



Okumura Corporation  
Annual Report 2008





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 unflinching support of our customers.

Okumura’s main business activities include construction projects for houses, public facilities, medical facilities, and office buildings. In the area of civil engineering are projects such as rail-ways, roads, power station facilities, sewage and water works, and others. The Company has developed technology at the high-est 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 devel-oped 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 infra-structure 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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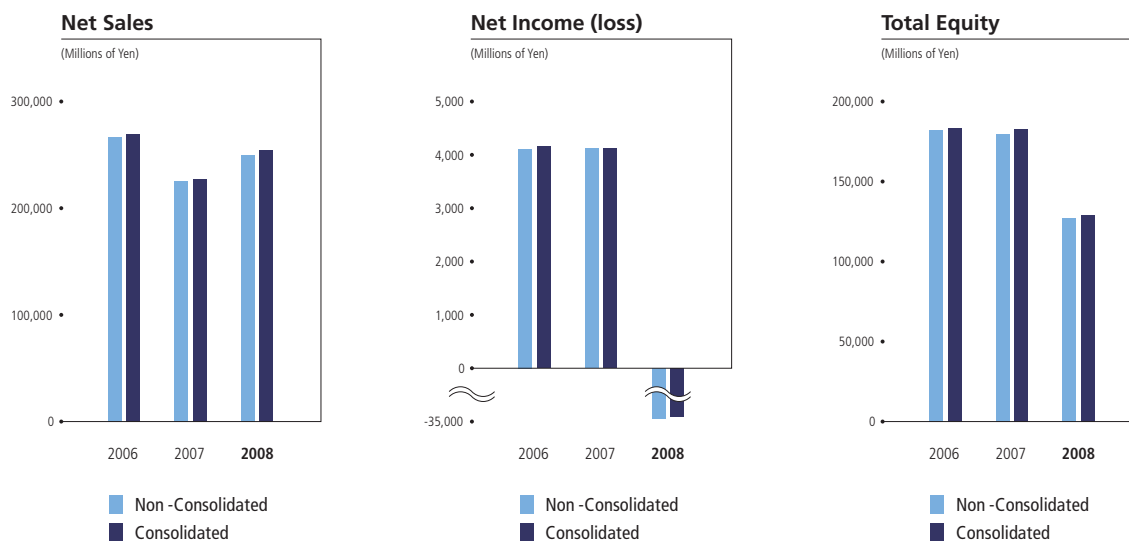
#### Disclaimer Regarding Forecasts and Projections

This Annual Report includes forecasts, projections and other predic-tive statements that represent Okumura’s assumptions and expect-ations 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, pro-jections or predictive statements contained herein.

# FINANCIAL HIGHLIGHTS

For the years ended March 31	2006	2007	2008	2008
<b>Consolidated:</b>	Millions of yen			Thousands of U.S. dollars
Net sales	¥269,888	¥227,770	<b>¥254,090</b>	<b>\$2,536,082</b>
Operating income (loss)	3,889	1,416	<b>(14,618)</b>	<b>(145,902)</b>
Net income (loss)	4,161	4,124	<b>(32,476)</b>	<b>(324,144)</b>
Total assets	437,155	415,647	<b>332,711</b>	<b>3,320,802</b>
Total equity	185,414	182,903	<b>128,820</b>	<b>1,285,757</b>
Per Share:	Yen			U.S. dollars
Basic net income (loss)	¥20.27	¥20.51	<b>¥(162.32)</b>	<b>\$(1.62)</b>
<b>Non-Consolidated:</b>	Millions of yen			Thousands of U.S. dollars
Net sales	¥266,836	¥225,217	<b>¥249,844</b>	<b>\$2,493,703</b>
Operating income (loss)	3,953	1,534	<b>(14,631)</b>	<b>(146,032)</b>
Net income (loss)	4,110	4,115	<b>(32,515)</b>	<b>(324,530)</b>
Total assets	433,530	412,259	<b>328,082</b>	<b>3,274,603</b>
Total equity	181,877	179,494	<b>127,006</b>	<b>1,267,654</b>
Per Share:	Yen			U.S. dollars
Basic net income (loss)	¥20.02	¥20.47	<b>¥(162.51)</b>	<b>\$(1.62)</b>

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, 2008, of ¥100=U.S.\$1.



## TO OUR SHAREHOLDERS



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

A general overview of business performance for the period to March 2008 (April 1, 2007 to March 31, 2008) is provided in the following sections.

### Fiscal 2008 Results

During the period under review, Japan's economy experienced a slowdown in its gradual recovery, as a result of the crisis in financial markets triggered by the U.S. subprime mortgage problem and surging oil prices. The construction industry was severely affected by persistent price hikes in materials, and intense competition continued due to a large decline in housing starts caused by the revised Building Standard Act.

In these circumstances, the Company posted consolidated net sales of ¥254,090 million, consolidated gross profit of ¥6,987 million, a consolidated operating loss of ¥14,618 million, and a consolidated net loss of ¥32,476 million.

On a non-consolidated basis, the Civil Engineering Division received orders totaling ¥54,194 million, while the Construction Division received orders totaling ¥120,894 million. Orders received by the two divisions decreased 38.7% and 22.7%, respectively, from the previous fiscal year, posting combined orders of ¥175,088 million, or a decline of 28.5%.

In terms of overall results, non-consolidated net sales, including sales from real estate operations, grew 10.9% year on year, to ¥249,844 million. Non-consolidated gross profit, however, fell significantly from the previous year, to ¥6,542 million, and the non-consolidated operating loss came to ¥14,631 million, due to the significant erosion of construction profitability caused by heated competition for projects and

surging costs of key construction materials.

In addition, the Company recorded an extraordinary loss of ¥1,711 million on the write-down of investment securities in the wake of the deteriorating stock market. As a result, the loss before income taxes came to ¥14,026 million.

Prior to the fiscal year under review, the Company recorded deferred income tax assets at each fiscal year-end based on estimates of future taxable income. In light of the increasingly difficult business environment, however, the Company reviewed the recoverability of the deferred tax assets and decided to reverse them in full and to post a refund of income related to income taxes for prior periods amounting to ¥18,518 million. As a result, the net loss for the period under review came to ¥32,515 million.

Despite these regrettable business results, the Company remained committed to its basic corporate policy for profit sharing, and paid a regular dividend of ¥9 per share for the period under review.

### Looking Ahead and Key Strategies

Japan's economy will be exposed to downside factors including surging prices of oil and raw materials, and a stronger yen, and the tone of the economic slowdown is unlikely to change for the time being. The construction industry too will be forced to continue to operate in a difficult and unpredictable business environment.

To overcome these difficult conditions, the Company reviewed and redefined its business strategies for each business segment from the standpoint of future prospects and competitiveness, among other issues. This resulted in a five-year, medium-term business plan, which went into force in April 2008.

The plan calls for consistent adherence to selective order taking and structural reform, including streamlining, to facilitate the Company's transformation into a business with a highly profitable structure and to achieve higher managerial efficiency, with the goal of regaining profitability in fiscal 2009 and eventually posting ordinary income exceeding ¥6 billion. The plan focuses primarily on measures aimed at the development of a profit-generating structure, higher technological and price competitiveness and better managerial efficiency, as well as the maintenance of a healthy financial position.

In civil engineering operations, specific measures to be taken include actions aimed at cost reductions and a selective approach to focused projects based on proprietary technologies and past works executed, as well as initiatives to develop higher organizational readiness for bidding procedures, including comprehensive evaluation, and to boost the accuracy

cy of cost estimation. All of these measures are aimed at enhancing the Company's price competitiveness and strengthening the engineering solutions provided to clients.

In construction operations, which must cope with bidding based primarily on price competition on the one hand and clients' diversifying needs on the other, we will attempt to overcome competition based purely on price factors, by adopting a selective bidding approach that places utmost priority on project profitability for each intended use category of buildings. The Company is working hard to boost the rate of design and construction projects that fully leverage Okumura's strengths and unique added value, including technologies for advanced seismic isolation, high-rise buildings and acoustic simulation. In addition, it is stepping up efforts to develop a centralized management structure for VE/CD proposals with the goal of boosting profitability.

In real estate business operations, we will augment the planning and review structure by means of a function-oriented reorganization of the business division, upon assignment of additional staff so as to better respond to market changes in a timely and appropriate manner. To secure stable profitability, we will engage in leasing activities by maximizing the potential use of some company-held properties.

In the area of the Company's organization, efforts to improve the earnings structure are being made primarily through cost reductions. Related measures include accelerated action to establish a personnel structure that matches the scale of business and downsizing of the organizational/managerial structure to achieve higher efficiency.

