other—net	<b>(3.3)</b>	(3.7)
Actual effective tax rate	<b>3.1%</b>	12.9%

## 10. Research and Development Costs

Research and development costs charged to income were ¥579 million (\$6,962 thousand) and ¥644 million for the years ended March 31, 2011 and 2010, respectively.

## 11. Leases

### (1) Finance leases

The Group leases certain machinery and equipment, office space and other assets.

Total rental expenses including lease payments under finance leases for the years ended March 31, 2011 and 2010 were ¥21 million (\$249 thousand) and ¥37 million, respectively.

Obligations under finance leases were as follows:

	Millions of yen		Thousands of U.S. dollars
	2011	2010	2011
Due within one year	¥ 9	¥ 6	\$104
Due after one year	22	18	264
Total	¥31	¥24	\$368

### Pro forma information of leased property whose lease inception was before March 31, 2008

ASBJ Statement No.13, "Accounting Standard for Lease Transactions" requires that all finance lease transactions be capitalized to recognize lease assets and lease obligations in the balance sheet. However, the ASBJ Statement No. 13 permits leases without ownership transfer of the leased property to the lessee and whose lease inception was before March 31, 2008 to continue to be accounted for as operating lease transactions if certain "as if capitalized" information is disclosed in the note to the financial statements. The Group applied ASBJ Statement No.13 effective April 1, 2008 and accounted for such leases as operating lease transactions. Pro forma information of leased property whose lease inception was before March 31, 2008 that do not transfer ownership of the leased property to the lessee on an "as if capitalized" basis was as follows:

	Millions of yen		Thousands of U.S. dollars
	2011	2010	2011
	Machinery and equipment	Machinery and equipment	Machinery and equipment
Acquisition cost	¥63	¥82	\$756
Accumulated depreciation	54	60	645
Net leased property	¥ 9	¥22	\$111

Obligations under finance leases which existed at the transition date and do not transfer ownership of the leased property to the lessee:

	Millions of yen		Thousands of U.S. dollars
	2011	2010	2011
Due within one year	¥9	¥13	\$102
Due after one year	0	9	9
Total	¥9	¥22	\$111

The amount of acquisition cost and obligations under finance leases includes the imputed interest expense portion.

Depreciation expenses, which are not reflected in the accompanying statements of income, computed by the straight-line method were ¥13 million (\$159 thousand) and ¥33 million for the years ended March 31, 2011 and 2010, respectively

## (2) Operating leases

Future minimum lease receivables or payments under non-cancellable operating leases at March 31, 2011 and 2010 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2011	2010	2011
As a lessor:			
Due within one year	¥ 1,845	¥ 1,860	\$ 22,186
Due after one year	20,364	22,099	244,909
Total	¥22,209	¥23,959	\$267,095
As a lessee:			
Due within one year	¥ 33	¥ 33	\$ 394
Due after one year	95	128	1,145
Total	¥ 128	¥ 161	\$ 1,539

**12. Financial Instruments and Related Disclosures**

In March, 2008, the ASBJ revised ASBJ Statement No.10 "Accounting Standard for Financial Instruments" and issued ASBJ Guidance No.19 "Guidance on Accounting Standard for Financial Instruments and Related Disclosures". This accounting standard and the guidance was applicable to financial instruments and related disclosures at the end of the fiscal years ending on or after March 31, 2010. The Group applied the revised accounting standard and the guidance effective March 31, 2010.

## (1) Group policy for financial instruments

At the Group level cash surpluses, if any, are invested in low risk and capital-safe financial assets. Short-term bank loans are used to fund ongoing operations.

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

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

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

## (3) Risk management for financial instruments

*Credit Risk Management*

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

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

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

*Liquidity risk management*

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

## (4) Fair values of financial instruments

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

## (a) Fair values of financial instruments

	Millions of yen		
	Carrying amount	Fair value	Unrealized gain/loss
<b>March 31, 2011</b>			
Cash and cash equivalents and time deposits	¥ 34,953	¥ 34,953	¥ —
Receivables—trade notes and accounts	84,613		
Allowance for doubtful receivables	(3,340)		
Net	81,273	81,199	(74)
Investment securities	35,960	35,960	—
Long-term loans receivable	877		
Allowance for doubtful long-term loans receivable	(643)		
Net	234	233	(1)
Total	¥152,420	¥152,345	¥ (75)
Short-term bank loans	¥ 11,272	¥ 11,272	¥ —
Payables—trade notes and accounts	46,803	46,803	—
Long-term debt—lease obligation including current portion	31	30	(1)
Total	¥ 58,106	¥ 58,105	¥ (1)

