Annual Report 2016

Okumura Corporation

奥村組
OKUMURA CORPORATION

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

Okumura's main business activities include civil engineering projects for railways, roads, power station facilities, sewage and water works, and others. In the area of construction are projects such as houses, public facilities, medical facilities, and office buildings. 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.

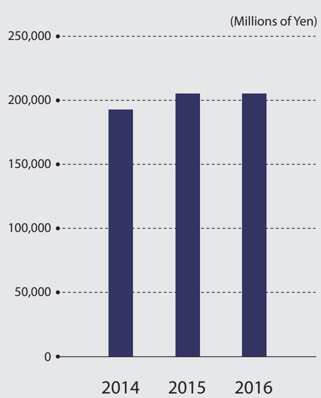
Contents

Financial Highlights

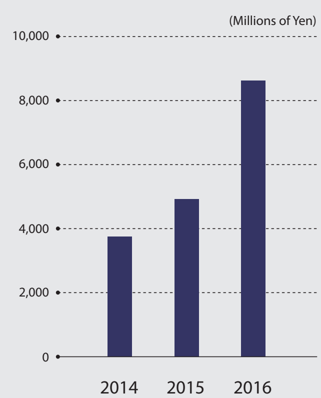
For the years ended March 31	2014	2015	**2016**	**2016**
Consolidated:		Millions of yen		Thousands of U.S. dollars
Net sales	¥193,025	¥205,268	**¥205,291**	**$1,821,736**
Operating income	2,318	4,052	**8,423**	**74,748**
Net income attributable to owners of the parent	3,755	4,922	**8,626**	**76,543**
Total assets	239,663	260,303	**266,681**	**2,366,500**
Total equity	128,792	140,655	**143,279**	**1,271,443**
Per Share:		Yen		U.S. dollars
Basic net income attributable to owners of parent	¥18.80	¥24.66	**¥43.28**	**$0.38**
Cash dividends applicable to the year	9.00	12.00	**21.00**	**0.19**

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, 2016, of ¥112.69=$1.

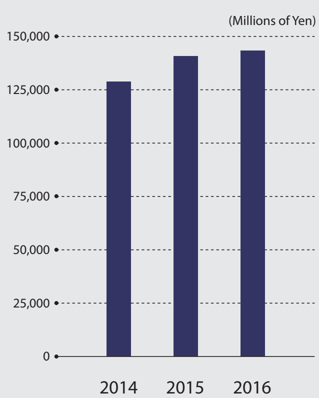
Net Sales



Net income attributable to owners of the parent



Total Equity



Disclaimer Regarding Forecasts and Projections

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

To Our Shareholders

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

A general overview of business performance for the period to March 2016 (April 1, 2015 to March 31, 2016) is provided in the following sections.

Fiscal 2016 Results

During the period under review, the Japanese economy, despite improvements in corporate earnings, experienced a slowdown in its path towards recovery, weighted down by sluggish exports and weak personal consumption. In such a climate, the operating environment surrounding the construction industry remained firm overall supported by a recovery in private-sector capital investments, despite the declining trend in public investments.

In these circumstances, the Company's consolidated net sales increased slightly year on year to ¥205,291 million. Meanwhile, profits increased significantly from the previous year as a result of an improvement in gross profit from construction work, as consolidated gross profit increased 29.3% year on year to ¥22,650 million, operating income increased 107.9% year on year to ¥8,423 million and net income attributable to owners of the parent increased 75.3% year on year to ¥8,626 million.

The Company decided to pay a dividend of ¥21.00 per share for the period ended March 31, 2016 based on its basic policy regarding profit sharing.

Looking Ahead and Key Strategies

The Japanese economy is expected to continue its recovery albeit at a modest pace, thanks to improvements in the employment and income environments and the effects of government policies. In the construction industry, while public investments experience moderate declines, private-sector investments are expected to remain on a recovery trend and the business environment surrounding the industry is expected to remain firm for the time being. Nevertheless, harsh conditions await the industry in the medium- to long-term, as a damper is expected to set in on new construction investments and the shortage in construction workers further escalates.

Under these circumstances, the Okumura Group will aim to increase its corporate value in the medium- to long-term by maintaining financial soundness while at the same time aiming for high-profitability structure and enhancing its capital efficiency. To this end, the Okumura Group has formulated a new Medium Term Business Plan, based on the basic policy of "Building a solid management base by anticipating changes in the business environment and injecting management resources towards strengthening the earning capacity of the construction business and the expansion of business domains."

Specifically, we intend to promote technology development that will lead to streamlining and labor-saving, increase business efficiency through the utilization of ICT, and "increase the productivity of the construction business" through stepped-up human resources development, while at the same time reinforcing our capabilities for proposing solutions to our customers and design capabilities, promoting technology development that meets the needs of our clients and "enhancing the construction business brand" through the refinement of our proprietary technology. Furthermore, in real estate operations, we will expand the rental business while also engaging in measures to "diversify our source of income" through strategic investments in new businesses as the first step towards expanding our business domains.

For the future, Okumura will apply all of its resources with the aim of responding quickly and flexibly to the changing operating environment, and thereby reinforcing and diversifying its earnings base in accordance with its corporate philosophy, which has endured through the many years since the Company's founding. This will enable Okumura to maintain the trust and confidence of its shareholders.

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

June 2016

T. Okumura

Takanori Okumura
President and Representative Director

Review of Operations

Major Projects Completed

CIVIL ENGINEERING

Taipei MRT System Circular Line Contract CF 643A Shield Tunnelling

Work period: February 2012 to January 2016
Tunnel length: 1,058m (Both ways)
Shield machines : 2 units

Nakatsuyama Agriculture Irrigation Project, Ushiroyachi Drainage Pump Station Construction

Work period: April 2014 to March 2016
Pump station work, Control basin work, 2 reverse T-shaped abutments
Upper bridge work (composite deck slab steel girder bridge) : 24.6m
Structure: Steel

Nachikatsuura Road Yukawa No.2 Tunnel Construction

Work period: June 2013 to June 2015
Construction length: 336m
Tunnel length: 280m
1 abutment, 1 pier

Otsu-Shigaraki Road Left Bank Road Improvement

Work period: March 2014 to March 2016
Construction length: 669.7m
Excavation: 26,950m^3
Embankment: 47,880m^3

BUILDINGS

Ikoma City Hospital

Work period: August 2013 to May 2015
Structure: Steel
Total floor space: 28,094.34m^2

GLP Yachiyo (Distribution warehouse)

Work period: September 2014 to December 2015
Structure: PCaPC (seismic isolation structure)
Total floor space: 71,938.97m^2

Aisai City Hall

Work period: September 2013 to January 2016
Extended wing: Structure: Steel (seismic isolation structure)
Total floor space: 7,812.68m^2
Renovated wing:
Structure: Steel frame seismic reinforced and RC
Total floor space: 2,530.69m^2

Shiga Prefecture Crisis Management Center

Work period: December 2013 to June 2015
Structure: RC (seismic isolation structure)
Total floor space: 5,487.1m^2

Orders Received

CIVIL ENGINEERING

Hokuriku Shinkansen Hakusanmiyabo Elevated Bridge

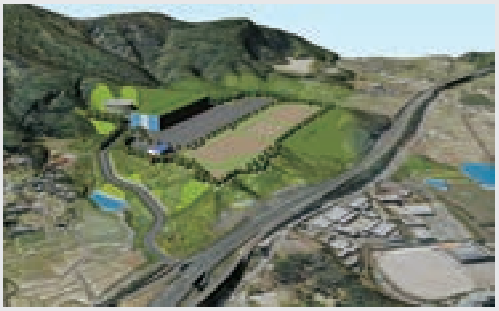
Work period: December 2015 to February 2020
Construction length: 1,731m
84 RC piers, 79 RC beams, 7 PPCT beams

Yasumiyama Improvement Yasumiyama Tunnel Construction Nagasako Section

Work period: October 2015 to October 2017
Construction length: 920m
Tunnel length: 697m

Meiji Irrigation Headwork Earthquake Proofing Work of the Yahagigawa Integrated Agricultural Land Disaster Prevention Project Phase II

Work period: August 2015 to June 2018
4 steel pipe piles, 40 SC piles
Steel plate lining work: 3,046m^2
Insertion of shear reinforcement
Renovation work of hoisting machine rooms : 8 places



Land Development for the New Plant of Takagi Co., Ltd.