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

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

June 2008



Takanori Okumura  
President and Representative Director

## Outline of the Five-Year Medium-Term Business Plan

### •Key Target Figures

	(Millions of yen)	
	Fiscal 2013 (Last year of the plan)	
	(April 1, 2012 to March 31, 2013)	
<b>Non-consolidated</b>		
Orders received	¥202,000	—
Net sales	237,000	—
Gross profit (% of net sales)	20,100	(8.5%)
Selling, general and administrative expenses (% of net sales)	15,000	(6.3%)
Operating income (% of net sales)	5,100	(2.2%)
Ordinary income (% of net sales)	6,000	(2.5%)

(Reference)

<b>Consolidated</b>		
Net sales	¥243,100	—
Gross profit (% of net sales)	21,000	(8.6%)
Selling, general and administrative expenses (% of net sales)	15,400	(6.3%)
Operating income (% of net sales)	5,600	(2.3%)
Ordinary income (% of net sales)	6,600	(2.7%)

### •Civil Engineering

Gross profit of around 10.0% is the target for achievement in fiscal 2013 (the last year of the plan) through measures to boost price competitiveness and the Company's ability to present technological solutions to clients.

### •Architectural Construction

We will comprehensively follow a selective approach to order taking that takes into account project profitability for each building use, and implement measures to improve production processes, with the goal of achieving gross profit of around 6.5% in fiscal 2013 (the last year of the plan).

### •Real Estate

Non-consolidated profit (gross) of about ¥3,200 million will be sought in fiscal 2013.

### •For Better Managerial Efficiency

—We will establish as early as possible the personnel and organizational structures that match the business scale required to achieve the key target figures.

—We will first reduce selling, general and administrative expenses to ¥15,000 million at the maximum, then seek further cost reductions.

### •Financial and Capital Policy

—Funds and assets held by the Company will be utilized effectively to achieve higher profitability.

—We will maintain a sound financial condition and sustain our commitment to the Company's basic policy regarding profit sharing\*.

### \*Basic policy regarding profit sharing

Based on a comprehensive review of the financial position, the Company pays a stable, regular dividend of ¥9 per share or an amount per share derived from the dividend payout ratio of 50%, whichever is higher. In addition, the Company purchases treasury stocks in a flexible manner.

Okumura will move forward aggressively with the Five-Year Medium-Term Business Plan, with all its strength and by taking concerted action. In these efforts, we appreciate the understanding and support of our shareholders and business partners.



# REVIEW OF OPERATIONS

## Major Projects Completed

### BUILDINGS



#### Toyota City Inoue Park Swimming Pool

Work period: December 2005 to June 2007  
 Structure: RC, partially steel structure  
 Total floor area: 2,888m<sup>2</sup>



#### Meiji Dairies Tokachi Factory

Work period: August 2006 to July 2007  
 Structure: Steel  
 Total floor area: 34,228m<sup>2</sup>



#### Kamagaya General Hospital

Work period: March 2006 to August 2007  
 Structure: RC  
 Total floor area: 45,763m<sup>2</sup>

### BUILDINGS



#### Atria Meguro Tower

Work period:  
 December 2005 to February 2008  
 Structure: RC (seismic isolation structure)  
 Total floor area: 22,083m<sup>2</sup>

### CIVIL ENGINEERING



#### Shield Tunnel Construction Work for Common Duct, in the Section of 2A, Fukuoka Route 202 Outer Beltway

Work period: March 2004 to March 2008  
 Slurry shield tunneling method:  
 Length: 2,660m  
 Internal diameter of lining:  $\varnothing$ 4,050mm



#### Chuo Expressway Hachioji Junction West

Work period: December 2004 to June 2007  
 Length: 4,330m  
 Earth volume: 182,500m<sup>3</sup>;  
 Substructural work: 8 abutments; 1 pier



#### Sakamoto First Tunnel

Work period: August 2005 to May 2007  
 Constructed length: 707m  
*Sakamoto First Tunnel:*  
 L = 152m; Inner cross-section: A = 79m<sup>2</sup>;  
 Invert work: L = 133.6m;  
 Concrete lining: L = 133.6m  
*Sakamoto Second Tunnel:*  
 L = 507m; Inner cross-section: A = 79m<sup>2</sup>;  
 Invert work: L = 107.7m;  
 Concrete lining: L = 497.7m

## Orders Received

### BUILDINGS



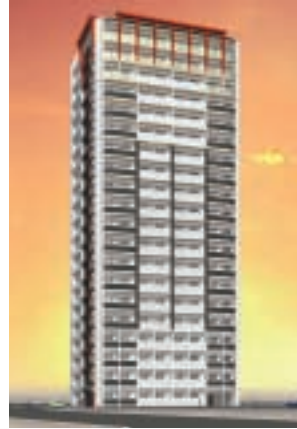
#### Mallage Shobu Shopping Center (New Construction)

Work period:  
October 2007 to November 2008  
Structure: Steel  
Total floor area: 140,000m<sup>2</sup>



#### Kisarazu Daiichi Elementary School and School Lunch Center for the Kisarazu City

Work period: March 2008 to March 2010  
*Elementary school buildings:*  
RC structure; Total floor area: 7,303m<sup>2</sup>  
*Meal preparation center:*  
Steel structure; Total floor area: 2,457m<sup>2</sup>



#### Orient Building Projects No. 76 and 77

Work period:  
August 2007 to November 2008  
Structure: RC  
Total floor area:  
12,219m<sup>2</sup>; 394 residential units  
\*2 buildings



#### Kochi Honmachi 1-Chome Project

Work period: March 2008 to January 2010  
Structure: RC  
Total floor area:  
9,858m<sup>2</sup>; 89 residential units

### CIVIL ENGINEERING



#### Aseismic Reinforcement Project for Kan-Etsu Expressway Nagaigawa Bridge

Work period: January 2008 to March 2011  
Aseismic reinforcement: 3 bridges (13 piers)  
Repair of bridge railing: 1 bridge  
Structural repairs: 4 bridges  
(substructural work: 3 piers, superstructural work: 15 piers)



#### Osakadani Tunnel Project

Work period:  
March 2008 to February 2011  
Constructed length:  
L = 1,350m, Width = 10.5m,  
Inner cross section A = 73m<sup>2</sup>,  
Excavated cavity length: L = 953.6m;  
Concrete lining: L = 240m;  
Portal: N = 1 unit



#### Production of Aggregate for Concrete of Kasegawa Dam (Phase 2)

Work period:  
December 2007 to October 2008  
Treatment for surface soil: 101,000m<sup>3</sup>;  
Treatment of removed rocks: 113,000m<sup>3</sup>  
Raw stone extraction and production:  
876,000t  
Complete treatment of the excavated slope of the rock mountain (re-vegetation, etc.);  
Complete slurry treatment



#### Namerikawa Nakatsuka High Bridge for Hokuriku Shinkansen

Work period:  
October 2007 to October 2010  
Constructed length: 1,336m;  
22 piers; 29 T-shaped RC girders;  
16 Rahmen high bridge girders

## TOPICS



① Exterior view of the Okumura Commemorative Museum (seismic isolation structure)

### ① Okumura Commemorative Museum Unveiled

On April 25, 2007, the Okumura Commemorative Museum opened its doors in Nara, near Todaiji Temple which is part of the Historic Monument of Ancient Nara designated as a UNESCO World Heritage Site. Built in the area to which the Company can trace its roots, the museum is Okumura's expression of thanks to the public whose continued support enabled it to celebrate its centennial anniversary. Designed to fit in the scenery of Ancient Nara perfectly, the museum features an exhibit introducing its history and Okumura's technologies, in addition to a rest lounge where complimentary tea (*Yamato-cha*) is served. The museum has become a popular spot for Japanese and foreign visitors who wish to take a break during a walk around this ancient city. The cumulative total of visitors reached 100,000 in April 2008. (April 2007)

### ② Okumura Receives Two Awards from JSCE: An Outstanding Civil Engineering Achievement Prize for Road Reconstruction Work Involving the Crossing of the Tohoku-Honsen Rail Tracks (Urawa-Omiya Segment) and Second Yono Shindo Highway, and an Innovative Technique Award for the Design and Construction Technique for High Piers Using Prefabricated and Compound Members

Two projects completed by Okumura received 2006 Civil Engineering Achievement and Innovative Technique awards from Japan Society of Civil Engineers (JSCE). The commendation ceremony was held during the general meeting of JSCE on May 25, 2007.

