Okumura Corporation

Annual Report 2019

奥村組
OKUMURA CORPORATION

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Profile

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

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

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

Contents

Financial Highlights

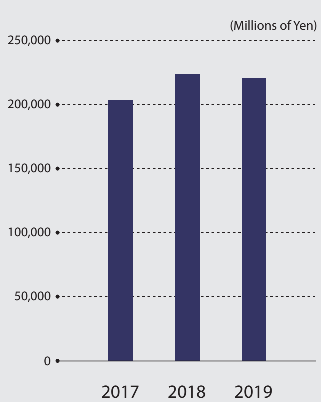
For the years ended March 31	2017	2018	**2019**	**2019**
Consolidated:		Millions of Yen		Thousands of U.S. Dollars
Net sales	¥203,091	¥223,928	**¥220,884**	**$1,989,769**
Operating income	11,679	15,854	**13,717**	**123,564**
Net income attributable to owners of the parent	13,614	15,164	**12,314**	**110,930**
Total assets*1	287,675	313,864	**297,691**	**2,681,655**
Total equity	152,959	167,724	**168,401**	**1,516,986**
Per Share:		Yen		U.S. Dollars
Basic net income*2	¥341.69	¥380.65	**¥312.93**	**$2.82**
Cash dividends applicable to the year*2	165.00	184.00	**153.00**	**1.38**

*1 "Partial Amendments to Accounting Standard for Tax Effect Accounting" (ASBJ Statement No. 28, February 16, 2018), etc. have been applied from the beginning of the fiscal period of March 2019. Accordingly, the summaries of business results for the fiscal period of March 2017 and the fiscal period of March 2018 represent performance results after retrospectively applying the said accounting standards, etc.

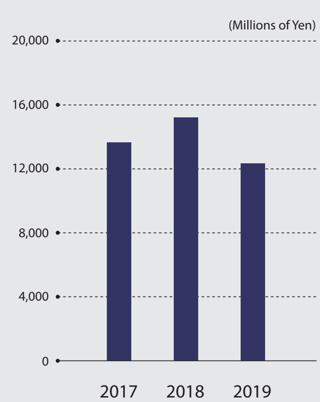
*2 Per share figures have been restated, as appropriate, to reflect the consolidation of shares at the rate of five shares to one share of the Company's common stock effective October 1, 2017.

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, 2019, of ¥111.01=$1.

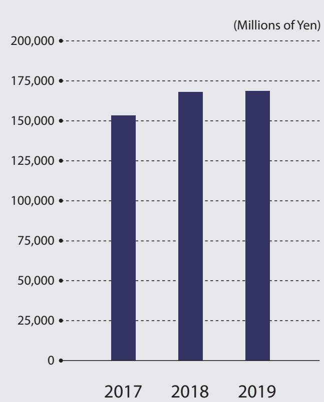
Net Sales



Net income attributable to owners of the parent



Total Equity



Disclaimer Regarding Forecasts and Projections

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

To Our Shareholders

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

A general overview of our business performance for the fiscal period of March 2019 (April 1, 2018 to March 31, 2019) is provided below.

Results for the Year Ended March 31, 2019

During the period under review, the Japanese economy was basically on a recovery trend but there was a certain amount of back and forth due to the downward pressure exerted by natural disasters and the slowdown of the overseas economy. Consequently, the pace of recovery remained sluggish. In this climate, the operating environment surrounding the construction industry remained stable thanks to strong construction investments mainly from the private sector.

In these circumstances, the Company's consolidated net sales decreased 1.4% year on year to ¥220,884 million. Meanwhile, as a result of factors such as the decrease in net sales from construction work, consolidated gross profit decreased 3.7% year on year to ¥31,543 million, operating income decreased 13.5% year on year to ¥13,717 million, and net income attributable to owners of the parent decreased 18.8% year on year to ¥12,314 million.

The Company decided to pay a dividend of ¥153.00 per share for the period ended March 31, 2019 based on its basic policy regarding profit sharing. As for the fiscal year ending March 31, 2020 and thereafter, the Company intends to revise its measures for shareholder returns in an effort to ensure both proactive investments for the future and the steady return of profits to our shareholders.

Looking Ahead and Key Strategies

The Japanese economy is expected to recover at a slow pace due to the current weakness in overseas demand, despite the expectations for internal demand to remain firm. In the construction industry, while there are concerns over the tightening demand and supply of certain construction materials and labor, the business environment is expected to remain solid for the time being, given the continuing

strong construction investments as a result of the recovery in public investments reflecting the effects of government policies. Meanwhile, in the medium- to long-term, harsh conditions are expected ahead due to the restraints on new construction investments and the increasing shortage of skilled labor.

Under these circumstances, the Okumura Group will continue its business in the long-term and contribute to the sustained development of society. To this end, the Okumura Group has formulated the "Vision toward 2030," indicating its future vision and the "Medium Term Business Plan (FY2019-FY2021)," which upholds the basic policy of promoting the three business strategies of "increasing corporate value," "expanding business domains" and "utilizing human resources," as the initial step in realizing this vision.

Specifically, we will "increase corporate value" by strengthening our marketing capabilities and building our technical superiority in the construction business, and reinforcing our companywide initiatives toward ESG, while at the same time aim to "expand business domains" by reinforcing the real estate business, entering new businesses and building an overseas business base. Furthermore, we will "utilize human resources" through our initiatives toward workstyle reforms, the utilization of diverse talent and reinforced education.

Going forward Okamura will uphold its corporate philosophy which has endured since its founding, while setting its sight on the "Vision toward 2030," and apply all of its resources to build a solid earnings base capable of flexibly and quickly responding to changes in the operating environment and to meet the expectations and trust placed in us by our shareholders.

The Company looks forward to the continued support and guidance of our shareholders.

June 2019

T. Okumura

Takanori Okumura
President and Representative Director

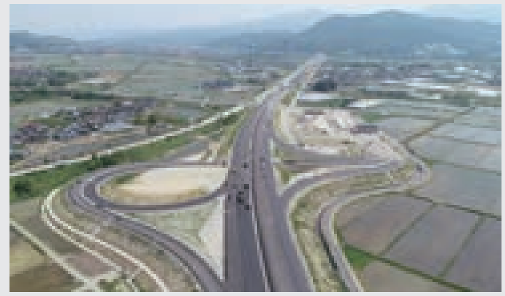
Review of Operations

Major Projects Completed

CIVIL ENGINEERING

Yasumiyama Improvement Tunneling in Nagasako

Work period: October 2015 to August 2018
Construction length: 920m
Tunnel: 690m of excavation and 51,800m^3 of mucking
NATM mechanical excavation (400m) and blasting (290m)
Evacuation connection tunnel: 25.6m



Tohoku-Chuo Expressway Kaminoyama Interchange Construction

Work period: May 2014 to May 2018
Construction length: 3,411m
Cut and fill: Approx. 1,103,500m^3
Slope: Approx. 165,600m^2
12 box culverts/pipes, 8 bridge substructures,
2 bridge superstructures, 1 overpass

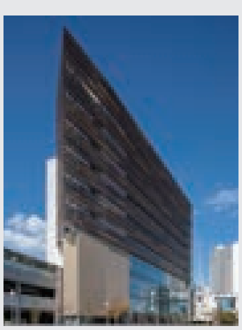
Haranomachi East Area Stormwater Drainage Tunnel Construction 1

Work period: March 2014 to March 2019
Slurry tunnel boring machine (TBM) diameter: φ3.33m
Segment outer diameter: φ3.20m
TBM tunneling length: 4,534m
(upstream side: 2,788m, downstream side: 1,746m)
Two-way launch shaft construction work: 1 site (open caisson method; outer diameter: φ14.0m, depth: 37.8m)
Special manhole work: 1 site
6 box culverts, 5 stormwater drainage connection pipes

Rinkai Fukutoshin Exit Foundation, Retaining Wall and Other Construction

Work period: January 2016 to January 2019
Earthwork: 8,400m^3
Pile foundation: 22 cast-in-place piles (Φ: 1,200mm, length: 25.5m)
67 steel soil cement piles
(Φ: 1,000mm and 1,200mm, length: 24.5m to 26.5m)
23 screwed steel pipe piles (Φ: 1,000mm, length: 22.5m)
Construction concrete work: 5,100m^3, etc.

