



Okumura Corporation

Annual Report 2006



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

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

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

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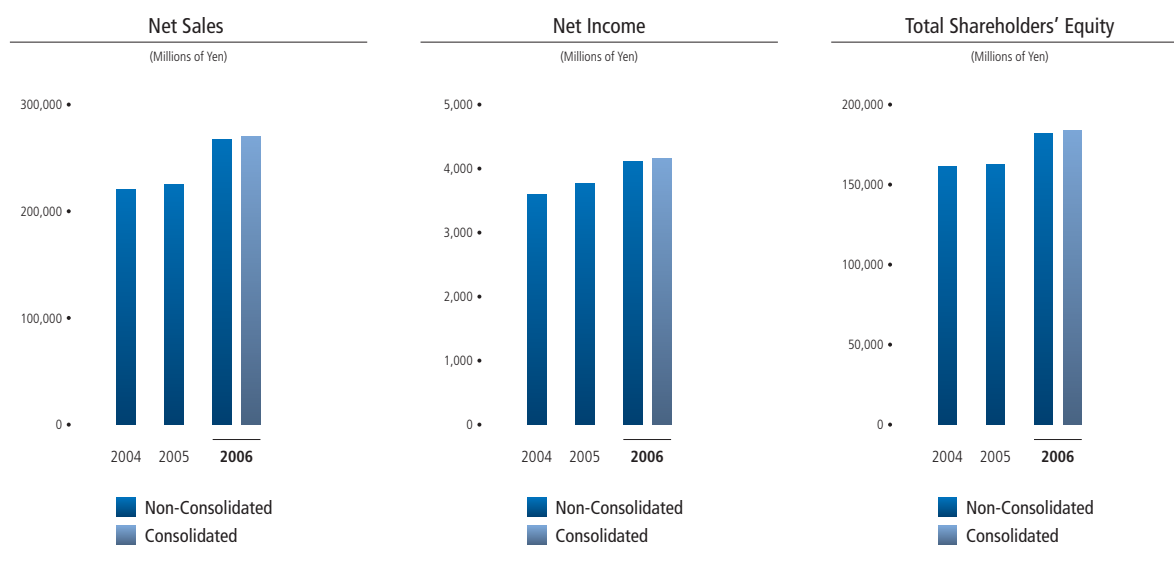
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Disclaimer Regarding Forecasts and Projections

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.

For the years ended March 31	2006	2005	2004	2006	
Consolidated:	Millions of Yen			Thousands of U.S. Dollars	
Net sales	¥269,888	—	—	\$2,297,503	
Operating income	3,889	—	—	33,107	
Net income	4,161	—	—	35,419	
Total assets	437,155	—	—	3,721,422	
Total shareholders' equity	183,689	—	—	1,563,713	
Per Share:	Yen			U.S. Dollars	
Basic net income	¥ 20.27	—	—	\$0.17	
Non-Consolidated:	Millions of Yen			Thousands of U.S. Dollars	Year-on-year Growth (%)
Net sales	¥266,836	¥225,543	¥220,296	\$2,271,529	+18.3
Operating income	3,953	3,806	5,845	33,647	+3.8
Net income	4,110	3,761	3,594	34,986	+9.3
Total assets	433,530	423,430	399,627	3,690,562	+2.4
Total shareholders' equity	181,877	162,834	161,367	1,548,288	+11.7
Per Share:	Yen			U.S. Dollars	
Basic net income	¥20.02	¥18.11	¥17.07	\$0.17	+10.5

Notes: 1. Prior-year comparative financial statements are not shown, since the consolidated financial statements are adopted from this fiscal year.
 2. 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, 2006, of ¥117.47=U.S.\$1.



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

A general overview of business performance for the period to March 2006 (April 1, 2005 to March 31, 2006) is provided in the following sections.

Fiscal 2006 Results

During the period under review, Japan's economy was characterized by a return to corporate profitability and continuing strong investment in plants and facilities spurred by the ongoing economic recovery. This was augmented by growth in employment and incomes that is raising consumer spending. Consumer demand is now contributing to a steady economic recovery.

In the construction industry, the slack from reduction in investment in public facilities has been taken up by private-sector investment, with overall investment in construction maintaining previous levels. As a result, the market is set to continue in a state of intense competition.

In these economic conditions, Okumura recorded net sales on a consolidated basis of ¥269,888 million, gross profit of ¥26,699 million and operating income of ¥3,889 million. Net income totaled ¥4,161 million.

On a nonconsolidated basis, private-sector orders grew 0.4% from the previous fiscal year, but orders from the public sector declined 2.4%. As a result, overall orders (from both sectors) decreased 0.4%, to ¥244,097 million.

Nonconsolidated net sales, including sales from the real estate business, came to ¥266,836 million, up 18.3% from the previous fiscal year. However, the gross profit margin declined by 1.9 percentage points, and gross profit decreased 1.2% from the previous fiscal year, to ¥26,309 million. On the positive side, the reduction in selling, general and administrative expenses and the increase in operating income raised net income 9.3% from the previous fiscal year, to ¥4,110 million, marking the second continuous year of growth in income.

Dividends to shareholders for the period under review, based on our corporate policy on profit-sharing, were raised by ¥1 from the previous fiscal year, to ¥10 per share.

Looking Ahead and Key Strategies

While it is true that the domestic economy is enjoying a steady recovery, the construction industry continues to face reductions in spending on public facilities, while strong private-sector investment is affected by concerns over high oil prices and long-term interest rates. With so many negative factors impacting business orders, we expect the current difficult business environment to continue.

Okumura's approach to harsh economic conditions is to take steps to improve competitiveness in the area of civil engineering and construction projects, maintain and increase market share, secure profits and boost overall business performance. The Company is currently focusing on current new construction projects and working to promote a new "renaissance" in the civil engineering field as part of a new initiative.

In its operations, Okumura will concentrate on expanding the technical options available and price competitiveness for its shield tunneling technology and rock tunneling technology in the area of civil engineering. It will take steps to strengthen competitiveness by focusing on its advanced seismic isolation technology, high-rise building technology, and acoustic simulation technology in the area of building construction. Elsewhere, the Company will work aggressively to promote development projects in the environmental and private finance initiative (PFI) fields.

We will adopt measures to boost revenue by strengthening and implementing the framework for applying our vast pool of expertise to find ways to reduce costs and develop value engineering (VE) proposals.

In the area of the Company's organization, we will promote further implementation of the integrated management system spanning the sales and engineering divisions as a way to better meet customer needs.

On February 22, 2007, Okumura will celebrate its 100th anniversary, an event made possible by the continued support and patronage of its shareholders over the years.

For the future, the Company will apply all of its resources in the quest to respond quickly and flexibly to shifting trends and the changing operating environment, and thereby build a strong business foundation in accordance with its corporate philosophy that has endured through the years. This will enable it to maintain the trust and confidence of its shareholders.



With regard to dividends to shareholders, as a sign of gratitude for its shareholders' continued support, the Company will add a commemorative dividend of ¥10 per share in the fiscal year ending March 2007, in accordance with its basic policy on profit-sharing.

The Company looks forward to the continued support and patronage of its shareholders.