#### Commended projects

•JSCE Outstanding Civil Engineering Achievement Award  
Construction methods of widening a underpass road of railway



② Road reconstruction of the Second Yono Shindo Highway involving a two-level Intersection with the Tohoku Honsen Railroad in the Urawa-Omiya segment



② Construction of the substructure for National Road Detour Bridge No. 1 at Naruse Dam

without traffic restrictions (road reconstruction of the Second Yono Shindo Highway involving a two-level intersection with the Tohoku Honsen Railroad in the Urawa-Omiya segment)

#### •JSCE Innovative Technique Award

Development and practical application of 3H (Hybrid, Hollow, High pier) method using prefabricated and compound members (construction of the substructure for National Road Detour Bridge No. 1 at Naruse Dam) (May 2007)

### ③ Completion of Seismic Isolation Retrofit Work for the Tokyo Head Office Building: Effective Promotional Activities of Seismic Isolation Technology were conducted

Okumura's "seismic isolation retrofit" construction, which allows the use of a building during the retrofit work, was completed for Okumura's Tokyo Head Office Building in Minato Ward, Tokyo. The project was started in July 2006. The seismic isolation feature now ensures a fail-safe base for Okumura's business continuity as a general contractor in the event of a major earthquake. Approximately 500 customers took the site tours at various stages of construction, from the start to the completion. This "seismic isolation building," including the main column featuring a seismic isolation device located in the lobby of the first floor, can be viewed by visitors. Okumura plans to maximize the use of the Tokyo Head Office, as well as its expertise in design and construction accumulated through this seismic isolation retrofit project, as part of its sales activities.

Taking the opportunity of this retrofit work, Okumura prepared a DVD titled *Okumura's Seismic Isolation Retrofit*. This new tool is being combined with existing tools such as *Okumura Menshin Times* (a tabloid providing timely explanations of Okumura's undertakings with seismic isolation technology), *Okumura Menshin (Seismic Isolation) Book*, *Okumura Menshin*





③ Column installed with a seismic isolation device



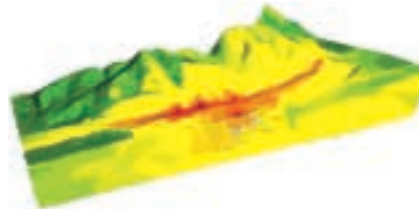
③ The DVD entitled *Okumura's Seismic Isolation Retrofit*



③ Vols. 3 and 4 of *Okumura Menshin Times*



④ Placement of base slab



⑤ Analysis of noise impact



⑥ Dewatering facilities (horizontal screw press machine:  $\phi 1,000\text{mm}$  /  $\phi 500\text{mm}$ )

(*Seismic Isolation*) DVD and Okumura's website dedicated to seismic isolation topics, in an effort to promote effective publicity for seismic isolation technology. (May 2007)

#### ④ Use of M-Class Recycled Aggregate Concrete to Construct an Actual Building: The First Achievement in Japan to Use 100% Recycled Fine and Coarse Aggregates

Okumura became the first company in Japan to use recycled aggregate concrete, which was made of 100% Class-M (medium grade) recycled fine and coarse aggregates, for the construction of an actual building: residential complex in Yokohama. The recycled aggregate concrete has been approved for use by the Ministry of Land, Infrastructure and Transport. For this project, the concrete containing 100% recycled fine and coarse aggregates was used for cast-in-place piles, and concrete containing recycled coarse aggregate was employed for the foundation. Satisfactory results were obtained in terms of conditions of the concrete, strength, and work efficiency. Okumura plans to expand the sphere of applications for recycled aggregate concrete to contribute actively to recycling promotion. (July 2007)

#### ⑤ Development of an Environmental Assessment Technique Allowing Comprehensive and Quantitative Assessment of Noise, Vibration and Dust: Active Utilization for Better Environment around Construction Sites

In the past, comprehensive assessments based on the quantification of the impact of noise, vibration and dust from a construction site on the surrounding area required substantial work, since a number of complicated conditions of the surrounding had to be taken into account. To address this issue, Okumura developed a highly accurate and quick assessment technique addressing the three environmental factors in an integrated manner, through the

shared application of topographic data needed for analyses. The Company is making active use of the technique based on this analytical system, by incorporating it into the construction planning at each site to minimize the adverse consequences on the residents in the surrounding area. (October 2007)

#### ⑥ Okumura's Continuous Slurry Dewatering System for Dredging and Dewatering of Reservoir Sludge Buildup Used for Stone-Removal Work at Kurodakesawa River Dam No. 1 (Sediment Control Dam)

Okumura's continuous slurry dewatering system was selected for use for the stone-removal project at the Kurodakesawa River Dam No. 1, after the system and the related proposal were examined and approved in conjunction with the stone-removal work for Kurodakesawa River Dam No. 1 Project (with bidding based on a comprehensive evaluation) ordered by the Asahikawa River Office, Construction Division, Hokkaido Regional Development Bureau of the Ministry of Land, Infrastructure and Transport. In addition, the system's effectiveness was confirmed. The system, featuring compact facilities with continuous operating capabilities for dewatering of dredged soil, allows efficient and economic recycling of soil at reservoirs. The level of quality required is secured through use of the system's automated control device.

Okumura plans to seek wider applications for the system, which may include the treatment of sledge buildups at rivers and storage reservoirs and of the treatment of slurry and sledge generated during shield tunneling. (November 2007)

## Consolidated Balance Sheets

Okumura Corporation and Consolidated Subsidiaries  
As of March 31, 2008 and 2007

ASSETS	Millions of yen		Thousands of U.S. dollars (Note 1)
	2008	2007	2008
<b>Current assets:</b>			
Cash and cash equivalents	¥ 21,445	¥ 39,637	\$ 214,046
Time deposits	224	8,884	2,231
Marketable securities (Note 3)	3,803	3,213	37,959
Receivables:			
Trade notes	7,631	14,886	76,165
Trade accounts	78,367	55,745	782,188
Other	14,660	26,247	146,324
Allowance for doubtful receivables	(4,634)	(3,844)	(46,248)
Inventories			
Accumulated costs of uncompleted contracts	102,592	120,496	1,023,971
Other	13,782	9,046	137,555
Deferred tax assets (Note 7)	—	11,309	—
Prepaid expenses and other	2,399	3,141	23,941
Total current assets	240,269	288,760	2,398,132
<b>Property, plant and equipment:</b>			
Land	16,229	16,417	161,977
Buildings and structures	15,266	13,525	152,374
Machinery and equipment	5,481	6,938	54,707
Furniture and fixtures	2,524	2,996	25,190
Construction in progress	328	829	3,275
Total	39,828	40,705	397,523
Accumulated depreciation	(16,610)	(18,408)	(165,784)
Net property, plant and equipment	23,218	22,297	231,739
<b>Investments and other assets:</b>			
Investment securities (Note 3)	63,127	96,749	630,073
Investments in and advances to unconsolidated subsidiaries and associated companies	577	586	5,757
Long-term receivables	2,185	2,366	21,814
Other assets	3,497	4,928	34,901
Allowance for doubtful receivables	(162)	(39)	(1,614)
Total investments and other assets	69,224	104,590	690,931
Total	¥332,711	¥415,647	\$3,320,802

See notes to consolidated financial statements.

LIABILITIES AND EQUITY	Millions of yen		Thousands of U.S. dollars (Note 1)
	2008	2007	2008
<b>Current liabilities:</b>			
Short-term bank loans including current portion of long-term debt (Note 4)	¥ 10,995	¥ 12,198	\$ 109,745
Payables:			
Trade notes	12,100	11,648	120,775
Trade accounts	74,814	81,947	746,720
Other	407	1,374	4,064
Advances received on uncompleted contracts	68,172	79,136	680,426
Income taxes payable	148	490	1,473
Allowance for warranty work on construction projects	632	455	6,314
Allowance for losses on construction contracts	6,905	2,150	68,917
Other	10,265	18,433	102,452
Total current liabilities	184,438	207,831	1,840,886
<b>Long-term liabilities:</b>			
Long-term debt (Note 4)	405	495	4,037
Liability for retirement benefits (Note 5)	5,525	6,529	55,149
Deferred tax liabilities (Note 7)	11,908	17,875	118,857
Negative goodwill	1,418	—	14,151
Other	197	14	1,965
Total long-term liabilities	19,453	24,913	194,159
Total liabilities	203,891	232,744	2,035,045
<b>Commitments and contingent liabilities</b> (Notes 9 and 10)			
<b>Equity</b> (Notes 6 and 11):			
Common stock			
authorized, 480,376,000 shares; issued, 228,326,133 shares	19,839	19,839	198,013
Capital surplus	25,329	25,328	252,813
Retained earnings	78,553	115,033	784,041
Unrealized gain on available-for-sale securities	17,360	33,268	173,265
Treasury stock—at cost			
28,308,113 shares in 2008 and 28,165,388 shares in 2007	(12,261)	(12,172)	(122,375)
Total	128,820	181,296	1,285,757
Minority interests	—	1,607	—
Total equity	128,820	182,903	1,285,757
Total	¥332,711	¥415,647	\$3,320,802



