OBAYASHI CORPORATION

ANNUAL REPORT 2010

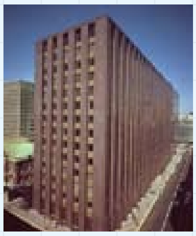
Year Ended March 31, 2010

OUR HISTORY

The Unchanging, Enduring Obayashi Spirit

1937 Tokyo National Museum

1970 Japan World Exposition



1974 Mizuho Corporate Bank, Ltd. Head Office (formerly the Industrial Bank of Japan, Ltd. Head Office)

1914 Tokyo Central Station

1931 The Main Tower of Osaka Castle

1954 Tokyo Central Station Main Building/ Tetsudo Kaikan

1982 San Francisco Sewer U.S.A

SINCE 1892 1900 1910 1920 1930 1940 1950 1960 1970 1980

THE FOUNDATIONAL YEARS | **A TIME OF TRANSITION** | **AN ERA OF DEVELOPMENT**

1903 The Fifth National Industrial Exposition

1933 Osaka Subway

1964 Yoyogi National Stadium 2nd Gymnasium

PROFILE

Centered around Obayashi Corporation, one of Japan's largest general contractors, the Obayashi Group comprises 81 subsidiaries and 24 affiliated companies with a total of approximately 14,000 employees and combined annual net sales of approximately ¥1,300 billion.

Obayashi Corporation was founded in 1892 in Osaka by Yoshigoro Obayashi. After completing construction projects for the Osaka Port and the Fifth National Industrial Exhibition, in 1914 Obayashi Corporation went on to build Tokyo Central Station (present-day Tokyo Station), which enabled the Company to demonstrate its technological capabilities on the national stage. Since celebrating its 100th anniversary in 1991, Obayashi has continued to participate in major projects. The Company played a part in infrastructure projects such as construction of Kansai International Airport and the Tokyo Bay Aqua-Line and major building construction projects such as the Marunouchi Building and the Roppongi Hills Mori Tower. As of the publication of this report, Obayashi is working on the construction of the world's tallest self-supporting tower, the Tokyo Sky Tree®. Obayashi also has an established record outside of Japan, dating back to 1962 when the Company became the first Japanese general contractor to take on an overseas construction project. The Company later moved into the United States, and in 1979 became the first Japanese construction company to win an order from the San Francisco City Government to build a sewer system. In the 30 years since that project, Obayashi has continued its business activities in the United States, playing a role in many high-profile large-scale projects, from the Central Artery/Tunnel Project in Boston to the seismic retrofit of the Golden Gate Bridge. In addition to the United States, Obayashi has been involved in a number of projects around the world, from the main stadium for the Sydney Olympics to Taiwan's high-speed railway—a truly global business.

1997 Esplanade Bridge
Singapore

2002 Bangkok MRT
Thailand

2011 Tokyo Sky Tree®

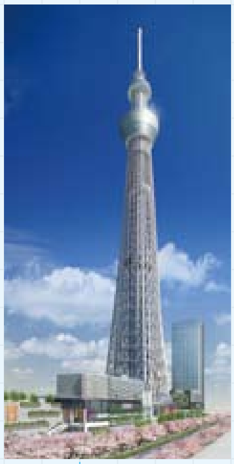
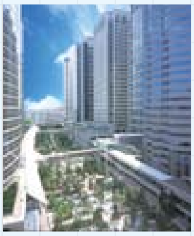


Image provided by Tobu Railway Co., Ltd. & Tobu Tower Sky Tree Co., Ltd.

1997 Tokyo Bay Aqua-Line



1998-2003
Shinagawa Intercity/
Shinagawa Grand Commons

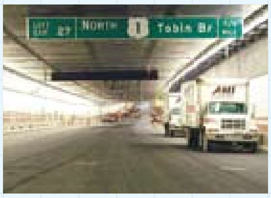
2003 Roppongi Hills Mori Tower

1990 **2000** **2010**

AN AGE OF INNOVATION

1994 Kansai International Airport

1999 Stadium Australia
Australia



2006
Central Artery/Tunnel Project I-93
Tunnel Finishes U.S.A.

2006 Taiwan High Speed Rail
Taiwan

CONTENTS

OUR TECHNOLOGY 02
OUR PERFORMANCE 04
A MESSAGE TO OUR STAKEHOLDERS 06
FEATURE: TOWARDS THE FUTURE
For a Sustainable Society 08
REVIEW OF OPERATIONS 10
BUILDING CONSTRUCTION BUSINESS 12
CIVIL ENGINEERING BUSINESS ... 20
REAL ESTATE BUSINESS 26
PRIVATE FINANCE INITIATIVE (PFI) BUSINESS 28
RENOVATION 29
ENGINEERING 30
TECHNOLOGICAL DEVELOPMENT... 31
CORPORATE GOVERNANCE 32
CORPORATE ETHICS 34
CORPORATE SOCIAL RESPONSIBILITY 35
SUMMARY OF FINANCIAL POSITION AND BUSINESS PERFORMANCE ... 36
CONSOLIDATED BALANCE SHEETS... 38
CONSOLIDATED STATEMENTS OF OPERATIONS 40
CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS 41
CONSOLIDATED STATEMENTS OF CASH FLOWS 42
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS 43
REPORT OF INDEPENDENT AUDITORS.................................. 69
CORPORATE PROFILE/ STOCK INFORMATION 70
NETWORK OF COMPANIES............ 71

CAUTION REGARDING FORWARD-LOOKING STATEMENTS This annual report contains predictions and forecasts regarding the future plans, strategies, and performance of Obayashi Corporation and the Obayashi Group. These statements are forward-looking statements based on assumptions and opinions made in light of information available to the Company at the time of writing, and are subject to risks and uncertainties related to economic trends, market demand, currency exchange rates, taxation and various other systems. Actual results may therefore differ materially from forecasts.

OUR TECHNOLOGY

Obayashi's Technical and On-Site Capabilities

Colorado River Bridge at Hoover Dam*

The Hoover Dam is a well-known historical landmark in the United States. Obayashi has almost completed the Colorado River Bridge, which crosses the river on the downstream side of the dam. The span of this bridge, which crosses the mighty Colorado River gorge, boasts the longest length among concrete arch bridges in North America at 323 meters. Since construction takes place 270 meters above the surface of the Colorado River, Obayashi took on daunting technological challenges, such as extending the arch section from each side of the canyon while suspending concrete arch materials with cables from temporary towers constructed on each approach.

The arch section was successfully closed in summer 2009. Obayashi will call upon its comprehensive capabilities towards the November 2010 opening of this bridge, which will leave its mark in the annals of the world's bridges.

Construction of the arch (Hoover Dam is visible in the distance)

Yuhei Takatoku, Chief Bridge Engineer
Hoover Dam Bypass, Colorado River Bridge Project Office

There are many aspects to this project that are hard to imagine coming from the world of bridge construction in Japan, such as searing daytime heat approaching 50 degrees Celsius and work conducted with the deep gorge right below you. Since the concrete used to form the arches repeatedly expands and shrinks dramatically because of the sharp temperature fluctuations from day to night, we must use sophisticated 3-D analysis and monitor those results against actual arch movements to accurately build up the arch from each side of the canyon. I am proud to be a part of this momentous project, engaging the American staff in discussions not of "what can't be done" but "how we can do it."

* Designated by the United States Congress as the Mike O'Callaghan-Pat Tillman Memorial Bridge.

Tokyo Sky Tree® Construction Project

Tokyo Sky Tree® is a new tower currently under construction in Sumida Ward, Tokyo. Once completed, it will be the tallest self-supporting tower in the world. Obayashi is leveraging a wide range of construction techniques to build the world's tallest tower. One example includes developing a high-level tower crane capable of reaching up to 420 meters to place steel beams. The new tower will have a central-pillar structure, similar to that of a traditional Japanese five-story pagoda, to reduce the shaking of the tower caused by earthquakes and strong winds. Obayashi will build a group of 400-meter steel-reinforced concrete central pillars at the core of the tower's steel frame using slip form construction to continuously place concrete into formwork that is raised progressively upward with jacks. Obayashi continues to work with an eye on the completion date of December 2011.

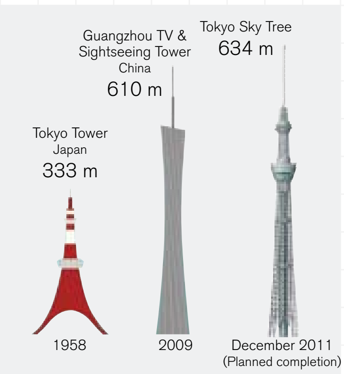


Image provided by Tobu Railway Co., Ltd. & Tobu Tower Sky Tree Co., Ltd.

Naoki Sugimoto, Deputy Project Manager
New Tower Construction Project Office

The main characteristic of this project is "height." As work sometimes does not proceed according to plan due to weather conditions unique to this height, such as temperature differences with ground level and strong winds, we are progressing with the utmost care given to quality, process, and safety. Very few projects involve building up a steel framework continuously for about two years. Therefore, we are constantly calling on all employees and workers to "return to the basics" so that work does not become lax due to repetition. Each and every person involved in the project is working with pride towards the common goal of "completing the project safely and handing it over to the owner."

OUR PERFORMANCE

Steady Steps to Building Trust: Further Growth Through

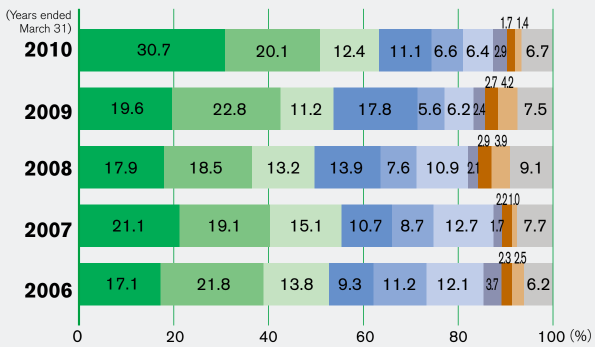
Obayashi Group: Consolidated Financial Results

Fiscal years ended March 31	2000	2001	2002	2003
Net sales	1,132,027	1,313,347	1,403,671	1,341,003
Cost of sales	1,013,773	1,189,235	1,303,801	1,232,114
Gross profit	118,254	124,112	99,869	108,889
Gross margin ratio (%)	10.4	9.5	7.1	8.1
Selling, general and administrative expenses	89,452	88,799	82,247	80,397
Operating income (loss)	28,802	35,313	17,622	28,491
Operating income ratio (%)	2.5	2.7	1.3	2.1
Ordinary income (loss)	27,368	33,448	25,676	29,908
Net income (loss)	5,711	(6,466)	(74,078)	3,124
Net income (loss) per share (yen/US$)	7.66	(8.78)	(102.43)	4.27
Total assets	2,060,935	2,197,080	2,044,654	1,948,578
Net assets	329,430	405,321	290,360	260,359
Net assets per share (yen/US$)	442.09	556.91	403.44	361.47
Cash flow from operating activities*1	76,873	69,484	33,677	17,072
Cash flow from investing activities*1	4,100	21,364	19,212	32,151
Cash flow from financing activities*1	(81,338)	(97,460)	(58,008)	(29,917)
Cash and cash equivalents at end of the year	96,744	90,853	86,884	107,423
Return on equity (%)*2	1.8	–	–	1.1
Dividends per share (yen/US$)*3	8	8	8	6

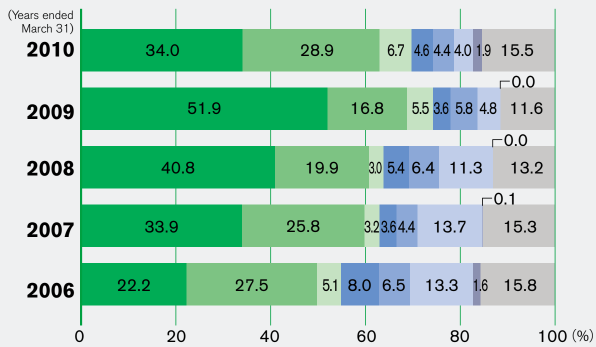
*1 In statements of cash flows, figures in ( ) represent the corresponding decrease in cash and cash equivalents.
*2 Return on equity for the years ended March 31, 2001, 2002 and 2010 is not included due to net losses posted during those years.
*3 Dividends of ¥12 for the years ended March 31, 2006 and 2007 include special dividends of ¥4 per share.
*4 US dollar amounts are provided solely for the convenience of the reader, translated on the basis of ¥93.04 to US$1, the prevailing rate of exchange at March 31, 2010.