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	Millions of yen		
	Carrying amount	Fair value	Unrealized gain/loss
<b>March 31, 2010</b>			
Cash and cash equivalents and time deposits	¥ 28,299	¥ 28,299	¥ —
Receivables—trade notes and accounts	63,092		
Allowance for doubtful receivables	(3,640)		
Net	59,452	59,438	(14)
Investment securities	40,961	40,961	—
Long-term loans receivable	1,072		
Allowance for doubtful long-term loans receivable	(453)		
Net	619	623	4
Total	¥129,331	¥129,321	¥ (10)
Short-term bank loans	¥ 10,292	¥ 10,292	¥ —
Payables—trade notes and accounts	40,145	40,145	—
Long-term debt—lease obligation including current portion	24	23	(1)
Total	¥ 50,461	¥ 50,460	¥ (1)

	Thousands of U.S. dollars		
	Carrying amount	Fair value	Unrealized gain/loss
<b>March 31, 2011</b>			
Cash and cash equivalents and time deposits	\$ 420,361	\$ 420,361	\$ —
Receivables—trade notes and accounts	1,017,593		
Allowance for doubtful receivables	(40,166)		
Net	977,427	976,536	(891)
Investment securities	432,472	432,472	—
Long-term loans receivable	10,540		
Allowance for doubtful long-term loans receivable	(7,733)		
Net	2,807	2,797	(10)
Total	\$1,833,067	\$1,832,166	\$ (901)
Short-term bank loans	\$ 135,565	\$ 135,565	\$ —
Payables—trade notes and accounts	562,882	562,882	—
Long-term debt—lease obligation including current portion	368	355	(13)
Total	\$ 698,815	\$ 698,802	\$ (13)

Amounts due from unconsolidated subsidiaries and associated companies are included in receivables-trade notes and accounts, and long term loans receivable.

#### Cash and cash equivalents and time deposits

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

#### Investment securities

The fair values of investment securities are measured at the quoted market price of the stock exchange for the equity instruments, and at the quoted price obtained from the financial institution for certain debt instruments. The information of the fair value for the investment securities by classification is included in Note 3.

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

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

#### Payables—trade notes and accounts, and short-term bank loans

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

#### Long-term debt—lease obligation

The fair values of long-term debt—lease obligation are determined by discounting the cash flows related to the debt at the Group's assumed corporate borrowing rate.

#### (b) Financial instruments whose fair value cannot be reliably determined

	Carrying amount		Thousands of
	Millions of yen		U.S. dollars
	2011	2010	2011
Investments in equity instruments that do not have a quoted market price in an active market	¥1,742	¥1,789	\$20,950
Other	¥ 1	¥ 56	\$ 16

#### (5) Maturity analysis for financial assets and securities with contractual maturities

	Millions of yen			
	Due in one year or less	Due after one year through five years	Due after five years through ten years	Due after ten years
<b>March 31, 2011</b>				
Cash and cash equivalents and time deposits	¥ 34,953	¥ —	¥ —	¥ —
Receivables—trade notes and accounts	76,291	8,322	—	—
Investment securities				
Available-for-sale securities with contractual maturities	—	—	—	1,200
Long-term loans receivable	—	432	144	301
<b>Total</b>	¥111,244	¥8,754	¥144	¥1,501

	Thousands of U.S. dollars			
	Due in one year or less	Due after one year through five years	Due after five years through ten years	Due after ten years
<b>March 31, 2011</b>				
Cash and cash equivalents and time deposits	\$ 420,361	\$ —	\$ —	\$ —
Receivables—trade notes and accounts	917,510	100,083	—	—
Investment securities				
Available-for-sale securities with contractual maturities	—	—	—	14,432
Long-term loans receivable	—	5,190	1,734	3,616
<b>Total</b>	\$1,337,871	\$105,273	\$1,734	\$18,048

Please see Note 6 for annual maturities of long-term debt and Note 11 for obligations under finance leases.