June 2006

Takanori Okumura

Takanori Okumura
President and Representative Director

Major Projects Completed



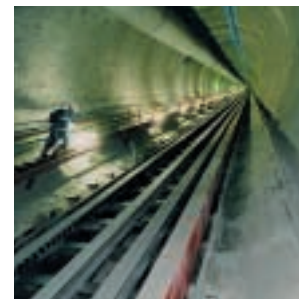
Plané Renai Springs Tower Osaka

Work period: November 2003 to January 2006
 Structure: RC
 Total floor area: 29,407m²



Tunnel construction for the contour drainage canal at the Oh-otoshi-Furutone River

Work period: October 2001 to October 2005
 Structure: Slurry shield method
 Total length: 385m
 Inside diameter: 6,500m²



Civil engineering works (hydraulic pressure pipeline section) for the Kannagawa Power Plant Construction Project (Phase I)

Work period: March 1997 to December 2005
 Structure: Full-face inclined shaft TBM method
 Inclination angle: 48 degrees
 Total length: 961m
 Inside diameter: 6,600m²



The Sapporo Tower Kotoni

Work period: May 2003 to March 2006
 Structure: RC
 Total floor area: 30,894m²



Restoration work for the Ohashi Roka of historic Wakayama Castle

Work period: October 2003 to March 2006
 Structure: Wooden structure
 Total floor area: 76m²



Kyoritsu Chemical & Co., Ltd. Kisarazu R&D Center

Work period: October 2004 to January 2006
 Structure: RC, seismically isolated structure
 Total floor area: 7,998m²



Construction of Daini-Tomei Expressway Kanaya Tunnel East (No. 3)

Work period: December 2002 to December 2005
 Structure: NATM method
 Total length: 2,450m

Orders Received



NFC Bldg. Construction

Work period: November 2005 to March 2007
 Structure: Prestressed concrete (partially S structure),
 Seismic isolation building
 Total floor area: 19,547m²



Kamagaya General Hospital Construction

Work period: March 2006 to August 2007
 Structure: RC
 Total floor area: 45,763m²



Spacia Meguro Tower Construction

Work period: December 2005 to February 2008
 Structure: RC (PCa method)
 Total floor area: 21,948m²
 Residential unites: 183



Hikifune Ekimae Area, 1 Block Residential Buildings Construction redevelopment project

Work period: October 2005 to July 2008
 Structure: RC (PCa method)
 Total floor area: 55,916m²
 Residential unites: 557



Horokanai Tunnel Construction (Fukagawa City) on Ordinary National Road No. 275

Work period: November 2005 to March 2009
 Tunnel length: 1,241m



Tochiyama construction of head works for agricultural water utilization project at Oigawa River artificial ditch (first phase)

Work period: October 2005 to June 2007
 Embankment length: 38.5m



Hokuriku Shinkansen (Kurobe-Toyama) Uozu Tunnel No. 1

Work period: August 2004 to December 2007
 Tunnel boring: 1,055m
 Bridge construction: 268m



Iwaigawa Embankment Dam Construction

Work period: December 2002 to March 2007
 Embankment height: 55m
 Embankment capacity: 86,400m³
 Embankment length: 180m

Rather than remaining satisfied with the current level of its technology, Okumura strives constantly to promote technical innovation and maintain and improve quality of product and service. In this way, the Company seeks to establish its standing and recognition within society at large.

Release of Free Vibration Tests on the Japan's First Practical Base Isolated Building: Verifying the Performance of Base Isolation Equipment after 20 Years of Service

Okumura took the step of conducting free vibration tests (by mechanically vibrating a building structure) to verify secular changes in the integrity of base isolation equipment (made of laminated rubber) to mark the 20th year following its installation in Japan's first practical application of base isolation technology to the administrative building of Okumura Corporation Technical Research Institute in Tsukuba City, Ibaraki Prefecture, designed and built by Okumura Corporation in 1985. Test results revealed a change in performance approx. one-quarter of the design values, confirming good stability of the equipment. These tests, which involved the unprecedented step of "vibrating a existing building," attracted a wide range of public interest, with Okumura's customers and the media attending to observe the tests firsthand and gather information.



Administrative building of Okumura Corporation Technical Research Institute, Japan's first applicable base isolated building

PFI Project Commencing Soon at the Shonan Eco Center: Construction and Operation of an Organic Material Recycling Center

Construction work has been completed on the Shonan Eco Center, located in Fujisawa City, Kanagawa Prefecture, for the PFI with Shonan PFI Eco-factory Corporation, in which Okumura is participating. Commissioning is currently being conducted for the official opening date of August 1, 2006. The Eco Center, which was established to recycle livestock waste, pruned off branches, food residue and other items generated in Fujisawa City into quality compost, is to be built and operated as a PFI project.



Pipe jacking the world's largest pipe (Inside dia. 3,500 mm) by the tunnel-boring machine of "Yadokari-kun" type

The large "Yadokari-kun" of Earth Pressure Balanced Shield Machine, which was developed as a re-useable structure, was applied to the sewer construction project of Chiba city. The Yadokari-kun developed jointly by Okumura Corporation and Okumura Machinery Corporation was the world's largest tunnel-boring machine based on the rapid tunneling method.



Using Precast (PCa) Outer Shell: Simplifying Utilization of Precast (PCa) Outer Shell Columns

Okumura Corporation and Nippon Concrete Industries Co., Ltd. collaborated to establish the design and construction method for precast reinforced concrete members based on use of thin and hollow, square, precast columns (eco columns), and acquired assessment certification of technology of building construction from General Building Research Corporation of Japan. This construction method enables significant reduction of both manpower and construction times by eliminating the on-site work of placing rebars and formworks.




Installation of eco columns

On February 22, 2007, Okumura Corporation will celebrate the 100th anniversary of its establishment.


1907

- The Company was established on February 22, 1907.
- Tahei Okumura launched the civil contractor business.



1913

- Construction work on the No.3 construction section of the Kaseda Line of the Nansatsu Railway in Kagoshima Prefecture




1921

- Okumura Gumi was launched.
- The Head Office was set up in Shimoda-mura, Kita Katsuragi-gun, Nara Prefecture.


1929

- The Company was inspired to contribute to the construction of new towns as part of the restoration efforts following the Great Kanto Earthquake.
- The new Miyoshibashi Reconstruction Office
- Bridge construction proceeded in three directions from the point where the two rivers meet This steel-plated, three-directional bridge structure was in the news.



1932

- Elevated tracks for Osaka Electric Tramway (forerunner of the Kinki Nippon Railway Co., Ltd.) in the Tsuruhashi district

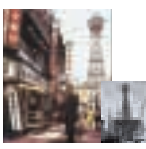


1938

- Okumura Corporation was established.
- Capitalized at ¥480,000, the Corporation appointed Tahei Okumura as its first President. The Head Office was set up in Shimoda-mura, Kita Katsuragi-gun, Nara Prefecture.


1955

- The second-generation Tsutenkaku Tower, a symbol of Osaka. The reconstruction work achieved a great success due to the combined enthusiasm of neighboring residents and Okumura's dedicated effort.




1968

- Osaka Expo Hall



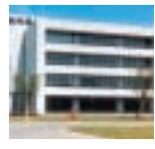
1977

- The Yokohama Stadium




1982

- The Batang Ai Dam (Hydroelectric Power Plant) in Malaysia



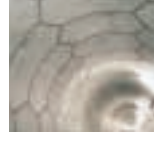
1986

- Ahead of its time, the administrative office of Okumura Corporation Technical Research Institute was completed as Japan's first practical base isolated building.



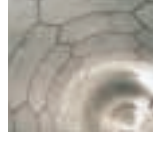
1994

- The Mielparque Nagano (Nagano Postal Savings Hall)



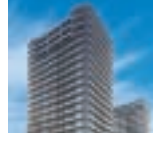
2001

- Okumura received the 3rd Infrastructure Technology Development Highest Award from the Minister of Land, Infrastructure and Transport for the "simultaneous advancing and segment assembly method based on the hexagonal honeycomb segment."