BUILDING



Hankyu Nishinomiya Gardens Gate Building

Work period: August 2016 to October 2018
Structure: Steel
Total floor space: 11,599.27m^2

Kisela Kawanishi Plaza

Work period: February 2017 to October 2018
Structure: Steel
Total floor space: 11,259.11m^2

Higashi-washinomiya Hospital

Work period: June 2017 to October 2018
Structure: Steel
Total floor space: 9,800.66m^2

Fukuoka Bar Association Building

Work period: January 2018 to January 2019
Structure: Steel
Total floor space: 4,124.31m^2

Orders Received

CIVIL ENGINEERING


Yokohama Shonan Road Tunneling (Part 2)

Work period: March 2019 to March 2021
1 in-factory TBM fabrication (TBM transportation, assembly)
TBM: φ13.5m
TBM tunneling: 2,411m
Removal of spoil: 47,000m^3
Disposal of spoil: 305,140m^3

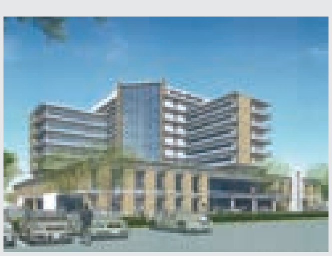

Meiji Irrigation Headwork Earthquake Proofing Work of the Yahagigawa Integrated Agricultural Land Disaster Prevention Project Phase II

Work period: August 2015 to March 2022
Caisson work: 4 φ500 steel pipe piles, 40 φ800 SC piles
Weir pillar/gate pillar work: 3,046m^2 of steel plate lining work
Retaining wall work: 1 Insertion of shear reinforcement
Renovation work of hoist rooms: 8 places

Construction for Central Breakwater No. 5 Freeway South Side Approach (30)

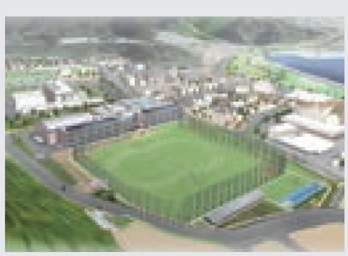
Work period: June 2018 to September 2019
Construction length: 321.46m
Replacement work: 7,570m^3
Impermeable liner: 10,447m^2
Lightweight fill: 36,144m^3

BUILDING



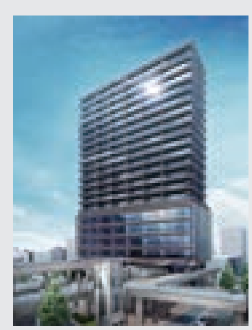
Fukuoka Prefecture Saiseikai Yahata General Hospital

Work period: April 2019 to October 2021
Structure: Steel
Total floor space: 27,301.12m^2




Onagawa Township Onagawa Elementary School and Junior High School

Work period: December 2018 to July 2020
Structure: RC (partially steel)
Total floor space: 13,647.17m^2



ALBAX TOWER KARIYA STATION

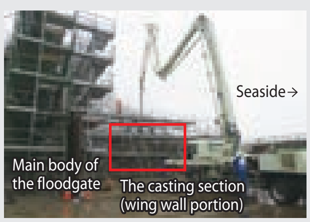
Work period: June 2018 to May 2021
Structure: RC
Total floor space: 14,322.09m^2

Topics

Application of Carbon-Free Fly Ash to RC Structures at Risk of Salt Damage

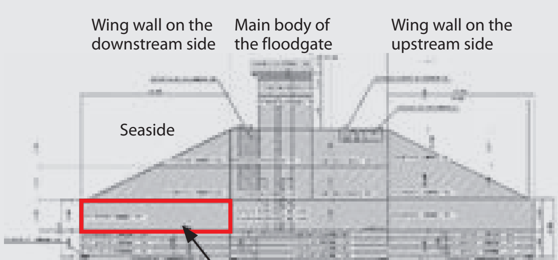
In order to increase the durability and workability of concrete, Okumura applied carbon-free fly ash as an admixture to RC structures at risk of salt damage. Carbon-free fly ash eliminates unburnt carbon down to levels that will not impact the effects of chemical admixtures, i.e. 1% or less, and due to having higher quality and stability compared to regular fly ash, reduces deterioration risk. The Company recently used carbon-free fly ash as a concrete admixture in the wing wall of a floodgate to be constructed at an estuary and was able to confirm how it contributed to the containment of saline penetration into concrete and the improvement of workability at the time of construction. The Company will continue to monitor its durability and make efforts to expand the application of carbon-free fly ash.

Pouring in fly ash



Casting

Cross-section of the floodgate



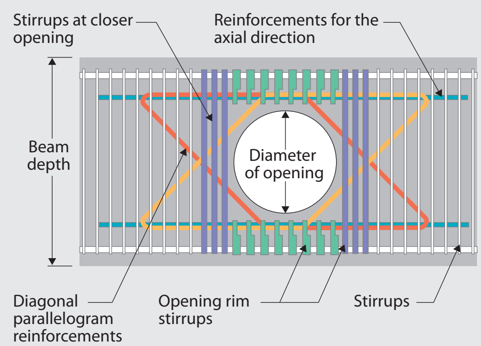
Figure

Certification of Technology Performance of the Construction Method for Footing Beams with Large Openings

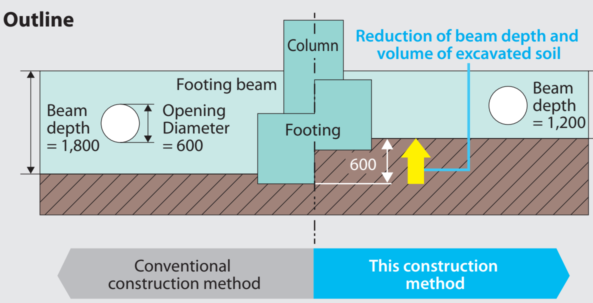
Okumura has developed a "construction method for footing beams with large openings" which reduces the costs of the structural work and excavation work by reducing the size of the beam depth of the RC footing beams with large openings and has received the certificate of construction technology performance (GBRC Performance Certification No. 18-16) from the General Building Research Corporation of Japan (GBRC).

Generally, openings are required to be one-third or less in diameter of the beam depth of the footing beam but with this construction method, openings with diameters of up to one-half of the beam depth of the footing beam are possible by reinforcing the large openings with stirrups at closer opening and diagonal parallelogram reinforcements. By applying this construction method, when openings for human passage of φ600mm are provided, the beam depth of the footing beam may be reduced from the conventional 1,800 mm to a minimum 1,200 mm, thus reducing the volume of the formwork, concrete and excavated soil and cutting back on costs.

Summary of reinforced openings using this construction method



Outline

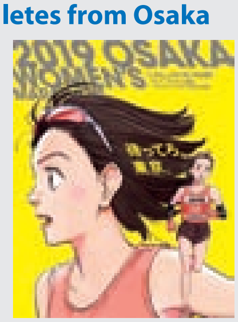


Sponsorship of Osaka Women's Marathon: Supporting the Global Strides of Female Athletes from Osaka

The 38th Osaka Women's Marathon

Website dedicated to Osaka Women's Marathon:
http://www.okumuragumi.co.jp/osaka-marathon/

Okumura sponsored the 38th Osaka Women's Marathon* held on Sunday, January 27, 2019. The Company decided to sponsor the marathon for four years from 2018 to 2021, driven by the athletes' dedication to the race, which mirrored and resonated with the commitment to work of each and every employee at Okumura, as well as our desire to bring excitement to the streets of Osaka through the event and our determination to support the global strides of female athletes from Osaka, which has been reinforced by the Company's contributions to the development of Osaka and the empowerment of women.



© Naoki Urasawa/N WOOD STUDIO
Main visual of the marathon

This event has also attracted the attention of the public due to the event's main visual depicted by the popular manga artist Naoki Urasawa.

*The Osaka Women's Marathon is a part of the Marathon Grand Championship (MGC) Series, a qualifying process for the 2020 Tokyo Olympics.

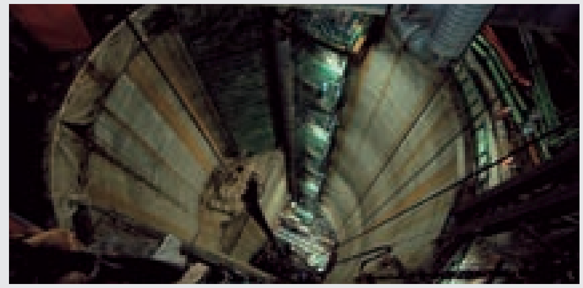
Production of Second TV Commercial: Communicating a Corporate Message "We Love Construction"

Last year, Okumura produced its first corporate TV commercial since the Company's founding and this year it produced the second series of commercials—the concept commercials "Civil Engineering: TBM Tunneling," "Seismic Isolation: Lighthouse Lens" and "Empowerment of Women" (30 seconds each), and the series commercial (in three episodes, 30 seconds each) "I'm Okumura Kumi and I Love Construction (Season 2)," which were aired during the broadcast of the 38th Osaka Women's Marathon, sponsored by the Company.

As with the previous commercials, through the corporate message of "We Love Construction," the commercials express Okumura's passion and sincere commitment to construction founded on its corporate mottos, "steadfast management" and "sincere operation." The song, "Ikuze! Ikuka! Ikoyo!", written and composed by the singer and songwriter Takehara Pistol, was used as the soundtrack.

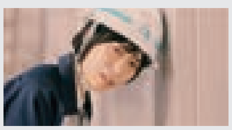
The concept commercials focused on "Okumura's strengths" and depicted images of actual employees at work in a documentary style, while the series commercials depicted the growth of the main character Okumura Kumi, who had been a new employee in the previous commercials, experiencing trials and tribulations as she worked at her beloved construction sites. The part of Okumura Kumi is once again played by the talented actress, Aoi Morikawa, who has appeared in many movies and TV dramas.

The commercial videos may be seen during the program, "Nikkei Special Gaia no Yoake," on the TV TOKYO network, the "Shinsetsu! Tokoro JAPAN" on the Kansai Television and Fuji Television networks, and also on the Company's website.



"Civil Engineering: TBM Tunneling"

"I'm Okumura Kumi and I Love Construction," sixth episode



fifth episode

seventh episode

For more information, see the Commercial Gallery (Commercial videos)
http://www.okumuragumi.co.jp/movie

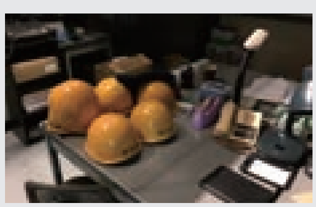
Dramatization and Broadcast of the "Reconstruction Work of the JR Rokkomichi Station" Executed by Okumura

The special drama commemorating the 60th anniversary of Kansai Television, "BRIDGE: It began in Kobe on January 17, 1995," a dramatization of the reconstruction work of the JR Rokkomichi Station executed by Okumura, was aired on January 15, 2019 on the Fuji Television network throughout Japan.