### 13. Commitments and Contingent Liabilities

Investments in securities in the amount of ¥74 million (\$892 thousand) and ¥1 million (\$12 thousand) are pledged as collateral for the loans of an affiliate and contract performance obligation of PFI business, respectively, at March 31, 2011 and time deposit in the amount of ¥100 million (\$1,207 thousand) is pledged for sale of shield excavators at March 31, 2011. Land in the amount of ¥21 million (\$250 thousand) is pledged for the keeping deposit related the fixed term land leasehold at March 31, 2011.

### 14. Comprehensive Income

Other comprehensive income for the year ended March 31, 2010 consisted of the following:

	Millions of yen
	2010
Other comprehensive income:	
Unrealized gain on available-for-sale securities	¥1,476
<b>Total other comprehensive income</b>	<b>¥1,476</b>

Total comprehensive income for the year ended March 31, 2010 comprises the following:

	2010
Total comprehensive income attributable to:	
Owners of the parent	¥2,128
Minority interests	—
<b>Total comprehensive income</b>	<b>¥2,128</b>

### 15. Subsequent Events

Appropriation of Retained Earnings

The following appropriation of retained earnings at March 31, 2011 was approved at the Company's shareholders meeting held on June 29, 2011.

	Millions of yen	Thousands of U.S. dollars
Year-end cash dividends, ¥9 (\$0.11) per share	¥1,798	\$21,623

### 16. Segment Information

#### For the year ended March 31, 2011 and 2010

In March 2008, the ASBJ revised ASBJ Statement No.17 "Accounting Standard for Segment Information Disclosures" and issued ASBJ Guidance No.20 "Guidance on Accounting Standard for Segment Information Disclosures". Under the standard and guidance, an entity is required to report financial and descriptive information about its reportable segments. Reportable segments are operating segments or aggregations of operating segments that meet specified criteria. Operating segments are components of an entity about which separate financial information is available and such information is evaluated regularly by the chief operating decision maker in deciding how to allocate resources and in assessing performance. Generally, segment information is required to be reported on the same basis as is used internally for evaluating operating segment performance and deciding how to allocate resources to operating segments. This accounting standard and the guidance are applicable to segment information disclosures for the fiscal years beginning on or after April 1, 2010.

The segment information for the year ended March 31, 2010 under the revised accounting standard is also disclosed hereunder as required.

#### 1. Description of reportable segments

The Group's reportable segments are those for which separately financial information is available and regular evaluation by the Company's management is being performed in order to decide how resources are allocated among the Group. Therefore, the Group categorizes its operating activities into "Civil engineering", "Architectural construction" and "Real estate" businesses as reportable segments.

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

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

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

	Millions of yen							
	2011							
	Reportable segment				Other (Note 1)	Total	Reconciliations (Note 2)	Consolidated (Note 3)
	Civil engineering	Architectural construction	Real estate	Total				
Sales								
Sales to external customers	¥81,359	¥101,282	¥6,213	¥188,854	¥3,763	¥192,617	¥ —	¥192,617
Intersegment sales or transfers	—	—	44	44	1,110	1,154	(1,154)	—
Total	81,359	101,282	6,257	188,898	4,873	193,771	(1,154)	192,617
Segment profit (loss)	168	1,334	2,263	3,765	(442)	3,323	57	3,380
Other:								
Depreciation	¥ 303	¥ 353	¥ 278	¥ 934	¥ 48	¥ 982	¥ (7)	¥ 975
	Millions of yen							
	2010							
	Reportable segment				Other (Note 1)	Total	Reconciliations (Note 2)	Consolidated (Note 3)
	Civil engineering	Architectural construction	Real estate	Total				
Sales								
Sales to external customers	¥82,574	¥105,375	¥4,119	¥192,068	¥6,426	¥198,494	¥ —	¥198,494
Intersegment sales or transfers	—	6,633	54	6,687	655	7,342	(7,342)	—
Total	82,574	112,008	4,173	198,755	7,081	205,836	(7,342)	198,494
Segment profit (loss)	(1,412)	1,134	1,586	1,308	104	1,412	(548)	864
Other:								
Depreciation	¥ 312	¥ 383	¥ 219	¥ 914	¥ 47	¥ 961	¥ (5)	¥ 956
	Thousands of U.S. dollars							
	2011							
	Reportable segment				Other (Note 1)	Total	Reconciliations (Note 2)	Consolidated (Note 3)
	Civil engineering	Architectural construction	Real estate	Total				
Sales								
Sales to external customers	\$978,462	\$1,218,058	\$74,725	\$2,271,245	\$45,256	\$2,316,501	\$ —	\$2,316,501
Intersegment sales or transfers	—	—	528	528	13,355	13,883	(13,883)	—
Total	978,462	1,218,058	75,253	2,271,773	58,611	2,330,384	(13,883)	2,316,501
Segment profit (loss)	2,018	16,046	27,217	45,281	(5,317)	39,964	689	40,653
Other:								
Depreciation	\$ 3,647	\$ 4,243	\$ 3,345	\$ 11,235	\$ 580	\$ 11,815	\$ (84)	\$ 11,731