Work period: November 2015 to June 2020
Development area: 297,000m^2
Cut: 818,430m^3
Embankment: 896,300m^3
2 regulating reservoirs

BUILDINGS

GLP Nagareyama II Project (Distribution warehouse)

Work period: November 2016 to June 2018
Structure: PCaPC (seismic isolation structure)
Total floor space: 96,296.86m^2

Imabari City Waste Treatment Facility - Main Factory and Annex

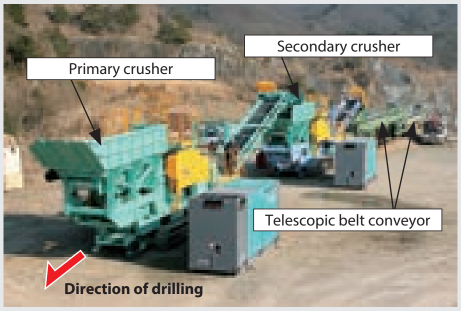
Work period: October 2015 to March 2018
Structure: Steel, RC and SRC
Total floor space: 17,712.54m^2

Omura City Municipal Hospital

Work period: July 2015 to February 2018
Structure: Steel
Total floor space: 15,896.99m^2

The Nara Palace Site Exhibition Hall of Nara Palace Site Historical Park

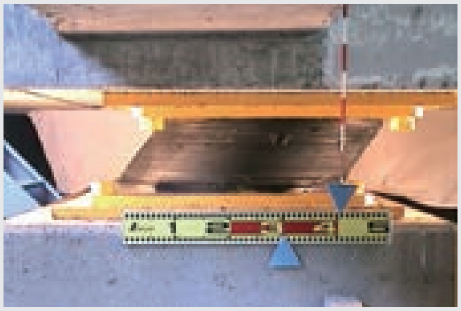
Work period: August 2015 to July 2017
Structure: RC
Total floor space: 6,756m^2



❶ Outline of high speed transport system for blasted rock

❸ Inside the seminar hall

❷ Installing jacks to force horizontal movement of the building



❷ State of the seismic isolation device (laminated rubber), which undergoes deformation with the horizontal movement of the building

❶ Development of a High-speed Transport System for Blasted Rock in Mountain Tunnels

We developed a high-speed system for transporting muck (blasted rock) from the drilling site to the surface in the blasting work of mountain tunnels.

This system, which effectively positions the crushers and the telescopic belt conveyor to increase crushing and transport efficiency, promises to significantly shorten the construction period and cut back on costs, and will be used in the accelerated construction of long-distance and large-section tunnels.

❷ Commencement of Experiments to Verify Changes Over Time in Seismic Isolation Devices Using Japan's First Practical Base Isolated Building

We commenced an experiment to verify the changes over time in seismic isolation devices using the Okumura Corporation Technical Research Institute Management Building (Tsukuba-shi, Ibaraki), Japan's first practical base isolated building, which was completed 30 years ago.

The experiment, which uses an actual building in use, tests the safe performance and property fluctuations due to aging of seismic isolation devices by jacking up the building and forcing it to move horizontally, and then letting the building freely vibrate upon releasing the pressure of the jack. Through the experiment, valuable data leading to the development and refinement of seismic isolation technology will be gathered and accumulated, as well as utilized in the proposal of solutions, which, in turn, is expected to contribute significantly to the enhancement of building safety and increasing its asset values.

❸ Hosting of a Technical Seminar

On November 20, 2015, Okumura hosted the 27th Technical Seminar at the Tokyo International Forum in Tokyo's Chiyoda Ward. The seminar was attended by approximately 250 participants from various fields, including clients of Okumura.

Okumura began hosting the seminar in 1988 as part of the collaboration among industrial, governmental and academic sectors related to the construction industry. This year's theme was "Preparing for Major Water Disasters" with a keynote speech delivered by Dr. Kotaro Takemura, Chair of the Japan Water Forum. In addition, a panel discussion was held on the topic of preparations necessary to save lives and maintain urban functions in the midst of major flooding and tidal waves resulting from the advent of super typhoons and repeated torrential rains from various perspectives including meteorology, infrastructure improvement and disaster prevention action plans.

❹ Recipients of the Okumura Environmental Construction Technology Foundation Grant for the Fiscal Year Ended March 31, 2016 Are Announced

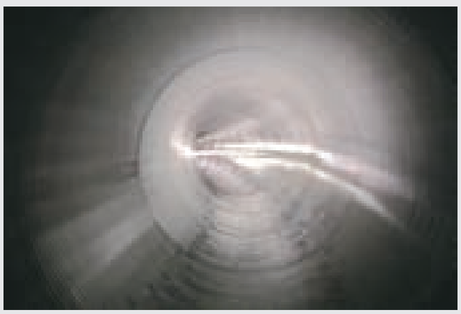
In 2007, the Company established a charitable trust fund, the Okumura Environmental Construction Technology Foundation Grant, whose objective is to further promote the preservation and improvement of Japan's environment by providing funds to various research projects on construction technologies that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

The steering committee – comprising experts such as university professors – met on July 7, 2015 to select the recipients and determine the amount of the grant awarded for the fiscal year ended March 31, 2016. The foundation has ensured that all those chosen for the fiscal year have received the grant.

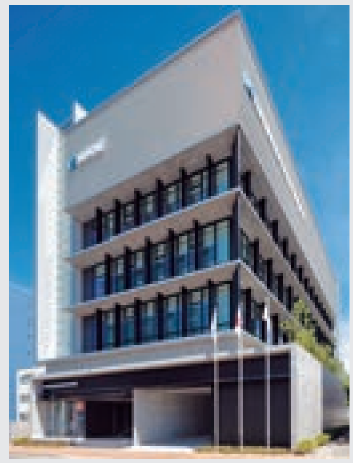
Research themes of the recipients are as follows.

- Development of an innovative contaminated-soil purification technology that is highly efficient, uses no chemicals and is energy-saving
- Environment-friendly manufacturing of high-intensity, functional building materials containing high concentrations of natural zeolite and its application to environmental detoxification

❸ Panel discussion



❺ Irrigation channel converted into a pipeline



❻ New Kyushu Branch Building

- Development of integrated methods of monitoring sediment movement for the entire basin using image information
- Design and development of mobile, structural inspection rotorcraft that is capable of sticking to ceilings and walls

❺ The Kuzuryu River (Downstream Section): Second Stage of Agricultural Irrigation Project, Kawaiharuchika Irrigation Channel Construction Work Is Awarded the "Bureau Chief Award for Outstanding Construction in Agriculture and Agricultural Communities" by the Hokuriku Regional Agricultural Administration Office and the "Academic and Technological Grand Prix in Outstanding National Land Improvement Works" by the Japanese Society of Irrigation, Drainage and Rural Engineering (JSIDRE)

The Company's Kuzuryu River (Downstream Section): Second Stage of Agricultural Irrigation Project, Kawaiharuchika Irrigation Channel Construction Work was awarded the "Bureau Chief Award for Outstanding Construction in Agriculture and Agricultural Communities" by the Hokuriku Regional Agricultural Administration Office on March 4, 2016, and the "Academic and Technological Grand Prix in Outstanding National Land Improvement Works," the most prestigious award in the agricultural and civil engineering fields, by the Japanese Society of Irrigation, Drainage and Rural Engineering (JSIDRE) on March 29, 2016.

This project converted the Kawaiharuchika Irrigation Channel, which was excavated in the Fukui Plains and Sakai Plains, spreading over both banks of the Kuzuryu River, into a pipeline extending 7.1 km in length. Providing a single vertical shaft midst, the upstream side was constructed by the earth pressure balanced shield tunnelling method while the downstream side was by slurry shield tunnelling method.

The awards recognized the Company's efforts in cutting back on costs while maintaining construction quality through drafting optimum construction plans, various technical proposals for long-distance shield tunnelling and maintaining environmentally friendly construction, and at the same time completing construction in time for full operations.

❻ Construction of the Company's New Kyushu Branch Is Completed

The Company's new Kyushu Branch, which commenced construction in April 2015, was completed and commenced operations from May 23, 2016.

As the base for the Kyushu region, the new branch ensures business continuity even in the event of an earthquake and has been built to serve as a regional disaster prevention base. The branch has a base isolated structure, which leverages the Company's strengths and enables the building to withstand earthquakes, and has adopted the mid-story seismic isolation system, which installs seismic isolation devices in intermediate floors, which, in turn, allows for the effective utilization of floor space. Additionally, in order for visitors to experience firsthand the various seismic isolation technologies of the Company, a "Pioneer of Seismic Isolation Technology," a device, developed by the Company, has been installed by the first-floor entrance for experiencing both earthquakes recreated based on the seismic-wave data of past earthquakes and the effects of seismic isolation during such earthquakes.

Going forward the employees and officers of the Company will continue to work together to support the safe and secure lives of the people by further expanding the Company's businesses.

Consolidated Balance Sheet

Okumura Corporation and Consolidated Subsidiaries
March 31, 2016

	Millions of yen		Thousands of U.S. dollars (Note 1)
ASSETS	**2016**	2015	**2016**
Current assets:			
Cash and cash equivalents (Note 12)	**¥ 25,379**	¥ 27,728	**$ 225,211**
Time deposits (Notes 12 and 14)	**475**	204	**4,212**
Receivables:			
Trade notes (Note 12)	**4,430**	2,251	**39,314**
Trade accounts (Note 12)	**104,379**	99,136	**926,246**
Unconsolidated subsidiaries and associated companies (Note 12)	**4,386**	453	**38,917**
Other	**9,748**	8,711	**86,503**
Allowance for doubtful receivables (Note 12)	**(1,666)**	(1,584)	**(14,782)**
Inventories (Note 4)	**8,617**	9,057	**76,463**
Deferred tax assets (Note 9)	**41**	46	**362**
Prepaid expenses and other	**455**	962	**4,044**
Total current assets	**156,244**	146,964	**1,386,490**
Property, plant and equipment (Notes 5 and 6)**:**			
Land (Note 14)	**30,114**	28,758	**267,229**
Buildings and structures (Note 14)	**19,260**	19,557	**170,910**
Machinery and equipment	**2,995**	2,897	**26,580**
Furniture and fixtures	**1,970**	1,936	**17,484**
Lease assets (Note 11)	**114**	141	**1,009**
Construction in progress	**1,163**	55	**10,323**
Total	**55,616**	53,344	**493,535**
Accumulated depreciation	**(14,403)**	(14,326)	**(127,811)**
Net property, plant and equipment	**41,213**	39,018	**365,724**
Investments and other assets:			
Investment securities (Notes 3, 6, 12 and 14)	**66,023**	71,496	**585,879**
Investments in and advances to unconsolidated subsidiaries and associated companies (Notes 12 and 14)	**323**	318	**2,863**
Long-term loans receivable (Note 12)	**86**	107	**762**
Asset for retirement benefits (Note 7)	**2,157**	1,710	**19,139**
Deferred tax assets (Note 9)	**—**	1	**—**
Other assets	**2,828**	3,235	**25,100**
Allowance for doubtful receivables (Note 12)	**(2,193)**	(2,546)	**(19,457)**
Total investments and other assets	**69,224**	74,321	**614,286**
Total	**¥266,681**	¥260,303	**$2,366,500**

See notes to consolidated financial statements.