Non-Consolidated Net Sales of Completed Construction Contracts by Type (Building Construction, Civil Engineering)

BUILDING CONSTRUCTION



CIVIL ENGINEERING

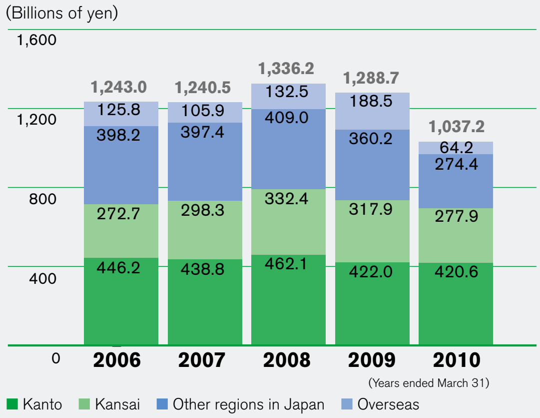


Performance

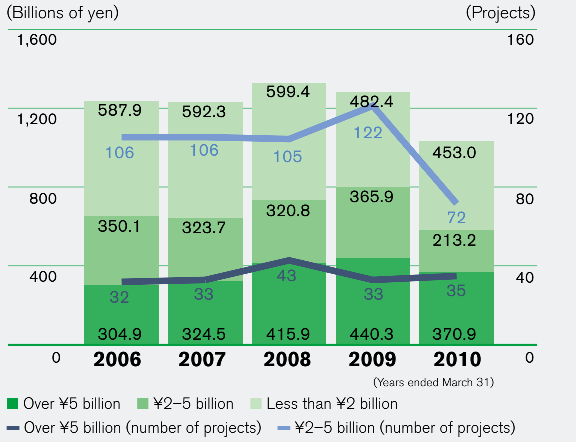
						(Millions of yen)	(Thousands of U.S. dollars)*4
2004	2005	2006	2007	2008	2009	**2010**	**2010**
1,346,297	1,404,640	1,476,424	1,567,960	1,691,635	1,682,462	**1,341,456**	**14,418,064**
1,227,666	1,285,376	1,354,715	1,446,523	1,584,679	1,575,580	**1,326,887**	**14,261,474**
118,631	119,263	121,708	121,436	106,956	106,881	**14,569**	**156,589**
8.8	8.5	8.2	7.7	6.3	6.4	**1.1**	**–**
80,657	75,907	75,050	73,897	78,289	79,518	**77,103**	**828,717**
37,974	43,356	46,658	47,538	28,667	27,363	**(62,534)**	**(672,127)**
2.8	3.1	3.1	3.0	1.7	1.6	**(4.7)**	**–**
41,940	52,576	50,859	53,320	32,312	31,829	**(59,608)**	**(640,680)**
21,193	25,076	34,489	40,652	18,595	10,966	**(53,354)**	**(573,454)**
29.42	34.81	47.89	56.46	25.83	15.24	**(74.21)**	**(0.79)**
1,821,883	1,842,262	1,977,295	2,066,984	1,854,071	1,725,645	**1,590,667**	**17,096,601**
344,273	364,301	486,017	565,456	477,504	395,809	**367,618**	**3,951,183**
477.80	505.81	674.94	753.78	625.06	516.06	**476.12**	**5.11**
38,591	52,049	17,793	20,565	(47,631)	(39,610)	**16,156**	**173,651**
21,746	11,172	25,437	53,036	(18,924)	1,699	**(12,746)**	**(137,004)**
(67,854)	(56,171)	(53,996)	(38,325)	54,804	62,427	**(15,733)**	**(169,104)**
103,543	110,781	101,527	139,942	128,537	143,821	**132,425**	**1,423,313**
7.0	7.1	8.1	7.9	3.7	2.7	**–**	**–**
8	8	12	12	8	8	**8**	**–**

Non-Consolidated Net Sales of Completed Construction Contracts by Region/Contract Price

NET SALES BY REGION



BREAKDOWN OF NET SALES BY CONTRACT PRICE



Everything we do is for safety and peace of mind in everyday life

At the Obayashi Group, we consider it our primary corporate social responsibility (CSR) to provide safety and peace of mind to society through construction and related businesses, and to contribute to the progress and development of society. Based on this recognition, we work to educate all directors, officers and employees in corporate ethics and promote business activities based on a sound and healthy corporate culture with the aim of being a group that enjoys the broad trust of society.

In recent years, society has been undergoing transformations of unprecedented speed and scale. This volatile environment has led to rapid transformation and diversification of the requirements for construction and facilities. We at Obayashi will not only contribute to our customers' business, but also respond to social needs such as safety, peace of mind, and environment-consciousness, by providing high-function and high added value construction services.

Progress and Results

During fiscal 2009, the year ended March 31, 2010, the Japanese economy saw signs of a recovery in corporate earnings, which had deteriorated as a result of the global financial crisis, but economic activity was in a harsh state overall. In the domestic construction market, private-sector construction orders dropped off significantly due to the effects of the recession and public works orders remained weak, making the environment for winning orders even more challenging.

Amid this environment, during fiscal 2009 the Obayashi Group saw net sales decline by 20.3% year on year to ¥1,341.4 billion. On the earnings front, operating income declined by ¥89.8 billion year on year to a loss of ¥62.5 billion due to losses incurred in constructing an urban transport system in Dubai, etc., ordinary income fell by ¥91.4 billion year on year to a loss of ¥59.6 billion, and net income dropped by ¥64.3 billion year on year to a loss of ¥53.3 billion.

(Billions of yen)

Years ended March 31	2009	2010
Net sales	¥1,682.4	**¥1,341.4**
Operating income (loss)	27.3	**(62.5)**
Ordinary income (loss)	31.8	**(59.6)**
Net income (loss)	10.9	**(53.3)**

Regarding Booking of Loss on Overseas Construction

In July 2005, Obayashi, in a joint venture with other companies, was awarded a contract from the Roads and Transport Authority (RTA) of the Government of Dubai, UAE, to undertake the construction portion of an urban transport system with a total length of approximately 70 kilometers. The total cost of construction for this project has approximately tripled due to the volume of construction work becoming far greater than originally anticipated as well as global increases in materials prices. The contract agreement for the project was based on the standard international contract format widely accepted in the industry, but the opinions of the joint venture and the RTA came to differ with regard to the scope of the joint venture's liabilities in the contract, including design liabilities. Despite negotiating over a long period of time, the Company concluded that an increase in the contract price corresponding to the increase in the cost of construction would not be fully approved, and decided to recognize this loss in fiscal 2009.

Going forward, we will enhance our overseas construction business by strengthening the risk management structure under the purview of our Overseas Business Division set up in 2008, assigning executive officers to our Regional Headquarters that oversee various overseas regions and setting up teams of specialists on-site that will accurately grasp various risks and take countermeasures.

Future Growth Strategy

The Obayashi Group will enhance group profitability by further reinforcing our three strengths—development and application of technology, planning and proposal capabilities in sales activities, and on-site productivity enhancement capabilities. Specifically, we will accurately grasp market changes and customer needs and develop market-oriented technology, such as focusing on the environmental field and renovation business, where further growth is expected in the future based on rising needs for reducing environmental burdens and prolonging building life. We will also

accurately reflect the Group's knowhow and technical expertise in our proposals to customers, presenting attractive plans and proposals.

In the construction stage, we will roll out a productivity improvement program where on-site and support divisions will work together to streamline and rationalize operations in order to enhance profit margins on construction projects.

With regards to overseas construction projects, we will strive for stable growth under a strengthened risk management structure, with specialized risk management teams set up at our Regional Headquarters.

Furthermore, we will efficiently and effectively make mutual use of the management resources of the overall Group and implement consolidated management organically in order to strengthen the earnings base of each company in the Group and enhance overall Group profitability.

The Obayashi Group seeks to earn society's trust as a corporate group, while also improving corporate value by ensuring sufficient profit, even in these challenging economic times, and we intend to live up to the expectations of all of our stakeholders. We thank you for your continued support and understanding in this endeavor.

President
Toru Shiraishi

Toru Shiraishi

TOWARDS THE FUTURE

For a Sustainable Society

As environmental problems such as global warming become more serious, corporations are also being called on to contribute to the environment and society. Obayashi possesses abundant knowhow and proven technology in these fields, such as energy-saving technology that reduces CO_2 emissions and lowers building running costs, and environmental technology that enhances urban environments.

New Main Building of Obayashi Technical Research Institute Reduces CO_2 Emissions by 55%

The new main building of the Obayashi Technical Research Institute, Technostation, was completed in September 2010, concentrating all of the Company's environmental technologies. CO_2 emissions have been reduced by 55% through aggressive use of natural energy and utilization of next-generation lighting and air-conditioning facilities. Moreover, we use the money saved in heating costs due to energy conservation to purchase carbon credits equivalent to the remaining 45%, thereby effectively offsetting total CO_2 emissions. The Technostation was the first Japanese research facility to achieve this carbon-neutral status.

New main building of the Obayashi Technical Research Institute, "Technostation"

Control of Light

Large canopies and glass louvers on the south-facing side of the building cut direct sunlight and reduce the burden on air conditioning. In addition, free spaces built in along windows enable light and heat to be adjusted gradually, keeping the work spaces comfortable.

Use of Natural Light

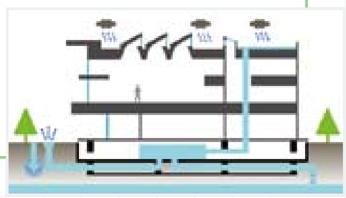
Skylights have been built into the roof to take in natural light while reflecting and dissipating it. Thanks to this natural light, lighting can be reduced during daytime, cutting energy consumption.

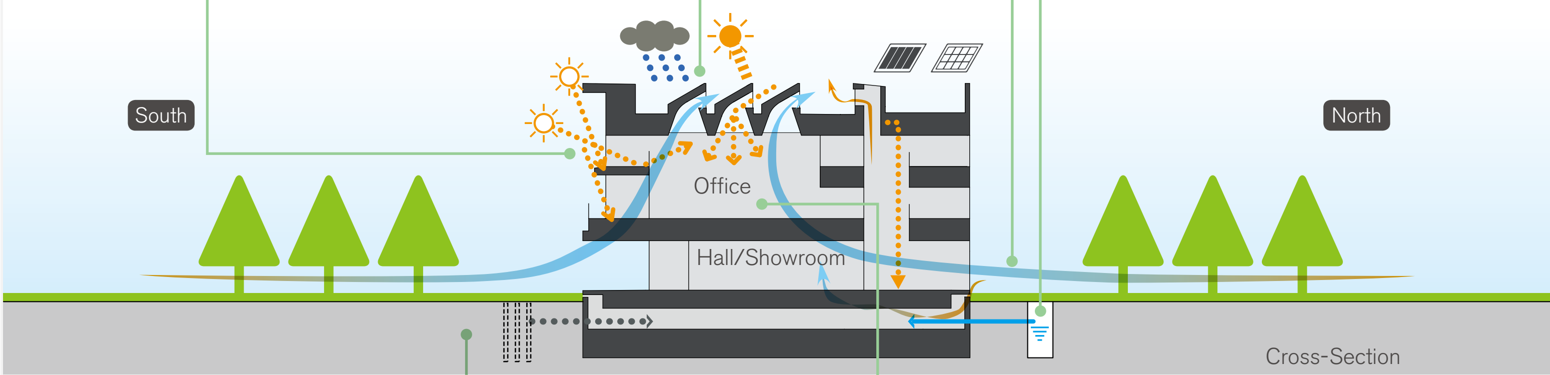
Use of Wind

During spring and fall, air-conditioning energy is reduced drastically by utilizing strong winds that blow from the south and north as natural ventilation for the office. In addition to using wind from the outside, the skylights open and close automatically, promoting air circulation.

Use of Water

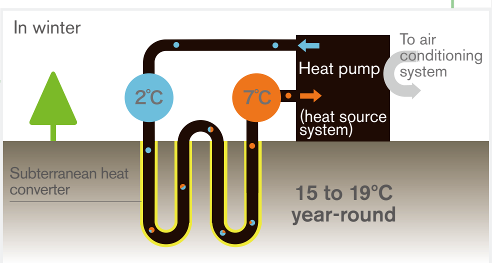
During the summer, underground water within the premises is pumped up and used as a supplementary cooling source for the air conditioning. Rainwater is also used to flush the toilets and water the greenery. Absorbent pavement through which water seeps easily is used within the premises, letting water return underground naturally.





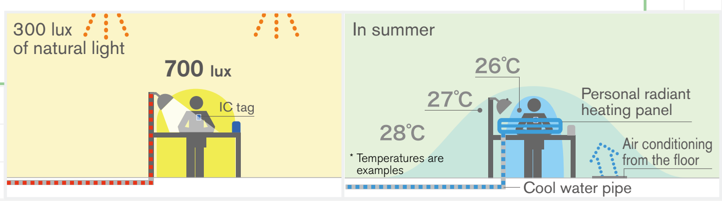
Underground Heat Exchange System

Subterranean heat, which has a constant temperature year-round, is used for air conditioning. An underground heat exchanger has been installed 100 meters below ground and newly developed materials with high heat-transmission rates have been added to enable heat to be exchanged efficiently and used in air conditioning.



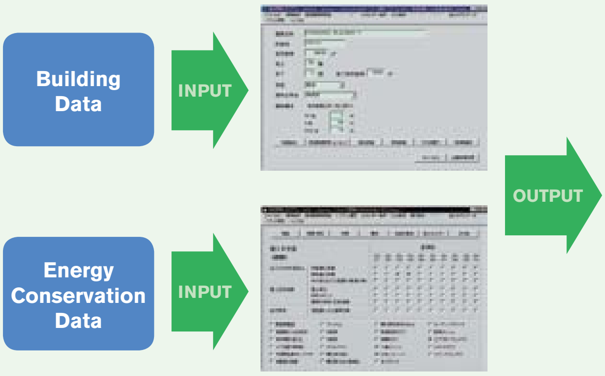
Lighting and Air-Conditioning Control Using IC Tags

IC tags for security use that control access to the building are also used to control ON/OFF functionality for personal lighting and air conditioning. Since lighting and air conditioning only operate when people are present, no energy is wasted. Natural light is used as much as possible for lighting, combining with personal lighting to secure adequate light for desk spaces. Air conditioning consists of personal radiant heating panels and air conditioning from the floor, keeping only the work spaces comfortable.

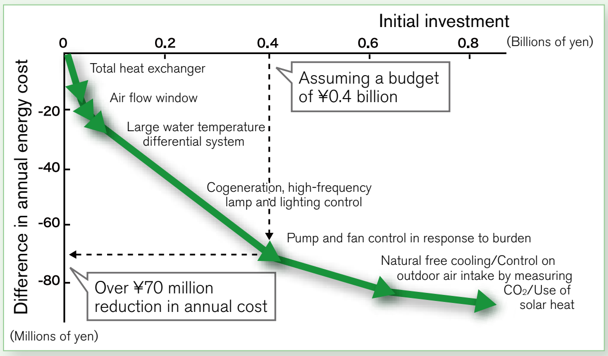


Eco-Navi Proposes an Optimal Combination of Energy Conservation Methods

Energy conservation initiatives can generate a bigger impact by combining several techniques, but analysis of such combinations normally takes a great deal of time. Eco-Navi analyzes in a short period of time the combination of energy-saving techniques from among Obayashi's abundant choices that can offer the largest energy savings at low cost. The effects can be visually confirmed on a PC, enabling proposals suited to customer needs to be made.



Thermal Economics Vector Diagram



A Variety of Environmental Technologies to Alleviate Heat Islands

Obayashi is committed to preserving the Earth's environment and reducing greenhouse gases through development of numerous environmental technologies, including technologies to convert building rooftops and walls to green spaces, technologies to lower road and parking lot surface temperatures through moisture retention and air-cooling technologies that dissipate heat through micro-fog evaporation.