## Notes:

- (1) "Other" is a business segment which is not included in any reportable segment, and includes business related to manufacturing and sales of construction machineries and materials.
- (2) Reconciliations to segment profit (loss) in an amount of ¥57 million (\$689 thousand) and ¥(548) million for the years ended March 31, 2011 and 2010, include to eliminations of intersegment transactions.
- (3) Consolidated amounts of segment profit (loss) above correspond to the amounts of operating income in the consolidated statements of income.

Information concerning amortization of goodwill and unamortized balance of goodwill by reportable segment

**For the year ended March 31, 2011**

The Group records negative goodwill not allocated to any reportable segment. Amortization of negative goodwill was ¥284 million (\$3,410 thousand) for the year and unamortized balance at the year-end was ¥567 million (\$6,821 thousand). The negative goodwill was incurred when the Company acquired additional shares in Okumura Machinery Corporation.

**For the year ended March 31, 2010**

Information about industry segments of the Group for the year ended March 31, 2010 is as follows:

**Industry Segments**

Major components of each business segment are as follows:

Construction: Civil engineering, buildings and other construction projects

Real estate: Sale and lease of real estate

Other: Manufacturing and distribution of construction materials and equipment, etc.

## a. Sales and Operating Income

	Millions of yen				
	2010				
	Construction	Real estate	Other	Eliminations/ Corporate	Consolidated
Sales to customers	¥187,949	¥4,119	¥6,426	¥ —	¥198,494
Intersegment sales	6,633	54	655	(7,342)	—
Total sales	194,582	4,173	7,081	(7,342)	198,494
Operating expenses	194,855	2,570	6,999	(6,794)	197,630
Operating income	¥ (273)	¥1,603	¥ 82	¥ (548)	¥ 864

## b. Total assets, Depreciation and Capital Expenditures

	Millions of yen				
	2010				
	Construction	Real estate	Other	Eliminations/ Corporate	Consolidated
Total assets	¥210,404	¥31,111	¥6,175	¥(5,931)	¥241,759
Depreciation	698	219	44	(5)	956
Capital expenditures	232	805	34	(200)	871



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## INDEPENDENT AUDITORS' REPORT

To the Board of Directors of Okumura Corporation:

We have audited the accompanying consolidated balance sheets of Okumura Corporation (the "Company") and consolidated subsidiaries (together, the "Group") as of March 31, 2011 and 2010, and the related consolidated statements of income for the years then ended, the consolidated statement of comprehensive income for the year ended March 31, 2011, and the related consolidated statements of changes in equity, and cash flows for the years then ended, all expressed in Japanese yen. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Okumura Corporation and consolidated subsidiaries as of March 31, 2011 and 2010, and the consolidated results of their operations and their cash flows for the years then ended in conformity with accounting principles generally accepted in Japan.