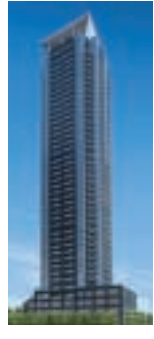
2002

- Ivy Heim Twin Tower, Hokkaido's first base isolated buildings of high-rise condominium (The buildings subsequently showed its advanced seismic isolation capability during the Tokachioki earthquake in September 2003.)



2005

- City Tower Gran Tennoji, a high-rise condominium reaching 161 meters in height, using its seismic isolation technology
- The tunnel for the Chuo Kanjo Shinjuku Line of the Metropolitan Expressway in Tokyo. The work on the 12.02-meter tunnel was carried out using the world's largest shield tunnel-boring machine employing the hexagonal honeycomb segment (tunnel location: between construction sections SJ51 and SJ53).



2007

- **The 100th anniversary of the establishment of Okumura Corporation.**

Consolidated Balance Sheet

Okumura Corporation and Consolidated Subsidiaries
As of March 31, 2006

	Millions of yen	Thousands of U.S. dollars (Note 2)
ASSETS		
Current assets:		
Cash and time deposits (Notes 5 & 9)	¥ 53,760	\$ 457,652
Trade notes and accounts receivable	84,343	717,995
Short-term investments (Notes 5 & 6)	7,819	66,566
Inventories:		
Accumulated costs of uncompleted contracts	113,982	970,306
Other inventories	8,848	75,323
Deferred income taxes (Note 10)	13,352	113,663
Other accounts receivables	23,984	204,169
Others	4,038	34,376
Less: Allowance for doubtful accounts	(4,742)	(40,376)
Total current assets	305,384	2,599,674
Property and equipment (Note 9):		
Buildings	13,394	114,017
Machinery and equipment	10,194	86,781
Land	15,001	127,698
Construction in progress	113	965
Less: Accumulated depreciation	(18,513)	(157,597)
Total property and equipment	20,189	171,864
Investments and other assets:		
Investments in securities (Notes 6 & 9)	103,979	885,155
Long-term receivables	2,517	21,432
Others	5,126	43,637
Less: Allowance for doubtful accounts	(40)	(340)
Total investments and other assets	111,582	949,884
Total assets	¥437,155	\$3,721,422

LIABILITIES, MINORITY INTERESTS AND SHAREHOLDERS' EQUITY	Millions of yen	Thousands of U.S. dollars (Note 2)
Current liabilities:		
Trade notes and accounts payable	¥ 98,267	\$ 836,531
Short-term loans including current portion of long-term debt (Notes 7 & 9)	12,431	105,824
Accrued income taxes (Note 10)	242	2,058
Advances received on uncompleted contracts	88,490	753,301
Allowance for repairs	236	2,010
Allowance for warranty work on construction projects	696	5,921
Allowance for construction loss	1,945	16,553
Others	21,531	183,290
Total current liabilities	223,838	1,905,488
Long-term liabilities:		
Long-term debt (Notes 7 & 9)	583	4,967
Deferred income taxes (Note 10)	19,429	165,397
Accrued severance indemnities (Note 8)	7,877	67,056
Others	14	120
Total long-term liabilities	27,903	237,540
Total liabilities	251,741	2,143,028
Minority interests	1,725	14,681
Commitments and contingent liabilities (Note 11)		
Shareholders' equity:		
Common stock, no par value		
Authorized: 480,376,000 shares		
Issued: 228,326,133 shares	19,839	168,885
Additional paid-in capital	25,326	215,600
Retained earnings	112,974	961,723
Net unrealized gains on securities	36,374	309,646
Less: Treasury stock, at cost		
26,034,460 shares	(10,824)	(92,141)
Total shareholders' equity	183,689	1,563,713
Total liabilities, minority interests and shareholders' equity	¥437,155	\$3,721,422

The accompanying notes are an integral part of these statements.

Consolidated Statement of Income

Okumura Corporation and Consolidated Subsidiaries
For the year ended March 31, 2006

	Millions of yen	Thousands of U.S. dollars (Note 2)
Net sales	¥269,888	\$2,297,503
Cost of sales	243,189	2,070,219
Gross profit	26,699	227,284
Selling, general and administrative expenses (Note 13)	22,810	194,177
Operating income	3,889	33,107
Other income (expenses):		
Dividends	1,364	11,611
Interest income	277	2,360
Interest expenses	(270)	(2,297)
Gain on sales of property and equipment (Note 14)	1,390	11,829
Gain on sales of investments in securities (Note 6)	141	1,198
Gain on redemption of investments in securities	825	7,023
Loss on deduction of carrying amounts of property and equipment	(411)	(3,501)
Other, net	302	2,571
Other income-net	3,618	30,794
Income before income taxes and minority interests	7,507	63,901
Income taxes (Note 10):		
Current	217	1,846
Deferred	3,120	26,561
Total income taxes	3,337	28,407
Minority interests	9	75
Net income	¥ 4,161	\$ 35,419

The accompanying notes are an integral part of these statements.

Consolidated Statement of Shareholders' Equity

Okumura Corporation and Consolidated Subsidiaries
For the year ended March 31, 2006

	Millions of yen					
	Number of shares of common stock issued	Common stock	Additional paid-in capital	Retained earnings	Net unrealized gain on securities	Treasury stock, at cost
BALANCE - APRIL 1, 2005	228,326,133	¥19,839	¥25,325	¥110,695	¥18,056	¥ (9,358)
Net income				4,161		
Cash dividends paid				(1,840)		
Bonus for directors and statutory auditors				(42)		
Gain on sale of treasury stock			1			
Net change in unrealized gain on securities					18,318	
Net change in treasury stock						(1,466)
BALANCE - MARCH 31, 2006	228,326,133	¥19,839	¥25,326	¥112,974	¥36,374	¥(10,824)

	Thousands of U.S. dollars (Note 2)					
	Common stock	Additional paid-in capital	Retained earnings	Net unrealized gain on securities	Treasury stock, at cost	
BALANCE - APRIL 1, 2005	\$168,885	\$215,584	\$942,324	\$153,703	\$(79,661)	
Net income			35,419			
Cash dividends paid			(15,662)			
Bonus for directors and statutory auditors			(358)			
Gain on sale of treasury stock		16				
Net change in unrealized gain on securities				155,943		
Net change in treasury stock						(12,480)
BALANCE - MARCH 31, 2006	\$168,885	\$215,600	\$961,723	\$309,646	\$(92,141)	

The accompanying notes are an integral part of these statements.