Roof greenery system

Moisture cooling system for pavement

Heat environment estimation system

Outdoor moisture droplet cooling system

Developing Low-Carbon Concrete

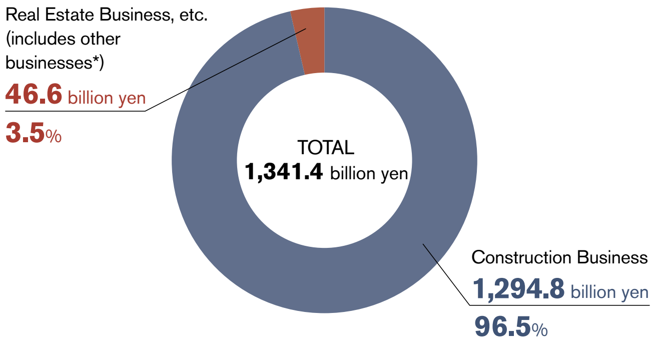
For every cubic meter of normal concrete produced, approximately 300 kilograms of CO_2 is emitted. Obayashi has developed a type of concrete that reduces CO_2 emissions during the manufacturing process by roughly 80%. If all concrete used in Japan were replaced with this low-carbon concrete, it would result in an approximately 2% reduction of Japan's total CO_2 emissions (around 1.3 billion tons in fiscal 2008). Going forward, we will look to further develop and commercialize this product.

Testing the fluidity of Obayashi's new concrete

REVIEW OF OPERATIONS

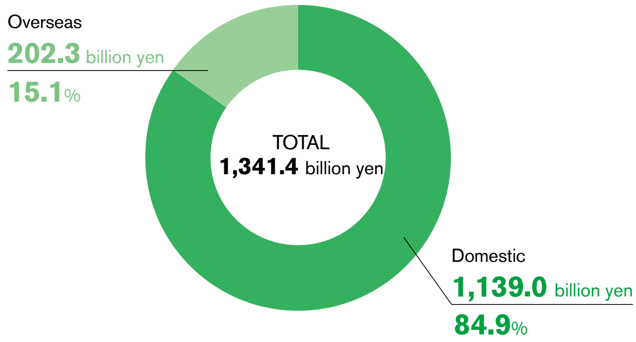
OBAYASHI GROUP (CONSOLIDATED)

CONSOLIDATED NET SALES BY BUSINESS



* Other Businesses: PFI business, financial business, etc.

CONSOLIDATED NET SALES BY REGION

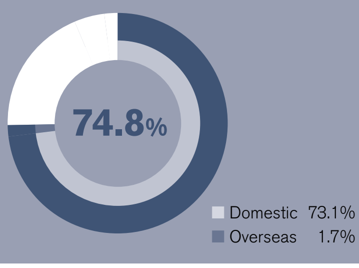


OBAYASHI (NON-CONSOLIDATED)

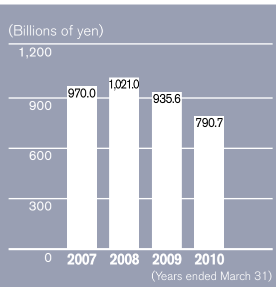
CONSTRUCTION BUSINESS

BUILDING CONSTRUCTION BUSINESS

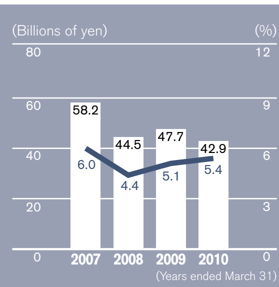
BREAKDOWN OF NET SALES



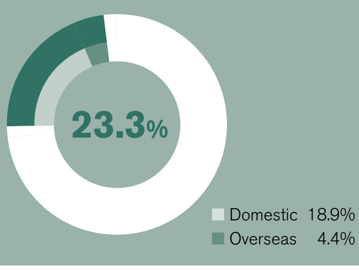
NET SALES

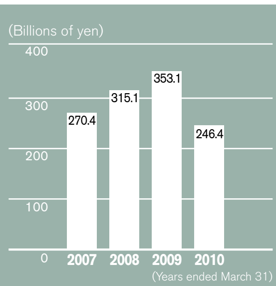


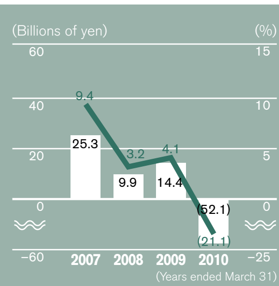
GROSS PROFIT (LOSS) AND GROSS PROFIT MARGIN



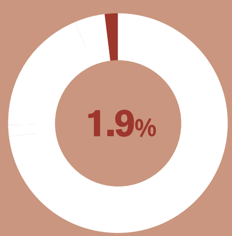
CIVIL ENGINEERING BUSINESS

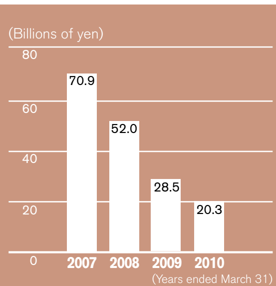


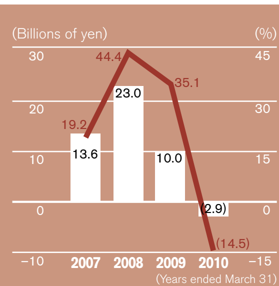




REAL ESTATE BUSINESS, ETC.
(includes other businesses)





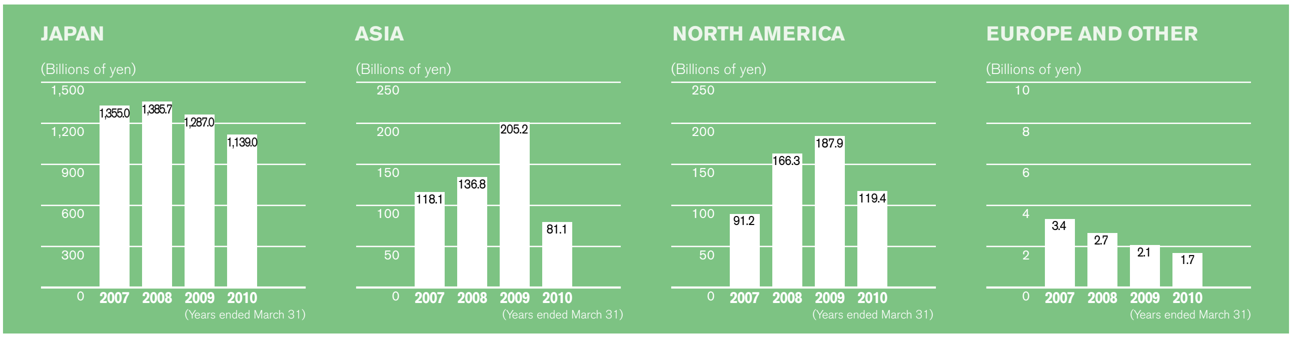


PRIVATE FINANCE INITIATIVE (PFI) BUSINESS → P28

RENOVATION → P29

The construction business provided 96.5% of the Obayashi Group's net sales in fiscal 2009, with the remaining 3.5% provided by the real estate and other businesses. In geographic terms, domestic sales activities accounted for 84.9% of total net sales, while 15.1% were generated overseas. The overseas building construction business, which requires activities with deep local roots, is conducted primarily through the Obayashi Group's local subsidiaries that have been jointly established with local firms, added to the Group through M&As, or newly established by Obayashi Corporation. The Group's overseas civil engineering business, meanwhile, teams up with leading local construction companies for each individual project in order to make maximum use of the technologies that Obayashi Corporation has accumulated in Japan over the years.

NET SALES BY REGION



PERFORMANCE	STRATEGY	PROJECTS
With the economy still severe and private companies continuing to curb capital expenditures, net sales in fiscal 2009 were down 15.5% year on year to ¥790.7 billion. Gross profit decreased by 10.0% to ¥42.9 billion as a result of the drop in net sales and losses on certain domestic projects. However, thanks to continuing efforts to focus on profitability in securing orders, the gross profit margin improved by 0.3 points to 5.4%.	With signs of a recovery in private capital expenditure, Obayashi will work to strengthen its proposal capabilities, reduce construction periods and costs by improving productivity, and steadily win orders in the fields of production facility and office building construction. At the same time, the Company will promote stronger capabilities in proposal-making and differentiation in environmental technologies in order to win orders in renovations for energy conservation, anti-seismic reinforcement, and other renovations to meet customer needs.	→P12
Net sales in fiscal 2009 were down 30.2% to ¥246.4 billion. Sales declined year on year as progress made in some percentage-of-completion based overseas projects, and resulting net sales, was significantly less than progress made in fiscal 2008, among other factors. Gross profit deteriorated by ¥66.5 billion to a loss of ¥52.1 billion as a result of losses incurred on the Dubai urban transportation system project.	Although public investment is expected to continue to decline, Obayashi is looking to focus on its specialities in the fields of shields and tunnels and secure orders through the comprehensive evaluation bidding method*, and to leverage its urban civil engineering technologies and expertise on social infrastructure renewal. Overseas, the Company will improve its comprehensive structures for managing risk in the various countries where it does business, and focus on projects where it can differentiate itself through technology.	→P20
Net sales in fiscal 2009 were down 28.7% to ¥20.3 billion, due in part to the non-sale of a developed property. Gross profit deteriorated by ¥12.9 billion year on year to a gross loss of ¥2.9 billion due, among other factors, to evaluation loss recognized on real estate for sale.	Impacted by the deterioration in the global economy, the Japanese real estate market continued to face a difficult situation. Under these circumstances, it is essential to place greater emphasis on stability, as well as profitability, in making investment decisions. Obayashi will maintain a firm understanding of market trends and tenant needs to leverage its credibility and expertise as a general contractor to generate stable profits in the real estate business.	→P26

* Under the comprehensive evaluation bidding method, the winner of a tender is decided based on an evaluation that takes into consideration not only price, but also new technologies, expertise, shorter construction times, lower running costs, and other factors.

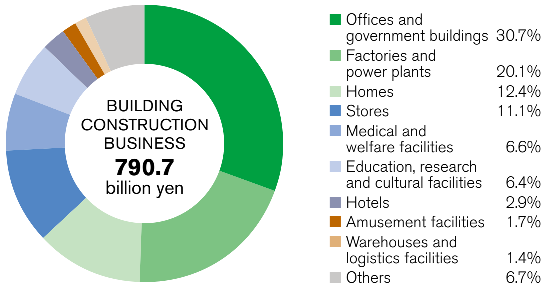
ENGINEERING →P30

TECHNOLOGICAL DEVELOPMENT →P31

BUILDING CONSTRUCTION BUSINESS

In the building construction business, Obayashi takes the perspective of customers and the people who will use each building, providing offices, factories, hospitals, schools and other facilities that meet diverse needs such as reduced environmental load, energy conservation, earthquake resistance and disaster prevention technologies to ensure business continuity, and improved comfort and convenience. All departments—sales, design, mechanical and electrical, purchasing, construction, and technology development—work as a single unit to execute projects. With its experience, know-how, technological expertise and management resources, Obayashi delivers high value-added proposals to clients in a speedy and efficient manner.

NON-CONSOLIDATED NET SALES OF COMPLETED CONSTRUCTION CONTRACTS BY TYPE
(Year ended March 31, 2010)



Major Osaka Project "Umeda Kita Yard" Finally Underway

Construction has finally begun on the transformative Umeda Kita Yard project to develop the area north of Osaka Station. Obayashi and 11 other companies are working as developers on 7 hectares of the 24 hectare area to the immediate north of JR Osaka Station that had been used as a freight terminal. The project includes office spaces, commercial facilities, hotels, condominiums, as well as the "Knowledge Capital," which will provide a space for companies and universities to collaborate on research activities and business creation. The total floor area is 550,000 square meters, and an additional 10,000 square meters North Exit Plaza is planned for in front of JR Osaka Station. With a target completion date of March 2013, Obayashi will devote its full efforts to this major project for the Osaka area.

An artist's rendering of the completed project

Osaka North Gate Plaza

A three-dimensional model generated using BIM

Promoting the Use of Building Information Modeling (BIM) to Integrate Construction Data

Building Information Modeling (BIM) collects construction data such as building shape and amount of construction materials into a computer program, generating a three-dimensional visualization that enables the client, architects and builders to better share information and promote more efficient construction projects. By using BIM databases at every stage, from planning, design, and construction to maintenance and management, it is possible to optimize processes throughout an entire project. For example, at an early stage before construction begins, users can confirm usability, pipe layout and other factors, allowing for efficient maintenance once the project is completed. Obayashi is actively utilizing BIM both to enhance customer satisfaction and to promote greater efficiency on construction projects.

akasaka Sacas ('08)
Location: Minato-ku, Tokyo

Mitsubishi UFJ Trust and Banking Osaka Building ('09)
Location: Chuo-ku, Osaka

Nippon Life Insurance Company Sapporo Building ('09)
Location: Chuo-ku, Sapporo

Canon Inc. Takeshi Mitarai Memorial Hall ('08)
Location: Ota-ku, Tokyo

Yodoyabashi Square ('09)
Location: Chuo-ku, Osaka

Kumamoto Castle Hommaru-Goten Palace ('08)
Location: Kumamoto, Kumamoto

Tokyo Tatemono Sendai Building ('09)
Location: Aoba-ku, Sendai

MODE GAKUEN Spiral Towers ('08)
Location: Nakamura-ku, Nagoya

Yakult Central Institute for Microbiological Research Food Research Building ('09)
Location: Kunitachi, Tokyo

TOC Minato Mirai ('10)
Location: Naka-ku, Yokohama

Proud Tower Inage ('09)
Location: Inage-ku, Chiba

LaLaport Iwata ('09)
Location: Iwata, Shizuoka

Hokuyo O-dori Center Building ('10)
Location: Chuo-ku, Sapporo

AEON Tsuchiura Shopping Center ('09)
Location: Tsuchiura, Ibaraki

Josai University Building No. 18 ('09)
Location: Sakado, Saitama

City Tower Osaka Temma The River & Parks ('10)
Location: Kita-ku, Osaka

Shima Kanko Hotel Bay Suites ('08)
Location: Shima, Mie

TOKYU Harvest Club VIALA Hakone-Hisui ('08)
Location: Ashigarashimo-gun, Kanagawa

Kobe Kaisei Hospital/Comfort Hills Rokko ('09)
Location: Nada-ku, Kobe

Hokkaido Electric Power Tomari Power Plant No. 3 ('08)
Location: Furuu-gun, Hokkaido

Ichinomiya Nishi Hospital ('09)
Location: Ichinomiya, Aichi

DISCO Corporation New Building at the Kuwabata Plant ('10)
Location: Kure, Hiroshima

Panasonic Corporation Energy Company Suminoe Factory ('10)
Location: Suminoe-ku, Osaka

NIDEC Shiga Technical Center ('09)
Location: Echi-gun, Shiga

Oita Canon Materials Inc. Oita Plant D ('09)
Location: Oita, Oita

Central Motor Co., Ltd. New Factory ('10)
Location: Kurokawa-gun, Miyagi

Kyocera Shiga-Yasu Factory Building No. 28 ('10)
Location: Yasu, Shiga

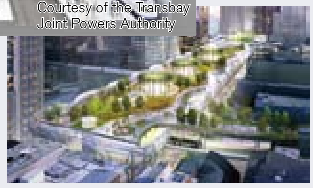
IKEA Distribution Center ('08)
Location: Yatomi, Aichi

Order for New Construction of a Major Transportation Terminal in San Francisco

A joint venture between Obayashi and U.S. subsidiary Webcor, LP has won an order for the new construction of the Transbay Transit Center, a base on the transit network of the west coast of the United States. Four stories above ground and two below will serve as a terminal for eight modes of transport, including city buses, road buses and railways. The roof, approximately 22,000 square meters, will feature greenery, serving as a place for local residents and travelers alike to relax. In this and other ways, the facility is designed to take into account both human beings and the environment. The Obayashi Group will seek to fully leverage its abilities in order to increase the convenience of central San Francisco and to reduce the city's environmental burden.