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

*Deloitte Touche Tohmatsu LLC*

June 29, 2011

# Non-Consolidated Balance Sheets

Okumura Corporation  
As of March 31, 2011 and 2010

Okumura Corporation Annual Report 2011

ASSETS	Millions of yen		Thousands of U.S. dollars
	2011	2010	2011
<b>Current assets:</b>			
Cash and cash equivalents	¥ 34,674	¥ 27,766	\$ 417,002
Time deposits	232	468	2,792
Marketable securities	1	56	16
Receivables:			
Trade notes	2,038	5,747	24,509
Trade accounts	79,886	58,989	960,750
Other	15,476	15,092	186,120
Allowance for doubtful receivables	(3,605)	(3,938)	(43,360)
Inventories	32,934	64,820	396,075
Prepaid expenses and other	449	634	5,398
Total current assets	162,085	169,634	1,949,302
<b>Property, plant and equipment:</b>			
Land	13,501	12,215	162,368
Buildings and structures	15,496	14,335	186,365
Machinery and equipment	2,623	2,658	31,545
Furniture and fixtures	2,005	2,056	24,110
Lease assets	23	12	281
Construction in progress	19	39	234
Total	33,667	31,315	404,903
Accumulated depreciation	(13,520)	(13,099)	(162,603)
Net property, plant and equipment	20,147	18,216	242,300
<b>Investments and other assets:</b>			
Investment securities	37,159	42,250	446,885
Investments in and advances to subsidiaries and associated companies	4,959	5,528	59,640
Long-term accounts receivable-other	3,654	2,994	43,950
Long-term loans receivable	339	382	4,080
Other assets	855	1,032	10,288
Allowance for doubtful receivables	(4,295)	(3,503)	(51,660)
Total investments and other assets	42,671	48,683	513,183
Total	¥224,903	¥236,533	\$2,704,785

LIABILITIES AND EQUITY	Millions of yen		Thousands of U.S. dollars
	2011	2010	2011
<b>Current liabilities:</b>			
Short-term bank loans including current portion of long-term debt	¥ 11,296	¥ 10,316	\$ 135,845
Payables:			
Trade notes	5,484	3,375	65,948
Trade accounts	40,757	34,933	490,162
Other	168	216	2,023
Advances received on construction projects in progress	25,327	40,733	304,599
Income taxes payable	202	245	2,426
Allowance for warranty work on construction projects	310	370	3,734
Allowance for losses on construction contracts	4,172	5,702	50,171
Other	13,786	13,408	165,796
Total current liabilities	101,502	109,298	1,220,704
<b>Long-term liabilities:</b>			
Long-term debt	194	237	2,331
Liability for retirement benefits	4,683	5,785	56,325
Deferred tax liabilities	6,205	7,773	74,627
Other	132	121	1,583
Total long-term liabilities	11,214	13,916	134,866
Total liabilities	112,716	123,214	1,355,570
<b>Commitments and contingent liabilities</b>			
<b>Equity:</b>			
Common stock			
authorized, 480,376,000 shares; issued, 228,326,133 shares	19,839	19,839	238,592
Capital surplus	25,327	25,327	304,592
Retained earnings	71,798	70,003	863,480
Unrealized gain on available-for-sale securities	7,571	10,482	91,058
Treasury stock—at cost			
28,549,412 shares in 2011 and 28,496,086 shares in 2010	(12,348)	(12,332)	(148,507)
Total equity	112,187	113,319	1,349,215
Total	¥224,903	¥236,533	\$2,704,785

# Non-Consolidated Statements of Income

Okumura Corporation  
For the years ended March 31, 2011 and 2010

Okumura Corporation **Annual Report 2011**

	Millions of yen		Thousands of U.S. dollars
	2011	2010	2011
<b>Net sales</b>	<b>¥187,969</b>	¥199,562	<b>\$2,260,607</b>
<b>Cost of sales</b>	<b>169,301</b>	183,382	<b>2,036,092</b>
Gross profit	<b>18,668</b>	16,180	<b>224,515</b>
<b>Selling, general and administrative expenses</b>	<b>15,485</b>	14,719	<b>186,231</b>
Operating income	<b>3,183</b>	1,461	<b>38,284</b>
<b>Other income (expenses):</b>			
Interest and dividend income	<b>1,165</b>	1,119	<b>14,006</b>
Interest expenses	<b>(193)</b>	(202)	<b>(2,320)</b>
Impairment losses on investment securities	<b>(701)</b>	(168)	<b>(8,436)</b>
Reversal of allowance for doubtful accounts	—	426	—
Loss on valuation of stocks of subsidiaries and affiliates	—	(1,947)	—
Loss on fire accident	—	(1,353)	—
Other—net	<b>251</b>	1,407	<b>3,023</b>
Other income (expenses)—net	<b>522</b>	(718)	<b>6,273</b>
Income (loss) before income taxes	<b>3,705</b>	743	<b>44,557</b>
<b>Income taxes:</b>			
Current	<b>135</b>	134	<b>1,624</b>
Deferred	<b>(24)</b>	(40)	<b>(285)</b>
Total income taxes	<b>111</b>	94	<b>1,339</b>
<b>Net income</b>	<b>¥ 3,594</b>	¥ 649	<b>\$ 43,218</b>
<b>Per share of common stock:</b>		Yen	U.S. dollars
Basic net income	<b>¥ 17.98</b>	¥ 3.24	<b>\$ 0.22</b>
Cash dividends applicable to the year	<b>9.00</b>	9.00	<b>0.11</b>