LIABILITIES AND EQUITY	Millions of yen 2016	Millions of yen 2015	Thousands of U.S. dollars (Note 1) 2016
Current liabilities:			
Short-term bank loans including current portion of long-term debt (Notes 6, 11 and 12)	**¥ 15,801**	¥ 13,689	**$ 140,214**
Payables:			
Trade notes (Note 12)	**5,381**	6,571	**47,750**
Trade accounts (Note 12)	**48,653**	47,289	**431,742**
Other	**648**	405	**5,754**
Advances received on construction projects in progress	**6,719**	6,916	**59,622**
Income taxes payable	**565**	515	**5,017**
Allowance for warranty work on construction projects	**696**	1,120	**6,176**
Allowance for losses on construction contracts	**4,450**	4,878	**39,485**
Other (Note 14)	**21,927**	17,843	**194,584**
Total current liabilities	**104,840**	99,226	**930,344**
Long-term liabilities:			
Long-term debt (Notes 6, 11, 12 and 13)	**5,192**	5,224	**46,069**
Deferred tax liabilities (Note 9)	**13,244**	15,064	**117,523**
Other	**126**	134	**1,121**
Total long-term liabilities	**18,562**	20,422	**164,713**
Total liabilities	**123,402**	119,648	**1,095,057**
Commitments and contingent liabilities (Notes 11 and 14)			
Equity (Notes 8, 15 and 16)**:**			
Common stock			
authorized, 480,376,000 shares; issued, 228,326,133 shares	**19,839**	19,839	**176,049**
Capital surplus	**25,329**	25,328	**224,769**
Retained earnings	**80,246**	74,012	**712,089**
Treasury stock—at cost			
29,089,225 shares in 2016 and 28,951,110 shares in 2015	**(12,634)**	(12,547)	**(112,114)**
Accumulated other comprehensive income:			
Unrealized gain on available-for-sale securities	**28,329**	31,869	**251,391**
Defined retirement benefit plans	**2,170**	2,154	**19,259**
Total	**30,499**	34,023	**270,650**
Total equity	**143,279**	140,655	**1,271,443**
Total	**¥266,681**	¥260,303	**$2,366,500**

Consolidated Statement of Income

Okumura Corporation and Consolidated Subsidiaries
Year ended March 31, 2016

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2016	2015	**2016**
Net sales	**¥205,291**	¥205,268	**$1,821,736**
Cost of sales	**182,641**	187,747	**1,620,746**
Gross profit	**22,650**	17,521	**200,990**
Selling, general and administrative expenses (Note 10)	**14,227**	13,469	**126,242**
Operating income	**8,423**	4,052	**74,748**
Other income (expenses):			
Interest and dividend income	**1,115**	1,056	**9,892**
Interest expense	**(168)**	(163)	**(1,493)**
Other—net	**(42)**	426	**(373)**
Other income —net	**905**	1,319	**8,026**
Income before income taxes	**9,328**	5,371	**82,774**
Income taxes (Note 9)**:**			
Current	**798**	628	**7,083**
Deferred	**(96)**	(179)	**(852)**
Total income taxes	**702**	449	**6,231**
Net income	**8,626**	4,922	**76,543**
Net income attributable to owners of the parent	**¥ 8,626**	¥ 4,922	**$ 76,543**
		Yen	U.S. dollars (Note 1)
Per share of common stock (Notes 2.p and 16)**:**			
Basic net income	**¥ 43.28**	¥ 24.66	**$ 0.38**
Cash dividends applicable to the year	**21.00**	12.00	**0.19**

See notes to consolidated financial statements.

Consolidated Statement of Comprehensive Income

Okumura Corporation and Consolidated Subsidiaries
Year ended March 31, 2016

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2016	2015	**2016**
Net income	**¥ 8,626**	¥ 4,922	**$ 76,543**
Other comprehensive income (loss) (Note 15)**:**			
Unrealized gain (loss) on available-for-sale securities	**(3,540)**	9,115	**(31,410)**
Remeasurements of defined benefit plans	**16**	985	**146**
Total other comprehensive income (loss)	**(3,524)**	10,100	**(31,264)**
Comprehensive income	**¥ 5,102**	¥15,022	**$ 45,279**
Total comprehensive income attributable to:			
Owners of the parent	**¥ 5,102**	¥15,022	**$ 45,279**
Noncontrolling interests	**—**	—	**—**

See notes to consolidated financial statements.

Consolidated Statement of Changes in Equity

Okumura Corporation and Consolidated Subsidiaries
Year ended March 31, 2016

	Thousands	Millions of yen						
						Accumulated other comprehensive income		
	Number of shares of common stock outstanding	Common stock	Capital surplus	Retained earnings	Treasury stock	Unrealized gain on available for-sale securities	Defined retirement benefit plans	Total equity
BALANCE, APRIL 1, 2014 (as previously reported)	199,659	¥19,839	¥25,326	¥72,094	¥(12,390)	¥22,754	¥1,169	¥128,792
Cumulative effect of accounting change (Note 2.k)	—	—	—	(1,207)	—	—	—	(1,207)
BALANCE, APRIL 1, 2014 (as restarted)	199,659	19,839	25,326	70,887	(12,390)	22,754	1,169	127,585
Net income attributable to owners of the parent	—	—	—	4,922	—	—	—	4,922
Cash dividends, ¥9 per share	—	—	—	(1,797)	—	—	—	(1,797)
Purchase of treasury stock	(300)	—	—	—	(164)	—	—	(164)
Disposal of treasury stock	16	—	2	—	7	—	—	9
Net change in the year	—	—	—	—	—	9,115	985	10,100
BALANCE, MARCH 31, 2015	199,375	19,839	25,328	74,012	(12,547)	31,869	2,154	140,655
Net income attributable to owners of the parent	**—**	**—**	**—**	**8,626**	**—**	**—**	**—**	**8,626**
Cash dividends, ¥12 per share	**—**	**—**	**—**	**(2,392)**	**—**	**—**	**—**	**(2,392)**
Purchase of treasury stock	**(146)**	**—**	**—**	**—**	**(91)**	**—**	**—**	**(91)**
Disposal of treasury stock	**8**	**—**	**1**	**—**	**4**	**—**	**—**	**5**
Net change in the year	**—**	**—**	**—**	**—**	**—**	**(3,540)**	**16**	**(3,524)**
BALANCE, MARCH 31, 2016	**199,237**	**¥19,839**	**¥25,329**	**¥80,246**	**¥(12,634)**	**¥28,329**	**¥2,170**	**¥143,279**

	Thousands of U.S. dollars (Note 1)						
					Accumulated other comprehensive income		
	Common stock	Capital surplus	Retained earnings	Treasury stock	Unrealized gain on available-for-sale securities	Defined retirement benefit plans	Total equity
BALANCE, MARCH 31, 2015	**$176,049**	**$224,758**	**$656,777**	**$(111,337)**	**$282,801**	**$19,113**	**$1,248,161**
Net income attributable to owners of the parent	**—**	**—**	**76,543**	**—**	**—**	**—**	**76,543**
Cash dividends, $0.11 per share	**—**	**—**	**(21,231)**	**—**	**—**	**—**	**(21,231)**
Purchase of treasury stock	**—**	**—**	**—**	**(809)**	**—**	**—**	**(809)**
Disposal of treasury stock	**—**	**11**	**—**	**32**	**—**	**—**	**43**
Net change in the year	**—**	**—**	**—**	**—**	**(31,410)**	**146**	**(31,264)**
BALANCE, MARCH 31, 2016	**$176,049**	**$224,769**	**$712,089**	**$(112,114)**	**$251,391**	**$19,259**	**$1,271,443**

See notes to consolidated financial statements.