Courtesy of the Transbay Joint Powers Authority

Terminal structure (artist's rendition)


Rooftop greenery (artist's rendition)


BU LANDMARK COMPLEX (Bangkok University) ('09)*
Location: Pratumtanee, Thailand


Q-square Taipei Bus Station ('09)
Location: Taipei, Taiwan


Millennium Tower ('09)*
Location: San Francisco, California, U.S.A.

* Projects carried out by Obayashi's subsidiaries

California Academy of Sciences ('07)*
Location: San Francisco, California, U.S.A.

Asia Center Building ('08)*
Location: Bangkok, Thailand

JW Marriott Timeshare Phuket Phase 3 ('09)*
Location: Phuket, Thailand

©Amiga Photographers

Brookhaven National Laboratory Center for Functional Nanomaterials ('07)
Location: Upton, New York, U.S.A.

SIAM TOYOTA ENGINE PLANT NO. 2 ('09)*
Location: Chonburi, Thailand

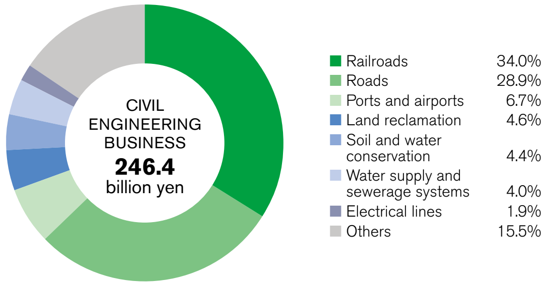
Shiseido Vietnam Factory ('09)*
Location: Dong Nai, Vietnam

* Projects carried out by Obayashi's subsidiaries

CIVIL ENGINEERING BUSINESS

Obayashi applies its technological prowess to a wide variety of civil engineering projects including tunnels, bridges, dams, river works, urban infrastructure and railroads. The Group is also aggressively involved in environment-related fields and has proven track records in construction of environment-friendly closed-type waste disposal facilities and soil remediation projects, among other project types. Obayashi satisfies customers' exact needs through solution-based technical marketing in which sales, technology, construction, and research and development departments work together to achieve maximum efficiency.

NON-CONSOLIDATED NET SALES OF COMPLETED CONSTRUCTION CONTRACTS BY TYPE
(Year ended March 31, 2010)

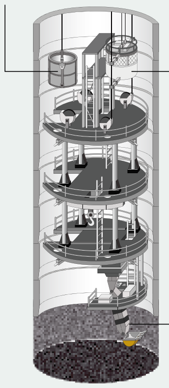


Digging Japan's Deepest Research Shaft, 460 Meters Deep

In Mizunami, Gifu Prefecture, Obayashi is digging Japan's deepest research shaft. The project is constructing a facility where scientists can conduct research on disposing of the radioactive materials generated by nuclear power plants deep below the surface of the Earth. While construction is underway, the strength of the bedrock, and the quality and flow of subterranean waters are also tested.

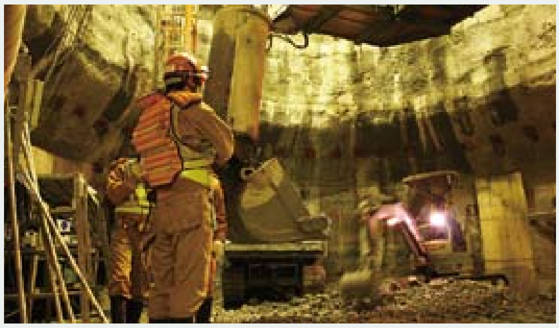
Making possible this extreme-depth construction is the scaffold, a 22-meter-high excavation device. The scaffold remains at the lowest drilling depth, removing the drilled rock from the shaft and serving the front-line purpose of protecting workers from falling objects as they dig. The project has gained global attention as a research and development facility, and over 10,000 people have come to visit the site.

In March 2010, the team reached a depth of 460 meters. Going forward, Obayashi will continue to devote its full effort to contributing to the development of the nuclear power that will help supply Japan's energy needs.



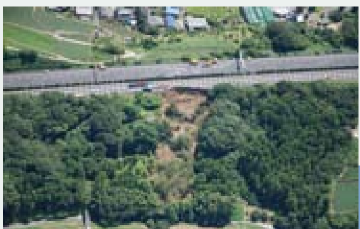
"Scaffold" excavation equipment


Shaft reaching 460 meters into the Earth


Excavation at the deepest level

Reopening One of Japan's Major Transportation Arteries: Emergency Construction to Restore the Tomei Expressway in Makinohara

Early on the morning of August 11, 2009, in the middle of Japan's week-long *Obon* holiday, an earthquake centered at Suruga Bay in Shizuoka Prefecture caused a 40-meter cave-in on the Tokyo-bound lane of the Tomei Expressway near the Makinohara Service Area. The Tomei Expressway is a critical artery for east-west traffic in Japan. In order to restore the road as quickly as possible, Obayashi immediately dispatched employees working in the area as well as staff from Tokyo. The team envisioned a number of scenarios and methods and quickly acquired the needed materials and equipment, enabling them to respond flexibly to a change in method during the construction. Working around the clock, with speed and safety as the top priorities, Obayashi successfully completed the restoration four days later, on August 15, one day before the major traffic that marks the end of the *Obon* holiday.


Immediately after the disaster


Large-bubble styrofoam reduces the surface burden

Photos by Central Nippon Expressway Company Limited

Daini Keihan Road Uchiage ('10)
Location: Neyagawa, Osaka

The New Tomei Expressway Kakegawa Tunnel No. 3 ('09)
Location: Kakegawa, Shizuoka

Hanshin Expressway Inariyama Tunnel ('09)
Location: Kyoto

The Metropolitan Expressway Central Circular Yamate Tunnel Naka-Ochiai Shield Tunnel (outbound) ('07)
Location: Toshima-ku and Shinjuku-ku, Tokyo

Higashi Meihan Expressway Hirabari Excavation Tunnel ('09)
Location: Tempaku-ku, Nagoya

Tokyo Metro Fukutoshin Line Shinjuku 3-Chome Station ('09)
Location: Shinjuku-ku, Tokyo

Nakanoshima Line Naniwabashi Station ('09)
Location: Kita-ku, Osaka

Hanshin Namba Line Dome-Mae Station ('09)
Location: Nishi-ku, Osaka

Kyushu Shinkansen Kurume-Tsubuku Nishi Viaduct ('09)
Location: Kurume, Fukuoka

Kyushu Shinkansen Kitaoka Viaduct ('09)
Location: Kumamoto, Kumamoto

Kyushu Shinkansen Onogawa Bridge ('09)
Location: Uki, Kumamoto

Minase Headwork* ('09)
Location: Yokote, Akita

* Headwork: A facility for taking in water from a river for agricultural use.

Fujinami Dam ('09)
Location: Ukiha, Fukuoka

Dubai Metro Red Line ('10)
Location: Dubai, United Arab Emirates

Mall of the Emirates Station

Khalid bin Al Waleed Station

Palm Jumeira Monorail ('09)
Location: Dubai, United Arab Emirates

Central Link Light Rail Beacon Hill Project
Beacon Hill Tunnel & Station ('09)
Location: Seattle, Washington, U.S.A.

Saigon East-West Highway ('09)
Location: Ho Chi Minh City, Vietnam

Ciputat Flyover ('08)
Location: Tangerang, Indonesia

60/91/215 Corridor Improvement Project ('08)
Location: Riverside, California, U.S.A.

Metro Gold Line Eastside Extension ('09)
Location: Los Angeles, California, U.S.A.

Golden Gate Bridge Seismic Retrofit ('08)
Location: San Francisco, California, U.S.A.

REAL ESTATE BUSINESS

Obayashi has been involved in numerous large-scale development projects in the Tokyo metropolitan area. The Company has worked proactively on redevelopment projects nationwide, building an extensive track record both as a business partner and as a specified agent. In addition, Obayashi is striving to ensure stable profits by securing prime rental properties in central urban areas.

New Development Business

Obayashi combines its sophisticated construction and environmental technologies with its accumulated experience in urban development methods in planning and operating development projects. To reduce the risk of development projects, we make fullest use of our network to secure premium tenants at an early stage, and use our experience in dealing with public authorities and landowners.

Hachioji Station South Area Redevelopment Project

For this project, Obayashi was designated as the specified agent* to undertake tasks on behalf of the Urban Renewal Association, ranging from design and construction to administrative support. In constructing the development, which includes public halls, residential housing, and retail and office facilities, Obayashi made use of its strong technological capabilities to ensure short completion time and high-quality construction.
Obayashi leveraged its redevelopment expertise to both collaborate with public authorities and local developers and elevate the resulting negotiations, with the goal to develop a project which is harmonious both internally as to its integration of the various different project spaces and externally as to its relationship within the community.

Location: Hachioji, Tokyo
Site area: Approx. 10,200 m^2
Floor area: Approx. 99,700 m^2
Purpose: Shops, offices, public facilities, housing, parking, etc.
Structure/Scale: Reinforced concrete (partial steel and steel reinforced concrete); 41 stories above ground, 2 stories below ground
Construction to be completed: September 2010

* Specified agent system: A system that lessens the burden on owners of land to be redeveloped by utilizing the rich technological capabilities, expertise, experience, know-how, reserve-lot sales capabilities and financing capabilities of private enterprise to expedite and facilitate urban redevelopment projects from the preparatory stage to completion.

Urban Redevelopment Project in Neyagawashi Station East District

Keihan Electric Railway's Neyagawashi Station is the gateway to Neyagawa in Osaka Prefecture. This project aims to create a public space befitting the station's important role in the area, while taking the landscape into account. The project includes educational and cultural facilities and halls, as well as residential housing. In order to leverage the know-how of private enterprise, Neyagawa Municipal Government has joined with several companies to establish a redevelopment company. In May 2009, Obayashi was selected as a specified agent for the project. In order to ensure that the project proceeds steadily and smoothly, Obayashi will perform such services as providing overall coordination, executing tasks on behalf of the redevelopment company, coordinating rights-holders, and carrying out construction.

Location: Neyagawa, Osaka Prefecture
Site area: Approx. 5,060 m^2
Floor area: Approx. 14,450 m^2
Purpose: Educational and cultural facilities, regional exchange center, housing, parking
Construction to be completed: March 2011

Leasing Business

The leasing business provides a stable, long-term source of revenue, and Obayashi seeks to expand this business through purchase of new lease properties, conversion of existing properties into lease buildings with high profitability and renovations to enhance the value of existing lease properties. When making new investments, the Company focuses on long-term stability as well as location and profitability.

Oak Kanda Building

This rental office building in Tokyo's Chiyoda-ku was completed in 2008. Standard leasing floor space is over 660 square meters, and the facilities include environmentally friendly natural ventilation devices and energy-conserving lighting. Located at a major intersection, it offers excellent transportation access, including four railway and subway lines serving three nearby stations. Thanks to the excellent location and the Obayashi Group's credit capabilities, the building has remained at 100% tenant occupancy since it opened its doors.

Location: Chiyoda-ku, Tokyo
Site area: 1,056 m^2
Floor area: 7,931 m^2
Structure/Scale: Steel construction (partial steel reinforced concrete); 9 stories above ground

Riverside Sumida

This large-scale multi-function project contains office space, housing, and commercial facilities centering around a 33-story tower. Each floor of the high-rise offices offers approximately 2,000 square meters of working space, a precious commodity in the northern part of Tokyo's Sumida-ku, and many high-profile tenants have moved in. In the adjacent Oshiage district, Tokyo Sky Tree® and other major developments are underway, which are expected to have a vitalizing ripple effect on the area.

Location: Sumida-ku, Tokyo
Site area: 23,124 m^2
Floor area: 103,709 m^2
Structure/Scale: Steel construction (partial reinforced concrete, steel reinforced concrete); 33 stories above ground, 2 stories below ground

Oak Ikebukuro Building
(Toshima-ku, Tokyo)

Mito North Front Building
(Mito, Ibaraki)

Bracken House (London, United Kingdom)

PRIVATE FINANCE INITIATIVE (PFI) BUSINESS

Pursuing VFM (Value For Money) as one of Japan's leading PFI project implementers

A Private Finance Initiative (PFI) is a method for building, managing and maintaining public facilities using the capital, technology and expertise of the private sector to achieve higher efficiency and improved quality in public services. Obayashi was among the first to participate in overseas PFI projects, such as the Stadium Australia, even before PFI was introduced into Japan. This experience afforded the Company a broad range of expertise in the business, and Obayashi has already won 35 orders for PFI projects in Japan. Obayashi and its subsidiaries are playing a leading role in 33 out of the 35 projects, and are taking initiatives in maximizing Value For Money* (VFM).

As an early PFI participant, Obayashi has built up an extensive network to maximize VFM, spanning diverse industrial sectors and enabling the Company to organize optimum consortia for specific project objectives. The Company has also been recognized for its knowledge and techniques in project financing and risk-hedging, which are entrusted to a Special Purpose Company (SPC) as the main functional entity for a project. Obayashi fully applies its comprehensive expertise and skills, as well as its solid financial foundation, to advance the PFI business.

* Value for Money: The concept of improving the utility (value) of tax funds (money) spent. Describes the monetary difference in cost to the public between purely public projects and PFI projects and the associated improvement in quality of services due to private-sector participation.

Kanagawa Cancer Center Construction and Operation Project

BTO (Build-Transfer-Operate) Scheme

Obayashi is working through a PFI arrangement to upgrade one of the central institutions for cancer diagnosis in Kanagawa Prefecture. After the facility construction is completed, Obayashi will operate and maintain the project for 20 years. The project adopts an integrated anti-seismic structure for the hospital, management and research buildings to ensure safety and continuous hospital function, while providing a floor plan that is easy for patients to navigate. The project has also been praised for its proposal of including a cogeneration system to achieve significant reductions in utility costs.