# Breakdown of Orders (Non-Consolidated)

Okumura Corporation  
For the years ended March 31, 2011 and 2010

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## Construction Orders Awarded

	2011		2010		2011
	Millions of yen	Composition ratio	Millions of yen	Composition ratio	Thousands of U.S. dollars
Civil engineering:					
Domestic:					
Public sector	¥ 25,500		¥ 33,368		\$ 306,681
Private sector	15,785		26,914		189,833
Overseas	220		453		2,649
Subtotal	41,505	31.2%	60,735	35.8%	499,163
Architectural construction:					
Domestic:					
Public sector	11,815		27,494		142,089
Private sector	79,520		81,200		956,340
Overseas	2		7		29
Subtotal	91,337	68.8	108,701	64.2	1,098,458
Total:					
Domestic:					
Public sector	37,315		60,862		448,770
Private sector	95,304		108,114		1,146,173
Overseas	223		460		2,678
Total	¥132,842	100 %	¥169,436	100 %	\$1,597,621

## Net Sales

	2011		2010		2011
	Millions of yen	Composition ratio	Millions of yen	Composition ratio	Thousands of U.S. dollars
Projects completed:					
Civil engineering:					
Domestic:					
Public sector	¥ 49,211		¥ 53,010		\$ 591,838
Private sector	25,191		24,517		302,959
Overseas	6,957		5,047		83,665
Subtotal	81,359	43.4%	82,574	41.4%	978,462
Architectural construction:					
Domestic:					
Public sector	23,365		17,261		280,990
Private sector	77,915		94,740		937,039
Overseas	2		7		29
Subtotal	101,282	53.9	112,008	56.1	1,218,058
Subtotal:					
Domestic:					
Public sector	72,576		70,271		872,829
Private sector	103,106		119,258		1,239,998
Overseas	6,959		5,053		83,693
Subtotal	182,641	97.2	194,582	97.5	2,196,520
Real estate and other	5,328	2.8	4,980	2.5	64,087
Total	¥187,969	100 %	¥199,562	100 %	\$2,260,607

## Year-end Backlog

	2011		2010		2011
	Millions of yen	Composition ratio	Millions of yen	Composition ratio	Thousands of U.S. dollars
Civil engineering:					
Domestic:					
Public sector	¥ 59,874		¥ 83,585		\$ 720,075
Private sector	22,933		32,340		275,809
Overseas	4,593		11,329		55,234
Subtotal	87,400	39.6%	127,254	47.1%	1,051,118
Architectural construction:					
Domestic:					
Public sector	27,209		38,758		327,223
Private sector	105,856		104,252		1,273,076
Subtotal	133,065	60.4	143,010	52.9	1,600,299
Total:					
Domestic:					
Public sector	87,083		122,344		1,047,298
Private sector	128,789		136,591		1,548,884
Overseas	4,593		11,329		55,234
Total	¥220,465	100 %	¥270,264	100 %	\$2,651,416

## Head and Branch Offices

### Head Office

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

### Tokyo Head Office

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

### Technical Research Institute

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

### East Japan Branch

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

### West Japan Branch

2-2-2, Matsuzaki-cho, Abeno-ku,  
Osaka 545-8555, Japan  
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### Sapporo Branch

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

### Tohoku Branch

2-25, Tsutsumi dori, Amamiya-machi,  
Aoba-ku, Sendai 981-8525, Japan  
TEL: +81-22-274-1231 FAX: +81-22-273-9805

### Tokyo Branch

5-6-1, Shiba, Minato-ku,  
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### Kitakanto Office

4-26-15, Kishi-cho, Urawa-ku,  
Saitama 330-0064, Japan  
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### Higashikanto Office

18-14, Shinmachi, Chuo-ku,  
Chiba 260-0028, Japan  
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### Yokohama Office