## Consolidated Statements of Operations

Okumura Corporation and Consolidated Subsidiaries  
For the year ended March 31, 2008 and 2007

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2008	2007	2008
<b>Net sales</b>	<b>¥254,090</b>	¥227,770	<b>\$2,536,082</b>
<b>Cost of sales</b>	<b>247,103</b>	204,051	<b>2,466,343</b>
Gross profit	<b>6,987</b>	23,719	<b>69,739</b>
<b>Selling, general and administrative expenses</b>	<b>21,605</b>	22,303	<b>215,641</b>
Operating income (loss)	<b>(14,618)</b>	1,416	<b>(145,902)</b>
<b>Other income (expenses):</b>			
Interest and dividend income	<b>1,507</b>	1,384	<b>15,043</b>
Interest expenses	<b>(217)</b>	(213)	<b>(2,165)</b>
Gain on sales of property, plant and equipment	<b>800</b>	1,006	<b>7,983</b>
Loss on disposal of property, plant and equipment	<b>(393)</b>	(44)	<b>(3,919)</b>
Devaluation of investment securities	<b>(1,711)</b>	(16)	<b>(17,074)</b>
Other—net	<b>492</b>	3,588	<b>4,899</b>
Other income (expenses)—net	<b>478</b>	5,705	<b>4,767</b>
Income (loss) before income taxes and minority interests	<b>(14,140)</b>	7,121	<b>(141,135)</b>
<b>Income taxes (Note 7):</b>			
Current	<b>213</b>	450	<b>2,121</b>
Refund of income taxes for prior periods	<b>(200)</b>	—	<b>(1,994)</b>
Deferred	<b>18,427</b>	2,624	<b>183,921</b>
Total income taxes	<b>18,440</b>	3,074	<b>184,048</b>
<b>Minority interests in net income</b>	<b>(104)</b>	(77)	<b>(1,039)</b>
<b>Net income (loss)</b>	<b>¥ (32,476)</b>	¥ 4,124	<b>\$ (324,144)</b>
<b>Per share of common stock (Note 11):</b>		Yen	U.S. dollars (Note 1)
Basic net income (loss)	<b>¥(162.32)</b>	¥20.51	<b>\$(1.62)</b>
Cash dividends applicable to the year	<b>9.00</b>	20.00	<b>0.09</b>

See notes to consolidated financial statements.

## Consolidated Statements of Changes in Equity

Okumura Corporation and Consolidated Subsidiaries  
For the year ended March 31, 2008 and 2007

	Thousands						Millions of yen		
	Outstanding number of shares of common stock	Common stock	Capital surplus	Retained earnings	Unrealized gain on available for-sale securities	Treasury stock	Total	Minority interests	Total equity
<b>BALANCE, MARCH 31, 2006</b>	202,292	¥19,839	¥25,326	¥112,974	¥36,374	¥(10,824)	¥183,689	¥ —	¥183,689
Reclassified balance as of									
March 31, 2006	—	—	—	—	—	—	—	1,725	1,725
Net income	—	—	—	4,124	—	—	4,124	—	4,124
Cash dividends, ¥10 per share	—	—	—	(2,023)	—	—	(2,023)	—	(2,023)
Bonuses to directors and corporate auditors	—	—	—	(42)	—	—	(42)	—	(42)
Purchase of treasury stock	(2,139)	—	—	—	—	(1,351)	(1,351)	—	(1,351)
Disposal of treasury stock	8	—	2	—	—	3	5	—	5
Net change in the year	—	—	—	—	(3,106)	—	(3,106)	(118)	(3,224)
<b>BALANCE, MARCH 31, 2007</b>	200,161	¥19,839	¥25,328	¥115,033	¥33,268	¥(12,172)	¥181,296	¥1,607	¥182,903
Net loss	—	—	—	(32,476)	—	—	(32,476)	—	(32,476)
Cash dividends, ¥20 per share	—	—	—	(4,004)	—	—	(4,004)	—	(4,004)
Purchase of treasury stock	(150)	—	—	—	—	(92)	(92)	—	(92)
Disposal of treasury stock	7	—	1	—	—	3	4	—	4
Net change in the year	—	—	—	—	(15,908)	—	(15,908)	(1,607)	(17,515)
<b>BALANCE, MARCH 31, 2008</b>	200,018	¥19,839	¥25,329	¥78,553	¥17,360	¥(12,261)	¥128,820	¥ —	¥128,820

	Thousands of U.S. dollars (Note 1)							
	Common stock	Capital surplus	Retained earnings	Unrealized gain on available for-sale securities	Treasury stock	Total	Minority interests	Total equity
<b>BALANCE, MARCH 31, 2007</b>	\$198,013	\$252,801	\$1,148,141	\$332,054	\$(121,485)	\$1,809,524	\$16,041	\$1,825,565
Net loss	—	—	(324,144)	—	—	(324,144)	—	(324,144)
Cash dividends, ¥20 per share	—	—	(39,956)	—	—	(39,956)	—	(39,956)
Purchase of treasury stock	—	—	—	—	(923)	(923)	—	(923)
Disposal of treasury stock	—	12	—	—	33	45	—	45
Net change in the year	—	—	—	(158,789)	—	(158,789)	(16,041)	(174,830)
<b>BALANCE, MARCH 31, 2008</b>	\$198,013	\$252,813	\$784,041	\$173,265	\$(122,375)	\$1,285,757	\$ —	\$1,285,757

See notes to consolidated financial statements.

## Consolidated Statements of Cash Flows

Okumura Corporation and Consolidated Subsidiaries  
For the year ended March 31, 2008 and 2007

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2008	2007	2008
<b>Cash flows from operating activities:</b>			
Income (loss) before income taxes and minority interests	¥(14,140)	¥ 7,121	\$(141,135)
Adjustments for:			
Income taxes—paid	(423)	(447)	(4,218)
Depreciation and amortization	936	710	9,340
Provision for (reversal of) doubtful receivables	912	(900)	9,105
Loss on disposal of property, plant and equipment	177	44	1,769
Gain on sales of property, plant and equipment	(800)	(1,006)	(7,983)
Devaluation of investment securities	1,711	16	17,074
Bonuses to directors and corporate auditors	—	(42)	—
Changes in assets and liabilities:			
Decrease (increase) in trade notes and accounts receivable	(15,368)	13,712	(153,385)
Decrease (increase) in accumulated costs of uncompleted contracts	17,904	(6,514)	178,701
Increase in other inventories	(4,735)	(198)	(47,262)
Increase (decrease) in trade notes and accounts payable	3,685	(5,362)	36,782
Decrease in advances received on uncompleted contracts	(10,964)	(9,354)	(109,437)
Decrease in liability for retirement benefits	(1,003)	(1,348)	(10,015)
Other—net	(3,982)	(3,432)	(39,746)
Total adjustments	(11,950)	(14,121)	(119,275)
Net cash used in operating activities	(26,090)	(7,000)	(260,410)
<b>Cash flows from investing activities:</b>			
Net decrease in time deposits	9,860	791	98,414
Payments for purchases of securities	(1,071)	(5,772)	(10,685)
Proceeds from sales of securities	4,928	9,948	49,181
Purchases of property, plant and equipment	(2,444)	(2,879)	(24,395)
Proceeds from sales of property, plant and equipment	1,015	1,031	10,132
Investment in loans receivable	(159)	(390)	(1,586)
Collection of loans receivable	150	194	1,498
Other—net	1,089	1,347	10,866
Net cash provided by investing activities	13,368	4,270	133,425
<b>Cash flows from financing activities:</b>			
Decrease in short-term bank loans—net	(1,194)	(227)	(11,915)
Repayments of long-term debt	(99)	(96)	(986)
Purchase of treasury stock	(92)	(1,351)	(923)
Disposal of treasury stock	4	5	45
Dividends paid	(3,994)	(2,021)	(39,865)
Dividends paid to minority shareholders	(9)	(9)	(89)
Net cash used in financing activities	(5,384)	(3,699)	(53,733)
<b>Foreign currency translation adjustments on cash and cash equivalents</b>	<b>(86)</b>	<b>(19)</b>	<b>(858)</b>
<b>Net decrease in cash and cash equivalents</b>	<b>(18,192)</b>	<b>(6,448)</b>	<b>(181,576)</b>
<b>Cash and cash equivalents, beginning of year</b>	<b>39,637</b>	<b>46,085</b>	<b>395,622</b>
<b>Cash and cash equivalents, end of year</b>	<b>¥21,445</b>	<b>¥39,637</b>	<b>\$214,046</b>

See notes to consolidated financial statements.