Shimane Asahi Rehabilitation Program Center Construction and Operation Project

BOT (Build-Operate-Transfer) Scheme

This facility began operations in October 2008 to accommodate male inmates who did not show further criminal tendencies, enrolling them in new rehabilitation programs such as working outside the facility or guide dog training programs.

Nagaoka Prefectural Indoor Pool Construction and Operation Project

BTO (Build-Transfer-Operate) Scheme

The Nagaoka Prefectural Indoor Pool is Niigata Prefecture's first large scale PFI project and served as the main venue for the 2009 Japan National Athletic Meet's swimming events. It opened in August 2008 as the DAIEI PROBIS Phoenix Pool.

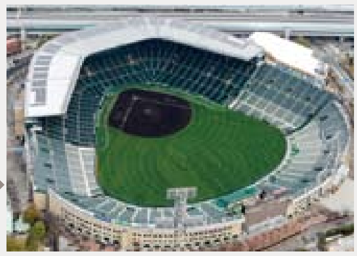
Creating new property value from the perspective of life cycle management

Based on a diagnosis from the perspectives of building life cycle management and a business continuity plan, Obayashi presents proposals for extending the operational life of a building and enhancing its asset value by adopting energy-efficient systems and seismic retrofitting, meeting environmental requirements and installing information technology infrastructure.

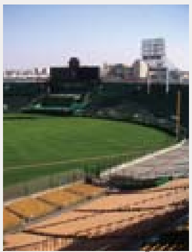
Hanshin Koshien Stadium ('10)

In 1924 Obayashi built Hanshin Koshien Stadium, Japan's first iconic baseball stadium. The recent repair, the first major work on the building since its original construction, begun in 2007 with the goal of creating a stadium where spectators can enjoy watching games safely. The renovations took place over the course of three off-seasons. The first year involved anti-earthquake reinforcement of the infield area, seat expansion and new aisles. In the second year, Obayashi replaced the famous "Silver Umbrella" roof that protects the grandstands, installed "Royal Suite" seating and performed seismic reinforcement and repair for the seats in the Alps and external stands. In the third year, Obayashi improved the area around the stadium, including replanting ivy and performing work on the annex, breathing new life into a historic stadium.

The old "Silver Umbrella" roof



The "Silver Umbrella" roof after replacement

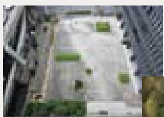


Before renovation

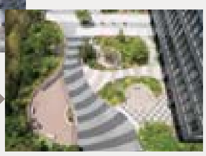
After renovation

Sumitomo Corporation Takebashi Building ('09)

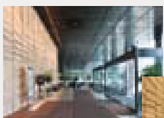
This project involved adding greenery to the plaza in front of the Sumitomo Corporation Takebashi Building and renovating the building entrance. In the plaza, Obayashi used a proprietary lightweight artificial foundation to lighten the burden on underground objects and resolve effluent issues, at the same time transforming the landscape into one of rolling hills. At the entrance, Obayashi completely renovated the glass screens and added interior plants to create a space at one with the plaza outside.



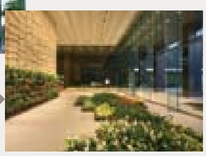
Before renovation



After renovation



Before renovation



After renovation

Annex to the Ministry of Economy, Trade and Industry (METI) Building ('08)

Seismic retrofitting* allows anti-earthquake strengthening work to be performed on an existing building. Obayashi used this technique to retrofit the Annex of the Ministry of Economy, Trade and Industry building, which has been standing for approximately 40 years. By employing this method, Obayashi was able to successfully meet the clients' requirements of using their buildings during the seismic retrofitting.

Building foundations before retrofitting

Building foundations after retrofitting

* Seismic retrofitting method: A method of placing anti-seismic equipment in the foundation of an existing building in order to reinforce the entire building against earthquakes. Using a jack to temporarily support the building, the existing columns are cut and replaced with anti-seismic equipment.

RENOVATION (CIVIL ENGINEERING)

Contributing to the maintenance and repair of social infrastructure through extensive civil engineering technologies

Maintenance and repair are critical to ensuring that all people can safely make use of social infrastructure. In order to contribute to the safety and security of social infrastructure, Obayashi utilizes its extensive technology and know-how to provide anti-seismic reinforcement for, extend the useful life of and promote high standardization of existing structures.

Reinforcing Sound-Insulating Walls along the Hokuso Railway Kitahatsutomi-Kamagaya Viaduct ('10)

Narita Sky Access is a high-speed train linking Central Tokyo to Narita Airport in just 36 minutes. In order to achieve this speed, it was necessary to raise the sound-insulating walls of the viaduct. Obayashi used a lightweight, high-durability cement board to reinforce, rather than replace, existing walls. By eliminating the need to dispose of the existing structure, this method limited the amount of waste generated by the process, reducing the project's environmental burden. Because of the lightweight materials used, there was no need to reinforce the floorboards or use a crane to transport them, resulting in significant increases in productivity over conventional methods in which the existing structure would have to be replaced, and therefore enabling the project to be completed at a lower cost.

Before renovation

After renovation

Installing a cement board

ENGINEERING

Meeting increasingly sophisticated and complex customer needs

In line with current social and economic changes, customer needs are becoming increasingly sophisticated and complex. Obayashi utilizes its leading edge construction and engineering technologies to meet customers' diverse needs by providing total capabilities from the early stages of project planning to design, construction and after-service.

TOA Pharmaceuticals Nishihongo Plant Production Building No. 2 ('09)

In this new full turn-key project, Obayashi designed and built everything from the structure to the MES*1 and warehouse facilities, enabling TOA Pharmaceuticals Co., Ltd. to achieve efficient production processes and comply with high-level GMP*2. It is also designed to allow the client flexibility in adjusting production equipment in order to respond to the market needs.

*1 MES (Manufacturing Execution System): An information system used in manufacturing industries to efficiently manage production progress and instructions such as changes in specifications.
*2 GMP (Good Manufacturing Practice): Standards for manufacturing and quality control of pharmaceuticals and quasi-drugs.

Wakkanai City Biomass Energy Center
(to be completed in 2012)

Obayashi's biomass*-related expertise has been widely applied at interim processing facilities where raw garbage and sewage are subjected to methane fermentation treatment to reduce their volume. The recovered bio-gases are used in power generation, which is used both on-site and in purified form as fuel for garbage collection trucks, enabling efficient reuse of energy.

* Biomass: Renewable organic resources such as plant matter that can be used as energy or in products.

R&D of construction technology to meet market trends

Obayashi develops various construction-related technologies to meet the needs of its customers and society. In the civil engineering field, Obayashi has developed long-distance tunneling technologies, technologies that enable shorter construction periods, and soil remediation technologies. Obayashi has also developed time-saving technologies in the building construction field in addition to technologies that reduce costs, dampen vibration, and protect against earthquake damage.

The URUP (Ultra Rapid Under Pass) Method Enables Shorter Construction Times for Road and Railroad Underpasses

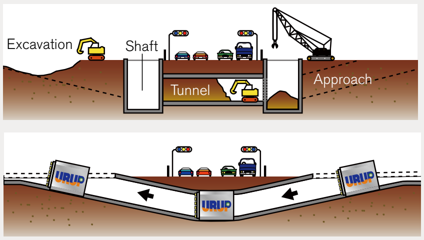
The URUP method developed and implemented by Obayashi is the world's first tunneling technology that uses a shield machine to tunnel underground through the entire length of the tunnel from entrance to exit. It enables rapid construction of road and railway underpasses. In comparison with conventional construction methods, the URUP method shortens the construction period by roughly two-thirds by eliminating the need for open-cut excavation and vertical shafts. It also substantially alleviates traffic congestion and noise associated with the construction work. It should contribute to reducing CO_2 emissions as well.

Tunnel in the Metropolitan Expressway Central Circular Shinagawa Route

Comparison with conventional construction method

Conventional construction method

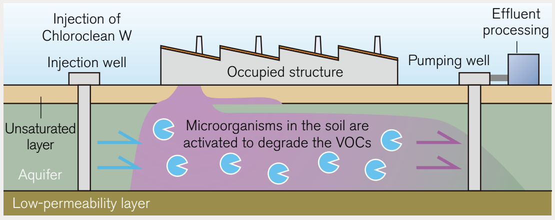
URUP method



Providing Optimal Solutions for Soil and Groundwater Decontamination

Obayashi has remediation technologies applicable to a wide range of contaminants and soil conditions. Obayashi offers comprehensive support tailored to customers' specific needs, from contamination assessments to decontamination work and land-use proposals for post-decontamination.

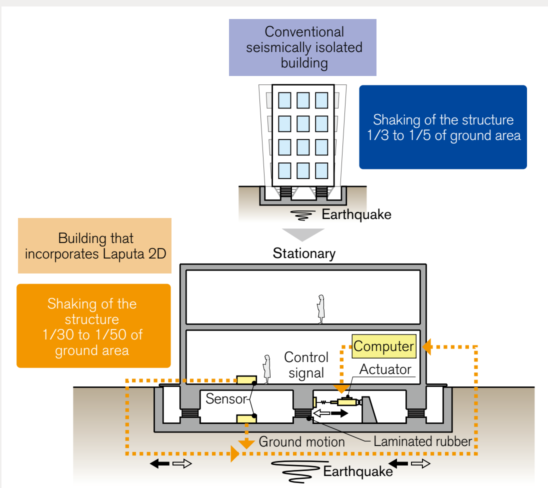
The "RCUBIC Mini Soil Remediation System" purifies soil contaminated with heavy metals.



The "Chloroclean W" Microbial Nutrient Agent for VOC Decontamination can clean up VOCs without needing to dig up soil.

World's First Earthquake-Proof Building "Laputa 2D" Super-Active Vibration Control Technology

Obayashi has developed "Laputa 2D," the world's first super-active vibration control technology that can buffer seismic forces to reduce building tremors to one-fiftieth the magnitude of ground tremors. A rubber base and actuator are installed beneath the building. When an earthquake occurs, sensors installed in the building and in the ground detect and analyze the seismic motion to determine the optimal compensatory force, whereupon the actuator rocks the building in a manner that negates the seismic tremors. The first building fitted with the new technology was the Obayashi Technical Research Institute's new main building, which was completed in 2010.

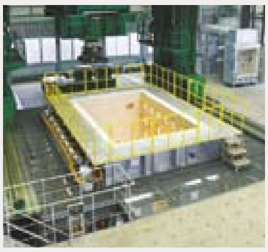


Technical Research Institute

Since establishing its Technical Research Institute in 1965, Obayashi has carried out high-level R&D and pursued technical development aimed at practical application. The Technical Research Institute is home to some of Japan's most advanced experimental facilities, such as one of Japan's largest tri-axial shaking tables, a world-class geo-technical centrifuge system, and a high-performance fire protection laboratory that rivals any other in Japan.

Tri-axial shaking table for developing anti-seismic technologies

Fire protection engineering laboratory



Multipurpose fire resistance test furnace

Wind tunnel facility

CORPORATE GOVERNANCE

Principles of Corporate Governance

Obayashi believes that sound management and transparency are critical aspects in winning public respect and trust, along with building a strong framework for business execution. Obayashi is always working to enhance corporate governance with that in mind.

Management Structure

Obayashi takes every measure to ensure that the General Meeting of Shareholders, as well as all the activities of the Board of Directors, the Audit Committee and the accounting firm fully comply with legal and moral requirements. Management Meetings are held on an ad hoc basis to make prompt and detailed decisions as required.

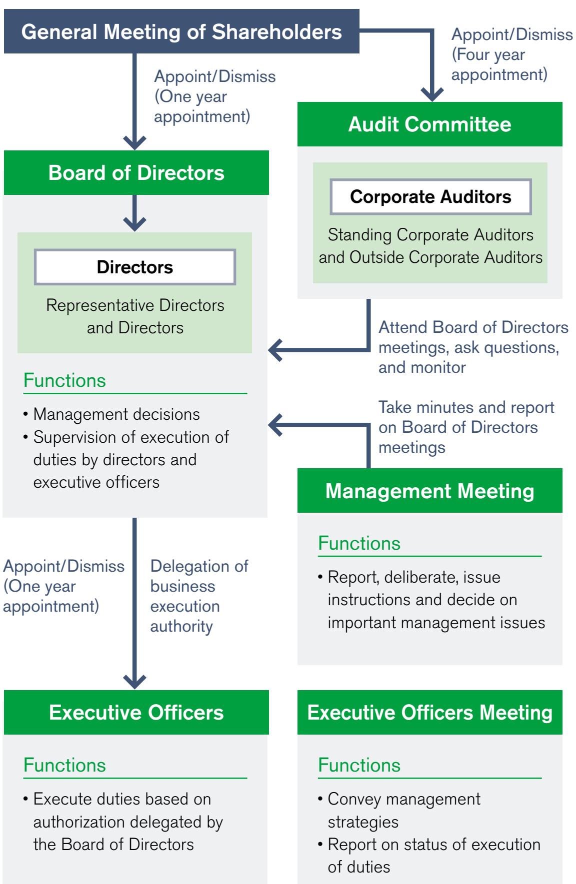
The Board of Directors comprises a maximum of fifteen directors. The Board makes management decisions, executes business, and supervises business execution by the directors, executive officers, and employees.

The Audit Committee comprises a maximum of five corporate auditors (of whom a majority are outside corporate auditors). In accordance with the Obayashi Audit Guidelines for Corporate Auditors, the corporate auditors, in a position independent from the directors, conduct audits of the status of business execution by the directors, such as audits to determine whether the execution of duties by the directors, executive officers, and employees is in compliance with the law and the Articles of Incorporation, and conduct accounting audits to ensure the appropriateness of the financial statements.

Directors and Executive Officers

The term of office for directors is one year. This arrangement enables the Company to respond dynamically to changes in the business environment, while also clarifying management responsibilities for each business term. Obayashi has also instituted a corporate officers' system. Appointing officers in charge of specific business execution has both created a structure capable of generating quick and highly strategic management decisions and enhanced the speed and efficiency of business execution itself. In order to clarify the selection process for directors and corporate auditors, Obayashi has established a Recommendation Committee and a Remuneration Committee.

Corporate Management Structure



Strengthened Auditing Function

The independence of the Audit Committee is enhanced by appointing three of the five corporate auditors from outside the Company, and the committee's strict auditing of all corporate functions ensures the effectiveness of corporate governance.