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

### Hokuriku Office

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

### Nagoya Branch

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

### Kansai Branch

2-2-2, Matsuzaki-cho, Abeno-ku,  
Osaka 545-8555, Japan  
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### Kobe Office

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Kobe 651-0084, Japan  
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### Hiroshima Branch

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

### Shikoku Branch

1-8-41, Nishiki-machi,  
Takamatsu 760-0020, Japan  
TEL: +81-87-851-9008 FAX: +81-87-822-9286

### Kyushu Branch

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

### Fukuoka Office

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

### Taiwan Branch

Rm.702, 7F., No.65, Sec.3, Nanjing E.Rd.,  
Zhongshan Dist., Taipei City 104, Taiwan  
(R.O.C.)  
TEL: +886-2-2506-1402  
FAX: +886-2-2506-1429

### Singapore Rep. Office

175A Bencoolen Street, #07-08 Burlington  
Square, Singapore 189650  
TEL: +65-6884-6830  
FAX: +65-6884-6831

## Consolidated Subsidiaries

### Okumura Machinery Corporation

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

### Taihei Real Estate Corporation

[Head Office]  
5-6-1, Shiba, Minato-ku,  
Tokyo 108-8381, Japan  
TEL: +81-3-5439-5401  
FAX: +81-3-5439-5402  
[Osaka Branch]  
2-2-2, Matsuzaki-cho, Abeno-ku,  
Osaka 545-8555, Japan  
TEL: +81-6-6625-3959  
FAX: +81-6-6629-3938  
Business line: Real estate, land and building  
management

## Board of Directors

(As of June 29, 2011)

### Directors and Auditors

President & Representative Director

**Takanori Okumura**

Representative Director

**Takaiku Hirako**

Directors

**Toshio Yamaguchi**

**Kazuo Takami**

**Kozo Aoki**

**Makoto Tsuchiya**

**Toshio Kobayashi**

**Seiichi Fujioka**

**Yuichi Mizuno**

Standing Statutory Auditors

**Yusaku Nishigami**

**Yuji Takemura**

Auditors

**Shinji Ito**

**Nobuhiko Dejima**

**Yoshio Takahashi**

Note: Shinji Ito, Nobuhiko Dejima, and Yoshio Takahashi are outside auditors.

### Executive Officers

Senior Managing Officers

**Takaiku Hirako\***

**Toshio Yamaguchi\***

Managing Officers

**Tadashi Hashimoto**

**Yoshikuni Ogi**

**Masamichi Shirahase**

**Kazuo Takami\***

**Kozo Aoki\***

**Makoto Tsuchiya\***

Executive Officers

**Akiyoshi Hida**

**Kenichiro Minami**

**Toshiharu Shimizu**

**Koji Esumi**

**Toshio Kobayashi\***

**Hirokazu Oishi**

**Seiichi Fujioka\***

**Hiroomi Iida**

**Takeshi Kurita**

**Keiji Yamaguchi**

**Yuichi Mizuno\***

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

## Investor Information

(As of March 31, 2011)

### Corporate Data

#### Head Office

OKUMURA CORPORATION

2-2-2, Matsuzaki-cho, Abeno-ku, Osaka 545-8555, Japan

TEL: +81-6-6621-1101 FAX: +81-6-6627-5295

#### Established

February 22, 1907

#### Capital

¥19.8 billion

#### Group Employees

1,966

### Stock Information

#### Stock Exchange Listings

Tokyo and Osaka

#### Transfer Agent

The Sumitomo Trust and Banking Co., Ltd.

#### Major Shareholders

Shareholder	Shares held (thousands)	Percentage of total
Okumura Corporation (Treasury stock)	28,549	12.50%
Northern Trust Co. (AVFC) Sub A/C American Clients	17,019	7.45
Okumura Employees' Shareholding Association	7,152	3.13
BBH/Blackrock Global Allocation Fund, Inc.	6,948	3.04
Northern Trust Co. AVFC Re U.S. Tax Exempted Pension Funds	6,530	2.86
Resona Bank, Limited.	6,074	2.66
Sumitomo Realty & Development Co., Ltd.	6,050	2.65
State Street Bank and Trust Company	5,934	2.60
Japan Trustee Services Bank, Ltd. (Trust Account)	5,802	2.54
Sumitomo Mitsui Banking Corporation	5,568	2.44
The Master Trust Bank of Japan, Ltd. (Trust Account)	4,625	2.03



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