## Notes to the Consolidated Financial Statements

Okumura Corporation and Consolidated Subsidiaries  
Year ended March 31, 2008 and 2007

### 1. Basis of Presenting Consolidated Financial Statements

The accompanying consolidated financial statements have been prepared in accordance with the provisions set forth in the Japanese Financial Instruments and Exchange Law (formerly, the Japanese Securities and Exchange Law) and its related accounting regulations and in conformity with accounting principles generally accepted in Japan, which are different in certain respects as to 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 2007 financial statements to conform to the classifications used in 2008.

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 ¥100 to \$1, the approximate rate of exchange at March 31, 2008. 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, 2008 include the accounts of the Company and its significant subsidiaries (together, the "Group") except for subsidiaries which, if consolidated, would not have a material effect on the accompanying consolidated financial statements.

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

Investments in the unconsolidated subsidiaries and 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.

The differences between the cost of investments and the amount of the underlying net equity of consolidated subsidiaries and associated companies are amortized on a straight-line basis over five years.

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

**b. Cash Equivalents** — Cash equivalents are short-term investments that are readily convertible into cash and that are exposed to insignificant risk of changes in value. Cash equivalents include time deposits and certificate of deposits, all of which mature or become due within three months of the date of acquisition.

**c. Inventories** — Accumulated costs of uncompleted contracts are stated at cost determined by the specific identification method.

Other inventories held for sale in the ordinary course of business are stated at the lower of cost determined by specific identification method or net selling value, which is defined as the selling price less additional estimated manufacturing costs and estimated direct selling expenses.

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

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

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

Equities of limited liability partnerships for investment purpose and of other similar partnerships (defined as "securities" by Section 2 of the Article 2 of the Financial Instruments 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.

**e. Property, Plant and Equipment** — Property, plant and equipment are stated at cost. Depreciation is computed by the declining-balance method at rates based on the estimated useful lives of the assets, while the straight-line method is applied to buildings acquired after April 1, 1998. 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.

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

amount of the asset exceeds its recoverable amount, which is the higher of the discounted cash flows from the continued use and eventual disposition of the asset or the net selling price at disposition.

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

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

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

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

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

The unrecognized transition amount which arose from adopting the new standard during the year ended March 31, 2001 has been amortized on a straight-line basis over 15 years, and unrecognized actuarial differences are amortized 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.

**k. Recognition of Revenues and Related Costs** — Revenues from individual construction contracts with construction periods of more than two years and contract amounts in excess of ¥5 billion (US\$ 49,905 thousand) are recognized by the percentage-of-completion method.

Other revenues from construction contracts are recognized by the completed-contract method.

The revenues posted by way of the percentage-of-completion method for the years ended March 31, 2008 and 2007 were ¥34,679 million (\$346,133 thousand) and ¥2,330 million, respectively.

**l. Presentation of Equity** — On December 9, 2005, the ASBJ published a new accounting standard for presentation of equity. Under this accounting standard, certain items which were previously presented as liabilities or assets, as the case may be, are now presented as components of equity. Such items include stock acquisition rights, minority interests,

and any deferred gain or loss on derivatives accounted for under hedge accounting. This standard was effective for fiscal years ending on or after May 1, 2006. The balances of such items as of March 31, 2006 were reclassified as separate components of equity as of April 1, 2006 in the consolidated statement of changes in equity.

**m. Leases** — Under Japanese accounting standards for leases, finance leases that deem to transfer ownership of the leased property to the lessee are to be capitalized, while other finance leases are permitted to be accounted for as operating lease transactions if certain "as if capitalized" information is disclosed in the notes to the lessee's financial statements. All other leases are accounted for as operating leases.

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

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

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

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

**p. New Accounting Pronouncements**

**Lease Accounting** — On March 30, 2007, the ASBJ issued ASBJ Statement No.13, "Accounting Standard for Lease Transactions", which revised the existing accounting standard for lease transactions issued on June 17, 1993. The revised accounting standard for lease transactions is effective for fiscal years beginning on or after April 1, 2008 with early adoption permitted for fiscal years beginning on or after April 1, 2007.

**Lessee**

Under the existing accounting standard, finance leases that deem to transfer ownership of the leased property to the lessee are to be capitalized, however, other finance leases are permitted to be accounted for as operating lease transactions if certain "as if capitalized" information is disclosed in the

note to the lessee's financial statements. The revised accounting standard requires that all finance lease transactions shall be capitalized recognizing lease assets and lease obligations in the balance sheet.

*Lessor*

Under the existing accounting standard, finance leases that deem to transfer ownership of the leased property to the lessee are to be capitalized, however, other finance leases are permitted to be accounted for as operating lease transactions if certain "as if capitalized" information is disclosed in the note to the lessor's financial statements. The revised accounting standard requires that all finance leases that deem to transfer ownership of the leased property to the lessee shall be recognized as lease receivables, and all finance leases that deem not to transfer ownership of the leased property to the lessee shall be recognized as investments in lease.

**Construction Contracts** — Under the current Japanese GAAP, either the completed-contract method or the percentage-of-completion method is permitted to account for construction contracts. On December 27, 2007, the ASBJ published a new accounting standard for construction contracts. Under this accounting standard, the 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 can be estimated reliably. If the outcome of a construction contract cannot be reliably estimated, the completed-contract method shall be applied. When it is probable that total construction costs will exceed total construction revenue, an estimated loss on the contract should be immediately recognized by providing for loss on construction contracts. This standard is applicable to construction contracts and software development contracts and effective for fiscal years beginning on or after April 1, 2009 with early adoption permitted for fiscal years beginning on or before March 31, 2009 but after December 27, 2007.



### 3. Marketable and Investment Securities

Marketable and investment securities as of March 31, 2008 and 2007 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2008	2007	2008
Current:			
Government and corporate bonds	¥ 3,602	¥ 3,213	\$ 35,950
Other	201	—	2,009
Total	¥ 3,803	¥ 3,213	\$ 37,959
Non-current:			
Marketable equity securities	¥55,138	¥85,029	\$550,336
Government and corporate bonds	21	3,627	210
Trust fund investments and other	7,968	8,093	79,527
Total	¥63,127	¥96,749	\$630,073

The carrying amounts and aggregate fair values of marketable and investment securities at March 31, 2008 and 2007 were as follows:

	Millions of yen			
	Cost	Unrealized gains	Unrealized losses	Fair value
<b>March 31, 2008</b>				
Securities classified as:				
Available-for-sale:				
Equity securities	¥27,673	¥28,510	¥1,045	¥55,138
Debt securities	6,700	1	422	6,279
Held-to-maturity	3,602	6	2	3,606

#### March 31, 2007

Securities classified as:				
Available-for-sale:				
Equity securities	¥28,479	¥56,816	¥ 266	¥85,029
Debt securities	6,700	—	490	6,210
Held-to-maturity	6,818	25	21	6,822

	Thousands of U.S. dollars			
	Cost	Unrealized gains	Unrealized losses	Fair value
<b>March 31, 2008</b>				
Securities classified as:				
Available-for-sale:				
Equity securities	\$276,202	\$284,563	\$10,429	\$550,336
Debt securities	66,873	15	4,213	62,675
Held-to-maturity	35,950	62	22	35,990

Available-for-sale securities and held-to-maturity securities whose fair value is not readily determinable as of March 31, 2008 and 2007 were as follows:

	Carrying amount		Thousands of U.S. dollars
	Millions of yen		
	2008	2007	2008
Available-for-sale:			
Equity securities	¥ 1,890	¥1,764	\$ 18,860
Held-to-maturity	11,021	3,020	110,001
Total	¥12,911	¥4,784	\$128,861

Proceeds from sales of available-for-sale securities for the years ended March 31, 2008 and 2007 were ¥152 million (\$1,519 thousand) and ¥3,669 million, respectively. Gross realized gains on these sales, computed on the moving average cost basis, were ¥21 million (\$213 thousand) and ¥2,925 million for the years ended March 31, 2008 and March 31, 2007, respectively.

The carrying values of debt securities by contractual maturities for securities classified as available-for-sale and held-to-maturity at March 31, 2008 are as follows:

	Millions of yen		Thousands of U.S. dollars	
	Available for sale	Held to maturity	Available for sale	Held to maturity
Due in one year or less	¥ 201	¥14,602	\$ 2,008	\$145,742
Due after one year through five years	1	21	10	209
Due after five years through ten years	—	—	—	—
Due after ten years	6,280	—	62,675	—
Total	¥6,482	¥14,623	\$64,693	\$145,951

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

Short-term bank loans at March 31, 2008 and 2007 consisted of notes to banks and bank overdrafts. The annual interest rates applicable to the short-term bank loans ranged from 1.373% to 1.875% and 1.625% to 1.875% at March 31, 2008 and 2007, respectively.