Consolidated Statement of Cash Flows

Okumura Corporation and Consolidated Subsidiaries
For the year ended March 31, 2006

	Millions of yen	Thousands of U.S. dollars (Note 2)
Cash flows from operating activities:		
Income before income taxes and minority interests	¥ 7,507	\$ 63,901
Adjustments for:		
Depreciation	559	4,756
Amortization of consolidation differences	(15)	(127)
Decrease in allowance for doubtful accounts	(513)	(4,368)
Decrease in accrued severance indemnities	(624)	(5,312)
Increase in allowance for construction loss	1,944	16,553
Dividends and interest income	(1,641)	(13,971)
Interest expenses	270	2,297
Gain on sales of property and equipment	(1,390)	(11,829)
Loss on deduction of carrying amounts of property and equipment	411	3,501
Gain on sales of securities	(141)	(1,198)
Gain on redemption of investments in securities	(825)	(7,023)
Devaluation of securities	13	111
Increase in trade notes and accounts receivable	(16,864)	(143,567)
Decrease in accumulated costs of uncompleted contracts	8,511	72,456
Decrease in other inventories	1,136	9,671
Decrease in trade notes and accounts payable	(12,424)	(105,768)
Decrease in advances received on uncompleted contracts	(6,950)	(59,163)
Increase in accrued consumption taxes	912	7,765
Bonus paid to directors and statutory auditors	(42)	(358)
Other, net	216	1,838
Subtotal	(19,950)	(169,835)
Dividends and interest received	1,764	15,016
Interest paid	(265)	(2,255)
Income taxes paid	(161)	(1,370)
Net cash used in operating activities	(18,612)	(158,444)
Cash flows from investing activities:		
Net increase in time deposits	13,204	112,405
Payments for purchases of marketable securities and investments in securities	(8,908)	(75,830)
Proceeds from sales of marketable securities and investments in securities	18,145	154,463
Payments for purchases of tangible and intangible fixed assets	(799)	(6,805)
Proceeds from sales of tangible and intangible fixed assets	1,673	14,237
Issuance of loans receivable	(1,518)	(12,921)
Collection of loans receivable	176	1,502
Other, net	1,243	10,582
Net cash provided by investing activities	23,216	197,633
Cash flows from financing activities:		
Net decrease in short-term borrowings	(1,429)	(12,164)
Proceeds from long-term debt	68	577
Repayments of long-term debt	(75)	(633)
Payments for purchases of treasury stock	(1,469)	(12,505)
Proceeds from sales of treasury stock	5	41
Dividends paid	(1,840)	(15,667)
Net cash used in financing activities	(4,740)	(40,351)
Effect of exchange rate changes on cash and cash equivalents	40	346
Net decrease in cash and cash equivalents	(96)	(816)
Cash and cash equivalents at beginning of year	46,181	393,125
Cash and cash equivalents at end of year (Note 5)	¥ 46,085	\$ 392,309

The accompanying notes are an integral part of these statements.

1. Basis of Presenting Consolidated Financial Statements

The accompanying consolidated financial statements have been prepared based on the accounts maintained by Okumura Corporation (the "Company") and its subsidiaries (collectively the "Group") in accordance with the provisions set forth in the Commercial Code of Japan and the Securities and Exchange Law, and in conformity with accounting principles generally accepted in Japan, which are different, in certain respects, from 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 Company's consolidated financial statements issued domestically in order to present them in a format which is more familiar to readers outside Japan.

2. U.S. Dollar Amounts

The accounts of consolidated financial statements presented herein are originally expressed in Japanese yen. The U.S. dollar amounts shown in the accompanying consolidated financial statements and notes thereto have been translated from Japanese yen into U.S. dollars on the basis of ¥117.47 to U.S. \$1, the rate of exchange prevailing at March 31, 2006. These U.S. dollar amounts are not intended to imply that the Japanese yen amounts have been or could be converted, realized or settled in U.S. dollars at this or any other rate.

3. Principles of Consolidation

(1) Scope of Consolidation

The Company had six subsidiaries and an affiliate as at March 31, 2006. The consolidated financial statements included the accounts of the Company and two of its subsidiaries. The accounts of four subsidiaries were not consolidated, as they would not have a material effect on the accompanying consolidated financial statements.

(2) Fiscal Terms of Consolidated Subsidiaries

Fiscal terms of all consolidated subsidiaries were the same as the Company.

(3) Valuation of Assets and Liabilities of Consolidated Subsidiaries

The Company adopted "full fair value method" so that the full portion of the assets and liabilities of the consolidated subsidiaries was measured at their fair value as of the acquisition of the control.

(4) Consolidation Differences

In preparing the consolidated financial statements, difference between the cost of investment and the amount of the underlying equity in net assets of the consolidated subsidiary was deferred and amortized over a period of 5 years on a straight-line basis.

Other negligible differences were fully amortized as they occurred.

(5) Application of Equity Method

The equity method has not been adopted for the non-consolidated subsidiaries and the affiliate, as they would not have a material effect on the accompanying consolidated financial statements.

4. Summary of Significant Accounting Policies

(1) Valuation of Securities

Securities included in short-term investments and investments in securities are stated as follows:

① Held-to-maturity debt securities

Amortized cost method (straight-line method)

② Other securities

Other securities with market quotations are stated at the prevailing market price as at the balance sheet date. Net unrealized gains or losses on these securities are reported net of taxes as a separate component of "Shareholders' Equity". The cost of securities sold is determined based on the moving average cost at the time of sale.

Other securities without market quotations are stated at cost by the moving average method. Equities of limited liability partnerships for investment purpose and of other similar partnerships (defined as "securities" by Section 2 of the Article 2 of the Securities and Exchange Law) are valued at the net equity equivalent based on the recently available financial statements of the partnerships corresponding to the reporting dates of the financial statements defined by the partnership agreements.

(2) Valuation of Inventories

Accumulated costs of uncompleted contracts are stated at cost determined by specific identification method.

Other inventories are also stated at cost by specific identification method.

(3) Depreciation and Amortization of Fixed Assets

① Property and equipment

Property and equipment are principally stated at cost.

Depreciation except for buildings acquired on and after April 1, 1998 is computed in accordance with the declining balance method based on the useful lives and residual value prescribed by the Japanese tax laws. The depreciation of buildings acquired on and after April 1, 1998 is computed on the straight-line method. Deferred gain on land and buildings recognized when acquired is directly deducted from the respective acquisition cost in the amounts of ¥373 million (US\$3,176 thousand) and ¥38 million (US\$325 thousand), respectively. Maintenance and repairs, including minor renewals and improvements, are charged to income as incurred.

② Intangible fixed assets

Intangible fixed assets except for software are amortized by the straight-line method based on the useful lives prescribed by the Japanese tax laws.

Software for in-house use is amortized by the straight-line method based on the estimated useful lives.

(4) Allowance for Doubtful Accounts

Allowance for doubtful accounts of general receivable was established to provide for future losses, which are estimated, based on the past credit loss experience.

In addition, uncollectible amount is estimated individually for doubtful receivable.

(5) Allowance for Repairs

The Group has provided for the anticipated cost of repairing machinery and equipment used for completed construction projects. The amount provided has been included in cost of construction.

(6) Allowance for Warranty Work on Construction Projects

The anticipated cost of warranty work corresponding to the sales of construction for the last twelve months is recorded under this account on the accompanying consolidated balance sheet.

(7) Allowance for Construction Loss

The amount of losses on construction projects that could be expected and reasonably estimated at the end of the fiscal year was reserved in this account.

(8) Accrued Severance Indemnities

Accrued severance benefits for employees are recorded based on the estimated present value of projected benefit obligations in excess of the fair value of the plan assets at the end of the fiscal year.

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

Accrued severance indemnities for directors and statutory auditors are also provided equal to the amount if all such personnel retired on the balance sheet date and are included in accrued severance indemnities in the amount of ¥165 million (US\$1,409 thousand) in the consolidated balance sheet as at March 31, 2006.

(9) Treasury Stock

Treasury stocks owned by the Group are recorded at acquisition cost as a separate component under the Shareholders' Equity. The number of treasury stocks held by the Group as at March 31, 2006 was 26,034,460 common shares.

(10) Leases

Where the financing leases do not transfer ownership of the leased property to the lessee during the terms of the leases, the leased property is not capitalized and the related lease expenses are charged to income in the periods in which they are incurred.