Obayashi appoints as outside corporate auditors specialists in the law, accounting, or other fields and appoints corporate auditors who have performed the Company's accounting work for many years and have a considerable degree of knowledge concerning finance and accounting.

As a means of strengthening the function of the Audit Committee and the corporate auditors, the Company has established the Compliance Office under the direction and orders of the Audit Committee and corporate auditors. As an organization that assists with the duties of the Audit Committee and corporate auditors, the Compliance Office mainly monitors legal compliance status and serves as a point of contact for the internal reporting system. The Company assigns a full-time staff to the Compliance Office.

Management of Risk of Losses

Defining of Decision-Making Authority

The Company defines decision-making authority concerning important decision-making matters in the Board of Directors Regulations and Management Meeting Regulations.

Development and Implementation of Regulations Concerning Risk Management Measures

The Company strives to prevent risks from materializing and has developed and implements Regulations Concerning Risk Management Measures aimed at ensuring a rapid and appropriate response if a risk were to materialize, and minimizing impact on or damage to its business performance.

Risk Management Committee

The Company has established a Risk Management Committee as a standing organization for managing risk. The committee is responsible for building a risk management framework and responding when a risk materializes.

Structure for Ensuring Appropriate Group Business Operations

Establishment of the Group Business Administration Department

The Company has established the Group Business Administration Department, which provides guidance and management extending across all business operations of Group companies.

Deliberation of Important Matters Concerning Group Companies

The Company's Board of Directors and Management Meeting receive reports on the status of business execution at Group companies and deliberate and decide important matters concerning the management of Group companies.

Dispatch of Corporate Officers to Group Companies

The Company, in principle, dispatches one or more of the Company's corporate officers or employees to serve as Group company directors, executive officers, or corporate auditors. The corporate officers or employees dispatched by the Company strive to ensure the appropriateness of the business operations of the Group companies and report to the Company's directors and corporate auditors if they discover matters that may be in violation of laws or the Articles of Incorporation or matters that may cause significant damage to the Group.

Directors

From left, Masashi Honjo, Takeo Obayashi, Toru Shiraishi, Tadahiko Noguchi

Chairman
Representative Director
Takeo Obayashi

President
Representative Director
Toru Shiraishi

Representative Director
Masashi Honjo

Representative Director
Tadahiko Noguchi


Yuji Nakamura


Ryuichi Irahara


Makoto Kanai


Shozo Harada


Makoto Kishida


Akihisa Miwa


Kenichi Shibata


Nao Sugiyama

Corporate Auditors


Corporate Auditor
Shunroku Yasui


Corporate Auditor
Tamio Akiyama


Outside Corporate Auditor
Naohiro Tsuda


Outside Corporate Auditor
Tatsunosuke Kagaya


Outside Corporate Auditor
Yasutaka Kakiuchi

Executive Officers

President

Toru Shiraishi

Executive Vice Presidents

Masashi Honjo
Tadahiko Noguchi

Senior Managing Officers

Yuji Nakamura
Ryuichi Irahara
Makoto Kanai
Shozo Harada
Makoto Kishida
Akihisa Miwa
Kenichi Shibata
Nao Sugiyama
Hiroshi Hasegawa
Yasuji Tomohiro

Managing Officers

Ryuhei Funano
Hitoshi Tobuchi
Mitsuyasu Kaihara
Shigehisa Kage
Masahito Hayashi
Kazuo Yagi
Teruo Kobayashi
Munenori Nakamura
Shuji Nakamoto
Takafumi Hanai
Hirotoshi Yamamoto
Shingo Ura
Yuichi Kashima
Hiroshi Tadokoro
Nobuo Tsuruta
Katsuji Fukumoto
Masaru Mizuno
Kozaburo Tsuchiya
Shigeru Torii
Shuji Yamane

Executive Officers

Yuji Inoue
Hiroki Umehara
Takashi Nishiyama
Yukihiro Aizawa
Tatsuro Ishimaru
Kunio Isozaki
Hideo Kawamura
Takashi Shiokawa
Hitoshi Hasegawa
Takashi Matsuda
Mitsuo Ikeuchi
Isamu Kakeno
Haruki Kasuga
Mikio Takatsuki
Nobuyuki Asada
Yoshio Ishizuka
Shoji Oi
Koichi Tajitsu
Hikaru Ueno
Yasuo Kotera
Yoshiharu Nakamura
Kenji Hasuwa

CORPORATE ETHICS

Basic Philosophy

Over the years, Obayashi has striven to earn and maintain the trust of its customers and the communities it serves by upholding its Corporate Philosophy. For this reason, the Group not only observes complete compliance with laws and regulations, but also initiates activities to inspire employees to raise their sensitivity to ethical issues and perform their corporate duties in good faith.

Declaration of Commitment to Compliance in Articles of Incorporation

In the Articles of Incorporation, the Company's basic regulations, the Company has declared its commitment to acting in compliance with laws and regulations, and acting in good faith. The Company is making further efforts to ensure adherence to corporate ethics.

Corporate Ethics Committee

The Company has established the Corporate Ethics Committee, chaired by the president, which meets periodically to deliberate important matters concerning corporate ethics, such as the formulation of basic policies for compliance with corporate ethics, and to ensure adherence to corporate ethics within the Company. To ensure a third-party perspective, the committee members include one outside corporate auditor, one outside authority, and the head of the employees' union.

Corporate Ethics Program

To establish and firmly instill corporate ethics, the Company has established and operates the Corporate Ethics Program and the Antimonopoly Act Compliance Program. Through these programs, the Company draws on the Corporate Philosophy and Obayashi's Code of Business Conduct to decide policies and standards for the establishment of corporate ethics, develops a structure to ensure adherence to corporate ethics, and conducts training and prepares and uses manuals to establish corporate ethics.

Workplace Corporate Ethics Training

In April of each year, the Company conducts workplace corporate ethics training in which corporate officers and employees at all workplaces in Japan and overseas participate, fostering high standards of corporate ethics through discussions of concrete case examples of compliance-related issues.

Internal Reporting System

The Company has prepared a reporting system for use by all Group employees and persons involved in the Group's businesses to directly report matters that may be in violation of laws and regulations or the Articles of Incorporation. To increase the effectiveness of the internal reporting system, the Company maintains an internal point of contact and an outside law office as a point of contact for reporting.

Monitoring by the Audit Committee

The Audit Committee conducts monitoring of compliance with laws and regulations based on the Bid-Rigging Monitoring Program from a third-party perspective, independent of the corporate executive system.

Declaration of Compliance with the Antimonopoly Act

The Company requires corporate officers and employees at the level of general manager or higher at all branches to submit a written pledge stating, "Under no circumstances will I act in violation of the Antimonopoly Act or the criminal code (bid-rigging)." The Company severely punishes not only individuals who violate the law, but also supervisors whose subordinates have violated the law.

Exclusion of Antisocial Forces

The Company has no relationships with antisocial forces and rejects any inappropriate demands from antisocial forces.

Establishment of a Response Headquarters

The Company has designated the General Administration Department of each branch as the point of contact concerning inappropriate demands, gathers information concerning antisocial forces, and collects the information at the General Administration Department in Head Office, the overall response headquarters.

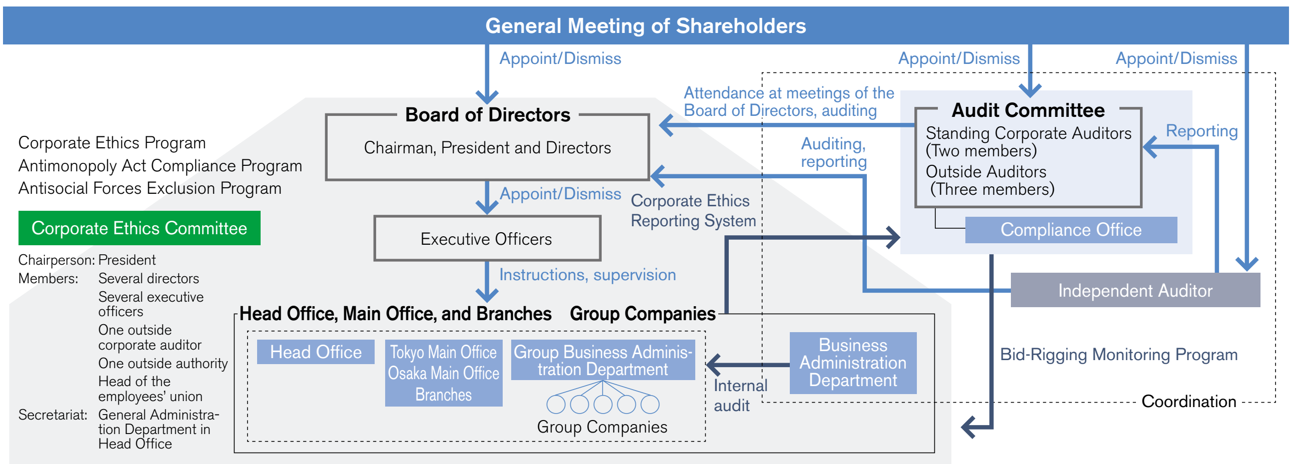
Preparation of a Response Manual

The Company has prepared an Antisocial Forces Exclusion Program, which summarizes the internal system for the exclusion of antisocial forces and concrete policies and measures. The Company ensures that all employees are thoroughly familiar with this manual.

Training Activities

The Company conducts regular, ongoing workshops and training sessions for corporate officers and employees to ensure familiarity with the response manual. These include workshops conducted by instructors invited from the police and the National Center for the Elimination of Boryokudan (antisocial forces) and workplace corporate ethics training conducted once a year.

Corporate Ethics Promotion Structure



CORPORATE SOCIAL RESPONSIBILITY

Basic Policies

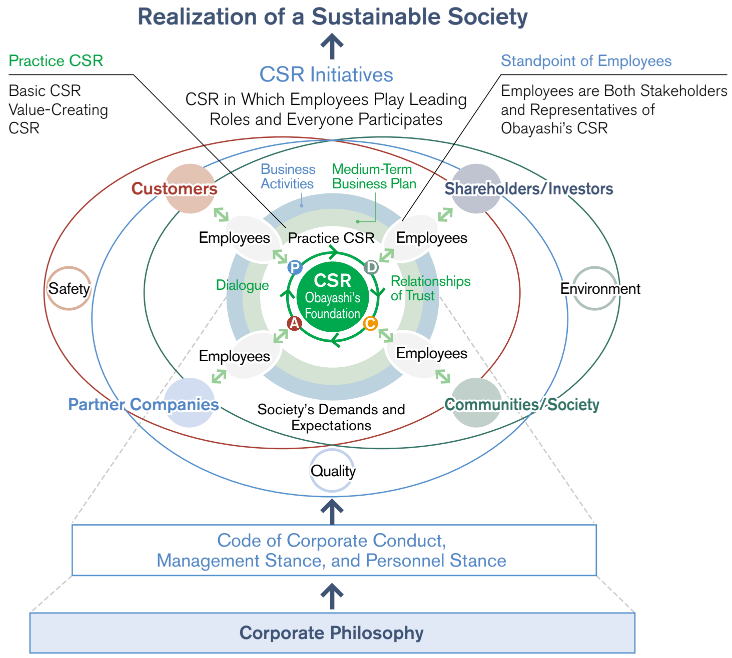
The Company considers it its social responsibility to provide safety and security to customers and society at large and contribute to the sustainable progress and development of society through construction and related businesses. Keenly aware of the importance of its responsibility, the Company has established a Corporate Philosophy and Code of Corporate Conduct and clarified its business purpose and social role in order to facilitate business growth.

Corporate Philosophy

The construction industry has the important social mission of contributing to the improvement of people's lives and the development of Japan's economy by creating the basic infrastructure for living and industry. It plays a vital role in Japan at the national and local community levels. As a member of this industry, Obayashi is keenly aware of the importance of this social responsibility as it conducts its business activities. Recognizing the importance of coexistence between companies and society, respect for the individual, responsibility toward shareholders, and the advancement of internationalization, on April 1, 1990 Obayashi established a Corporate Philosophy that clearly defines its business purpose and social role.

1. Refine our creativity and perceptions; then call on the accumulated technology and wisdom of the Company to add new value to the concept of space.
2. Expand our individuality and respect humanity.
3. Stay in harmony with nature, blend in with local societies and put our hearts into creating a more vibrant, richer culture.

By adhering to this philosophy, we contribute to a better life, social progress and global development.



In accordance with this philosophy, the Company focuses on the construction of social infrastructure and provides extensive assistance in the event of any disaster. It also works to develop construction techniques that reduce CO_2 emissions and the impact of business activities on the natural environment and ecosystems. The Company actively engages in various CSR activities, such as conducting tours of construction sites and giving support to academic research, to promote harmony with local communities and society and develop a construction culture.

Living Together with Local Communities

"Open houses" offer the public a window into how social infrastructure is built

To foster public interest in and understanding of the construction business, Obayashi offers members of the public an opportunity to tour construction sites and see actual projects in progress, including dam and tunnel construction sites, and rail tracks before transportation services begin.

Supporting Academic Research

Supporting academic research on cities

Obayashi supports academic research on urban development through the Obayashi Foundation, which provides funding for research on urban-related issues. The foundation encourages such research by awarding the Obayashi Prize for outstanding contributions to resolving urban problems.

Educating and Nurturing the Next Generation

Obayashi Pavilion at KidZania

Obayashi is an official sponsor of KidZania Tokyo and the KidZania Koshien role-play theme parks, where it operates the "construction site" pavilions. The pavilions let children experience the fun of building things by providing them with an opportunity to experience construction jobs.

For a detailed report on Obayashi's CSR activities, please visit the CSR section of the corporate website.

Website URL http://www.obayashi.co.jp/english/csr/

SUMMARY OF FINANCIAL POSITION AND BUSINESS PERFORMANCE

Overview of the Year Ended March 31, 2010

During the year under review, corporate profitability, severely impacted by the global financial and economic crisis, saw signs of recovery. However, with private capital expenditures continuing on a downward trend and the labor market still being harsh, the economic conditions remained severe during the period. In the domestic construction market, orders for private facilities saw a huge plunge amid the sluggish economy and public sector orders remained at low level, making the environment for winning orders even more challenging.

(1) Financial Position

As of the end of the year under review, total assets were down by approximately ¥134.9 billion (7.8%) year on year to approximately ¥1,590.6 billion. This decline was due mainly to a decrease in "Costs on uncompleted construction contracts" caused by a decrease in projects on a completed construction basis and a decrease in "Notes receivable, accounts receivable from construction contracts and other" caused by a decline in construction contracts completed, which outweighed an increase in "Investment securities" resulting from mark-to-market valuation.