Long-term debt at March 31, 2008 and 2007 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2008	2007	
Loans from banks and other financial institutions, due serially to 2031 with interest rates ranging from 1.15% to 6.40%			
Collateralized	¥108	¥132	\$1,074
Unsecured	333	408	3,327
Total	441	540	4,401
Less current portion	(36)	(45)	(364)
Long-term debt, less current portion	¥405	¥495	\$4,037

Annual maturities of long-term debt at March 31, 2008, were as follows:

Year Ending March 31	Millions of yen	Thousands of U.S. dollars
2008	¥ 37	\$ 364
2009	36	357
2010	35	346
2011	32	322
2012	31	309
2013 and thereafter	270	2,703
Total	¥441	\$4,401

The carrying amounts of assets pledged as collateral for short-term bank loans of ¥4,000 million (\$39,924 thousand) and the above collateralized long-term debt at March 31, 2008 were as follows:

	Millions of yen	Thousands of U.S. dollars
Property, plant and equipment — net of accumulated depreciation	¥ 90	\$ 902
Investment securities	5,106	50,962
<b>Total</b>	<b>¥5,196</b>	<b>\$51,864</b>

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

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

### 5. Employees' Retirement Benefits

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

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

The liability for employees' retirement benefits at March 31, 2008 and 2007 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2008	2007	2008
Projected benefit obligation	<b>¥41,319</b>	¥43,654	<b>\$412,411</b>
Fair value of plan assets	<b>(38,054)</b>	(41,387)	<b>(379,817)</b>
Unrecognized actuarial differences	<b>1,875</b>	3,822	<b>18,711</b>
Unrecognized transitional obligation	<b>385</b>	440	<b>3,844</b>
<b>Net liability</b>	<b>¥ 5,525</b>	¥ 6,529	<b>\$ 55,149</b>

The components of net periodic benefit costs for the years ended March 2008 and 2007 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2008	2007	2008
Service cost	<b>¥1,417</b>	¥1,479	<b>\$14,138</b>
Interest cost	<b>872</b>	884	<b>8,708</b>
Expected return on plan assets	<b>(579)</b>	(536)	<b>(5,783)</b>
Recognized actuarial differences	<b>(325)</b>	(308)	<b>(3,241)</b>
Amortization of transitional obligation	<b>(55)</b>	(55)	<b>(549)</b>
<b>Net periodic benefit costs</b>	<b>¥1,330</b>	¥1,464	<b>\$13,273</b>

Assumptions used for the years ended March 31, 2008 and 2007 are set forth as follows:

	2008	2007
Discount rate	<b>2.0%</b>	2.0%
Expected rate of return on plan assets	<b>1.4%</b>	1.3%
Recognition period of actuarial differences	<b>10 years</b>	10 years
Amortization period of transitional obligation	<b>15 years</b>	15 years

## 6. Equity

Since May 1, 2006, Japanese companies have been subject to the Corporate Law of Japan (the "Corporate Law"), which reformed and replaced the Commercial Code of Japan. The significant provisions in the Corporate Law that affect financial and accounting matters are summarized below:

### (a) Dividends

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

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

Semiannual interim dividends may also be paid once a year upon resolution by the Board of Directors if the articles of incorporation of the company so stipulate. The Corporate Law 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 Corporate Law requires that an amount equal to 10% of dividends must be appropriated as a legal reserve (a component of retained earnings) or as additional paid-in capital (a component of capital surplus) depending on the equity account charged upon the payment of such dividends until the total of aggregate amount of legal reserve and additional paid-in capital equals 25% of the common stock. Under the Corporate Law, the total amount of additional paid-in capital and legal reserve may be reversed without limitation. The Corporate Law also provides that common stock, legal reserve, additional paid-in capital, other capital surplus and retained earnings can be transferred among the accounts under certain conditions upon resolution of the shareholders.

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

The Corporate Law also provides for companies to purchase treasury stock and dispose of such treasury stock by resolution of the Board of Directors. The amount of treasury stock purchased cannot exceed the amount available for distribution to the shareholders which is determined by specific formula. Under the Corporate Law, stock acquisition rights, which were previously presented as a liability, are now presented as a separate component of equity. The Corporate Law 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.



## 7. Income Taxes

The Company and its domestic subsidiaries are subject to Japanese national and local income taxes which, in the aggregate, resulted in normal effective statutory tax rates of approximately 40.6% for the years ended March 31, 2008 and 2007.

The tax effects of significant temporary differences and tax loss carry forwards which resulted in deferred tax assets and liabilities at March 31, 2008 and 2007 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2008	2007	2008
Deferred tax assets:			
Tax loss carry forwards	¥ 8,733	¥ —	\$ 87,164
Write-down of inventories	4,182	9,388	41,741
Devaluation of securities	3,089	1,897	30,834
Allowance for losses on construction contracts	2,806	874	28,008
Pension and severance costs	2,243	2,651	22,390
Allowance for doubtful accounts	1,416	806	14,136
Write-off of bad debt	1,135	1,088	11,324
Accrued expenses	861	911	8,591
Allowance for bonuses	429	937	4,277
Other	471	724	4,705
Less valuation allowances	(25,353)	(1,064)	(253,051)
Total	12	18,212	119
Deferred tax liabilities:			
Net unrealized gains on available-for-sale securities	(9,671)	(22,767)	(96,525)
Retained earnings appropriated for special allowance	(2,237)	(2,011)	(22,332)
Total	(11,908)	(24,778)	(118,857)
Net deferred tax liabilities	¥(11,896)	¥ (6,566)	\$(118,738)

A reconciliation between the normal effective statutory tax rates and the actual effective tax rates reflected in the accompanying consolidated statement of operations for the year ended March 31, 2007 is as follows (2008 was not presented because of the net loss for the period):

	2007
Normal effective statutory tax rate	40.6%
Expenses not deductible for income tax purposes	2.9
Non-taxable income excluded for tax purposes	(2.9)
Inhabitant tax per capita	2.5
Valuation allowances	5.0
Other – net	(4.9)
Actual effective tax rate	43.2%

## 8. Research and Development Costs

Research and development costs charged to income were ¥933 million (\$9,310 thousand) and ¥1,002 million for the years ended March 31, 2008 and 2007, respectively.

## 9. Leases

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

Total lease payment under finance lease for the years ended March 31, 2008 and 2007 were ¥60 million (\$603 thousand) and ¥68 million, respectively.

Pro forma information of leased property such as acquisition cost, accumulated depreciation, obligations under finance lease, depreciation expense, interest expense and other information of finance leases that do not transfer ownership of the leased property to the lessee on an "as if capitalized" basis for the years ended March 31, 2008 and 2007 was as follows:

	Millions of yen		Thousands of U.S. dollars
	2008	2007	2008
	Machinery and equipment	Machinery and equipment	Machinery and equipment
Acquisition cost	<b>¥254</b>	¥295	<b>\$2,533</b>
Accumulated depreciation	<b>149</b>	137	<b>1,485</b>
Net leased property	<b>¥105</b>	¥158	<b>\$1,048</b>

Obligations under finance leases:

	Millions of yen		Thousands of U.S. dollars
	2008	2007	2008
Due within one year	<b>¥ 49</b>	¥ 60	<b>\$ 491</b>
Due after one year	<b>56</b>	98	<b>557</b>
Total	<b>¥105</b>	¥158	<b>\$1,048</b>

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

Depreciation expenses, which are not reflected in the accompanying statements of operations, computed by the straight-line method were ¥60 million (\$603 thousand) and ¥68 million for the years ended March 31, 2008 and 2007, respectively.

## 10. Commitments and Contingent Liabilities

The Group guarantees the condominium purchaser's deposits payable amounting to ¥101 million (\$ 1,012 thousand) in connection with sales contracts of condominiums which were constructed by the Group at March 31, 2008.

Investments in securities in the amount of ¥54 million (\$ 539 thousand) are pledged as collateral for the loans of an affiliate at March 31, 2008 and time deposits in the amount of ¥8 million (\$ 80 thousand) are pledged for construction projects at March 31, 2008.

## 11. Subsequent Events

(1) Voluntary early retirement program:

The Company approved the voluntary early retirement program at the board of directors' meeting held on February 26, 2008. The details of the program are as follows;

### a. Reasons for the implementation

The construction industry is expected to remain harsh due to several factors that include excess supply, ongoing reductions in private sector investments and increasing material and labor costs. Under these conditions, the Company offered the voluntary early retirement program with aims to establish the organization meeting the forthcoming business size, to improve the profitability and competitiveness and to continue stable and sound management for the future.