(11) Recognition of Revenues and Related Costs

Revenues and their related costs from construction contracts with construction periods of more than 2 years and contract amounts in excess of ¥5 billion (US\$42,564 thousand) are recognized by the percentage-of-completion method.

Other revenues and their related costs from construction contracts are recognized by the completed-contract method.

(12) Consumption Taxes

The consumption taxes withheld and consumption taxes paid are excluded from revenues and expenses in the accompanying financial statements. The net balance of the consumption taxes withheld and consumption taxes paid is included in current liabilities of the balance sheet as of the end of the fiscal year.

(13) Appropriations of Retained Earnings

Appropriations of retained earnings are accounted for and reflected in the accompanying consolidated financial statements when approved by the shareholders.

(14) Cash and Cash Equivalents

Cash and cash equivalents in the consolidated statement of cash flows consist of cash on hands, bank deposits payable on demand and short-term investments due within three months from acquisition with minor value fluctuation risk.

(15) Income Taxes

The Group is generally subject to national corporate income tax, local inhabitant tax and enterprise tax which are principally based on income.

Deferred income taxes are determined using the assets and liability approach, whereby deferred tax assets and liabilities are recognized in respect of temporary differences between the tax basis of assets and liabilities and those as reported in the financial statements.

(16) Per Share Information

Basic net income per share is computed by dividing net income available to common shareholders by the weighted average number of common shares outstanding for the period, which was 203,225,151 shares for the year ended March 31, 2006. Diluted net income per share is not disclosed because there were no dilutive potential common shares that were outstanding for the year ended March 31, 2006.

5. Cash and Cash Equivalents

The following table represents a reconciliation of cash and cash equivalents at March 31, 2006:

	Millions of yen	Thousands of U.S. dollars
Cash and time deposits	¥53,760	\$457,652
Time deposits maturing over 3 months	(9,675)	(82,364)
Short-term investments redeemable within 3 months from acquisition date	2,000	17,021
Cash and cash equivalents	¥46,085	\$392,309

6. Securities

The book and market values of held-to-maturity debt securities whose fair value were available as at March 31, 2006 were as follows:

	Millions of yen		
	Book value	Market value	Unrealized gains (losses)
Securities with unrealized gains:			
Government and municipal bonds	¥ 600	¥ 600	¥ 0
Corporate bonds	2,907	2,932	25
Sub-total	¥ 3,507	¥ 3,532	¥ 25
Securities with unrealized losses:			
Government and municipal bonds	¥ 4,819	¥ 4,790	¥(29)
Corporate bonds	3,342	3,322	(20)
Sub-total	¥ 8,161	¥ 8,112	¥(49)
Total	¥11,668	¥11,644	¥(24)

	Thousands of U.S. dollars		
	Book value	Market value	Unrealized gains (losses)
Securities with unrealized gains:			
Government and municipal bonds	\$ 5,110	\$ 5,111	\$ 1
Corporate bonds	24,742	24,957	215
Sub-total	\$29,852	\$30,068	\$ 216
Securities with unrealized losses:			
Government and municipal bonds	\$41,026	\$40,773	\$(253)
Corporate bonds	28,447	28,282	(165)
Sub-total	\$69,473	\$69,055	\$(418)
Total	\$99,325	\$99,123	\$(202)

The acquisition cost and book value of other securities whose fair value were available as at March 31, 2006 were as follows:

	Millions of yen		
	Acquisition cost	Book value	Unrealized gains (losses)
Securities with unrealized gains:			
Stocks	¥27,696	¥89,635	¥61,939
Bonds	—	—	—
Sub-total	¥27,696	¥89,635	¥61,939
Securities with unrealized losses:			
Stocks	¥ 723	¥ 667	¥ (56)
Bonds	5,500	4,953	(547)
Sub-total	¥ 6,223	¥ 5,620	¥ (603)
Total	¥33,919	¥95,255	¥61,336

	Thousands of U.S. dollars		
	Acquisition cost	Book value	Unrealized gains (losses)
Securities with unrealized gains:			
Stocks	\$235,768	\$763,044	\$527,276
Bonds	—	—	—
Sub-total	\$235,768	\$763,044	\$527,276
Securities with unrealized losses:			
Stocks	\$ 6,156	\$ 5,678	\$ (478)
Bonds	46,821	42,165	(4,656)
Sub-total	\$ 52,977	\$ 47,843	\$ (5,134)
Total	\$288,745	\$810,887	\$522,142

Proceeds from sales of other securities and related gross realized gains and losses on those sales for the year ended March 31, 2006 were as follows:

	Millions of yen	Thousands of U.S. dollars
Proceeds from sales	¥177	\$1,506
Gross realized gains	141	1,198
Gross realized losses	—	—

Main securities whose fair value is not readily determinable at March 31, 2006 were as follows:

	Millions of yen	Thousands of U.S. dollars
Held-to-maturity securities:		
Commercial paper	¥2,999	\$25,532
Investments in subsidiaries and affiliates:		
Subsidiaries	154	1,311
Affiliates	21	179
Other securities:		
Unlisted stocks	1,494	12,719
Investments in limited liability partnerships and similar agreements	205	1,743
Unlisted preferred equity investments	1	8

The details of maturity dates of held-to-maturity and other securities as at March 31, 2006 were as follows:

	Millions of yen			
	Due within 1 year	Due in 1 to 5 years	Due in 5 to 10 years	Due after 10 years
Bonds:				
Government and municipal bonds	¥3,008	¥2,411	¥—	¥ —
Corporate bonds	1,812	4,438	—	4,953
Others	2,999	—	—	—
Others	—	206	—	—
Total	¥7,819	¥7,055	¥—	¥4,953

	Thousands of U.S. dollars			
	Due within 1 year	Due in 1 to 5 years	Due in 5 to 10 years	Due after 10 years
Bonds:				
Government and municipal bonds	\$25,609	\$20,527	\$—	\$ —
Corporate bonds	15,425	37,782	—	42,165
Others	25,532	—	—	—
Others	—	1,751	—	—
Total	\$66,566	\$60,060	\$—	\$42,165

7. Short-term Loans and Long-term Debt

Short-term loans and long-term debt as at March 31, 2006 consisted of the following:

	Millions of yen	Thousands of U.S. dollars	Average interest rate	Repayment due
Short-term loans	¥12,379	\$105,380	1.3%	
Current portion of long-term debt	52	444	2.4%	
Long-term debt	583	4,967	2.1%	2007-2031
Total	¥13,014	\$110,791		

The aggregate annual maturities of long-term debt at March 31, 2006 were as follows:

Year ending March 31	Millions of yen	Thousands of U.S. dollars
2008	¥52	\$442
2009	50	429
2010	49	418
2011	48	406

8. Accrued Severance Indemnities

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

The reserve for employees' retirement benefits which is recorded under accrued severance indemnities as at March 31, 2006 consisted of the following:

	Millions of yen	Thousands of U.S. dollars
Projected benefit obligations	¥44,517	\$378,962
Plan assets	41,263	351,261
Funded status	3,254	27,701
Unrecognized transition amount	(495)	(4,215)
Unrecognized actuarial differences	(3,963)	(33,731)
	7,712	65,647
Prepaid pension cost	—	—
Accrued severance indemnities	¥ 7,712	\$ 65,647

Net pension expense related to the retirement benefits for the year ended March 31, 2006 was as follows:

	Millions of yen	Thousands of U.S. dollars
Service cost	¥1,581	\$13,459
Interest cost	882	7,512
Expected return on plan assets	(545)	(4,639)
Amortization of transition amount	(55)	(468)
Amortization of actuarial differences	(127)	(1,088)
Net pension expense	¥1,736	\$14,776

Assumptions used in calculation of the above information for the year ended March 31, 2006 were as follows:

Discount rate	2.0%
Expected rate of return on plan assets	1.4%
Method of attributing the projected benefits to periods of services	Straight-line basis
Amortization period of transition amount	15 years
Amortization period of actuarial differences*	10 years

* The actuarial differences are amortized on a straight-line method over 10 years to be within the employees' average remaining service years when incurred and charged to income from the subsequent year.