Consolidated Statement of Cash Flows

Okumura Corporation and Consolidated Subsidiaries
Year ended March 31, 2016

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2016	2015	**2016**
Operating activities:			
Income before income taxes	**¥ 9,328**	¥ 5,371	**$ 82,774**
Adjustments for:			
Income taxes—paid	**(818)**	(394)	**(7,257)**
Depreciation and amortization	**864**	848	**7,671**
Changes in assets and liabilities:			
Increase in trade notes and accounts receivable	**(11,354)**	(7,148)	**(100,754)**
Decrease in accumulated costs of construction projects in progress	**255**	2,757	**2,265**
Decrease in other inventories	**204**	278	**1,810**
Increase (decrease) in trade notes and accounts payable	**1,138**	(2,037)	**10,093**
Decrease in advances received on construction projects in progress	**(197)**	(3,694)	**(1,752)**
Increase in asset for retirement benefits	**(321)**	(1,101)	**(2,848)**
Other—net	**1,935**	3,526	**17,171**
Total adjustments	**(8,294)**	(6,965)	**(73,601)**
Net cash provided by (used in) operating activities	**1,034**	(1,594)	**9,173**
Investing activities:			
Net increase in time deposits	**(279)**	(150)	**(2,475)**
Payments for purchases of securities	**(385)**	(1,126)	**(3,415)**
Proceeds from sales of securities	**807**	2,685	**7,160**
Purchases of property, plant and equipment	**(2,887)**	(2,586)	**(25,615)**
Proceeds from sales of property, plant and equipment	**5**	1	**46**
Investment in loans receivable	**(18)**	(1,402)	**(163)**
Collection of loans receivable	**87**	1,652	**770**
Other—net	**(214)**	(140)	**(1,901)**
Net cash used in investing activities	**(2,884)**	(1,066)	**(25,593)**
Financing activities:			
Increase in short-term bank loans—net	**1,020**	6,135	**9,051**
Proceeds from long-term debt	**1,100**	—	**9,762**
Repayments of long-term debt	**(11)**	(29)	**(101)**
Purchase of treasury stock	**(91)**	(164)	**(809)**
Disposal of treasury stock	**5**	9	**43**
Dividends paid	**(2,392)**	(1,797)	**(21,230)**
Other	**(34)**	(38)	**(289)**
Net cash provided by (used in) financing activities	**(403)**	4,116	**(3,573)**
Foreign currency translation adjustments on cash and cash equivalents	**(96)**	27	**(848)**
Net increase (decrease) in cash and cash equivalents	**(2,349)**	1,483	**(20,841)**
Cash and cash equivalents, beginning of year	**27,728**	26,245	**246,052**
Cash and cash equivalents, end of year	**¥ 25,379**	¥27,728	**$ 225,211**

See notes to consolidated financial statements.

1. Basis of Presentation of Consolidated Financial Statements

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

In preparing these consolidated financial statements, certain reclassifications and rearrangements have been made to the consolidated financial statements issued domestically in order to present them in a form which is more familiar to readers outside Japan. In addition, certain reclassifications have been made in the 2015 consolidated financial statements to conform to the classifications used in 2016.

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 ¥112.69 to $1, the rate of exchange at March 31, 2016. 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, 2016 and 2015 include the accounts of the Company and its 2 (2 in 2015) significant subsidiaries (together, the "Group").

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

Investments in 9 (9 in 2015) unconsolidated subsidiaries and 3 (2 in 2015) associated companies are stated at cost. If the equity method of accounting had been applied to the investments in these companies, the effect on the accompanying consolidated financial statements would not be material.

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

b. Business Combinations — In October 2003, the Business Accounting Council issued a Statement of Opinion, "Accounting for Business Combinations," and in December 2005, the Accounting Standards Board of Japan (the "ASBJ") issued ASBJ Statement No. 7, "Accounting Standard for Business Divestitures" and ASBJ Guidance No. 10, "Guidance for Accounting Standard for Business Combinations and Business Divestitures."

In December 2008, the ASBJ issued a revised accounting standard for business combinations, ASBJ Statement No. 21, "Accounting Standard for Business Combinations." Major accounting changes under the revised accounting standard are as follows: (1) The revised standard requires accounting for business combinations only by the purchase method. As a result, the pooling-of-interests method of accounting is no longer allowed. (2) The previous accounting standard required research and development costs to be charged to income as incurred. Under the revised standard, in-process research and development costs (IPR&D) acquired in the business combination are capitalized as an intangible asset. (3) The previous accounting standard provided for a bargain purchase gain (negative goodwill) to be systematically amortized over a period not exceeding 20 years. Under the revised standard, the acquirer recognizes the bargain purchase gain in profit or loss immediately on the acquisition date after reassessing and confirming that all of the assets acquired and all of the liabilities assumed have been identified after a review of the procedures used in the purchase price allocation. The revised standard was applicable to business combinations undertaken on or after April 1, 2010.

In September 2013, the ASBJ issued revised ASBJ Statement No. 21, "Accounting Standard for Business Combinations," revised ASBJ Guidance No. 10, "Guidance on Accounting Standards for Business Combinations and Business Divestitures," and revised ASBJ Statement No. 22, "Accounting Standard for Consolidated Financial Statements." Major accounting changes are as follows:

(a) Transactions with noncontrolling interest—A parent's ownership interest in a subsidiary might change if the parent purchases or sells ownership interests in its subsidiary. The carrying amount of noncontrolling interest is adjusted to reflect the change in the parent's ownership interest in its subsidiary while the parent retains its controlling interest in its subsidiary. Under the previous accounting standard, any difference between the fair value of the consideration received or paid and the amount by which the noncontrolling interest is adjusted is accounted for as an adjustment of goodwill or as profit or loss in the consolidated statement of income. Under the revised accounting standard, such difference is accounted for as capital surplus as long as the parent retains control over its subsidiary.

(b) Presentation of the consolidated balance sheet—In the consolidated balance sheet, "minority interest" under the previous accounting standard is changed to "noncontrolling interest" under the revised accounting standard.

(c) Presentation of the consolidated statement of income—In the consolidated statement of income, "income before minority interest" under the previous accounting standard is changed to "net income" under the revised accounting standard, and "net income" under the previous accounting standard is changed to "net income attributable to owners of the parent" under the revised accounting standard.

(d) Provisional accounting treatments for a business combination—If the initial accounting for a business combination is incomplete by the end of the reporting period in which the business combination occurs, an acquirer shall report in its financial statements provisional amounts for the items for which the accounting is incomplete. Under the previous accounting standard guidance, the impact of adjustments to provisional amounts recorded in a business combination on profit or loss is recognized as profit or loss in the year in which the measurement is completed. Under the revised accounting standard guidance, during the measurement period, which shall not exceed one year from the acquisition, the acquirer shall retrospectively adjust the provisional amounts recognized at the acquisition date to reflect new information obtained about facts and circumstances that existed as of the acquisition date and that would have affected the measurement of the amounts recognized as of that date. Such adjustments shall be recognized as if the accounting for the business combination had been completed at the acquisition date.

(e) Acquisition-related costs—Acquisition-related costs are costs, such as advisory fees or professional fees, which an acquirer incurs to effect a business combination. Under the previous accounting standard, the acquirer accounts for acquisition-related costs by including them in the acquisition costs of the investment. Under the revised accounting standard, acquisition-related costs shall be accounted for as expenses in the periods in which the costs are incurred.

The above accounting standards and guidance for (a) transactions with noncontrolling interest, (b) presentation of the consolidated balance sheet, (c) presentation of the consolidated statement of income, and (e) acquisition-related costs are effective for the beginning of annual periods beginning on or after April 1, 2015. Earlier application is permitted from the beginning of annual periods beginning on or after April 1, 2014, except for (b) presentation of the consolidated balance sheet and (c) presentation of the consolidated statement of income. In the case of earlier application, all accounting standards and guidance above, except for (b) presentation of the consolidated balance sheet and (c) presentation of the consolidated statement of income, should be applied simultaneously.

Either retrospective or prospective application of the revised accounting standards and guidance for (a) transactions with noncontrolling interest and (e) acquisition-related costs is permitted. In retrospective application of the revised standards and guidance, the accumulated effects of retrospective adjustments for all (a) transactions with noncontrolling interest and (e) acquisition-related costs which occurred in the past shall be reflected as adjustments to the beginning balance of capital surplus and retained earnings for the year of the first-time application. In prospective application, the new standards and guidance shall be applied prospectively from the beginning of the year of the first-time application.

The revised accounting standards and guidance for (b) presentation of the consolidated balance sheet and (c) presentation of the consolidated statement of income shall be applied to all periods presented in financial statements containing the first-time application of the revised standards and guidance.

The revised standards and guidance for (d) provisional accounting treatments for a business combination are effective for a business combination which occurs on or after the beginning of annual periods beginning on or after April 1, 2015. Earlier application is permitted for a business combination which occurs on or after the beginning of annual periods beginning on or after April 1, 2014.

The Company applied the revised accounting standards and guidance for (a) transactions with noncontrolling interest, (b) presentation of the consolidated balance sheet, (c) presentation of the consolidated statement of income, and (e) acquisition-related costs above, effective April 1, 2015, and (d) provisional accounting treatments for a business combination above for a business combination which occurred on or after April 1, 2015. The revised accounting standards and guidance for (a) transactions with noncontrolling interest and (e) acquisition-related costs were applied prospectively.
There was no impact from these accounting changes.

With respect to (b) presentation of the consolidated balance sheet and (c) presentation of the consolidated statement of income, the applicable line items in the 2015 consolidated financial statements have been accordingly reclassified and presented in line with those in 2016.

c. 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 certificates of deposit, all of which mature or become due within 3 months of the date of acquisition.

d. 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 the specific identification method or net selling value, which is defined as the selling price less additional estimated manufacturing costs and estimated direct selling expenses.

e. Marketable and Investment Securities — Marketable and investment securities are classified and accounted for, depending on management's intent, as follows:
(1) held-to-maturity debt securities, for which there is a positive intent and ability to hold to maturity, are reported at amortized cost and

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

Nonmarketable available-for-sale securities 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.

f. Property, Plant and Equipment — Property, plant and equipment are stated at cost. Depreciation, except for lease assets, is computed by the declining-balance method based on the estimated useful lives of the assets, while the straight-line method is applied to buildings acquired on or after April 1, 1998, and 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. Lease assets under finance lease arrangements are depreciated using the straight-line method over the terms of the respective leases without any salvage value.