### b. Contents of the voluntary early retirement program

Eligibility; all employees aged 35 or over

Number of employees; approximately 560

Retirement payments; Additional special retirement payments to be paid on top of regular retirement payments to applicants. In addition, the Company will assist the employees in looking for new jobs through human resource agents, if they wish.

Application period; May 1, 2008 through June 13, 2008

Date of retirement; June 30, 2008

### c. Results

Number of Applicants; 622

### d. Additional special retirement payments

¥4,160 million (\$41,521 thousand) as additional retirement payments.

(2) Appropriations of retained earnings

The following appropriation of retained earnings at March 31, 2008 was approved at the Company's shareholders meeting held on June 27, 2008.

	Millions of yen	Thousands of U.S. dollars
Year-end cash dividends, ¥9 (\$0.09) per share	¥1,800	\$17,967

## 12. Segment Information

Information about industry segments, geographical segments and sales to foreign customers of the Company and subsidiaries for the years ended March 31, 2008 and 2007, is as follows:

### Industry segments

Major components of each business segment are as follows:

Construction: Civil engineering, buildings and other construction projects

Real estate: Sale and lease of real estate

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

#### a. Sales and operating income

	Millions of yen				
	2008				
	Construction	Real estate	Other	Eliminations/ Corporate	Consolidated
Sales to customers	¥245,659	¥4,619	¥3,812	¥ —	¥254,090
Intersegment sales	836	104	1,185	(2,125)	—
Total sales	246,495	4,723	4,997	(2,125)	254,090
Operating expenses	262,821	2,805	5,222	(2,140)	268,708
Operating income	¥ (16,326)	¥1,918	¥ (225)	¥ 15	¥ (14,618)

#### b. Total assets, depreciation, impairment loss and capital expenditures

	Millions of yen				
	2008				
	Construction	Real estate	Other	Eliminations/ Corporate	Consolidated
Total assets	¥301,390	¥27,201	¥5,577	¥(1,457)	¥332,711
Depreciation	815	89	32	—	936
Capital expenditures	1,262	950	48	—	2,260

#### a. Sales and operating income

	Thousands of U.S. dollars				
	2008				
	Construction	Real estate	Other	Eliminations/ Corporate	Consolidated
Sales to customers	\$2,451,934	\$46,100	\$38,048	\$ —	\$2,536,082
Intersegment sales	8,342	1,035	11,831	(21,208)	—
Total sales	2,460,276	47,135	49,879	(21,208)	2,536,082
Operating expenses	2,623,228	28,000	52,119	(21,363)	2,681,984
Operating income	\$ (162,952)	\$19,135	\$ (2,240)	\$ 155	\$ (145,902)

#### b. Total assets, depreciation, impairment loss and capital expenditures

	Thousands of U.S. dollars				
	2008				
	Construction	Real estate	Other	Eliminations/ Corporate	Consolidated
Total assets	\$3,008,187	\$271,496	\$55,656	\$(14,537)	\$3,320,802
Depreciation	8,134	887	319	—	9,340
Capital expenditures	12,599	9,476	482	—	22,557



## a. Sales and operating income

	Millions of yen			
	2007			
	Construction	Other	Eliminations/ Corporate	Consolidated
Sales to customers	¥217,664	¥10,106	¥ —	¥227,770
Intersegment sales	1	2,268	(2,269)	—
Total sales	217,665	12,374	(2,269)	227,770
Operating expenses	219,355	9,348	(2,349)	226,354
Operating income	¥ (1,690)	¥ 3,026	¥ 80	¥ 1,416

## b. Total assets, depreciation and capital expenditures

	Millions of yen			
	2007			
	Construction	Other	Eliminations/ Corporate	Consolidated
Total assets	¥384,346	¥34,428	¥(3,127)	¥415,647
Depreciation	599	111	—	710
Capital expenditures	1,259	1,607	—	2,866

Effective April 1, 2007, the Group changed its industry segmentation from construction and other to construction, real estate and other because the significance of the real estate development business has increased.

The effect of the change was to increase sales and operating income of real estate by ¥4,722 million and ¥1,917 million, respectively and decrease sales and operating income of other by ¥4,722 million and ¥1,917 million, respectively. If the segment information for the year ended March 31, 2007 were prepared using the new segmentation, such information would be as follows;

## a. Sales and operating income

	Millions of yen				
	2007				
	Construction	Real estate	Other	Eliminations/ Corporate	Consolidated
Sales to customers	¥217,664	¥7,453	¥2,653	¥ —	¥227,770
Intersegment sales	1	111	2,157	(2,269)	—
Total sales	217,665	7,564	4,810	(2,269)	227,770
Operating expenses	219,355	4,245	5,103	(2,349)	226,354
Operating income	¥ (1,690)	¥3,319	¥ (293)	¥ 80	¥ 1,416

## b. Total assets, depreciation and capital expenditures

	Millions of yen				
	2007				
	Construction	Real estate	Other	Eliminations/ Corporate	Consolidated
Total assets	¥384,346	¥28,400	¥6,028	¥(3,127)	¥415,647
Depreciation	599	90	21	—	710
Capital expenditures	1,259	1,589	18	—	2,866



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**INDEPENDENT AUDITORS' REPORT**

To the Board of Directors of Okumura Corporation:

We have audited the accompanying consolidated balance sheet of Okumura Corporation and consolidated subsidiaries as of March 31, 2008, and the related consolidated statements of operations, changes in 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 audit. The consolidated financial statements of Okumura Corporation and subsidiaries for the year ended March 31, 2007 were audited by other auditors who have ceased operations. Those auditors expressed an unqualified opinion on those financial statements in their report dated June 28, 2007.

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 financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Okumura Corporation and consolidated subsidiaries as of March 31, 2008, and the consolidated results of their operations and their cash flows for the year then ended in conformity with accounting principles generally accepted in Japan.

As discussed in Note 11 to the consolidated financial statements, the Company offered a voluntary early retirement program.

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 conformity with the basis stated in Note 1. Such U.S. dollar amounts are presented solely for the convenience of readers outside Japan.

*Deloitte Touche Tohmatsu*

June 27, 2008

## Non-Consolidated Balance Sheets

Okumura Corporation  
As of March 31, 2008 and 2007

ASSETS	Millions of yen		Thousands of U.S. dollars
	2008	2007	2008
<b>Current assets:</b>			
Cash and cash equivalents	¥ 21,270	¥ 39,600	\$ 212,300
Time deposits	224	8,884	2,231
Marketable securities	3,803	3,213	37,959
Receivables:			
Trade notes	7,326	14,454	73,114
Trade accounts	76,546	54,615	764,010
Other	22,987	33,708	229,439
Allowance for doubtful receivables	(4,848)	(4,055)	(48,384)
Inventories			
Accumulated costs of uncompleted contracts	102,530	120,394	1,023,355
Other	8,355	5,120	83,391
Deferred tax assets	—	11,388	—
Prepaid expenses and other	2,380	3,071	23,750
Total current assets	240,573	290,392	2,401,165
<b>Property, plant and equipment:</b>			
Land	11,768	11,952	117,464
Buildings and structures	14,660	12,926	146,326
Machinery and equipment	4,924	6,366	49,147
Furniture and fixtures	2,461	2,937	24,562
Construction in progress	277	823	2,765
Total	34,090	35,004	340,264
Accumulated depreciation	(15,566)	(17,355)	(155,370)
Net property, plant and equipment	18,524	17,649	184,894
<b>Investments and other assets:</b>			
Investment securities	62,801	96,331	626,817
Investments in and advances to unconsolidated subsidiaries and associated companies	697	657	6,955
Long-term receivables	2,166	2,348	21,620
Other assets	3,483	4,921	34,765
Allowance for doubtful receivables	(162)	(39)	(1,613)
Total investments and other assets	68,985	104,218	688,544
Total	¥328,082	¥412,259	\$3,274,603

LIABILITIES AND EQUITY	Millions of yen		Thousands of U.S. dollars
	2008	2007	2008
<b>Current liabilities:</b>			
Short-term bank loans including current portion of long-term debt	¥ 11,561	¥ 13,884	\$ 115,391
Payables:			
Trade notes	11,221	11,022	112,000
Trade accounts	74,389	81,507	742,475
Other	371	1,358	3,706
Advances received on uncompleted contracts	68,137	79,087	680,078
Income taxes payable	116	466	1,157
Allowance for warranty work on construction projects	592	414	5,905
Allowance for losses on construction contracts	6,801	2,148	67,880
Other	9,916	18,070	98,972
Total current liabilities	183,104	207,956	1,827,564
<b>Long-term liabilities:</b>			
Long-term debt	397	479	3,962
Liability for retirement benefits	5,525	6,529	55,149
Deferred tax liabilities	11,857	17,787	118,343
Other	193	14	1,931
Total long-term liabilities	17,972	24,809	179,385
Total liabilities	201,076	232,765	2,006,949