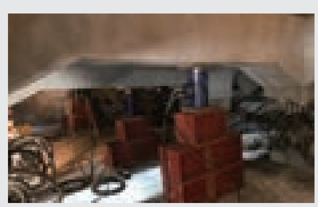
While the drama was fictional, the plot was based on the actual construction work carried out by Okumura, in which Okumura executed an unheard-of construction of jacking up an elevated bridge, which had fallen, for the early resumption of the railway service which had been severed due to the Great Hanshin-Awaji Earthquake, and managed to open the railway service in a mere 74 days. The Company served as the special cooperating company and provided full cooperation in the drama production by dispatching personnel who had acted as site manager at that time to supervise the re-creation of the actual sites and providing materials such as construction records, videos and photos.

"BRIDGE: It began in Kobe on January 17, 1995"

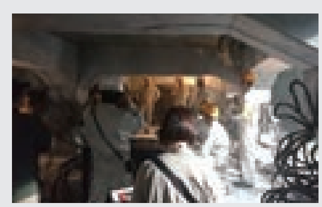
Set re-creating the construction site office (outside)



Set re-creating the construction site office (inside)



Set re-creating the jacking up of the bridge

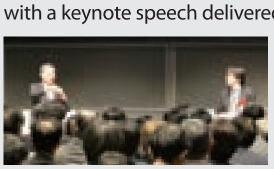


Scenes from rehearsals

Hosting a Construction Engineering Seminar

On November 16, 2018, Okumura hosted the 30th Construction Engineering Seminar at the Tokyo International Forum in Tokyo's Chiyoda Ward. The seminar was attended by approximately 300 participants from various fields, including clients of Okumura.

Okumura began hosting the seminar in 1988 as part of a collaboration among industrial, governmental and academic sectors related to the construction industry. This year's theme was "Building a Resilient Society: Crisis Management Measures of the Government and Companies," with a keynote speech delivered by Satoshi Fujii, Professor of Kyoto University Graduate School of Engineering (Unit Manager, Resilience Research Unit). During the panel discussion, Takeshi Nakano, Director, IT Innovation Division of METI provided topics for discussion (Title: The Imminent Threat to Japan's IT System – 2025 Digital Cliff) and extremely interesting and insightful debates were held on a wide range of topics including government policies to enhance national resilience and the realization of digital transformation using specific examples.



Panel discussion

Inside the seminar hall

Consolidated Balance Sheet

Okumura Corporation and Consolidated Subsidiaries
March 31, 2019

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
ASSETS	**2019**	2018	**2019**
Current assets:			
Cash and cash equivalents (Note 13)	**¥ 49,834**	¥ 54,487	**$ 448,910**
Time deposits (Note 13)	**2,014**	2,455	**18,145**
Receivables:			
Trade notes (Note 13)	**2,083**	4,329	**18,764**
Trade accounts (Note 13)	**98,068**	105,703	**883,419**
Unconsolidated subsidiaries and associated companies (Note 13)	**900**	2,260	**8,111**
Other	**7,133**	11,224	**64,252**
Allowance for doubtful receivables (Note 13)	**(700)**	(787)	**(6,308)**
Inventories (Note 5)	**9,579**	10,376	**86,294**
Prepaid expenses and other	**832**	424	**7,491**
Total current assets	**169,743**	190,471	**1,529,078**
Property, plant and equipment (Notes 6 and 7)**:**			
Land (Note 15)	**31,759**	31,250	**286,089**
Buildings and structures (Note 15)	**13,171**	13,070	**118,641**
Machinery and equipment	**824**	557	**7,426**
Furniture and fixtures	**364**	406	**3,282**
Lease assets (Note 12)	**3**	9	**29**
Construction in progress	**2,958**	22	**26,649**
Total property, plant and equipment	**49,079**	45,314	**442,116**
Investments and other assets:			
Investment securities (Notes 4, 13 and 15)	**73,932**	74,522	**665,988**
Investments in and advances to unconsolidated subsidiaries and associated companies (Notes 13 and 15)	**372**	337	**3,352**
Long-term loans receivable (Note 13)	**65**	75	**584**
Asset for retirement benefits (Note 8)	**3,141**	2,409	**28,293**
Deferred tax assets (Note 10)	**31**	36	**282**
Goodwill (Note 3)	**498**	—	**4,480**
Other assets	**2,840**	2,761	**25,586**
Allowance for doubtful receivables (Note 13)	**(2,010)**	(2,061)	**(18,104)**
Total investments and other assets	**78,869**	78,079	**710,461**
Total	**¥297,691**	¥313,864	**$2,681,655**

See notes to consolidated financial statements.

LIABILITIES AND EQUITY	Millions of Yen 2019	Millions of Yen 2018	Thousands of U.S. Dollars (Note 1) 2019
Current liabilities:			
Short-term bank loans including current portion of long-term debt (Notes 7, 12, 13 and 14)	**¥ 8,078**	¥ 11,667	**$ 72,767**
Payables:			
Trade notes (Note 13)	**2,524**	6,102	**22,736**
Trade accounts (Note 13)	**40,814**	52,884	**367,660**
Other	**754**	813	**6,792**
Advances received on construction projects in progress	**13,942**	16,013	**125,592**
Income taxes payable	**2,298**	2,707	**20,705**
Allowance for warranty work on construction projects	**715**	674	**6,442**
Allowance for losses on construction contracts	**1,118**	2,345	**10,076**
Deposits received	**18,081**	17,226	**162,876**
Other (Note 15)	**19,696**	19,425	**177,422**
Total current liabilities	**108,020**	129,856	**973,068**
Long-term liabilities:			
Long-term debt (Notes 7, 12, and 13)	**7,124**	3,145	**64,174**
Deferred tax liabilities (Note 10)	**14,042**	13,029	**126,490**
Other	**104**	110	**937**
Total long-term liabilities	**21,270**	16,284	**191,601**
Total liabilities	**129,290**	146,140	**1,164,669**
Commitments and contingent liabilities (Notes 12 and 15)			
Equity (Notes 9, 16 and 17)**:**			
Common stock			
authorized, 96,000,000 shares; issued, 45,665,226 shares	**19,839**	19,839	**178,713**
Capital surplus	**25,330**	25,330	**228,180**
Retained earnings	**103,251**	98,266	**930,104**
Treasury stock—at cost			
6,834,822 shares in 2019 and 5,832,570 shares in 2018	**(16,070)**	(12,689)	**(144,761)**
Accumulated other comprehensive income:			
Unrealized gain on available-for-sale securities	**34,415**	34,839	**310,016**
Defined retirement benefit plans	**1,693**	2,139	**15,253**
Total	**36,108**	36,978	**325,269**
Noncontrolling interests	**(57)**	—	**(519)**
Total equity	**168,401**	167,724	**1,516,986**
Total	**¥297,691**	¥313,864	**$2,681,655**

Consolidated Statement of Income

Okumura Corporation and Consolidated Subsidiaries
Year Ended March 31, 2019

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2019	2018	**2019**
Net sales	**¥220,884**	¥223,928	**$1,989,769**
Cost of sales	**189,341**	191,162	**1,705,621**
Gross profit	**31,543**	32,766	**284,148**
Selling, general and administrative expenses (Note 11)	**17,826**	16,912	**160,584**
Operating income	**13,717**	15,854	**123,564**
Other income (expenses):			
Interest and dividend income	**1,264**	1,206	**11,384**
Interest expense	**(155)**	(135)	**(1,391)**
Other—net	**1,732**	670	**15,602**
Other income —net	**2,841**	1,741	**25,595**
Income before income taxes	**16,558**	17,595	**149,158**
Income taxes (Note 10)**:**			
Current	**3,555**	3,240	**32,024**
Deferred	**691**	(809)	**6,222**
Total income taxes	**4,246**	2,431	**38,246**
Net income	**12,312**	15,164	**110,912**
Net loss attributable to noncontrolling interests	**(2)**	—	**(18)**
Net income attributable to owners of the parent	**¥ 12,314**	¥ 15,164	**$ 110,930**

Per share of common stock (Notes 2.p and 17)**:**		Yen	U.S. Dollars (Note 1)
Basic net income*	**¥ 312.93**	¥ 380.65	**$ 2.82**
Cash dividends applicable to the year*	**153.00**	184.00	**1.38**

See notes to consolidated financial statements.
*Per share figures have been restated, as appropriate, to reflect the consolidation of shares at the rate of five shares to one share of the Company's common stock effective October 1, 2017.

Consolidated Statement of Comprehensive Income

Okumura Corporation and Consolidated Subsidiaries
Year Ended March 31, 2019

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2019	2018	**2019**
Net income	**¥12,312**	¥15,164	**$110,912**
Other comprehensive income (loss) (Note 16)**:**			
Unrealized gain (loss) on available-for-sale securities	**(424)**	6,092	**(3,818)**
Defined retirement benefit plans	**(445)**	117	**(4,013)**
Total other comprehensive income (loss)	**(869)**	6,209	**(7,831)**
Comprehensive income	**¥11,443**	¥21,373	**$103,081**
Total comprehensive income (loss) attributable to:			
Owners of the parent	**¥11,445**	¥21,373	**$103,099**
Noncontrolling interests	**(2)**	—	**(18)**

See notes to consolidated financial statements.