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

h. 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.

i. Allowance for Warranty Work on Construction Projects — The allowance for warranty costs for completed work is provided at the amount of warranty costs based on past loss experience.

j. 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.

k. Employees' Retirement Benefits — The Company has a contributory funded pension plan covering substantially all of its employees.

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

Unrecognized actuarial gains and losses are amortized subsequent to the year in which they arise on a straight-line basis over a period of 10 years, which is within the employees' average remaining service years. Unrecognized past service costs have been amortized on a straight-line basis over a period of 10 years, which is within the employees' average remaining service years.

In May 2012, the ASBJ issued ASBJ Statement No. 26, "Accounting Standard for Retirement Benefits" and ASBJ Guidance No. 25, "Guidance on Accounting Standard for Retirement Benefits," which replaced the accounting standard for retirement benefits that had been issued by the Business Accounting Council in 1998 with an effective date of April 1, 2000, and the other related practical guidance, and were followed by partial amendments from time to time through 2009.

(a) Under the revised accounting standard, actuarial gains and losses and past service costs that are yet to be recognized in profit or loss are recognized within equity (accumulated other comprehensive income), after adjusting for tax effects, and any resulting deficit or surplus is recognized as a liability (liability for retirement benefits) or asset (asset for retirement benefits).

(b) The revised accounting standard does not change how to recognize actuarial gains and losses and past service costs in profit or loss. Those amounts are recognized in profit or loss over a certain period no longer than the expected average remaining service period of the employees. However, actuarial gains and losses and past service costs that arose in the current period and have not yet been recognized in profit or loss are included in other comprehensive income and actuarial gains and losses and past service costs that were recognized in other comprehensive income in prior periods and then recognized in profit or loss in the current period shall be treated as reclassification adjustments (see Note 15).

(c) The revised accounting standard also made certain amendments relating to the method of attributing expected benefit to periods and relating to the discount rate and expected future salary increases.

This accounting standard and the guidance for (a) and (b) above are effective for the end of annual periods beginning on or after April 1, 2013, and for (c) above are effective for the beginning of annual periods beginning on or after April 1, 2014, or for the beginning of annual periods beginning on or after April 1, 2015, subject to certain disclosure in March 2015, both with earlier application being permitted from the beginning of annual periods beginning on or after April 1, 2013. However, no retrospective application of this accounting standard to consolidated financial statements in prior periods is required.

The Company applied the revised accounting standard and guidance for retirement benefits for (a) and (b) above, effective March 31, 2014, and for (c) above, effective April 1, 2014.

With respect to (c) above, the Company changed the method of attributing the expected benefit to periods from a straight-line basis to a benefit formula basis, the method of determining the discount rate from using the period which approximates the expected average remaining service period to using a single weighted average discount rate reflecting the estimated timing and amount of benefit payment, and recorded the effect of (c) above as of April 1, 2014, in retained earnings. As a result, retained earnings as of April 1, 2014, decreased by ¥1,207 million.

l. Asset Retirement Obligations — In March 2008, the ASBJ issued 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 normal operation of a tangible fixed asset and is associated with the retirement of such tangible fixed asset. The asset retirement obligation is recognized as the sum of the discounted cash flows required for the future asset retirement and is recorded in the period in which the obligation is incurred if a reasonable estimate can be made. If a reasonable estimate of the asset retirement obligation cannot be made in the period the asset retirement obligation is incurred, the liability should be recognized when a reasonable estimate of the asset retirement obligation can be made. Upon initial recognition of a liability for an asset retirement obligation, an asset retirement cost is capitalized by increasing the carrying amount of the related fixed asset by the amount of the liability. The asset retirement cost is subsequently allocated to expense through depreciation over the remaining useful life of the asset. Over time, the liability is accreted to its present value each period. Any subsequent revisions to the timing or the amount of the original estimate of undiscounted cash flows are reflected as an adjustment to the carrying amount of the liability and the capitalized amount of the related asset retirement cost.

m. Construction Contracts — 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 this accounting standard, construction revenue and construction costs should be recognized 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 is deemed to be estimated reliably. If the outcome of a construction contract cannot be reliably estimated, the completed-contract method should be applied. When it is probable that the total construction costs will exceed total construction revenue, an estimated loss on the contract should be immediately recognized by providing for a loss on construction contracts.

The revenues recognized by the percentage-of-completion method for the years ended March 31, 2016 and 2015 were ¥190,041 million ($1,686,408 thousand) and ¥189,458 million, respectively.

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 income tax rates to the temporary differences.

o. Derivatives and Hedging Activities — The Group uses derivative financial instruments to manage its exposures to fluctuations in foreign exchange and interest rates. Currency and interest rate swaps are utilized by the Group to reduce foreign currency exchange and interest rate risks. The Group does not enter into derivatives for trading or speculative purposes.

Currency and interest rate swaps that qualify for hedge accounting and meet specific matching criteria are not remeasured at market value, but the differential paid or received under the swap agreements is recognized and included in interest expense or income, and hedge items denominated in a foreign currency are translated at the contracted rates.

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

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

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

q. Accounting Changes and Error Corrections — In December 2009, the 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 following revision of an accounting standard, the new policy is applied retrospectively unless the revised accounting standard includes specific transitional provisions, in which case the entity shall comply with the specific transitional provisions.
(2) Changes in Presentation:
When the presentation of financial statements is changed, prior-period financial statements are reclassified in accordance with the new presentation.
(3) Changes in Accounting Estimates:
A change in an accounting estimate is accounted for in the period of the change if the change affects that period only, and is accounted for prospectively if the change affects both the period of the change and future periods.
(4) Corrections of Prior-Period Errors:
When an error in prior-period financial statements is discovered, those statements are restated.

3. Marketable and Investment Securities

Marketable and investment securities as of March 31, 2016 and 2015, consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2016	2015	**2016**
Non-current:			
Marketable equity securities	**¥64,696**	¥70,138	**$574,104**
Government and corporate bonds	**117**	118	**1,040**
Non-marketable equity securities and other	**1,210**	1,240	**10,735**
Total	**¥66,023**	¥71,496	**$585,879**

The costs and aggregate fair values of marketable and investment securities at March 31, 2016 and 2015, were as follows:

	Millions of yen			
March 31, 2016	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Securities classified as:				
Available-for-sale:				
Equity securities	¥25,377	¥39,580	¥261	¥64,696
Held-to-maturity:				
Debt securities	117	9	—	126
March 31, 2015				
Securities classified as:				
Available-for-sale:				
Equity securities	¥25,451	¥44,761	¥ 74	¥70,138
Held-to-maturity:				
Debt securities	118	7	—	125

	Thousands of U.S. dollars			
March 31, 2016	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Securities classified as:				
Available-for-sale:				
Equity securities	$225,193	$351,225	$2,314	$574,104
Held-to-maturity:				
Debt securities	1,040	76	—	1,116

The information for available-for-sale securities which were sold during the years ended March 31, 2016 and 2015 is as follows:

	Millions of yen		
March 31, 2016	Proceeds	Realized Gains	Realized Losses
Available-for-sale:			
Equity securities	¥805	¥334	¥—

	Millions of yen		
March 31, 2015	Proceeds	Realized Gains	Realized Losses
Available-for-sale:			
Equity securities	¥263	¥159	¥—

	Thousands of U.S. dollars		
March 31, 2016	Proceeds	Realized Gains	Realized Losses
Available-for-sale:			
Equity securities	$7,142	$2,959	$—

The impairment losses on available-for-sale equity securities for the years ended March 31, 2016 and 2015, were ¥10 million ($86 thousand) and ¥23 million, respectively.

4. Inventories

Inventories at March 31, 2016 and 2015, consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2016	2015	**2016**
Construction projects in progress	**¥4,707**	¥4,962	**$41,766**
Real estate held for sale	**564**	1,318	**5,004**
Development projects in progress	**2,823**	2,283	**25,051**
Other	**523**	494	**4,642**
Total	**¥8,617**	¥9,057	**$76,463**

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."

The Group owns certain rental properties such as residential buildings, warehouses, and land in Osaka and other areas. Some rental warehouses, 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 ¥2,736 million ($24,277 thousand) and ¥2,635 million for the years ended March 31, 2016 and 2015, respectively.

In addition, the carrying amounts, changes in such balances and market prices of such properties were as follows:

				Millions of yen
	Carrying Amount			Fair Value
	April 1, 2015	Increase/ Decrease	March 31, 2016	March 31, 2016
Rental properties	¥30,800	¥643	¥31,443	¥51,416
Rental properties in part	844	(15)	829	6,602
Total	¥31,644	¥628	¥32,272	¥58,018

				Millions of yen
	Carrying Amount			Fair Value
	April 1, 2014	Increase/ Decrease	March 31, 2015	March 31, 2015
Rental properties	¥28,910	¥1,890	¥30,800	¥50,150
Rental properties in part	1,112	(268)	844	6,560
Total	¥30,022	¥1,622	¥31,644	¥56,710

				Thousands of U.S. dollars
	Carrying Amount			Fair Value
	April 1, 2015	Increase/ Decrease	March 31, 2016	March 31, 2016
Rental properties	$273,317	$5,705	$279,022	$456,264
Rental properties in part	7,491	(138)	7,353	58,584
Total	$280,808	$5,567	$286,375	$514,848

Notes:

(1) Carrying amount recognized in the consolidated balance sheets is net of accumulated depreciation and accumulated impairment losses, if any.

(2) Fair value of properties as of March 31, 2016 and 2015, is measured in accordance with real-estate appraisal by real-estate appraisers for primary properties, and the amount measured by the Group is in accordance with its Real-Estate Appraisal Standard for other properties (including those measured using indicators).