9. Pledged Assets

The following assets of the Group are pledged as collateral for long-term debt including current portion from financial institutions in the amount of ¥156 million (US\$1,324 thousand) as at March 31, 2006 :

	Millions of yen	Thousands of U.S. dollars
Land	¥ 87	\$ 743
Building	79	668
	¥166	\$1,411

In addition, investments in securities in the amount of ¥54 million (US\$460 thousand) are also pledged as collateral for the loans of an affiliate and time deposits in the amount of ¥33 million (US\$284 thousand) are pledged as guarantee money for construction projects as at March 31, 2006.

10. Income Taxes

The Group is subject to certain different income taxes in Japan, which in the aggregate resulted in normal statutory income tax rate of approximately 40.6%.

The significant components of deferred tax assets and liabilities at March 31, 2006 were as follows:

	Millions of yen	Thousands of U.S. dollars
Deferred tax assets:		
Write-down of inventory	¥ 11,012	\$ 93,741
Reserve for retirement benefits	3,198	27,225
Devaluation of securities	2,177	18,533
Allowance for doubtful accounts	1,212	10,313
Written-off of bad debt	1,135	9,664
Allowance for bonuses	1,011	8,609
Allowance for construction loss	789	6,720
Accrued expenses	758	6,451
Others	743	6,326
Sub-total	22,035	187,582
Valuation allowance	(710)	(6,045)
Total deferred tax assets	21,325	181,537
Deferred tax liabilities:		
Net unrealized gains on other securities	(24,902)	(211,990)
Deferred gain on fixed assets	(2,444)	(20,801)
Special depreciation for tax purpose	(56)	(480)
Total deferred tax liabilities	(27,402)	(233,271)
Net deferred tax liabilities	¥ (6,077)	\$ (51,734)

Reconciliation of the difference between the statutory income tax rate and the effective income tax rate for the year ended March 31, 2006 was as follows:

Statutory income tax rate:	40.6%
Expense not deductible for tax purpose	3.6
Revenue excluded for tax purpose	(1.7)
Inhabitant tax per capita	2.4
Others	(0.4)
Effective income tax rate	44.5%

11. Commitments and Contingent Liabilities

The Group guarantees for the client's bank debt and the buyer's deposits payable amounting to ¥790 million (US\$6,727 thousand) in the aggregate in connection with sales contracts of condominiums which were being constructed by the Group.

12. Leases

Information on finance leases other than those deemed to transfer ownership of the leased assets to the lessee for the years ended March 31, 2006, is summarized as follows:

(1) The acquisition cost (interest expense which did not have a material effect on the accompanying financial statements was included), accumulated depreciation, and net book value as at March 31, 2006 were as follows:

	Millions of yen		
	Acquisition Cost	Accumulated depreciation	Net book value
Machinery and equipment	¥605	¥408	¥197
	Thousands of U.S. dollars		
	Acquisition Cost	Accumulated depreciation	Net book value
Machinery and equipment	\$5,151	\$3,478	\$1,673

(2) Minimum payments under lease contracts with non-cancelable terms (interest expense which did not have a material effect on the accompanying financial statements was included) as at March 31, 2006, were as follows:

	Millions of yen	Thousands of U.S. dollars
Within one year	¥ 65	\$ 551
Over one year	132	1,122
Total	¥197	\$1,673

(3) Lease payments and notional depreciation expenses for the year ended March 31, 2006 were as follows:

	Millions of yen	Thousands of U.S. dollars
Lease expense	¥90	\$763
Notional depreciation	90	763

Notional depreciation expense is computed by the straight-line basis over the lease period based on notional acquisition cost with no residual value.

13. Selling, General and Administrative Expenses

Major components of selling, general and administrative expenses for the year ended March 31, 2006 were as follows:

	Millions of yen	Thousands of U.S. dollars
Employees' salaries and allowances	¥12,215	\$103,984
Retirement benefit expense	1,023	8,705
Provision for allowance for doubtful accounts	368	3,134
Research and development expenses	1,083	9,223

14. Gain or Loss on Property and Equipment

Gains on sales of property and equipment and losses on sales and disposal of property and equipment for the year ended March 31, 2006 were as follows:

	Millions of yen	Thousands of U.S. dollars
Gain on sales of property and equipment:		
Machinery and equipment	¥ 9	\$ 73
Land	1,381	11,756
	¥1,390	\$11,829
Loss on sales of property and equipment:		
Buildings	¥ 1	\$ 5
Machinery and equipment	2	19
	¥ 3	\$ 24
Loss on disposal of property and equipment:		
Buildings	¥ 18	\$ 156
Machinery and equipment	57	480
	¥ 75	\$ 636

15. Derivatives

The Company and its consolidated subsidiaries did not use derivative financial instruments for the year ended March 31, 2006.

16. Per Share Information

Net assets per share at March 31, 2006 and net income per share for the year then ended were as follows:

	Yen	U.S. dollars
Net assets per share	¥907.83	\$7.73
Basic net income per share	20.27	0.17

Basic net income per share was computed based on the net income available for distribution to shareholders of common stock (¥4,119 million or US\$35,061 thousand) and the weighted average number of shares of common stock during the year (203,225,151 shares). Diluted net income per share has been omitted because no potentially dilutive instruments were outstanding during the year ended March 31, 2006.

17. Segment Information

The operating segment information of the Group for the year ended March 31, 2006 was as follows:

For the year ended March 31, 2006	Millions of yen				
	Construction	Other	Total	Eliminations	Consolidated
I. Net sales and operating income					
Customers	¥261,041	¥ 8,847	¥269,888	¥ —	¥269,888
Intersegment or transfer	2	2,355	2,357	(2,357)	—
Total	261,043	11,202	272,245	(2,357)	269,888
Operating expenses	258,863	9,496	268,359	(2,360)	265,999
Operating income	2,180	1,706	3,886	3	3,889
II. Assets, depreciation and capital expenditures					
Assets	405,819	32,683	438,502	(1,347)	437,155
Depreciation	419	140	559	—	559
Capital expenditures	1,085	56	1,141	—	1,141

For the year ended March 31, 2006	Thousands of U.S. dollars				
	Construction	Other	Total	Eliminations	Consolidated
I. Net sales and operating income					
Customers	\$2,222,194	\$ 75,309	\$2,297,503	\$ —	\$2,297,503
Intersegment or transfer	19	20,051	20,070	(20,070)	—
Total	2,222,213	95,360	2,317,573	(20,070)	2,297,503
Operating expenses	2,203,655	80,839	2,284,494	(20,098)	2,264,396
Operating income	18,558	14,521	33,079	28	33,107
II. Assets, depreciation and capital expenditures					
Assets	3,454,664	278,223	3,732,887	(11,465)	3,721,422
Depreciation	3,563	1,193	4,756	—	4,756
Capital expenditures	9,241	475	9,716	—	9,716

Above business segmentation was made taking account of Japan Standard Industry Classification and sales category on the consolidated income statement.

Major components of each business segment are as follows:

Construction: Civil engineering, buildings and other construction projects

Other: Manufacturing and distribution of construction materials and equipment, sales and rentals of real estates, etc.