Consolidated Statement of Changes in Equity

Okumura Corporation and Consolidated Subsidiaries
Year Ended March 31, 2019

	Thousands	Millions of Yen							
						Accumulated other comprehensive income			
	Number of shares of common stock outstanding*	Common stock	Capital surplus	Retained earnings	Treasury stock	Unrealized gain on available-for-sale securities	Defined retirement benefit plans	Noncontrolling interests	Total equity
BALANCE, APRIL 1, 2017	39,841	¥19,839	¥25,329	¥89,676	(¥12,654)	¥28,747	¥2,022	—	¥152,959
Net income attributable to owners of the parent	—	—	—	15,164	—	—	—	—	15,164
Cash dividends, ¥165 per share*	—	—	—	(6,574)	—	—	—	—	(6,574)
Purchase of treasury stock	(9)	—	—	—	(36)	—	—	—	(36)
Disposal of treasury stock	1	—	1	—	1	—	—	—	2
Net change in the year	—	—	—	—	—	6,092	117	—	6,209
BALANCE, MARCH 31, 2018	39,833	19,839	25,330	98,266	(12,689)	34,839	2,139	—	167,724
Net income attributable to owners of the parent	**—**	**—**	**—**	**12,314**	**—**	**—**	**—**	**—**	**12,314**
Cash dividends, ¥184 per share	**—**	**—**	**—**	**(7,329)**	**—**	**—**	**—**	**—**	**(7,329)**
Purchase of treasury stock	**(1,003)**	**—**	**—**	**—**	**(3,381)**	**—**	**—**	**—**	**(3,381)**
Net change in the year	**—**	**—**	**—**	**—**	**—**	**(424)**	**(445)**	**(57)**	**(927)**
BALANCE, MARCH 31, 2019	**38,830**	**¥19,839**	**¥25,330**	**¥103,251**	**(¥16,070)**	**¥34,415**	**¥1,693**	**(¥57)**	**¥168,401**

	Thousands of U.S. Dollars (Note 1)							
					Accumulated other comprehensive income			
	Common stock	Capital surplus	Retained earnings	Treasury stock	Unrealized gain on available-for-sale securities	Defined retirement benefit plans	Noncontrolling interests	Total equity
BALANCE, MARCH 31, 2018	$178,713	$228,180	$885,197	($114,303)	$313,834	$19,266	—	$1,510,887
Net income attributable to owners of the parent	**—**	**—**	**110,930**	**—**	**—**	**—**	**—**	**110,930**
Cash dividends, $1.66 per share	**—**	**—**	**(66,023)**	**—**	**—**	**—**	**—**	**(66,023)**
Purchase of treasury stock	**—**	**—**	**—**	**(30,458)**	**—**	**—**	**—**	**(30,458)**
Net change in the year	**—**	**—**	**—**	**—**	**(3,818)**	**(4,013)**	**(519)**	**(8,350)**
BALANCE, MARCH 31, 2019	**$178,713**	**$228,180**	**$930,104**	**($144,761)**	**$310,016**	**$15,253**	**($519)**	**$1,516,986**

See notes to consolidated financial statements.

*Number of shares and per share figures have been restated, as appropriate, to reflect the consolidation of shares at the rate of one share for five shares of the Company's common stock effective October 1, 2017.

Consolidated Statement of Cash Flows

Okumura Corporation and Consolidated Subsidiaries
Year Ended March 31, 2019

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2019	2018	**2019**
Operating activities:			
Income before income taxes	**¥ 16,558**	¥ 17,595	**$ 149,158**
Adjustments for:			
Income taxes—paid	**(3,985)**	(1,792)	**(35,897)**
Depreciation and amortization	**1,175**	1,093	**10,587**
Amortization of goodwill	**7**	—	**67**
Changes in assets and liabilities:			
Decrease (increase) in trade notes and accounts receivable	**11,246**	(15,012)	**101,306**
Decrease in accumulated costs of construction projects in progress	**1,211**	972	**10,907**
Increase in other inventories	**(414)**	(585)	**(3,731)**
Increase (decrease) in trade notes and accounts payable	**(11,381)**	155	**(102,527)**
Increase (decrease) in advances received on construction projects in progress	**(2,071)**	1,113	**(18,657)**
Increase in asset for retirement benefits	**(1,168)**	(88)	**(10,519)**
Other—net	**(1,980)**	4,984	**(17,834)**
Total adjustments	**(7,360)**	(9,160)	**(66,298)**
Net cash provided by operating activities	**9,198**	8,435	**82,860**
Investing activities:			
Net decrease (increase) in time deposits	**436**	(807)	**3,929**
Payments for purchases of securities	**(273)**	(170)	**(2,462)**
Proceeds from sales of securities	**2,165**	400	**19,499**
Purchases of property, plant and equipment and intangible assets	**(4,516)**	(3,435)	**(40,678)**
Proceeds from sales of property, plant and equipment and intangible assets	**287**	166	**2,583**
Payments for purchases of ISHIKARI SHINKO NEW ENERGY HATSUDEN GODO KAISHA, net of cash acquired	**268**	—	**2,410**
Investment in loans receivable	**(1,749)**	(18)	**(15,755)**
Collection of loans receivable	**29**	24	**262**
Other—net	**(11)**	(11)	**(96)**
Net cash used in investing activities	**(3,364)**	(3,851)	**(30,308)**
Financing activities:			
Increase (decrease) in short-term bank loans—net	**(3,754)**	2,572	**(33,820)**
Proceeds from long-term debt	**4,000**	2,000	**36,033**
Repayments of long-term debt	**(20)**	(4,017)	**(180)**
Purchase of treasury stock	**(3,381)**	(36)	**(30,458)**
Disposal of treasury stock	**—**	2	**—**
Dividends paid	**(7,314)**	(6,560)	**(65,887)**
Other—net	**(8)**	(14)	**(69)**
Net cash used in financing activities	**(10,477)**	(6,053)	**(94,381)**
Foreign currency translation adjustments on cash and cash equivalents	**(10)**	(3)	**(90)**
Net decrease in cash and cash equivalents	**(4,653)**	(1,472)	**(41,919)**
Cash and cash equivalents, beginning of year	**54,487**	55,959	**490,829**
Cash and cash equivalents, end of year	**¥ 49,834**	¥ 54,487	**$ 448,910**

See notes to consolidated financial statements.

1. Basis of Presentation of Consolidated Financial Statements

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

In preparing these consolidated financial statements, certain reclassifications and rearrangements have been made to the consolidated financial statements issued domestically in order to present them in a form which is more familiar to readers outside Japan. In addition, certain reclassifications have been made in the 2018 consolidated financial statements to conform to the classifications used in 2019.

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 ¥111.01 to $1, the rate of exchange at March 31, 2019. 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, 2019, include the accounts of the Company and its 3 (2 in 2018) significant subsidiaries (together, the "Group"). ISHIKARI SHINKO NEW ENERGY HATSUDEN GODO KAISHA was acquired on December 26, 2018 and became a consolidated subsidiary of the Company in the year ended March 31, 2019.

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

Investments in 9 (9 in 2018) unconsolidated subsidiaries and 4 (4 in 2018) 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 excess of the cost of acquisition over the fair value of the net assets of an acquired subsidiary at the date of acquisition is amortized over a period of 17 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 also eliminated.

All consolidated subsidiaries close their accounts on March 31.

ISHIKARI SHINKO NEW ENERGY HATSUDEN GODO KAISHA, which was acquired on December 26, 2018 and became a consolidated subsidiary of the Company in the year ended March 31, 2019, has changed its fiscal closing date from May 31 to March 31. The accounting period of the company in the year ended March 31, 2019 is three months, since the deemed acquisition date was December 31, 2018.

b. Business Combinations — Business combinations are accounted for using the purchase method. Acquisition-related costs, such as advisory fees or professional fees, are accounted for as expenses in the periods in which the costs are incurred. If the initial accounting for a business combination is incomplete by the end of the reporting period in which the business combination occurs, an acquirer shall report in its financial statements provisional amounts for the items for which the accounting is incomplete. During the measurement period, which shall not exceed one year from the acquisition, the acquirer shall retrospectively adjust the provisional amounts recognized at the acquisition date to reflect new information obtained about facts and circumstances that existed as of the acquisition date and that would have affected the measurement of the amounts recognized as of that date. Such adjustments shall be recognized as if the accounting for the business combination had been completed at the acquisition date. The acquirer recognizes any bargain purchase gain in profit or loss immediately on the acquisition date after reassessing and confirming that all of the assets acquired and all of the liabilities assumed have been identified after a review of the procedures used in the purchase price allocation. A parent's ownership interest in a subsidiary might change if the parent purchases or sells ownership interests in its subsidiary. The carrying amount of noncontrolling interest is adjusted to reflect the change in the parent's ownership interest in its subsidiary while the parent retains its controlling interest in its subsidiary. Any difference between the fair value of the consideration received or paid and the amount by which the noncontrolling interest is adjusted is accounted for as capital surplus as long as the parent retains control over its subsidiary.

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

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

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

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

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

(1) held-to-maturity debt securities, for which there is a positive intent and ability to hold to maturity, are reported at amortized cost; and

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

Nonmarketable available-for-sale securities are stated at cost determined by the moving-average method. For other-than-temporary declines in fair value, investment securities are reduced to net realizable value by a charge to income. Investments in limited partnerships, which are considered securities under Article 2, Clause 2 of the Japanese Financial Instruments and Exchange Act, are recorded under the equity method and based on the latest consolidated financial statements available on the reportable date ruled by the partnership contracts.

f. Property, Plant and Equipment — Property, plant and equipment are stated at cost. Depreciation, except for lease assets, is computed by the declining-balance method based on the estimated useful lives of the assets, while the straight-line method is applied to buildings acquired on or after April 1, 1998 and building improvements and structures acquired on or after April 1, 2016, and lease assets. The range of useful lives is principally from 3 to 60 years for buildings and structures, from 4 to 17 years for machinery and equipment, and from 2 to 20 years for furniture and fixtures. Lease assets under finance lease arrangements are depreciated using the straight-line method over the terms of the respective leases without any salvage value.