6. Short-Term Bank Loans and Long-Term Debt

Short-term bank loans at March 31, 2016 and 2015, consisted of notes to banks and bank overdrafts. The annual interest rates applicable to the short-term bank loans ranged from 0.5% to 1.5% at March 31, 2016 and 0.6% to 1.5% at March 31, 2015.

Long-term debt at March 31, 2016 and 2015, consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2016	2015	**2016**
Loans from banks and other financial institutions, due serially to 2031 with interest rates ranging from 0.6% to 5.6%			
Collateralized	**¥2,007**	¥2,009	**$17,814**
Unsecured	**4,274**	3,184	**37,928**
Obligations under finance leases	**45**	74	**398**
Total	**6,326**	5,267	**56,140**
Less current portion	**(1,134)**	(43)	**(10,071)**
Long-term debt, less current portion	**¥5,192**	¥5,224	**$46,069**

Annual maturities of long-term debt, excluding finance leases (see Note 11), at March 31, 2016, were as follows:

Year Ending March 31	Millions of yen	Thousands of U.S. dollars
2017	¥1,113	$ 9,877
2018	4,010	35,586
2019	9	81
2020	9	78
2021	1,108	9,836
2022 and thereafter	32	284
Total	¥6,281	$55,742

The carrying amounts of assets pledged as collateral for short-term bank loans of ¥3,000 million ($26,622 thousand) and the above collateralized long-term debt at March 31, 2016, were as follows:

	Millions of yen	Thousands of U.S. dollars
Property, plant and equipment—net of accumulated depreciation	¥ 164	$ 1,454
Investment securities	6,104	54,171
Total	¥6,268	$55,625

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 Group 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 a cash balance plan (pension plan linked to the market interest rates) based on the Defined Benefit Corporate Pension Law.

(1) The changes in defined benefit obligations for the years ended March 31, 2016 and 2015, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2016	2015	**2016**
Balance at beginning of year (as previously reported)	**¥23,667**	¥23,918	**$210,017**
Cumulative effect of accounting change	**—**	1,207	**—**
Balance at beginning of year (as restated)	**23,667**	25,125	**210,017**
Current service cost	**1,086**	1,124	**9,632**
Interest cost	**118**	125	**1,050**
Actuarial gains	**(258)**	(365)	**(2,288)**
Benefits paid	**(2,214)**	(2,342)	**(19,644)**
Balance at end of year	**¥22,399**	¥23,667	**$198,767**

(2) The changes in plan assets for the years ended March 31, 2016 and 2015, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2016	2015	**2016**
Balance at beginning of year	**¥25,377**	¥24,353	**$225,192**
Expected return on plan assets	**229**	268	**2,027**
Actuarial gains	**160**	1,205	**1,419**
Contributions from the employer	**1,004**	1,893	**8,912**
Benefits paid	**(2,214)**	(2,342)	**(19,644)**
Balance at end of year	**¥24,556**	¥25,377	**$217,906**

(3) Reconciliation between the liability recorded in the consolidated balance sheet and the balances of defined benefit obligation and plan assets

	Millions of yen		Thousands of U.S. dollars
	2016	2015	**2016**
Defined benefit obligation	**¥22,399**	¥23,667	**$198,767**
Plan assets	**(24,556)**	(25,377)	**(217,906)**
Total	**(2,157)**	(1,710)	**(19,139)**
Unfunded defined benefit obligation	**—**	—	**—**
Net asset arising from defined benefit obligation	**¥(2,157)**	¥(1,710)	**$(19,139)**

	Millions of yen		Thousands of U.S. dollars
	2016	2015	**2016**
Liability for retirement benefits	**¥ —**	¥ —	**$ —**
Asset for retirement benefits	**(2,157)**	(1,710)	**(19,139)**
Net asset arising from defined benefit obligation	**¥(2,157)**	¥(1,710)	**$(19,139)**

(4) The components of net periodic benefit costs for the years ended March 31, 2016 and 2015, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2016	2015	**2016**
Service cost	**¥1,086**	¥1,124	**$9,632**
Interest cost	**118**	125	**1,050**
Expected return on plan assets	**(229)**	(268)	**(2,027)**
Recognized actuarial gains	**(271)**	(113)	**(2,404)**
Amortization of past service costs	**(21)**	(21)	**(188)**
Amortization of transitional obligation	**—**	(55)	**—**
Net periodic benefit costs	**¥ 683**	¥ 792	**$6,063**

(5) Amounts recognized in other comprehensive income (before income tax effect) in respect of defined retirement benefit plans for the years ended March 31, 2016 and 2015

	Millions of yen		Thousands of U.S. dollars
	2016	2015	**2016**
Actuarial gains	**¥147**	¥1,456	**$1,304**
Past service costs	**(21)**	(21)	**(188)**
Transitional obligation	**—**	(55)	**—**
Total	**¥126**	¥1,380	**$1,116**

(6) Amounts recognized in accumulated other comprehensive income (before income tax effect) in respect of defined retirement benefit plans as of March 31, 2016 and 2015

	Millions of yen		Thousands of U.S. dollars
	2016	2015	**2016**
Unrecognized actuarial gains	**¥(2,788)**	¥(2,641)	**$(24,740)**
Unrecognized past service costs	**(42)**	(64)	**(376)**
Total	**¥(2,830)**	¥(2,705)	**$(25,116)**

(7) Plan assets

a. Components of plan assets

Plan assets as of March 31, 2016 and 2015, consisted of the following:

	2016	2015
Debt investments	**45%**	41%
Equity investments	**9**	13
Life insurance general account assets	**32**	32
Others	**14**	14
Total	**100%**	100%

b. Method of determining the expected rate of return on plan assets

The expected rate of return on plan assets is determined considering allocation of plan assets which are expected currently and in the future and the long-term rates of return which are expected currently and in the future from the various components of the plan assets.

(8) Assumptions used for the years ended March 31, 2016 and 2015, are set forth as follows:

	2016	2015
Discount rate	**0.5%**	0.5%
Expected rate of return on plan assets	**0.9**	1.1

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:

a. Dividends

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

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

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

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

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

c. Treasury Stock and Treasury Stock Acquisition Rights

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

9. Income Taxes

The Group is subject to Japanese national and local income taxes which, in the aggregate, resulted in a normal effective statutory tax rate of approximately 33.0% and 35.6% for the years ended March 31, 2016 and 2015, respectively.

The tax effects of significant temporary differences and tax loss carryforwards which resulted in deferred tax assets and liabilities at March 31, 2016 and 2015, are as follows:

	Millions of yen		Thousands of U.S. dollars
	2016	2015	**2016**
Deferred tax assets:			
Tax loss carryforwards	**¥ 4,011**	¥ 5,515	**$ 35,597**
Impairment losses on securities	**2,171**	2,356	**19,264**
Allowance for losses on construction contracts	**1,370**	1,586	**12,160**
Write-down of inventories	**1,349**	1,417	**11,970**
Allowance for doubtful accounts	**1,160**	1,158	**10,298**
Allowance for bonuses	**969**	830	**8,595**
Accrued expenses	**517**	596	**4,584**
Other	**423**	1,406	**3,748**
Less valuation allowance	**(11,929)**	(14,817)	**(105,854)**
Total	**41**	47	**362**
Deferred tax liabilities:			
Net unrealized gains on available-for-sale securities	**(10,975)**	(12,802)	**(97,390)**
Retained earnings appropriated for special allowance	**(1,609)**	(1,711)	**(14,276)**
Asset for retirement benefits	**(660)**	(551)	**(5,857)**
Total	**(13,244)**	(15,064)	**(117,523)**
Net deferred tax liabilities	**¥(13,203)**	¥(15,017)	**$(117,161)**

A reconciliation between the normal effective statutory tax rates and the actual effective tax rates reflected in the accompanying consolidated statement of income for the year ended March 31, 2016, with the corresponding figures for 2015, is as follows:

	2016	2015
Normal effective statutory tax rate	**33.0%**	35.6%
Expenses not deductible for income tax purposes	**0.7**	1.0
Non-taxable income	**(0.8)**	(3.0)
Inhabitant tax per capita	**1.5**	2.5
Special income tax credits	**(1.3)**	(1.7)
Valuation allowance	**(25.1)**	(23.0)
Effect of tax rate reduction	**(0.9)**	(3.3)
Other—net	**0.4**	0.3
Actual effective tax rate	**7.5%**	8.4%

New tax reform laws enacted in 2016 in Japan changed the normal effective statutory tax rate for the fiscal year beginning on or after April 1, 2016, to 30.8% and for the fiscal year beginning on or after April 1, 2018, to 30.6%. The effect of these changes was to decrease deferred tax liabilities, net of deferred tax assets, by ¥690 million ($6,126 thousand) and increase accumulated other comprehensive income for unrealized gain on available-for-sale securities by ¥574 million ($5,092 thousand) and defined retirement benefit plan by ¥35 million ($306 thousand) in the consolidated balance sheet as of March 31, 2016, and to decrease income taxes-deferred in the consolidated statement of income for the year then ended by ¥82 million ($728 thousand).

10. Research and Development Costs

Research and development costs charged to income were ¥788 million ($6,996 thousand) and ¥651 million for the years ended March 31, 2016 and 2015, 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, 2016 and 2015, were ¥25 million ($219 thousand) and ¥31 million, respectively.