Total liabilities as of the end of the year under review were down by approximately ¥106.7 billion (8.0%) year on year to approximately ¥1,223.0 billion. This was mainly due to a decrease in "Advances received on uncompleted construction contracts" caused by a decrease in projects on a completed construction basis and a decrease in "Notes payable, accounts payable for construction contracts and other" caused by a decrease in construction contracts completed. The balance of interest-bearing liabilities at the end of the year under review was down by approximately ¥7.7 billion (1.9%) year on year to approximately ¥391.0 billion.

Meanwhile, total net assets at the end of the year under review decreased by approximately ¥28.1 billion (7.1%) year on year to ¥367.6 billion. This was due to a decrease in "Retained earnings" caused by the booking of a net loss outweighing an increase in "Valuation difference on available-for-sale securities" caused by mark-to-market valuation of investment securities. As a result, the equity ratio at the end of the fiscal year under review was unchanged from the end of March 2009 at 21.5%.

For the fiscal year under review, consolidated net cash provided by operating activities turned positive to ¥16.1 billion owing to the improvement in cash flows from the construction business.

Consolidated net cash used in investing activities was ¥12.7 billion for, among other reasons, purchase of investment real estate properties. Consolidated net cash used in financing activities was ¥15.7 billion for, among other factors, the redemption of straight bonds. Consequently, consolidated cash and cash equivalents decreased by ¥11.3 billion to ¥132.4 billion compared with the previous fiscal year.

(2) Business Performance

Compared to the previous fiscal year, net sales from the construction business for the fiscal year under review declined by approximately ¥321.7 billion (19.9%) to approximately ¥1,294.8 billion. Net sales from real estate business declined by approximately ¥4.2 billion (15.8%) to approximately ¥22.7 billion and net sales from other businesses decreased by approximately ¥14.9 billion (38.5%) to approximately ¥23.9 billion. All in all, total net sales declined by approximately ¥341.0 billion (20.3%) year on year to approximately ¥1,341.4 billion.

On the earnings front, operating income declined by approximately ¥89.8 billion year on year to a loss of approximately ¥62.5 billion due to losses incurred in constructing an urban transport system in Dubai, etc., ordinary income fell by approximately ¥91.4 billion year on year to a loss of approximately ¥59.6 billion, and net income dropped by approximately ¥64.3 billion year on year to a loss of approximately ¥53.3 billion.

Outlook for the Fiscal Year Ending March 31, 2011

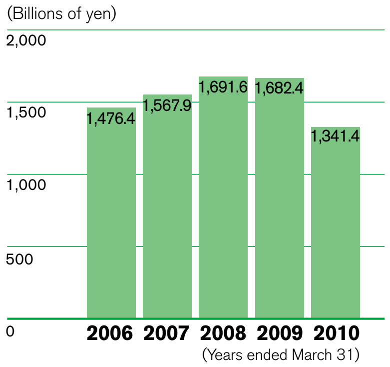
Regarding consolidated performance for the year ending March 31, 2011, management expects orders received to be ¥1,435 billion (of which real estate business and other will contribute ¥75 billion) and to achieve net sales of ¥1,310 billion (of which real estate business and other will contribute ¥80 billion), operating income of ¥26.5 billion, ordinary income of ¥28 billion and net income of ¥19 billion.

Note: The forecasts listed above are based on information available as of March 31, 2010. Actual results may differ materially from forecasts due to various factors.

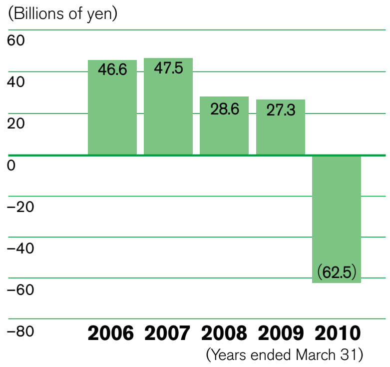
Basic Policy Regarding the Allocation of Profits and Dividend Payout Plan for the Fiscal Year Ending March 31, 2011

Obayashi's profit allocation policy is to sustain stable dividend payouts to its shareholders over the long term and provide shareholders with returns commensurate with the Company's

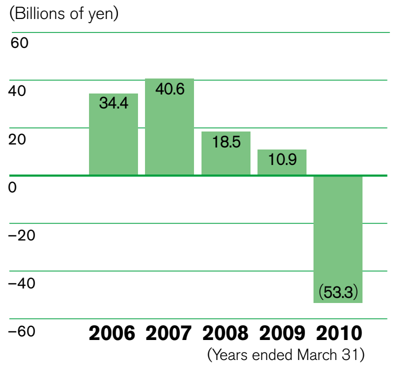
NET SALES (CONSOLIDATED)



OPERATING INCOME (LOSS) (CONSOLIDATED)



NET INCOME (LOSS) (CONSOLIDATED)



performance, taking into account the need to enhance internal reserves so as to further strengthen its financial base, develop technologies and make capital investments for the future.

In line with its commitment to stable dividend payouts to shareholders, Obayashi will endeavor to maintain a dividend payout ratio of 20% to 30% at the time of improved consolidated performance.

For the fiscal year ending March 31, 2011, Obayashi expects to provide a year-end dividend of ¥4 per share, as well as a midterm dividend of the same amount, for an annual dividend of ¥8 per share, which shall be the same as the Company did for the fiscal year ended March 31, 2010.

Note: The plans for dividends listed above are based on information available as of March 31, 2010. Actual results may differ materially due to various factors.

Business Risks

Among the matters covered in this annual report, items that may have a material impact on the decisions of investors include those listed below. The information related to future events as described herein is based on judgments made by the Obayashi Group at the end of the fiscal year under review.

(1) Trends in the Construction Market

The Obayashi Group leverages its comprehensive business capabilities, including credibility, and technological and financial capabilities to secure a certain volume of orders. Should the construction market contract significantly, the Group's performance could be affected.

(2) Construction Defects

The Obayashi Group conducts ongoing construction education and thoroughly implements quality management processes, including ISO standards, in order to ensure quality. In the unlikely event, however, that a major defect should occur in design, construction, or materials, the Group's performance and reputation could be affected.

(3) Accidents in the Course of Construction Activities

When embarking upon a construction project, the Obayashi Group establishes a detailed construction plan and prepares a safe working environment. The Group also conducts a variety of activities to eliminate accidents, including thorough safety education, danger awareness activities and spot inspection controls.

However, in the unlikely event that a major accident should occur and inflict damage on people or structures, the Group's performance and reputation could be affected.

(4) Credit Risk of Business Partners

The Obayashi Group takes measures to avoid credit risk as much as possible by conducting rigorous credit checks of its business partners and collecting information on credit uncertainty at an early stage. In the unlikely event that a client, subcontractor, or company jointly operating the same project should experience credit uncertainty, it could become impossible to collect funds or cause delays in construction. Such events could have an effect on the Group's performance.

(5) Surge in Prices of Raw Materials

In procuring construction materials, the Obayashi Group seeks to secure materials from its suppliers in appropriate volumes at a fair price, and reflects the appropriate procurement costs in the price contracted with the end customer. Should the raw materials increase sharply in price or become more difficult to obtain, the cost of construction could rise, leading to lower profit margins, or the Group could be required to pay damages due to delays in construction. Such events could have an effect on the Group's performance.

(6) Risk Related to Overseas Operations

1) The Obayashi Group conducts business activities in countries around the world, including various Asian countries and the United States. Should the countries where the Group does business experience drastic changes to the operating environment, including political destabilization due to terrorism or conflict, changes in the economic situation, significant currency exchange rate fluctuations, or changes to the legal system, the Group's performance could be affected.

2) In July 2005, Obayashi, in a joint venture (JV) with Kajima Corporation and Yapi Merkezi (Turkey), was awarded a contract worth approximately ¥228.0 billion from the Roads and Transport Authority (RTA) of the Government of Dubai, UAE, to undertake the construction portion of an urban transport system with a total length of approximately 70 kilometers (Shares of this JV are Obayashi 50%, Kajima 35%, and Yapi 15%).

After the contract was awarded, the opinions of the JV and the RTA came to differ with regard to the scope of the joint venture's liabilities in the contract, including design liabilities. In addition, design changes and additional work to the interior and exterior of stations were ordered. As a result, the total cost of construction for this project has approximately tripled due to the volume of construction work becoming far greater than originally anticipated as well as global increases in materials prices. Despite negotiating over a long period of time, the Company concluded that an increase in the contract price corresponding to the increase in the cost of construction would not be fully approved, and decided to recognize a loss on this project in fiscal 2009.

Subsequently, the JV reached a final agreement with the RTA on May 26, 2010 regarding the contract price and terms of payment. Since it is within the scope of the loss noted above, no new loss will occur as a result of the contract price being finalized.

Meanwhile, the following event has occurred with regards to this project that may have a significant impact on investors' decisions.

a) With regards to payment of that portion of the contract price based on the final agreement as yet unpaid as of completion and handover, it was agreed that this would be paid in equal monthly installments over 84 months from October 2011, two months after completion and handover, to September 2018, with interest. With regards to this agreement, steps have been taken to protect these credits, such as concluding a payment guarantee contract with the Government of Dubai, in order to avoid collection risk, but if significant changes were to occur in Dubai's political or economic situation, there could be an impact on the Obayashi Group's earnings. The Company's "Accounts receivable from construction contracts" (installment amount) against the RTA as of the end of September 2011 are expected to be approximately ¥53.0 billion (Obayashi portion).

b) The Company is requesting Kajima Corporation to pay its investment amount as stipulated in the JV contract, but Kajima Corporation is currently refusing to pay its investment, citing its objection to the investment requirement. The Company plans to seek sincere fulfillment of obligations based on the JV contract, including through legal measures. Until the matter is settled, however, the monetary burden on the Company could increase in excess of its investment ratio.

CONSOLIDATED BALANCE SHEETS

OBAYASHI CORPORATION
At March 31, 2010 and 2009

	Millions of yen		Thousands of U.S. dollars (Note 2)	
	2010	2009	2010	2009
Assets				
Current assets				
Cash and deposits (Notes 5 and 10)	¥ 136,969	¥ 144,640	$ 1,472,158	$ 1,554,606
Notes receivable, accounts receivable from completed construction contracts and other (Notes 5 and 10)	433,512	496,934	4,659,419	5,341,082
Short-term investment securities (Notes 10 and 11)	1,676	1,941	18,020	20,866
Real estate for sale (Notes 4-(4) and 5)	54,912	61,416	590,201	660,113
Costs on uncompleted construction contracts (Notes 4-(4) and 5)	82,844	207,617	890,417	2,231,486
Inventories for PFI and other projects (Notes 4-(4) and 5)	59,613	62,296	640,731	669,564
Other inventories (Note 4-(4))	11,432	12,049	122,872	129,508
Deferred tax assets (Note 14)	25,736	38,509	276,617	413,898
Accounts receivable–other (Note 10)	89,368	66,583	960,541	715,640
Other	12,493	16,043	134,286	172,437
Allowance for doubtful accounts	(1,020)	(563)	(10,965)	(6,052)
Total current assets	907,540	1,107,469	9,754,301	11,903,152
Noncurrent assets				
Property, plant and equipment, net (Note 5)				
Buildings and structures (Note 5)	66,209	71,090	711,620	764,080
Machinery, vehicles, tools, furniture and fixtures (Note 5)	9,383	11,237	100,851	120,780
Land (Note 5)	240,765	245,182	2,587,760	2,635,237
Leased assets (Note 4-(5))	1,261	1,501	13,561	16,142
Construction in progress	1,753	403	18,850	4,334
Total property, plant and equipment, net	319,373	329,415	3,432,644	3,540,574
Intangible assets (Note 5)	5,999	6,827	64,479	73,380
Investments and other assets				
Investment securities (Notes 5, 10 and 11)	296,589	238,245	3,187,762	2,560,680
Long-term loans receivable	1,194	1,478	12,839	15,892
Deferred tax assets (Note 14)	36,994	23,195	397,624	249,304
Other	27,028	22,024	290,506	236,718
Allowance for doubtful accounts	(4,096)	(3,066)	(44,029)	(32,957)
Total investments and other assets	357,711	281,877	3,844,701	3,029,638
Total noncurrent assets	683,083	618,119	7,341,825	6,643,593
Deferred assets	44	56	474	602
Total assets	¥1,590,667	¥1,725,645	$17,096,601	$18,547,348

	Millions of yen		Thousands of U.S. dollars (Note 2)	
	2010	2009	2010	2009
Liabilities				
Current liabilities				
Notes payable, accounts payable for construction contracts and other (Note 10)	¥ 453,076	¥ 493,760	$ 4,869,699	$ 5,306,964
Short-term loans payable (Notes 5, 10 and 20)	70,012	106,064	752,494	1,139,993
Current portion of PFI and other project finance loans (Notes 5, 10 and 20)	10,698	6,787	114,984	72,955
Commercial papers (Notes 10 and 20)	50,000	66,000	537,403	709,372
Current portion of bonds (Notes 10 and 19)	10,000	20,000	107,480	214,961
Lease obligations (Notes 4-(5) and 20)	626	755	6,737	8,121
Income taxes payable	2,293	2,810	24,649	30,207
Advances received on uncompleted construction contracts	94,722	162,872	1,018,079	1,750,563
Deposits received (Note 10)	72,308	70,214	777,173	754,675
Provision for warranties for completed construction	1,657	1,409	17,819	15,151
Provision for loss on construction contracts (Note 5)	25,723	18,614	276,475	200,066
Other	54,065	56,765	581,100	610,117
Total current liabilities	845,184	1,006,055	9,084,097	10,813,150
Noncurrent liabilities				
Bonds payable (Notes 10 and 19)	20,000	30,000	214,961	322,441
Long-term loans payable (Notes 5, 10 and 20)	159,694	92,100	1,716,410	989,898
PFI and other project finance loans (Notes 5, 10 and 20)	70,645	77,861	759,297	836,864
Lease obligations (Notes 4-(5) and 20)	705	808	7,578	8,694
Deferred tax liabilities for land revaluation (Note 14)	33,810	29,095	363,397	312,716
Provision for retirement benefits (Notes 4-(2) and 13)	66,132	66,918	710,795	719,248
Provision for environmental measures	1,451	493	15,604	5,303
Other	25,425	26,502	273,275	284,849
Total noncurrent liabilities	377,865	323,780	4,061,319	3,480,016
Total liabilities	1,223,049	1,329,836	13,145,417	14,293,167
Net assets				
Shareholders' equity				
Capital stock	57,752	57,752	620,729	620,729
Capital surplus	41,750	41,750	448,739	448,739
Retained earnings	139,176	202,941	1,495,882	2,181,232
Treasury stock	(1,340)	(1,246)	(14,406)	(13,395)
Total shareholders' equity	237,339	301,198	2,550,944	3,237,306
Valuation and translation adjustments				
Valuation difference on available-for-sale securities	81,844	46,901	879,666	504,103
Deferred gains or losses on hedges	(59)	(65)	(639)	(699)
Revaluation reserve for land (Note 5)	26,233	26,481	281,960	284,628
Foreign currency translation adjustments	(3,130)	(3,448)	(33,646)	(37,059)
Total valuation and translation adjustments	104,887	69,870	1,127,341	750,972
Minority interests	25,390	24,739	272,897	265,901
Total net assets	367,618	395,809	3,951,183	4,254,180
Total liabilities and net assets	¥1,590,667	¥1,725,645	$17,096,601	$18,547,348

The accompanying notes to the consolidated financial statements are an integral part of these statements.