Segment information by location is omitted because the domestic share against total sales and total assets exceeds 90%.

Overseas sales information is omitted because overseas sales are less than 10% of consolidated sales.

18. Subsequent Events

The following appropriation of retained earnings has been approved by the general meeting of shareholders held on June 29, 2006.

	Millions of yen	Thousands of U.S. dollars
Cash dividends at ¥10 per share	¥2,023	\$17,221
Bonus for directors and statutory auditors	42	358

ChuoAoyama PricewaterhouseCoopers

PRICEWATERHOUSECOOPERS 

Nakanoshima Mitsui Building 16F
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Kita-Ku, Osaka 530-8248 Japan

Report of Independent Auditors

To the Board of Directors and Shareholders of
Okumura Corporation

We have audited the accompanying consolidated balance sheet of Okumura Corporation and its subsidiaries as of March 31, 2006, and the related consolidated statement of income, shareholders' equity, and cash flows for the year then ended, all expressed in Japanese Yen. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

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

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Okumura Corporation and its subsidiaries as of March 31, 2006, and the consolidated results of their operations and their cash flows for the years then ended in conformity with accounting principles generally accepted in Japan.

The amounts expressed in U.S. dollars, which are provided solely for the convenience of the reader, have been translated on the basis set forth in Note 2 to the accompanying consolidated financial statements.

Chuo Aoyama PricewaterhouseCoopers

Osaka, Japan
June 29, 2006

Non-Consolidated Balance Sheets

Okumura Corporation
As of March 31, 2006 and 2005

Thousands of
U.S. dollars
(Note 2)

	Millions of yen		
	2006	2005	2006
ASSETS			
Current assets:			
Cash and time deposits	¥ 53,690	¥ 70,182	\$ 457,056
Trade receivables:			
Notes	20,467	5,731	174,229
Accounts	61,787	60,491	525,977
Short-term investments	7,819	3,221	66,566
Inventories:			
Accumulated costs of uncompleted contracts	114,052	122,564	970,903
Other inventories	7,794	6,923	66,346
Deferred income taxes	13,381	16,786	113,913
Other accounts receivables	24,370	28,194	207,455
Others	7,135	8,227	60,741
Less: Allowance for doubtful accounts	(4,842)	(5,222)	(41,223)
Total current assets	305,653	317,097	2,601,963
Property and equipment:			
Buildings	12,797	12,895	108,942
Machinery and equipment	9,520	11,315	81,040
Land	11,726	13,358	99,821
Construction in progress	113	69	965
Less: Accumulated depreciation	(17,429)	(18,134)	(148,372)
Total property and equipment	16,727	19,503	142,396
Investments and other assets:			
Investments in securities	103,325	82,058	879,590
Investments in subsidiaries and affiliates, at cost	245	245	2,087
Long-term receivables	2,498	2,729	21,264
Others	5,122	3,572	43,601
Less: Allowance for doubtful accounts	(40)	(1,774)	(339)
Total investments and other assets	111,150	86,830	946,203
Total assets	¥433,530	¥423,430	\$3,690,562

LIABILITIES AND SHAREHOLDERS' EQUITY	Millions of yen		Thousands of U.S. dollars
	2006	2005	2006
Current liabilities:			
Trade payables:			
Notes	¥ 16,144	¥ 37,643	\$ 137,429
Accounts	81,289	74,775	691,995
Short-term loans including current portion of long-term debt	13,693	16,856	116,564
Accrued income taxes	240	380	2,047
Accrued expenses	3,455	3,314	29,410
Advances received on uncompleted contracts	88,441	95,412	752,886
Allowance for repairs	236	222	2,010
Allowance for warranty work on construction projects	626	378	5,333
Allowance for construction loss	1,945	—	16,553
Others	17,812	15,536	151,628
Total current liabilities	223,881	244,516	1,905,855
Long-term liabilities:			
Long-term debt	567	573	4,825
Deferred income taxes	19,317	8,378	164,442
Accrued severance indemnities	7,874	7,115	67,032
Others	14	14	120
Total long-term liabilities	27,772	16,080	236,419
Total liabilities	251,653	260,596	2,142,274
Commitments and contingent liabilities			
Shareholders' equity:			
Common stock, no par value			
Authorized: 2006 and 2005 – 480,376,000 shares			
Issued: 2006 and 2005 – 228,326,133 shares	19,839	19,839	168,885
Additional paid-in capital:			
Capital reserve	25,322	25,322	215,563
Gain on sale of treasury stock	4	3	37
Retained earnings:			
Earned reserve	4,960	4,960	42,221
Reserve for various purposes	102,068	100,193	868,883
Unappropriated retained earnings	4,193	3,840	35,698
Net unrealized gains on securities	36,315	18,035	309,142
Less: Treasury stock, at cost			
2006 - 26,034,460 shares			
2005 - 23,891,378 shares	(10,824)	(9,358)	(92,141)
Total shareholders' equity	181,877	162,834	1,548,288
Total liabilities and shareholders' equity	¥433,530	¥423,430	\$3,690,562

Non-Consolidated Statements of Income

Okumura Corporation
For the years ended March 31, 2006 and 2005

	Millions of yen		Thousands of U.S. dollars
	2006	2005	2006
Net sales	¥266,836	¥225,543	\$2,271,529
Cost of sales	240,527	198,917	2,047,569
Gross profit	26,309	26,626	223,960
Selling, general and administrative expenses	22,356	22,820	190,313
Operating income	3,953	3,806	33,647
Other income (expenses):			
Dividends	1,359	991	11,568
Interest income	314	142	2,675
Interest expenses	(299)	(310)	(2,541)
Gain on sales of property and equipment	1,350	2,134	11,493
Gain on sales of investments in securities	141	1,440	1,198
Gain on redemption of investments in securities	825	—	7,023
Loss on deduction of carrying amounts of property and equipment	(411)	(1,330)	(3,501)
Other, net	207	316	1,762
Other income – net	3,486	3,383	29,677
Income before income taxes	7,439	7,189	63,324
Income taxes:			
Current	216	180	1,838
Deferred	3,113	3,248	26,500
Total income taxes	3,329	3,428	28,338
Net income	¥ 4,110	¥ 3,761	\$ 34,986

Per share:

	Yen		U.S. dollars
	¥	¥	\$
Net income	20.02	18.11	0.17
Cash dividends applicable to the period	10.00	9.00	0.09

Breakdown of Orders (Non-Consolidated)

Okumura Corporation
For the years ended March 31, 2006 and 2005

Construction Orders Awarded

	2006		2005		2006
	Millions of yen	Composition ratio	Millions of yen	Composition ratio	Thousands of U.S. dollars
Civil engineering:					
Public sector	¥ 56,964		¥ 59,418		\$ 484,919
Private sector	27,257		25,762		232,036
Subtotal	84,221	34.5%	85,180	34.7%	716,955
Architectural construction:					
Public sector	18,078		17,457		153,901
Private sector	141,798		142,547		1,207,097
Subtotal	159,876	65.5	160,004	65.3	1,360,998
Total:					
Public sector	75,042		76,875		638,820
Private sector	169,055		168,309		1,439,133
Total	¥244,097	100 %	¥245,184	100 %	\$2,077,953