Accumulated depreciation totaled ¥15,098 million ($136,010 thousand) and ¥14,896 million as of March 31, 2019 and 2018, respectively.

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

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

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

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

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

The Company accounts for the liability for retirement benefits based on the projected benefit obligations and plan assets at the balance sheet date. The projected benefit obligations are attributed to periods on a benefit formula basis. Actuarial gains and losses and past service costs that are yet to be recognized in profit or loss are recognized within equity (accumulated other comprehensive income), after adjusting for tax effects, and are recognized in profit or loss over 10 years but no longer than the expected average remaining service period of the employees.

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

m. Construction Contracts — Construction revenue and construction costs are recognized by the percentage-of-completion method, if the outcome of a construction contract can be estimated reliably. When total construction revenue, total construction costs and the stage of completion of the contract at the balance sheet date can be reliably measured, the outcome of a construction contract is deemed to be estimated reliably. If the outcome of a construction contract cannot be reliably estimated, the completed-contract method should be applied. When it is probable that the total construction costs will exceed total construction revenue, an estimated loss on the contract should be immediately recognized by providing for a loss on such construction contracts.

The revenues recognized by the percentage-of-completion method for the years ended March 31, 2019 and 2018 were ¥204,803 million ($1,844,904 thousand) and ¥208,650 million, respectively.

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

On February 16, 2018, Accounting Standards Board of Japan (“ASBJ”) issued ASBJ Statement No. 28, “Partial Amendments to Accounting Standard for Tax Effect Accounting,” which requires deferred tax assets and deferred tax liabilities to be classified as investments and other assets and long-term liabilities, respectively. Deferred tax assets were previously classified as current assets and investments and other assets, and deferred tax liabilities were previously classified as current liabilities and long-term liabilities under the previous accounting standard. The revised accounting standard is effective for annual periods beginning on or after April 1, 2018. The Company retrospectively applied the revised accounting standard effective April 1, 2018, and deferred tax assets of ¥35 million and deferred tax liabilities of ¥2,680 million which were previously classified as current assets and current liabilities, respectively, as of March 31, 2018, have been reclassified as investments and other assets and long-term liabilities, respectively, in the accompanying consolidated balance sheet.

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

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

Interest rate swaps that qualify for hedge accounting and meet specific matching criteria are not remeasured at market value, but the differential paid or received under the swap agreements is recognized and included in interest expense or income.

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

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

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

The Company implemented a consolidation of shares at the rate of five shares to one share of the Company’s common stock effective October 1, 2017 based on the resolution at the annual shareholders’ meeting held on June 29, 2017. Per share figures have been calculated on the assumption that the consolidation of shares was implemented at the beginning of the previous fiscal year.

q. Accounting Changes and Error Corrections — Under ASBJ Statement No. 24, “Accounting Standard for Accounting Changes and Error Corrections,” and ASBJ Guidance No. 24, “Guidance on Accounting Standard for Accounting Changes and Error Corrections,” accounting treatments are required as follows:

(1) Changes in Accounting Policies:
When a new accounting policy is applied following revision of an accounting standard, the new policy is applied retrospectively unless the revised accounting standard includes specific transitional provisions, in which case the entity shall comply with the specific transitional provisions.

(2) Changes in Presentation:
When the presentation of financial statements is changed, prior-period financial statements are reclassified in accordance with the new presentation.

(3) Changes in Accounting Estimates:
A change in an accounting estimate is accounted for in the period of the change if the change affects that period only, and is accounted for prospectively if the change affects both the period of the change and future periods.

(4) Corrections of Prior-Period Errors:
When an error in prior-period financial statements is discovered, those statements are restated.

r. New Accounting Pronouncements — On March 30, 2018, the ASBJ issued ASBJ Statement No. 29, “Accounting Standard for Revenue Recognition,” and ASBJ Guidance No. 30, “Implementation Guidance on Accounting Standard for Revenue Recognition.” The core principle of the standard and guidance is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. An entity should recognize revenue in accordance with that core principle by applying the following steps:

Step 1: Identify the contract(s) with a customer
Step 2: Identify the performance obligations in the contract
Step 3: Determine the transaction price
Step 4: Allocate the transaction price to the performance obligations in the contract
Step 5: Recognize revenue when (or as) the entity satisfies a performance obligation

The accounting standard and guidance are effective for fiscal years beginning on or after April 1, 2021. Earlier application is permitted for fiscal years beginning on or after April 1, 2018.

The Company expects to apply the accounting standard and guidance for fiscal years beginning on or after April 1, 2021, and is in the process of measuring the effects of applying the accounting standard and guidance in future applicable periods.

3. Business Combination

Year Ended March 31, 2019

(Business Combination by Acquisition)

a. Outline of the business combination

(1) Name of acquired company and its business outline

Name of the acquired company: ISHIKARI SHINKO NEW ENERGY HATSUDEN GODO KAISHA

Business outline: Power generation using renewable energy and sales of electricity

(2) Major reason for the business combination

As part of promoting the Company's Medium-Term Business Plan (FY2016–FY2018), the Company aims to diversify its revenue base and expand its business area by acquiring ISHIKARI SHINKO NEW ENERGY HATSUDEN GODO KAISHA as a subsidiary.

(3) Date of business combination

December 26, 2018 (acquisition date of equity interest)

December 31, 2018 (deemed acquisition date)

(4) Legal form of business combination

Acquisition of equity interest

(5) Name of the company after the combination

No change

(6) Ratio of equity interest acquired

90%

(7) Basis for determining the acquirer

It is based on the fact that the Company acquired equity interest by means of share acquisition in consideration for cash.

b. The period for which the operations of the acquired company are included in the consolidated financial statements

The operations of the acquired company for the three months from January 1, 2019 to March 31, 2019 were included in the consolidated statement of income for the year ended March 31, 2019.

c. Acquisition cost of the acquired company and related details of each class of consideration

	Millions of Yen	Thousands of U.S. Dollars
Consideration for acquisition—Cash	¥5	$41
Acquisition cost	¥5	$41

d. Major acquisition-related costs

Advisory fees, etc.: ¥4 million ($33 thousand)

e. Amount of goodwill incurred, reasons for the goodwill incurred, and the method and period of amortization

(1) Amount of goodwill incurred

¥505 million ($4,547 thousand)

(2) Reasons for the goodwill incurred

Goodwill is incurred from expected excess earnings power in the future arising from further business development.

(3) Method and period of amortization

The goodwill is amortized on a straight-line basis over 17 years.

f. The assets acquired and the liabilities assumed at the acquisition date are as follows:

	Millions of Yen	Thousands of U.S. Dollars
Current assets	¥ 293	$ 2,635
Non-current assets	875	7,886
Total assets	¥1,168	$10,521
Current liabilities	¥1,724	$15,529
Long-term liabilities	—	—
Total liabilities	¥1,724	$15,529

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g. Pro forma information (unaudited)
The effects of this business combination on the consolidated statement of income for the year ended March 31, 2019, assuming it was completed at the beginning of the current fiscal year on April 1, 2018, are omitted as they are considered immaterial.

The relationships of assets and liabilities at the beginning of consolidation, acquisition value of equity interest, and net proceeds from acquisition are as follows:

	Millions of Yen	Thousands of U.S. Dollars
Current assets	¥ 293	$ 2,635
Non-current assets	875	7,886
Goodwill	505	4,547
Current liabilities	(1,724)	(15,529)
Noncontrolling interests	56	501
Acquisition value of equity interest	5	33
Cash and cash equivalents	(272)	(2,450)
Net proceeds from acquisition	¥ (267)	$ 2,410

4. Marketable and Investment Securities
Marketable and investment securities as of March 31, 2019 and 2018, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2019	2018	**2019**
Non-current:			
Marketable equity securities	**¥72,394**	¥73,009	**$652,136**
Government and corporate bonds	**121**	120	**1,087**
Non-marketable equity securities and other	**1,417**	1,393	**12,765**
Total	**¥73,932**	¥74,522	**$665,988**

The costs and aggregate fair values of marketable and investment securities at March 31, 2019 and 2018, were as follows:

				Millions of Yen
March 31, 2019	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Securities classified as:				
Available-for-sale:				
Equity securities	¥24,401	¥48,136	¥143	¥72,394
Held-to-maturity:				
Debt securities	121	4	—	125
March 31, 2018				
Securities classified as:				
Available-for-sale:				
Equity securities	¥24,900	¥48,180	¥ 71	¥ 73,009
Held-to-maturity:				
Debt securities	120	5	—	125

				Thousands of U.S. Dollars
March 31, 2019	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Securities classified as:				
Available-for-sale:				
Equity securities	$219,811	$433,615	$1,290	$652,136
Held-to-maturity:				
Debt securities	1,087	37	—	1,124

The information for available-for-sale securities which were sold during the years ended March 31, 2019 and 2018 is as follows:

	Millions of Yen		
March 31, 2019	Proceeds	Realized Gains	Realized Losses
Available-for-sale:			
Equity securities	¥2,105	¥1,420	¥—

	Millions of Yen		
March 31, 2018	Proceeds	Realized Gains	Realized Losses
Available-for-sale:			
Equity securities	¥400	¥181	¥—

	Thousands of U.S. Dollars		
March 31, 2019	Proceeds	Realized Gains	Realized Losses
Available-for-sale:			
Equity securities	$18,960	$12,796	$—

The impairment losses on available-for-sale equity securities for the year ended March 31,2019,was ¥28 million ($254thousand)

No impairment losses were recognized on securities for the year ended March 31, 2018.