Obligations under finance leases at March 31, 2016 and 2015, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2016	2015	**2016**
Due within one year	**¥22**	¥32	**$194**
Due after one year	**23**	42	**204**
Total	**¥45**	¥74	**$398**

(2) Operating leases

Future minimum lease receivables or payments under noncancelable operating leases at March 31, 2016 and 2015, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2016	2015	**2016**
As a lessor:			
Due within one year	**¥ 2,214**	¥ 2,100	**$ 19,648**
Due after one year	**17,416**	18,303	**154,545**
Total	**¥19,630**	¥20,403	**$174,193**
As a lessee:			
Due within one year	**¥ 101**	¥ 94	**$ 898**
Due after one year	**847**	928	**7,513**
Total	**¥ 948**	¥ 1,022	**$ 8,411**

12. Financial Instruments and Related Disclosures

(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 its ongoing operations. Derivatives are used, not for speculative purposes, but to manage its exposure to fluctuations in foreign currency exchange and interest rates.

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

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

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

(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 determining customers' circumstances from the phase of accepting orders to that of collection of the receivables, along with monitoring of payment term and balances of each transaction.

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

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

Long-term debt denominated in foreign currencies is exposed to fluctuations in market interest rates and foreign exchange rates. The Group utilizes derivative instruments (currency and interest rate swaps contracts) as hedging instruments to manage these market risks. The hedge accounting method is described in Note 2.o.

Please see Note 13 for more details about derivatives.

Liquidity risk management

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

(4) Fair values of financial instruments

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

(a) Fair value of financial instruments

			Millions of yen
March 31, 2016	Carrying Amount	Fair Value	Unrealized Gain/Loss
Cash and cash equivalents and time deposits	¥ 25,854	¥ 25,854	¥—
Receivables—trade notes and accounts	113,191		
Allowance for doubtful receivables	(1,591)		
Net	111,600	111,600	—
Investment securities	64,813	64,822	9
Long-term loans receivable	101		
Allowance for doubtful long-term loans receivable	(1)		
Net	100	105	5
Total	¥202,367	¥202,381	¥14
Short-term bank loans	¥ 15,766	¥ 15,766	¥—
Long-term bank loans	5,100	5,119	19
Payables—trade notes and accounts	54,034	54,034	—
Long-term debt—lease obligation including current portion	45	44	(1)
Total	¥ 74,945	¥ 74,963	¥18
Derivatives	¥ —	¥ —	¥—

			Millions of yen
March 31, 2015	Carrying Amount	Fair Value	Unrealized Gain/Loss
Cash and cash equivalents and time deposits	¥ 27,932	¥ 27,932	¥—
Receivables—trade notes and accounts	101,836		
Allowance for doubtful receivables	(1,491)		
Net	100,345	100,330	(15)
Investment securities	70,255	70,262	7
Long-term loans receivable	112		
Allowance for doubtful long-term loans receivable	(1)		
Net	111	114	3
Total	¥198,643	¥198,638	¥ (5)
Short-term bank loans	¥ 13,646	¥ 13,646	¥—
Long-term bank loans	5,100	5,106	6
Payables—trade notes and accounts	53,860	53,860	—
Long-term debt—lease obligation including current portion	74	72	(2)
Total	¥ 72,680	¥ 72,684	¥ 4
Derivatives	¥ —	¥ —	¥—

March 31, 2016	Thousands of U.S. dollars Carrying Amount	Fair Value	Unrealized Gain/Loss
Cash and cash equivalents and time deposits	$ 229,423	$ 229,423	$ —
Receivables—trade notes and accounts	1,004,443		
Allowance for doubtful receivables	(14,112)		
Net	990,331	990,331	—
Investment securities	575,145	575,221	76
Long-term loans receivable	898		
Allowance for doubtful long-term loans receivable	(10)		
Net	888	932	44
Total	$1,795,787	$1,795,907	$120
Short-term bank loans	$ 139,905	$ 139,905	$ —
Long-term bank loans	45,257	45,430	173
Payables—trade notes and accounts	479,492	479,492	—
Long-term debt—lease obligation including current portion	398	388	(10)
Total	$ 665,052	$ 665,215	$163
Derivatives	$ —	$ —	$ —

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.

Marketable securities and investment securities

The fair values of marketable securities and 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. Fair value information for the marketable securities and 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 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.

Long-term bank loans

The fair values of long-term bank loans are determined by the present value calculated by discounting the total amount of the principal and interest expense at the interest rate considering the remaining maturities of the loans and credit risk of the Company. The carrying values of bank loans with floating interest rates approximate fair value because they reflect market interest rates and the credit position of the Company does not change significantly after the execution.

Derivatives

Fair value information for derivatives is included in Note 13.

(b) Carrying amount of financial instruments whose fair value cannot be reliably determined

	Millions of yen		Thousands of U.S. dollars
	2016	2015	**2016**
Investments in equity instruments that do not have a quoted market price in an active market	**¥1,438**	¥1,460	**$12,758**

(5) Maturity Analysis for Financial Assets and Securities with Contractual Maturities

				Millions of yen
March 31, 2016	Due in 1 Year or Less	Due after 1 Year through 5 Years	Due after 5 Years through 10 Years	Due after 10 Years
Cash and cash equivalents and time deposits	¥ 25,854	¥ —	¥ —	¥—
Receivables—trade notes and accounts	107,231	5,960	—	—
Investment securities				
Available-for-sale securities with contractual maturities	—	—	124	—
Long-term loans receivable	—	66	87	27
Total	¥133,085	¥6,026	¥211	¥27

				Thousands of U.S. dollars
March 31, 2016	Due in 1 Year or Less	Due after 1 Year through 5 Years	Due after 5 Years through 10 Years	Due after 10 Years
Cash and cash equivalents and time deposits	$ 229,423	$ —	$ —	$ —
Receivables—trade notes and accounts	951,558	52,885	—	—
Investment securities				
Available-for-sale securities with contractual maturities	—	—	1,101	—
Long-term loans receivable	—	592	768	240
Total	$1,180,981	$53,477	$1,869	$240

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

13. Derivatives

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

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

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

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

Derivative transactions to which hedge accounting is not applied:
There were no derivative transactions to which hedge accounting is not applied at March 31, 2016 and 2015.

Derivative transactions to which hedge accounting is applied:

	Millions of yen			
March 31, 2016	Hedged item	Contract amount	Contract amount due after one year	Fair value
Currency and interest rate swaps Floating-rate receipt, fixed-rate payment Receipt in U.S. dollars, payment in yen	Long-term debt	¥2,000	¥2,000	Note

	Millions of yen			
March 31, 2015	Hedged item	Contract amount	Contract amount due after one year	Fair value
Currency and interest rate swaps Floating-rate receipt, fixed-rate payment Receipt in U.S. dollars, payment in yen	Long-term debt	¥2,000	¥2,000	Note

	Thousands of U.S. dollars			
March 31, 2016	Hedged item	Contract amount	Contract amount due after one year	Fair value
Currency and interest rate swaps Floating-rate receipt, fixed-rate payment Receipt in U.S. dollars, payment in yen	Long-term debt	$17,748	$17,748	Note

Note:
Currency and interest rate swaps which qualify for hedge accounting and meet specific matching criteria are not remeasured at market value but the differential paid or received under the swap agreement is recognized and included in interest expense or income. The fair value of such currency and interest rate swaps is included in those of the hedged items (i.e., long-term debt) in Note 12.

14. Commitments and Contingent Liabilities

Land in the amount of ¥21 million ($185 thousand) is pledged for the deposit received from lessee related to the fixed-term land leasehold at March 31, 2016. Land in the amount of ¥1,461 million ($12,968 thousand) and buildings in the amount of ¥1,337 million ($11,865 thousand) are pledged as construction assistance funds pursuant to building lease contracts at March 31, 2016. Time deposits in the amount of ¥49 million ($433 thousand) are pledged for the guarantee against defect of construction contracts at March 31, 2016. Investment securities in the amounts of ¥117 million ($1,040 thousand), ¥16 million ($140 thousand) and ¥111 million ($982 thousand) are pledged as collateral for the guarantee against defect of house construction, contract performance obligation of private finance initiative (PFI) business and the loans of an affiliate, respectively, at March 31, 2016.

15. Other Comprehensive Income (Loss)

The components of other comprehensive income (loss) for the years ended March 31, 2016 and 2015, were as follows:

	Millions of yen		Thousands of U.S. Dollars
	2016	2015	**2016**
Unrealized gain on available-for-sale securities			
Gains arising during the year	**¥(5,104)**	¥11,878	**$(45,288)**
Reclassification adjustments to profit or loss	**(264)**	(136)	**(2,341)**
Amount before income tax effect	**(5,368)**	11,742	**(47,629)**
Income tax effect	**1,828**	(2,627)	**16,219**
Total	**¥(3,540)**	¥ 9,115	**$(31,410)**
Defined retirement benefit plans			
Adjustments arising during the year	**¥ 418**	¥ 1,570	**$ 3,707**
Reclassification adjustments to profit or loss	**(292)**	(190)	**(2,591)**
Amount before income tax effect	**126**	1,380	**1,116**
Income tax effect	**(110)**	(395)	**(970)**
Total	**¥ 16**	¥ 985	**$ 146**
Total other comprehensive income (loss)	**¥(3,524)**	¥10,100	**$(31,264)**

16. Subsequent Event

Appropriation of Retained Earnings

The following appropriation of retained earnings at March 31, 2016, was approved at the Company's shareholders' meeting held on June 29, 2016.