### Commitments and contingent liabilities

#### Equity:

Common stock			
authorized, 480,376,000 shares; issued, 228,326,133 shares	19,839	19,839	198,013
Capital surplus	25,329	25,328	252,813
Retained earnings	76,753	113,271	766,072
Unrealized gain on available-for-sale securities	17,346	33,228	173,131
Treasury stock—at cost			
28,308,113 shares in 2008 and 28,165,388 shares in 2007	(12,261)	(12,172)	(122,375)
Total equity	127,006	179,494	1,267,654
Total	¥328,082	¥412,259	\$3,274,603



## Non-Consolidated Statements of Operations

Okumura Corporation  
For the years ended March 31, 2008 and 2007

	Millions of yen		Thousands of U.S. dollars
	2008	2007	2008
<b>Net sales</b>	<b>¥249,844</b>	¥225,217	<b>\$2,493,703</b>
<b>Cost of sales</b>	<b>243,302</b>	201,829	<b>2,428,410</b>
Gross profit	<b>6,542</b>	23,388	<b>65,293</b>
<b>Selling, general and administrative expenses</b>	<b>21,173</b>	21,854	<b>211,325</b>
Operating income (loss)	<b>(14,631)</b>	1,534	<b>(146,032)</b>
<b>Other income (expenses):</b>			
Interest and dividend income	<b>1,668</b>	1,441	<b>16,649</b>
Interest expenses	<b>(247)</b>	(237)	<b>(2,465)</b>
Gain on sales of property, plant and equipment	<b>784</b>	978	<b>7,821</b>
Loss on disposal of property, plant and equipment	<b>(386)</b>	(43)	<b>(3,851)</b>
Devaluation of investment securities	<b>(1,711)</b>	(16)	<b>(17,074)</b>
Other—net	<b>497</b>	3,457	<b>4,954</b>
Other income (expenses)—net	<b>605</b>	5,580	<b>6,034</b>
Income (loss) before income taxes	<b>(14,026)</b>	7,114	<b>(139,998)</b>
<b>Income taxes:</b>			
Current	<b>170</b>	426	<b>1,697</b>
Refund of income taxes for prior periods	<b>(199)</b>	—	<b>(1,994)</b>
Deferred	<b>18,518</b>	2,573	<b>184,829</b>
Total income taxes	<b>18,489</b>	2,999	<b>184,532</b>
<b>Net income (loss)</b>	<b>¥ (32,515)</b>	¥ 4,115	<b>\$ (324,530)</b>
<b>Per share of common stock:</b>		Yen	U.S. dollars
Basic net income (loss)	<b>¥ (162.51)</b>	¥20.47	<b>\$ (1.62)</b>
Cash dividends applicable to the year	<b>9.00</b>	20.00	<b>0.09</b>

## Breakdown of Orders (Non-Consolidated)

Okumura Corporation  
For the years ended March 31, 2008 and 2007

**Construction Orders Awarded**

	2008		2007		2008
	Millions of yen	Composition ratio	Millions of yen	Composition ratio	Thousands of U.S. dollars
Civil engineering:					
Domestic:					
Public sector	¥ 34,521		¥ 36,328		\$ 344,557
Private sector	19,677		30,246		196,396
Overseas	(4)		21,822		(42)
Subtotal	54,194	31.0%	88,396	36.1%	540,911
Architectural construction:					
Domestic:					
Public sector	9,973		13,449		99,543
Private sector	110,921		143,031		1,107,109
Subtotal	120,894	69.0	156,480	63.9	1,206,652
Total:					
Domestic:					
Public sector	44,494		49,777		444,100
Private sector	130,598		173,277		1,303,505
Overseas	(4)		21,822		(42)
Total	¥175,088	100 %	¥244,876	100 %	\$1,747,563

**Net Sales**

	2008		2007		2008
	Millions of yen	Composition ratio	Millions of yen	Composition ratio	Thousands of U.S. dollars
Projects completed:					
Civil engineering:					
Domestic:					
Public sector	¥ 45,811		¥ 58,379		\$ 457,240
Private sector	23,225		35,085		231,814
Overseas	9,194		—		91,765
Subtotal	78,230	31.3%	97,464	41.5%	780,819
Architectural construction:					
Domestic:					
Public sector	9,417		15,405		93,995
Private sector	158,848		108,796		1,585,462
Subtotal	168,265	67.4	124,201	55.1	1,679,457
Subtotal:					
Domestic:					
Public sector	55,228		73,784		551,235
Private sector	182,073		143,881		1,817,276
Overseas	9,194		—		91,765
Subtotal	246,495	98.7	217,665	96.6	2,460,276
Real estate and other	3,349	1.3	7,552	3.4	33,427
Total	¥249,844	100 %	¥225,217	100 %	\$2,493,703

**Year-end Backlog**

	2008		2007		2008
	Millions of yen	Composition ratio	Millions of yen	Composition ratio	Thousands of U.S. dollars
Civil engineering:					
Domestic:					
Public sector	¥ 86,858		¥98,149		\$ 866,937
Private sector	48,474		52,022		483,821
Overseas	25,268		34,466		252,199
Subtotal	160,600	46.8%	184,637	44.5%	1,602,957
Architectural construction:					
Domestic:					
Public sector	24,513		23,957		244,667
Private sector	158,260		206,186		1,579,594
Subtotal	182,773	53.2	230,143	55.5	1,824,261
Total:					
Domestic:					
Public sector	111,371		122,106		1,111,604
Private sector	206,734		258,208		2,063,415
Overseas	25,268		34,466		252,199
Total	¥343,373	100 %	¥414,780	100 %	\$3,427,218

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**Consolidated Subsidiaries****Okumura Machinery Corporation**

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Business line: Design, manufacture, sales, and  
repair of construction/industrial machines and  
devices

**Taihei Real Estate Corporation**

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Business line: Real estate, land and building  
management

## Board of Directors

(As of June 27, 2008)

**Directors and Auditors**

President &amp; Representative Director

**Takanori Okumura**

Representative Directors

**Yuichi Kanbara  
Shigeru Nishinaka**

Directors

**Kunimoto Tanaka  
Yoshihiko Kunii  
Masakuni Sakurai  
Kohei Tanaka  
Takaiku Hirako  
Toshio Yamaguchi**

Standing Statutory Auditors

**Yoshitaka Mikata  
Shojiro Sumikura**

Auditors

**Kiyoshi Inazaki  
Teruyasu Kawamata  
Shinji Ito**

Note: Kiyoshi Inazaki, Teruyasu Kawamata, and Shinji Ito are outside auditors.

**Executive Officers**

Executive Vice Presidents

**Yuichi Kanbara\*  
Shigeru Nishinaka\***

Senior Managing Officers

**Kunimoto Tanaka\*  
Yoshihiko Kunii\*  
Masakuni Sakurai\*  
Kohei Tanaka\***

Managing Officers

**Tadashi Hashimoto  
Yoshikuni Ogi  
Masamichi Shirahase  
Yoshiteru Kinoshita  
Kazuo Okuda  
Takaiku Hirako\*  
Toshio Yamaguchi\***

Executive Officers

**Kozo Tsukamoto  
Akiyoshi Hida  
Takumi Makino  
Kenichiro Minami  
Kazuo Takami  
Koji Imai  
Norimasa Takahashi  
Tetsuo Ojima  
Kozo Aoki  
Kazuhiro Kitazaki  
Shinichi Okamoto  
Hiroyuki Ito  
Toshiharu Shimizu  
Koji Esumi  
Toshio Kobayashi**

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

## Investor Information

(As of March 31, 2008)

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TEL: +81-6-6621-1101 FAX: +81-6-6623-7692**Established**

February 22, 1907

**Capital**

¥19.8 billion

**Group Employees**

2,545

**Stock Information****Stock Exchange Listings**

Tokyo and Osaka

**Transfer Agent**

The Sumitomo Trust and Banking Co., Ltd.

**Major Shareholders**

Shareholder	Shares held (thousands)	Percentage of total
Okumura Corporation (Treasury stock)	28,308	12.40%
Northern Trust Company (AVFC) Sub-account American Clients	21,548	9.44
State Street Bank and Trust Company	10,406	4.56
Okumura Employees' Shareholding Association	8,196	3.59
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 493025 Black Rock Global Allocation	4,609	2.02
Nippon Life Insurance Company	4,593	2.01
Japan Trustee Services Bank, Ltd. (Trust Account)	4,026	1.76



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