5. Inventories

Inventories at March 31, 2019 and 2018, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2019	2018	**2019**
Construction projects in progress	**¥4,337**	¥ 5,548	**$39,068**
Real estate held for sale	**991**	705	**8,932**
Development projects in progress	**2,737**	3,215	**24,655**
Other	**1,514**	908	**13,639**
Total	**¥9,579**	¥10,376	**$86,294**

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6. Investment Property

The Group owns certain rental properties such as residential buildings, warehouses, and land in Osaka and other areas. Some rental warehouses leased to third parties, of which the Company utilizes a part, are classified as rental properties in part.

The net of rental income and operating expenses for those rental properties was ¥2,993 million ($26,964 thousand) and ¥2,969 million for the years ended March 31, 2019 and 2018, respectively.

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

				Millions of Yen
	Carrying Amount			Fair Value
	April 1, 2018	Increase/ Decrease	March 31, 2019	March 31, 2019
Rental properties	¥32,562	¥224	¥32,786	¥58,263
Rental properties in part	1,252	(27)	1,225	2,071
Total	¥33,814	¥197	¥34,011	¥60,334

				Millions of Yen
	Carrying Amount			Fair Value
	April 1, 2017	Increase/ Decrease	March 31, 2018	March 31, 2018
Rental properties	¥32,209	¥ 353	¥32,562	¥57,474
Rental properties in part	337	915	1,252	2,019
Total	¥32,546	¥1,268	¥33,814	¥59,493

				Thousands of U.S. Dollars
	Carrying Amount			Fair Value
	April 1, 2018	Increase/ Decrease	March 31, 2019	March 31, 2019
Rental properties	$293,326	$2,015	$295,341	$524,844
Rental properties in part	11,277	(244)	11,033	18,653
Total	$304,603	$1,771	$306,374	$543,497

Notes:

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

(2) Fair value of properties as of March 31, 2019 and 2018 is measured in accordance with real-estate appraisal performed by real-estate appraisers for primary properties. The amount measured by the Group is in accordance with its Real-Estate Appraisal Standard for other properties (including those measured using indicators).

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

Short-term bank loans at March 31, 2019 and 2018, consisted of notes to banks and bank overdrafts. The annual interest rates applicable to the short-term bank loans ranged from 0.7% to 3.2% at March 31, 2019 and 0.7% to 2.8% at March 31, 2018.

Long-term debt at March 31, 2019 and 2018, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2019	2018	**2019**
Loans from banks and other financial institutions, due serially to 2031 with interest rates ranging from 0.7% to 1.5%			
Collateralized	**¥ —**	¥ 0	**$ —**
Unsecured	**7,129**	3,149	**64,217**
Obligations under finance leases	**4**	10	**34**
Total	**7,133**	3,159	**64,251**
Less current portion	**(9)**	(14)	**(77)**
Long-term debt, less current portion	**¥7,124**	¥3,145	**$64,174**

Annual maturities of long-term debt, excluding finance leases (see Note 12), at March 31, 2019, were as follows:

Year Ending March 31	Millions of Yen	Thousands of U.S. Dollars
2020	¥ 6	$ 58
2021	1,103	9,935
2022	3	26
2023	2,003	18,043
2024	4,003	36,059
2025 and thereafter	11	96
Total	¥7,129	$64,217

There were no assets pledged as collateral for the above short-term bank loans and long-term-debt at March 31, 2019.

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

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

8. Employees' Retirement Benefits

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

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

(1) The changes in defined benefit obligations for the years ended March 31, 2019 and 2018, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2019	2018	**2019**
Balance at beginning of year	**¥21,196**	¥21,730	**$190,940**
Current service cost	**1,109**	1,102	**9,988**
Interest cost	**106**	109	**954**
Actuarial losses	**227**	23	**2,045**
Benefits paid	**(1,974)**	(1,768)	**(17,784)**
Balance at end of year	**¥20,664**	¥21,196	**$186,143**

(2) The changes in plan assets for the years ended March 31, 2019 and 2018, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2019	2018	**2019**
Balance at beginning of year	**¥23,605**	¥23,844	**$212,642**
Expected return on plan assets	**213**	214	**1,914**
Actuarial gains	**102**	366	**922**
Contributions from the employer	**1,859**	949	**16,742**
Benefits paid	**(1,974)**	(1,768)	**(17,784)**
Balance at end of year	**¥23,805**	¥23,605	**$214,436**

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

	Millions of Yen		Thousands of U.S. Dollars
	2019	2018	**2019**
Defined benefit obligation	**¥ 20,664**	¥21,196	**$ 186,143**
Plan assets	**(23,805)**	(23,605)	**(214,436)**
Total	**(3,141)**	(2,409)	**(28,293)**
Unfunded defined benefit obligation	**—**	—	**—**
Net asset arising from defined benefit obligation	**¥ (3,141)**	¥ (2,409)	**$ (28,293)**

	Millions of Yen		Thousands of U.S. Dollars
	2019	2018	**2019**
Asset for retirement benefits	**¥ (3,141)**	¥(2,409)	**$(28,293)**
Net asset arising from defined benefit obligation	**¥ (3,141)**	¥(2,409)	**$(28,293)**

(4) The components of net periodic benefit costs for the years ended March 31, 2019 and 2018, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2019	2018	**2019**
Service cost	**¥1,109**	¥1,102	**$9,988**
Interest cost	**106**	109	**954**
Expected return on plan assets	**(213)**	(214)	**(1,914)**
Recognized actuarial gains	**(311)**	(115)	**(2,805)**
Amortization of past service costs	**—**	(21)	**—**
Net periodic benefit costs	**¥ 691**	¥ 861	**$6,223**

(5) Amounts recognized in other comprehensive income (before income tax effect) in respect of defined retirement benefit plans for the years ended March 31, 2019 and 2018, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2019	2018	**2019**
Actuarial gains (losses)	**¥(436)**	¥228	**$(3,928)**
Past service costs	**—**	(21)	**—**
Total	**¥(436)**	¥207	**$(3,928)**

(6) Amounts recognized in accumulated other comprehensive income (before income tax effect) in respect of defined retirement benefit plans as of March 31, 2019 and 2018, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2019	2018	**2019**
Unrecognized actuarial gains	**¥(2,440)**	¥(2,876)	**$(21,979)**

(7) Plan assets

a. Components of plan assets

Plan assets as of March 31, 2019 and 2018, consisted of the following:

	2019	2018
Debt investments	**43%**	44%
Equity investments	**11**	11
Life insurance general account assets	**32**	32
Others	**14**	13
Total	**100%**	100%

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

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

(8) Assumptions used for the years ended March 31, 2019 and 2018, are set forth as follows:

	2019	2018
Discount rate	**0.5%**	0.5%
Expected rate of return on plan assets	**0.9**	0.9

9. Equity

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

a. Dividends

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

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

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

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

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

c. Treasury Stock and Treasury Stock Acquisition Rights

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

The Company implemented a consolidation of shares at the rate of five shares to one share of the Company's common stock effective October 1, 2017 based on the resolution of the annual shareholders' meeting held on June 29, 2017.

10. Income Taxes

The Group is subject to Japanese national and local income taxes which, in the aggregate, resulted in a normal effective statutory tax rate of approximately 30.6% and 30.8% for the years ended March 31, 2019 and 2018, respectively.

The tax effects of significant temporary differences and tax loss carryforwards which resulted in deferred tax assets and liabilities at March 31, 2019 and 2018, are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2019	2018	**2019**
Deferred tax assets:			
Impairment losses on securities	**¥ 2,039**	¥ 2,149	**$ 18,367**
Write-down of inventories	**1,408**	1,359	**12,685**
Allowance for bonuses	**1,053**	1,305	**9,482**
Allowance for doubtful accounts	**844**	879	**7,605**
Tax loss carryforwards	**418**	357	**3,766**
Allowance for losses on construction contracts	**342**	718	**3,083**
Accrued expenses	**336**	317	**3,027**
Other	**467**	503	**4,209**
Less valuation allowance	**(4,636)**	(4,871)	**(41,764)**
Total	**2,271**	2,716	**20,460**
Deferred tax liabilities:			
Net unrealized gains on available-for-sale securities	**(13,573)**	(13,256)	**(122,267)**
Retained earnings appropriated for special allowance	**(1,748)**	(1,716)	**(15,743)**
Asset for retirement benefits	**(961)**	(737)	**(8,658)**
Total	**(16,282)**	(15,709)	**(146,668)**
Net deferred tax liabilities	**¥(14,011)**	¥(12,993)	**$(126,208)**

A reconciliation between the normal effective statutory tax rates and the actual effective tax rates reflected in the accompanying consolidated statement of income for the year ended March 31, 2019, with the corresponding figures for 2018, is as follows:

	2019	2018
Normal effective statutory tax rate	**30.6%**	30.8 %
Expenses not deductible for income tax purposes	**0.5**	0.4
Non-taxable income	**(0.5)**	(0.5)
Inhabitant tax per capita	**0.8**	0.8
Special income tax credits	**(2.3)**	(2.2)
Valuation allowance	**(3.4)**	(16.0)
Other—net	**(0.1)**	0.5
Actual effective tax rate	**25.6%**	13.8%

11. Research and Development Costs

Research and development costs charged to income were ¥1,337 million ($12,048 thousand) and ¥1,080 million for the years ended March 31, 2019 and 2018, respectively.

12. Leases

(1) Finance leases

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

Total rental expenses including lease payments under finance leases for the years ended March 31, 2019 and 2018, were ¥7 million ($63 thousand) and ¥13 million, respectively.