	Millions of yen	Thousands of U.S. dollars
Year-end cash dividends, ¥21 ($0.19) per share	¥4,184	$37,128

17. Segment Information

1. Description of Reportable Segments

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

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 with 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

2016	Reportable segment: Civil engineering	Reportable segment: Architectural construction	Reportable segment: Real estate	Reportable segment: Total	Other (Note 1)	Total	Reconciliations (Note 2)	Consolidated (Note 3)
Sales								
Sales to external customers	¥80,258	¥114,920	¥5,194	¥200,372	¥4,919	¥205,291	¥ —	¥205,291
Intersegment sales or transfers	—	—	27	27	655	682	(682)	—
Total	80,258	114,920	5,221	200,399	5,574	205,973	(682)	205,291
Segment profit	1,947	3,248	3,111	8,306	107	8,413	10	8,423
Other:								
Depreciation	¥ 207	¥ 257	¥ 391	¥ 855	¥ 16	¥ 871	¥ (7)	¥ 864

Millions of yen

2015	Reportable segment: Civil engineering	Reportable segment: Architectural construction	Reportable segment: Real estate	Reportable segment: Total	Other (Note 1)	Total	Reconciliations (Note 2)	Consolidated (Note 3)
Sales								
Sales to external customers	¥82,514	¥112,238	¥4,967	¥199,719	¥5,549	¥205,268	¥ —	¥205,268
Intersegment sales or transfers	—	—	22	22	329	351	(351)	—
Total	82,514	112,238	4,989	199,741	5,878	205,619	(351)	205,268
Segment profit (loss)	4,725	(3,787)	2,878	3,816	225	4,041	11	4,052
Other:								
Depreciation	¥ 243	¥ 236	¥ 368	¥ 847	¥ 8	¥ 855	¥ (7)	¥ 848

Thousands of U.S. dollars

2016	Reportable segment: Civil engineering	Reportable segment: Architectural construction	Reportable segment: Real estate	Reportable segment: Total	Other (Note 1)	Total	Reconciliations (Note 2)	Consolidated (Note 3)
Sales								
Sales to external customers	$712,198	$1,019,793	$46,087	$1,778,078	$43,658	$1,821,736	$ —	$1,821,736
Intersegment sales or transfers	—	—	245	245	5,808	6,053	(6,053)	—
Total	712,198	1,019,793	46,332	1,778,323	49,466	1,827,789	(6,053)	1,821,736
Segment profit	17,275	28,822	27,607	73,704	951	74,655	93	74,748
Other:								
Depreciation	$ 1,838	$ 2,277	$ 3,473	$ 7,588	$ 145	$ 7,733	$ (62)	$ 7,671

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 machinery and materials.
2. Reconciliations to segment profit (loss) in the amount of ¥10 million ($93 thousand) and ¥11 million for the years ended March 31, 2016 and 2015, respectively, include 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.

Deloitte.

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of Okumura Corporation:

We have audited the accompanying consolidated balance sheet of Okumura Corporation and its consolidated subsidiaries as of March 31, 2016, and the related consolidated statements of income, comprehensive income, changes in equity, and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information, all expressed in Japanese yen.

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

Auditor's Responsibility
Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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 its consolidated subsidiaries as of March 31, 2016, and the consolidated results of their operations and their cash flows for the year then ended in accordance with accounting principles generally accepted in Japan.

Convenience Translation
Our audit also comprehended the translation of Japanese yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made in accordance with the basis stated in Note 1 to the consolidated financial statements. Such U.S. dollar amounts are presented solely for the convenience of readers outside Japan.

Deloitte Touche Tohmatsu LLC

June 29, 2016

Member of
Deloitte Touche Tohmatsu Limited

Breakdown of Orders (Nonconsolidated)

Okumura Corporation
Year ended March 31, 2016

Construction Orders Awarded

	2016		2015		2016
	Millions of yen	Composition ratio	Millions of yen	Composition ratio	Thousands of U.S. dollars
Civil engineering:					
Domestic:					
Public sector	**¥ 73,126**		¥ 57,339		**$ 648,911**
Private sector	**22,854**		25,201		**202,805**
Overseas	**390**		1,034		**3,464**
Subtotal	**96,370**	**43.3%**	83,574	42.2%	**855,180**
Architectural construction:					
Domestic:					
Public sector	**41,167**		41,427		**365,315**
Private sector	**85,094**		72,775		**755,117**
Overseas	**3**		53		**21**
Subtotal	**126,264**	**56.7**	114,255	57.8	**1,120,453**
Total:					
Domestic:					
Public sector	**114,293**		98,766		**1,014,226**
Private sector	**107,948**		97,976		**957,922**
Overseas	**393**		1,087		**3,485**
Total	**¥222,634**	**100 %**	¥197,829	100 %	**$1,975,633**

Net Sales

	2016		2015		2016
	Millions of yen	Composition ratio	Millions of yen	Composition ratio	Thousands of U.S. dollars
Projects completed:					
Civil engineering:					
Domestic:					
Public sector	**¥ 60,833**		¥ 62,781		**$ 539,825**
Private sector	**19,413**		16,964		**172,271**
Overseas	**12**		2,769		**102**
Subtotal	**80,258**	**39.9%**	82,514	41.2%	**712,198**
Architectural construction:					
Domestic:					
Public sector	**35,370**		47,382		**313,866**
Private sector	**79,085**		64,218		**701,795**
Overseas	**465**		638		**4,132**
Subtotal	**114,920**	**57.2**	112,238	56.1	**1,019,793**
Subtotal:					
Domestic:					
Public sector	**96,203**		110,163		**853,691**
Private sector	**98,498**		81,182		**874,066**
Overseas	**477**		3,407		**4,234**
Subtotal	**195,178**	**97.1**	194,752	97.3	**1,731,991**
Real estate and other	**5,929**	**2.9**	5,426	2.7	**52,613**
Total	**¥201,107**	**100 %**	¥200,178	100 %	**$1,784,604**

Year-end Backlog

	2016		2015		2016
	Millions of yen	Composition ratio	Millions of yen	Composition ratio	Thousands of U.S. dollars
Civil engineering:					
Domestic:					
Public sector	**¥ 96,505**		¥ 84,212		**$ 856,379**
Private sector	**24,202**		20,761		**214,760**
Overseas	**405**		26		**3,594**
Subtotal	**121,112**	**48.0%**	104,999	46.7%	**1,074,733**
Architectural construction:					
Domestic:					
Public sector	**64,742**		58,945		**574,514**
Private sector	**66,212**		60,203		**587,562**
Overseas	**98**		561		**868**
Subtotal	**131,052**	**52.0**	119,709	53.3	**1,162,944**
Total:					
Domestic:					
Public sector	**161,247**		143,157		**1,430,893**
Private sector	**90,414**		80,964		**802,322**
Overseas	**503**		587		**4,462**
Total	**¥252,164**	**100 %**	¥224,708	100 %	**$2,237,677**

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

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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, 2016)

Directors

President and Representative Director
Takanori Okumura

Representative Director
Takaiku Hirako

Directors
Makoto Tsuchiya
Seiichi Fujioka
Yuichi Mizuno
Keiji Yamaguchi
Atsushi Tanaka

Director (Full-time Audit and Supervisory Committee Member)
Hironobu Kozai

Directors (Audit and Supervisory Committee Member)
Kiyoshi Saito
Kazuo Tsuji
Shuji Abe
Hiroyo Yashiro

Note: Kiyoshi Saito, Kazuo Tsuji, Shuji Abe and Hiroyo Yashiro are outside directors.

Executive Officers

Executive Vice Presidents
Takaiku Hirako*
Makoto Tsuchiya*
Wataru Watanabe

Senior Managing Executive Officers
Hiroomi Iida
Seiichi Fujioka*
Yuichi Mizuno*
Keiji Yamaguchi*

Managing Executive Officers
Hirokazu Oishi
Toshio Kobayashi
Yutaka Maruyama
Hitoshi Miyamoto

Executive Officers
Takeshi Kurita
Takanori Hayashi
Noriyuki Machida
Kenji Kotera
Osamu Harada
Atsushi Tanaka*
Syunso Iijima
Hiromu Miyazaki
Akira Tanaka
Masaaki Iwakura
Kaoru Kuniyuki

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

Investor Information

(As of March 31, 2016)

Corporate Data

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

Established
February 22, 1907

Capital
¥19.8 billion

Group Employees
1,989

Stock Information

Stock Exchange Listings
Tokyo

Transfer Agent
Sumitomo Mitsui Trust Bank, Limited

Major Shareholders

Shareholder	Shares held (thousands)	Percentage of total
Okumura Corporation (Treasury stock)	29,089	12.74%
Japan Trustee Services Bank, Ltd. (Trust Account)	12,127	5.31
Okumura Employees' Shareholding Association	7,355	3.22
Northern Trust Co. (AVFC) Re Silchester International Investors International Value Equity Trust	7,151	3.13
The Master Trust Bank of Japan, Ltd. (Trust Account)	6,656	2.92
Resona Bank, Limited.	6,074	2.66
Sumitomo Realty & Development Co., Ltd.	6,050	2.65
Sumitomo Mitsui Banking Corporation	5,568	2.44
BBH Boston Custodian For Blackrock Global Allocation Fund, Inc. 620313	5,152	2.26
Northern Trust Co. (AVFC) Re U.S. Tax Exempted Pension Funds	4,248	1.86
Nippon Life Insurance Company	3,215	1.41

OKUMURA CORPORATION

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Printed in Japan