Net Sales

	2006		2005		2006
	Millions of yen	Composition ratio	Millions of yen	Composition ratio	Thousands of U.S. dollars
Projects completed:					
Civil engineering:					
Public sector	¥ 73,113		¥ 71,749		\$ 622,396
Private sector	24,280		27,643		206,696
Subtotal	97,393	36.5%	99,392	44.1%	829,092
Architectural construction:					
Public sector	17,301		24,196		147,279
Private sector	146,349		98,547		1,245,842
Subtotal	163,650	61.3	122,743	54.4	1,393,121
Subtotal:					
Public sector	90,414		95,945		769,675
Private sector	170,629		126,190		1,452,538
Subtotal	261,043	97.8	222,135	98.5	2,222,213
Real estate and other	5,793	2.2	3,408	1.5	49,316
Total	¥266,836	100 %	¥225,543	100 %	\$2,271,529

Year-end Backlog

	2006		2005		2006
	Millions of yen	Composition ratio	Millions of yen	Composition ratio	Thousands of U.S. dollars
Civil engineering:					
Public sector	¥132,844		¥148,994		\$1,130,875
Private sector	56,861		53,884		484,049
Subtotal	189,705	48.9%	202,878	50.2%	1,614,924
Architectural construction:					
Public sector	25,913		25,135		220,596
Private sector	171,951		176,502		1,463,781
Subtotal	197,864	51.1	201,637	49.8	1,684,377
Total:					
Public sector	158,757		174,129		1,351,471
Private sector	228,812		230,386		1,947,830
Total	¥387,569	100 %	¥404,515	100 %	\$3,299,301

Head and Branch Offices

Head Office

2-2-2, Matsuzaki-cho, Abeno-ku,
Osaka 545-8555, Japan
TEL: +81-6-6621-1101 FAX: +81-6-6623-7692

Tokyo Head Office

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

Technical Research Institute

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

Sapporo Branch

1-5, Minami Ichijo Higashi,
Chuo-ku, Sapporo 060-0051, Japan
TEL: +81-11-261-9261 FAX: +81-11-251-5345

Tohoku Branch

2-25, Tsutsumi dori, Amamiya-machi,
Aoba-ku, Sendai 981-8525, Japan
TEL: +81-22-274-1231 FAX: +81-22-275-1844

Tokyo Branch

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

Kitakanto Office

4-26-15, Kishi-cho, Urawa-ku,
Saitama 330-0064, Japan
TEL: +81-48-827-0188 FAX: +81-48-827-0268

Higashikanto Office

18-14, Shinmachi, Chuo-ku,
Chiba 260-0028, Japan
TEL: +81-43-241-2255 FAX: +81-43-244-5911

Yokohama Office

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

Hokuriku Office

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

Nagoya Branch

29-8, Takebashi-cho, Nakamura-ku,
Nagoya 453-8555, Japan
TEL: +81-52-451-1101 FAX: +81-52-451-3264

Kansai Branch

2-2-2, Matsuzaki-cho, Abeno-ku,
Osaka 545-8555, Japan
TEL: +81-6-6621-1101 FAX: +81-6-6623-7692

Kobe Office

2-2-16, Isobedori, Chuo-ku,
Kobe 651-0084, Japan
TEL: +81-78-221-9355 FAX: +81-78-251-3374

Hiroshima Branch

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

Shikoku Branch

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

Kyushu Branch

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

Fukuoka Office

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

Taiwan Branch

13F-5 Da-an Metro, No.6, Sec.4, ShinyiRd.,
Taipei, Taiwan 106, R.O.C
TEL: +886-2-2709-6895
FAX: +886-2-2709-6897

Affiliated Companies

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 /loading machines and
devices

Okumura Machinery Corporation Taiwan

13F-5 Da-an Metro, No.6, Sec.4, ShinyiRd.,
Taipei, Taiwan 106, R.O.C
TEL: +886-2-2709-6895
FAX: +886-2-2709-6897
Business line: Design, manufacture and
distribution of mechanical equipment

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

OST Corporation

2-6-27, Matsuzaki-cho, Abeno-ku,
Osaka 545-0053, Japan
TEL: +81-6-6622-1690 FAX: +81-6-6622-5784
Business line: Execution, consultation and
measurement regarding propulsion, tunneling,
and other types of special construction

OC Corporation

2-2-2, Matsuzaki-cho, Abeno-ku,
Osaka 545-8555, Japan
TEL: +81-6-6625-3598 FAX: +81-6-6623-7459
Business line: Lease

Kamakura PFI Pool Corporation

5-6-1, Shiba, Minato-ku,
Tokyo 108-8381, Japan
TEL: +81-3-3454-9435
Business line: Planning, administration, and
management of sports facilities

Shonan PFI Eco-Factory Corporation

5221-13, Oba, Fujisawa,
Kanagawa 251-0861, Japan
TEL: +81-466-48-1408
Business line: Manufacture and sales of
compost fertilizer

Note: Those companies marked with an
asterisk(*) are consolidated subsidiaries

Board of Directors

(As of June 29, 2006)

Directors and Auditors

President & Representative Director	Takanori Okumura
Representative Director	Yuichi Kanbara
Director	Kunimoto Tanaka
Representative Director	Shigeru Nishinaka
Directors	Yoshihiko Kunii Masakuni Sakurai Kohei Tanaka Hiroki Mizobe Takaiku Hirako
Standing Statutory Auditors	Hideyo Hase Yoshitaka Mikata
Auditors	Hanroku Toriyama Kiyoshi Inazaki Teruyasu Kawamata

Note: Hanroku Toriyama, Kiyoshi Inazaki and Teruyasu Kawamata are outside auditors.

Executive Officers

Executive Vice President	Yuichi Kanbara*
Senior Managing Officers	Kunimoto Tanaka* Shigeru Nishinaka* Yoshihiko Kunii* Masakuni Sakurai* Kohei Tanaka* Hiroki Mizobe*
Managing Officers	Tadashi Hashimoto Yoshikuni Ogi Masamichi Shirahase Yoshiteru Kinoshita
Executive Officers	Kozo Tsukamoto Akiyoshi Hida Mitsuru Takeda Kuniomi Nozawa Takumi Makino Makoto Tsuchiya Kenichiro Minami Takaiku Hirako* Masanori Eguchi Kazuo Takami Koji Imai Norimasa Takahashi Toshio Yamaguchi Tetsuo Ojima Kazuo Okuda Kozo Aoki Kazuhiro Kitazaki Shinichi Okamoto

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

Investor Information

(As of March 31, 2006)

Corporate Data

Head Office

Okumura Corporation.
2-2-2, Matsuzaki-cho, Abeno-ku, Osaka 545-8555, Japan
TEL: +81-6-6621-1101 FAX: +81-6-6623-7692

Established

February 22, 1907

Capital

¥19.8 billion

Group Employees

2,562

Stock Information

Stock Exchange Listings

Tokyo and Osaka

Transfer Agent

The Sumitomo Trust and Banking Co., Ltd.

Major Shareholders

Shareholder	Shares held (thousands)	Percentage of total
Okumura Corporation (Treasury stock)	26,034	11.40%
Okumura Employees' Shareholding Association	7,581	3.32
Resona Bank, Limited.	6,074	2.66
Japan Trustee Services Bank, Ltd. (Trust Account)	5,899	2.58
The Chase Manhattan Bank, N.A. London	5,600	2.45
Sumitomo Mitsui Banking Corporation	5,568	2.44
Sumitomo Realty & Development Co., Ltd.	5,132	2.25
The Master Trust Bank of Japan, Ltd. (Trust Account)	4,626	2.03
Nippon Life Insurance Company	4,593	2.01
BNP Paribas SEC SER London/JAS/ Aberdeen Asset Management PLC/Agency Lending	3,589	1.57



Okumura Corporation.

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