Obligations under finance leases at March 31, 2019 and 2018, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2019	2018	**2019**
Due within one year	**¥2**	¥ 7	**$20**
Due after one year	**2**	3	**14**
Total	**¥4**	¥10	**$34**

(2) Operating leases

Future minimum lease receivables or payments under noncancelable operating leases at March 31, 2019 and 2018, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2019	2018	**2019**
As a lessor:			
Due within one year	**¥ 2,339**	¥ 2,279	**$ 21,068**
Due after one year	**13,657**	15,004	**123,031**
Total	**¥15,996**	¥17,283	**$144,099**
As a lessee:			
Due within one year	**¥ 95**	¥ 86	**$ 856**
Due after one year	**643**	673	**5,790**
Total	**¥ 738**	¥ 759	**$ 6,646**

13. Financial Instruments and Related Disclosures

(1) Group policy for financial instruments

At the Group level, cash surpluses, if any, are invested in low-risk financial assets. Short-term bank loans are used to fund its ongoing operations. Derivatives are used, not for speculative purposes, but to manage its exposure to fluctuations in foreign currency exchange and interest rates.

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

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

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

(3) Risk management for financial instruments

Credit risk management

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

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

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

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

Bank loans with floating interest rates are exposed to fluctuations in interest rates. With respect to long-term bank loans, the Group utilizes derivatives (interest rate swaps) by individual contract as hedging instruments to fix the interest expenses. The hedge accounting method is described in Note 2.o.

Please see Note 14 for more details about derivatives.

Liquidity risk management

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

(4) Fair values of financial instruments

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

(a) Fair value of financial instruments

			Millions of Yen
March 31, 2019	Carrying Amount	Fair Value	Unrealized Gain/Loss
Cash and cash equivalents and time deposits	¥ 51,848	¥ 51,848	¥—
Receivables—trade notes and accounts	101,041		
Allowance for doubtful receivables	(654)		
Net	100,387	100,387	—
Investment securities	72,514	72,518	4
Long-term loans receivable	174		
Allowance for doubtful long-term loans receivable	(1)		
Net	173	175	2
Total	¥224,922	¥224,928	¥ 6
Short-term bank loans	¥ 8,069	¥ 8,069	¥—
Long-term bank loans	7,100	7,112	12
Payables—trade notes and accounts	43,338	43,338	—
Long-term debt—lease obligation including current portion	4	4	(0)
Total	¥ 58,511	¥ 58,523	¥12
Derivatives	¥ —	¥ —	¥—

			Millions of Yen
March 31, 2018	Carrying Amount	Fair Value	Unrealized Gain/Loss
Cash and cash equivalents and time deposits	¥ 56,942	¥ 56,942	¥—
Receivables—trade notes and accounts	112,287		
Allowance for doubtful receivables	(719)		
Net	111,568	111,568	—
Investment securities	73,129	73,134	5
Long-term loans receivable	128		
Allowance for doubtful long-term loans receivable	(1)		
Net	127	129	2
Total	¥241,766	¥241,773	¥ 7
Short-term bank loans	¥ 11,652	¥ 11,652	¥—
Long-term bank loans	3,100	3,105	5
Payables—trade notes and accounts	58,986	58,986	—
Long-term debt—lease obligation including current portion	10	10	(0)
Total	¥ 73,748	¥ 73,753	¥ 5
Derivatives	¥ —	¥ —	¥—

March 31, 2019	Thousands of U.S. Dollars Carrying Amount	Fair Value	Unrealized Gain/Loss
Cash and cash equivalents and time deposits	$ 467,055	$ 467,055	$ —
Receivables—trade notes and accounts	910,200		
Allowance for doubtful receivables	(5,891)		
Net	904,309	904,309	—
Investment securities	653,223	653,260	37
Long-term loans receivable	1,568		
Allowance for doubtful long-term loans receivable	(9)		
Net	1,559	1,580	21
Total	$2,026,146	$2,026,204	$ 58
Short-term bank loans	$ 72,690	$ 72,690	$ —
Long-term bank loans	63,958	64,063	105
Payables—trade notes and accounts	390,396	390,396	—
Long-term debt—lease obligation including current portion	34	33	(1)
Total	$ 527,077	$ 527,181	$104
Derivatives	$ —	$ —	$ —

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

Cash and cash equivalents and time deposits

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

Marketable securities and investment securities

The fair values of marketable securities and investment securities are measured at the quoted market price of the stock exchange for the equity instruments and at the quoted price obtained from the financial institution for certain debt instruments. Fair value information for the marketable securities and the investment securities by classification is included in Note 4.

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

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

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

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

Long-term debt—lease obligation

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

Long-term bank loans

The fair values of long-term bank loans are determined by the present value calculated by discounting the total amount of the principal and interest expense at the interest rate considering the remaining maturities of the loans and credit risk of the Company.

Derivatives

Fair value information for derivatives is included in Note 14.

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

	Millions of Yen 2019	2018	Thousands of U.S. Dollars 2019
Investments in equity instruments that do not have a quoted market price in an active market	**¥1,218**	¥1,309	**$10,972**
Investments in limited partnerships	**436**	322	**3,928**

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

March 31, 2019	Due in 1 Year or Less	Due after 1 Year through 5 Years	Due after 5 Years through 10 Years	Due after 10 Years
	Millions of Yen			
Cash and cash equivalents and time deposits	¥ 51,848	¥ —	¥—	¥—
Receivables—trade notes and accounts	83,466	17,575	—	—
Investment securities				
Available-for-sale securities with contractual maturities	—	124	—	—
Long-term loans receivable	—	96	80	24
Total	¥135,314	¥17,795	¥80	¥24

March 31, 2019	Due in 1 Year or Less	Due after 1 Year through 5 Years	Due after 5 Years through 10 Years	Due after 10 Years
	Thousands of U.S. Dollars			
Cash and cash equivalents and time deposits	$ 467,055	$ —	$ —	$ —
Receivables—trade notes and accounts	751,878	158,321	—	—
Investment securities				
Available-for-sale securities with contractual maturities	—	1,118	—	—
Long-term loans receivable	—	859	724	218
Total	$1,218,933	$160,298	$724	$218

Please see Note 7 for annual maturities of long-term debt and Note 12 for obligations under finance leases.

14. Derivatives

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

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

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

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

Derivative transactions to which hedge accounting is not applied:
There were no derivative transactions to which hedge accounting is not applied at March 31, 2019 and 2018.

Derivative transactions to which hedge accounting is applied:

		Millions of Yen		
March 31, 2019	Hedged item	Contract amount	Contract amount due after one year	Fair value
Interest rate swaps Floating-rate receipt, fixed-rate payment	Long-term bank loans	¥4,000	¥4,000	Note

		Thousands of U.S. Dollars		
March 31, 2019	Hedged item	Contract amount	Contract amount due after one year	Fair value
Interest rate swaps Floating-rate receipt, fixed-rate payment	Long-term bank loans	$36,033	$36,033	Note

Note:
Interest rate swaps which qualify for hedge accounting and meet specific matching criteria are not remeasured at market value but the differential paid or received under the swap agreement is recognized and included in interest expense or income. The fair value of such interest rate swaps is included in those of the hedged items (i.e., long-term bank loans) in Note 13.

There were no derivative transactions to which hedge accounting is applied at March 31, 2018.

15. Commitments and Contingent Liabilities

Land in the amount of ¥21 million ($187 thousand) is pledged for a deposit received from a lessee related to a fixed-term land leasehold at March 31, 2019. Land in the amount of ¥1,458 million ($13,136 thousand) and buildings in the amount of ¥1,132 million ($10,201 thousand) are pledged as construction assistance funds pursuant to building lease contracts at March 31, 2019. Investment securities in the amounts of ¥121 million ($1,087 thousand), ¥16 million ($142 thousand) and ¥53 million ($473 thousand) are pledged as collateral for the guarantee against defect of the house construction, contract performance obligation of the private finance initiative (PFI) business, and the loans of an affiliate, respectively, at March 31, 2019.

16. Other Comprehensive Income

The components of other comprehensive income for the years ended March 31, 2019 and 2018, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2019	2018	**2019**
Unrealized gain on available-for-sale securities			
Gain arising during the year	**¥ 1,285**	¥ 8,685	**$ 11,582**
Reclassification adjustments to profit or loss	**(1,392)**	(56)	**(12,542)**
Amount before income tax effect	**(107)**	8,629	**(960)**
Income tax effect	**(317)**	(2,537)	**(2,858)**
Total	**¥ (424)**	¥ 6,092	**$ (3,818)**
Defined retirement benefit plans			
Adjustments arising during the year	**¥ (125)**	¥ 343	**$ (1,123)**
Reclassification adjustments to profit or loss	**(311)**	(136)	**(2,805)**
Amount before income tax effect	**(436)**	207	**(3,928)**
Income tax effect	**(9)**	(90)	**(85)**
Total	**¥ (445)**	¥ 117	**$ (4,013)**
Total other comprehensive income	**¥ (869)**	¥ 6,209	**$ (7,831)**

17. Subsequent Events

Appropriation of Retained Earnings

The following appropriation of retained earnings at March 31, 2019, was approved at the Company's shareholders' meeting held on June 27, 2019:

	Millions of Yen	Thousands of U.S. Dollars
Year-end cash dividends, ¥153 ($1.38) per share	¥5,941	$53,518

18. Segment Information

1. Description of Reportable Segments

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

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

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

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

Millions of Yen

	2019							
	Reportable segment							
	Civil engineering	Architectural construction	Real estate	Total	Other (Note 1)	Total	Reconciliations (Note 2)	Consolidated (Note 3)
Sales								
Sales to external customers	¥91,655	¥118,366	¥4,673	¥214,694	¥6,190	¥220,884	¥ —	¥220,884
Intersegment sales or transfers	—	1	35	36	621	657	(657)	—
Total	91,655	118,367	4,708	214,730	6,811	221,541	(657)	220,884
Segment profit	6,203	4,136	2,964	13,303	401	13,704	13	13,717
Other:								
Depreciation	¥ 338	¥ 399	¥ 405	¥ 1,142	¥ 40	¥ 1,182	¥ (7)	¥ 1,175
Amortization of goodwill	—	—	—	—	7	7	—	7

Millions of Yen

	2018							
	Reportable segment							
	Civil engineering	Architectural construction	Real estate	Total	Other (Note 1)	Total	Reconciliations (Note 2)	Consolidated (Note 3)
Sales								
Sales to external customers	¥81,230	¥131,906	¥4,660	¥217,796	¥6,132	¥223,928	¥ —	¥223,928
Intersegment sales or transfers	—	—	35	35	848	883	(883)	—
Total	81,230	131,906	4,695	217,831	6,980	224,811	(883)	223,928
Segment profit	5,973	6,441	2,858	15,272	569	15,841	13	15,854
Other:								
Depreciation	¥ 280	¥ 406	¥ 384	¥ 1,070	¥ 30	¥ 1,100	¥ (7)	¥ 1,093

Thousands of U.S. Dollars

	2019							
	Reportable segment							
	Civil engineering	Architectural construction	Real estate	Total	Other (Note 1)	Total	Reconciliations (Note 2)	Consolidated (Note 3)
Sales								
Sales to external customers	$825,644	$1,066,263	$42,101	$1,934,008	$55,761	1,989,769	$ —	$1,989,769
Intersegment sales or transfers	—	7	314	321	5,595	5,916	(5,916)	—
Total	825,644	1,066,270	42,415	1,934,329	61,356	1,995,685	(5,916)	1,989,769
Segment profit	55,879	37,261	26,700	119,840	3,606	123,446	118	123,564
Other:								
Depreciation	$ 3,041	$ 3,597	$ 3,649	$ 10,287	$ 363	$ 10,650	$ (63)	$ 10,587
Amortization of goodwill	—	—	—	—	67	67	—	67

Notes:
1. "Other" is a business segment which is not included in any reportable segment and includes business related to manufacturing and sale of construction machinery , materials, and so on.
2. Reconciliations to segment profit in the amount of ¥13 million ($118 thousand) and ¥13 million for the years ended March 31, 2019 and 2018, respectively, include eliminations of intersegment transactions.
3. The consolidated amounts of segment profit above correspond to the amounts of operating income in the consolidated statements of income.

Deloitte.

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of Okumura Corporation:

We have audited the accompanying consolidated balance sheet of Okumura Corporation and its consolidated subsidiaries as of March 31, 2019, and the related consolidated statements of income, comprehensive income, changes in equity, and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information, all expressed in Japanese yen.

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

Auditor's Responsibility
Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

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

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

Opinion
In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Okumura Corporation and its consolidated subsidiaries as of March 31, 2019, and the consolidated results of their operations and their cash flows for the year then ended in accordance with accounting principles generally accepted in Japan.

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

Deloitte Touche Tohmatsu LLC

June 27, 2019

Member of
Deloitte Touche Tohmatsu Limited

Breakdown of Orders (Nonconsolidated)

Okumura Corporation
Year Ended March 31, 2019

Construction Orders Awarded

	2019		2018		2019
	Millions of Yen	Composition ratio	Millions of Yen	Composition ratio	Thousands of U.S. Dollars
Civil engineering:					
Domestic:					
Public sector	**¥ 75,009**		¥ 52,307		**$ 675,702**
Private sector	**35,032**		25,429		**315,569**
Overseas	**(16)**		4,746		**(146)**
Subtotal	**110,025**	**40.9%**	82,482	40.8%	**991,125**
Architectural construction:					
Domestic:					
Public sector	**22,606**		15,258		**203,636**
Private sector	**136,196**		104,385		**1,226,882**
Overseas	**—**		1		**—**
Subtotal	**158,802**	**59.1**	119,644	59.2	**1,430,518**
Total:					
Domestic:					
Public sector	**97,615**		67,565		**879,338**
Private sector	**171,228**		129,814		**1,542,451**
Overseas	**(16)**		4,747		**(146)**
Total	**¥268,827**	**100 %**	¥202,126	100 %	**$2,421,643**

Net Sales

	2019		2018		2019
	Millions of Yen	Composition ratio	Millions of Yen	Composition ratio	Thousands of U.S. Dollars
Projects completed:					
Civil engineering:					
Domestic:					
Public sector	**¥ 71,201**		¥ 60,884		**$ 641,395**
Private sector	**19,692**		19,893		**177,384**
Overseas	**762**		453		**6,865**
Subtotal	**91,655**	**42.5%**	81,230	37.2%	**825,644**
Architectural construction:					
Domestic:					
Public sector	**19,598**		37,289		**176,540**
Private sector	**98,769**		94,616		**889,730**
Overseas	**—**		1		**—**
Subtotal	**118,367**	**54.9**	131,906	60.3	**1,066,270**
Subtotal:					
Domestic:					
Public sector	**90,799**		98,173		**817,935**
Private sector	**118,461**		114,509		**1,067,114**
Overseas	**762**		454		**6,865**
Subtotal	**210,022**	**97.4**	213,136	97.5	**1,891,914**
Real estate and other	**5,496**	**2.6**	5,438	2.5	**49,512**
Total	**¥215,518**	**100 %**	¥218,574	100 %	**$1,941,426**

Year-end Backlog

	2019		2018		2019
	Millions of Yen	Composition ratio	Millions of Yen	Composition ratio	Thousands of U.S. Dollars
Civil engineering:					
Domestic:					
Public sector	**¥124,807**		¥120,999		**$1,124,287**
Private sector	**50,761**		35,421		**457,267**
Overseas	**8,234**		9,012		**74,173**
Subtotal	**183,802**	**52.6%**	165,432	56.9%	**1,655,727**
Architectural construction:					
Domestic:					
Public sector	**22,942**		19,934		**206,664**
Private sector	**142,895**		105,468		**1,287,225**
Overseas	**—**		—		**—**
Subtotal	**165,837**	**47.4**	125,402	43.1	**1,493,889**
Total:					
Domestic:					
Public sector	**147,749**		140,933		**1,330,951**
Private sector	**193,656**		140,889		**1,744,492**
Overseas	**8,234**		9,012		**74,173**
Total	**¥349,639**	**100 %**	¥290,834	100 %	**$3,149,616**

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Consolidated Subsidiaries

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TEL: +81-6-6472-3461 FAX: +81-6-6477-6801
Business line:Design, manufacture, sales, and repair of construction/industrial machines and devices

Taihei Real Estate Corporation
[Head Office]
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[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

ISHIKARI SHINKO NEW ENERGY HATSUDEN GODO KAISHA
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Business line: Power generation using renewable energy and sales of electricity

Board of Directors

(As of June 27, 2019)

Directors

President and Representative Director
Takanori Okumura

Representative Director
Atsushi Tanaka

Directors
Yuichi Mizuno
Keiji Yamaguchi
Kenji Kotera
Hiromu Miyazaki

Director (Full-time Audit and Supervisory Committee Member)
Harumitsu Yoshimura

Directors (Audit and Supervisory Committee Member)
Shuji Abe
Hiroyo Yashiro
Hideshi Nio
Tetsuo Kodera

Note: Shuji Abe, Hiroyo Yashiro, Hideshi Nio and Tetsuo Kodera are outside directors.

Executive Officers

Executive Vice Presidents
Wataru Watanabe

Senior Managing Executive Officers
Hiroomi Iida
Yuichi Mizuno*
Keiji Yamaguchi*
Hitoshi Miyamoto

Managing Executive Officers
Kenji Kotera*
Atsushi Tanaka*
Osamu Harada
Shunso Iijima
Hiromu Miyazaki
Akira Tanaka

Executive Officers
Takanori Hayashi
Noriyuki Machida
Masaaki Iwakura
Hiroyuki Hayashi
Naoki Magoori
Hirohide Taniguchi
Toru Osumi
Nobuyasu Kawai
Sawayuki Kawatani
Kazuyuki Yoshimi
Yoshinori Yasui
Kunitake Konishi
Masahiro Kaneshige
Katsuo Kimata
Nobuharu Suga
Yasuhiko Goto

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

Investor Information

(As of March 31, 2019)

Corporate Data

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Established
February 22, 1907

Capital
¥19.8 billion

Group Employees
2,074

Stock Information

Stock Exchange Listings
Tokyo

Transfer Agent
Sumitomo Mitsui Trust Bank, Limited

Major Shareholders

Shareholder	Shares held (thousands)	Shareholding ratio
The Master Trust Bank of Japan, Ltd. (Trust Account)	2,589	6.67%
Japan Trustee Services Bank, Ltd. (Trust Account)	1,948	5.02
Okumura Employees' Shareholding Association	1,532	3.95
Resona Bank, Limited.	1,214	3.13
Sumitomo Realty & Development Co., Ltd.	1,210	3.12
Sumitomo Mitsui Banking Corporation	1,113	2.87
Northern Trust Co. (AVFC) Re Silchester International Investors International Value Equity Trust	977	2.52
Japan Trustee Services Bank, Ltd. (Trust Account 5)	722	1.86
Nippon Life Insurance Company	643	1.66
Japan Trustee Services Bank, Ltd. (Trust Account 9)	621	1.60

Note:
1. The Company holds 6,834,822 shares of treasury stock, which are excluded from the above.
2. Shareholding ratio is computed excluding treasury stock.

OKUMURA CORPORATION

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