CONSOLIDATED STATEMENTS OF OPERATIONS

OBAYASHI CORPORATION
For the years ended March 31, 2010 and 2009

	Millions of yen		Thousands of U.S. dollars (Note 2)	
	2010	2009	2010	2009
Net sales				
Construction contracts (Note 4-(1))	¥1,294,816	¥1,616,591	$13,916,771	$17,375,233
Real estate business and other	46,640	65,870	501,292	707,981
Total net sales	1,341,456	1,682,462	14,418,064	18,083,214
Cost of sales				
Construction contracts (Note 6)	1,281,998	1,525,257	13,779,007	16,393,563
Real estate business and other (Note 6)	44,888	50,323	482,467	540,876
Total cost of sales	1,326,887	1,575,580	14,261,474	16,934,440
Gross profit				
Construction contracts	12,817	91,334	137,763	981,670
Real estate business and other	1,751	15,547	18,825	167,104
Total gross profit	14,569	106,881	156,589	1,148,774
Selling, general and administrative expenses (Note 6)	77,103	79,518	828,717	854,666
Operating income (loss)	(62,534)	27,363	(672,127)	294,108
Other income/(expenses)				
Interest and dividend income	6,634	8,619	71,312	92,645
Foreign exchange losses	(349)	(1,333)	(3,757)	(14,331)
Interest expenses	(3,984)	(3,772)	(42,822)	(40,551)
Gain on sales of investment securities	2,108	6,275	22,658	67,450
Gain on sales of noncurrent assets (Note 6)	44	218	475	2,353
Loss on sales and disposal of noncurrent assets (Note 6)	(1,145)	(992)	(12,314)	(10,670)
Impairment loss (Note 6)	(8,573)	(1,475)	(92,148)	(15,859)
Loss on valuation of real estate for sale	–	(3,139)	–	(33,748)
Loss on valuation of investment securities	(887)	(3,992)	(9,540)	(42,916)
Compensation for tenants' removal and relocation costs	(1,751)	(1,505)	(18,823)	(16,180)
Mediation settlement	(1,759)	–	(18,906)	–
Other, net	(1,201)	873	(12,911)	9,383
Total other income/(expenses)	(10,865)	(225)	(116,778)	(2,426)
Income (loss) before income taxes and minority interests	(73,399)	27,138	(788,906)	291,682
Income taxes (Note 14)				
Income taxes–current	3,813	4,526	40,988	48,647
Reversal of income taxes payable for prior periods	(464)	–	(4,996)	–
Income taxes–deferred	(25,099)	8,169	(269,775)	87,802
Total income taxes	(21,751)	12,695	(233,784)	136,450
Minority interests in income	1,705	3,476	18,332	37,360
Net income (loss)	¥ (53,354)	¥ 10,966	$ (573,454)	$ 117,871

The accompanying notes to the consolidated financial statements are an integral part of these statements.

CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS

OBAYASHI CORPORATION
For the years ended March 31, 2010 and 2009

	Millions of yen		Thousands of U.S. dollars (Note 2)	
	2010	2009	2010	2009
Shareholders' equity				
Capital stock				
Balance at the end of previous period	¥ 57,752	¥ 57,752	$ 620,729	$ 620,729
Balance at the end of current period	57,752	57,752	620,729	620,729
Capital surplus				
Balance at the end of previous period	41,750	41,750	448,739	448,739
Balance at the end of current period	41,750	41,750	448,739	448,739
Retained earnings				
Balance at the end of previous period	202,941	198,507	2,181,232	2,133,569
Dividends from surplus	(5,752)	(5,757)	(61,825)	(61,881)
Net income (loss)	(53,354)	10,966	(573,454)	117,871
Reversal of revaluation reserve for land	(4,658)	(769)	(50,070)	(8,271)
Change of scope of consolidation	–	(5)	–	(55)
Balance at the end of current period	139,176	202,941	1,495,882	2,181,232
Treasury stock				
Balance at the end of previous period	(1,246)	(919)	(13,395)	(9,878)
Purchase of treasury stock	(94)	(327)	(1,011)	(3,516)
Balance at the end of current period	(1,340)	(1,246)	(14,406)	(13,395)
Total shareholders' equity	237,339	301,198	2,550,944	3,237,306
Valuation and translation adjustments				
Valuation difference on available-for-sale securities				
Balance at the end of previous period	46,901	125,499	504,103	1,348,878
Changes of items during the period	34,942	(78,597)	375,562	(844,775)
Balance at the end of current period	81,844	46,901	879,666	504,103
Deferred gains or losses on hedges				
Balance at the end of previous period	(65)	(90)	(699)	(970)
Changes of items during the period	5	25	60	270
Balance at the end of current period	(59)	(65)	(639)	(699)
Revaluation reserve for land				
Balance at the end of previous period	26,481	25,946	284,628	278,873
Changes of items during the period	(248)	535	(2,667)	5,754
Balance at the end of current period	26,233	26,481	281,960	284,628
Foreign currency translation adjustments				
Balance at the end of previous period	(3,448)	1,428	(37,059)	15,356
Changes of items during the period	317	(4,876)	3,413	(52,416)
Balance at the end of current period	(3,130)	(3,448)	(33,646)	(37,059)
Total valuation and translation adjustments	104,887	69,870	1,127,341	750,972
Minority interests				
Balance at the end of previous period	24,739	27,628	265,901	296,952
Changes of items during the period	650	(2,888)	6,995	(31,050)
Balance at the end of current period	25,390	24,739	272,897	265,901
Total net assets	¥367,618	¥395,809	$3,951,183	$4,254,180

The accompanying notes to the consolidated financial statements are an integral part of these statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

OBAYASHI CORPORATION
For the years ended March 31, 2010 and 2009

	Millions of yen		Thousands of U.S. dollars (Note 2)	
	2010	2009	2010	2009
Net cash provided by (used in) operating activities				
Income (loss) before income taxes and minority interests	¥ (73,399)	¥ 27,138	$ (788,906)	$ 291,682
Depreciation and amortization	10,534	10,956	113,225	117,757
Impairment loss	8,573	1,475	92,148	15,859
Increase (decrease) in allowance for doubtful accounts	1,486	(181)	15,976	(1,951)
Increase (decrease) in provision for loss on construction contracts	7,109	4,040	76,409	43,430
Increase (decrease) in provision for retirement benefits	(790)	(1,329)	(8,491)	(14,291)
Loss (gain) on valuation of short-term and long-term investment securities	887	3,992	9,540	42,916
Loss on valuation of real estate for sale	8,893	3,139	95,586	33,748
Interest and dividend income	(6,634)	(8,619)	(71,312)	(92,645)
Interest expenses	3,984	3,772	42,822	40,551
Loss (gain) on sales of short-term and long-term investment securities	(1,876)	(6,245)	(20,171)	(67,126)
Decrease (increase) in notes and accounts receivable–trade	64,090	(72,377)	688,851	(777,917)
Decrease (increase) in costs on uncompleted construction contracts	124,773	65,821	1,341,068	707,455
Decrease (increase) in inventories	(3,331)	(10,230)	(35,802)	(109,954)
Decrease (increase) in inventories for PFI and other projects	2,682	(301)	28,833	(3,242)
Decrease (increase) in other assets	(25,867)	19,779	(278,025)	212,589
Increase (decrease) in notes and accounts payable–trade	(41,343)	(20,772)	(444,362)	(223,265)
Increase (decrease) in advances received on uncompleted construction contracts	(68,262)	(43,698)	(733,687)	(469,672)
Increase (decrease) in other liabilities	2,964	(8,292)	31,863	(89,129)
Other, net	2,891	2,048	31,076	22,015
Subtotal	17,365	(29,883)	186,642	(321,189)
Interest and dividend income received	6,945	8,631	74,650	92,776
Interest expenses paid	(3,995)	(3,698)	(42,941)	(39,750)
Income taxes (paid) refunded	(4,158)	(14,660)	(44,700)	(157,568)
Net cash provided by (used in) operating activities	16,156	(39,610)	173,651	(425,732)
Net cash provided by (used in) investing activities				
Payments into time deposits	(6,441)	(2,386)	(69,236)	(25,645)
Proceeds from withdrawal of time deposits	2,764	2,375	29,710	25,533
Purchase of property, plant and equipment and intangible assets	(11,270)	(11,349)	(121,134)	(121,981)
Proceeds from sales of property, plant and equipment and intangible assets	215	677	2,318	7,284
Purchase of short-term and long-term investment securities	(1,612)	(9,659)	(17,331)	(103,822)
Proceeds from sales and redemption of short-term and long-term investment securities	3,439	14,883	36,972	159,972
Payments of loans receivable	(70)	(115)	(759)	(1,237)
Collection of loans receivable	228	7,272	2,457	78,162
Other, net	(0)	–	(0)	–
Net cash provided by (used in) investing activities	(12,746)	1,699	(137,004)	18,265
Net cash provided by (used in) financing activities				
Net increase (decrease) in short-term loans payable	(27,357)	21,548	(294,039)	231,609
Net increase (decrease) in commercial papers	(16,000)	35,000	(171,969)	376,182
Repayments of lease obligations	(853)	(938)	(9,171)	(10,084)
Proceeds from long-term loans payable	81,100	44,727	871,668	480,730
Repayment of long-term loans payable	(22,358)	(18,880)	(240,308)	(202,931)
Proceeds from PFI and other project finance loans payable	3,502	39,104	37,649	420,298
Payment of PFI and other project finance loans payable	(6,809)	(39,828)	(73,188)	(428,081)
Redemption of bonds	(20,000)	(10,000)	(214,961)	(107,480)
Cash dividends paid	(5,752)	(5,757)	(61,825)	(61,881)
Cash dividends paid to minority shareholders	(1,158)	(2,224)	(12,453)	(23,909)
Other, net	(47)	(323)	(506)	(3,476)
Net cash provided by (used in) financing activities	(15,733)	62,427	(169,104)	670,975
Effect of exchange rate changes on cash and cash equivalents	927	(9,218)	9,967	(99,084)
Net increase (decrease) in cash and cash equivalents	(11,396)	15,298	(122,490)	164,424
Cash and cash equivalents at beginning of period	143,821	128,537	1,545,803	1,381,529
Increase (decrease) in cash and cash equivalents resulting from change of scope of consolidation	–	(13)	–	(149)
Cash and cash equivalents at end of period (Note 8)	¥132,425	¥143,821	$1,423,313	$1,545,803

The accompanying notes to the consolidated financial statements are an integral part of these statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

OBAYASHI CORPORATION
For the years ended March 31, 2010 and 2009

1. Basis of Presenting Consolidated Financial Statements

The accompanying consolidated financial statements were prepared based on the accounts maintained by OBAYASHI CORPORATION (the "Company") and its subsidiaries (collectively, the "Companies") 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, and are compiled from the consolidated financial statements prepared by the Company as required by the Financial Instruments and Exchange Law of Japan.

Certain amounts in the prior year's financial statements were reclassified to conform to the changes made for the latest fiscal year.

2. U.S. Dollar Amounts

The accounts of the consolidated financial statements presented herein are expressed in Japanese yen by rounding down to the nearest million. The U.S. dollar amounts shown in the accompanying consolidated financial statements and notes thereto were translated from the original Japanese yen into U.S. dollars on the basis of ¥93.04 to US$1, the rate of exchange prevailing at March 31, 2010, and were then rounded down to the nearest thousand. These U.S. dollar amounts are not intended to imply that the Japanese yen amounts have been or could be converted, realized or settled in U.S. dollars at this or any other rate.

3. Summary of Significant Accounting Policies

(1) Scope of consolidation and application of the equity method

The Company had 81 subsidiaries at March 31, 2010 (81 at March 31, 2009). The consolidated financial statements as of and for the years ended March 31, 2010 and 2009 included the accounts of the Company and all subsidiaries (together, the "Companies").

All significant intercompany accounts and transactions are eliminated. Investments in all affiliates (24 companies for 2010, and 25 companies for 2009) are accounted for by the equity method.

(2) Business year for consolidated subsidiaries

All foreign consolidated subsidiaries (30 companies) and certain domestic consolidated subsidiaries (2 companies) have a fiscal year that ends on December 31. The consolidated financial statements were prepared based on the financial statements as of the same date. Necessary adjustments for consolidation were made on significant transactions that took place during the period between the fiscal year-end of the subsidiaries and the fiscal year-end of the Company. Consolidated subsidiaries other than those referred to above have the same business year as the Company, which ends on March 31.

(3) Valuation of assets and liabilities of consolidated subsidiaries

The assets and liabilities of consolidated subsidiaries are recorded at fair value upon acquisition.

(4) Goodwill and negative goodwill

Goodwill and negative goodwill are amortized by the straight-line method over a period of 5 years. However, goodwill and negative goodwill that are not material are charged or credited to income in the year of acquisition. Differences between the cost and underlying net equity of investments in affiliates accounted for by the equity method are charged or credited to income as they occur.

(5) Foreign currency translation

Receivables and payables denominated in foreign currencies are translated into Japanese yen at the rate of exchange in effect at the balance sheet date.

The resulting exchange gains and losses from translation are recognized in the consolidated statements of income. The balance sheet accounts of the foreign consolidated subsidiaries are translated into Japanese yen at the rates of exchange in effect at the balance sheet date, except for the components of net assets excluding minority interests which are translated at their historical exchange rates. Revenue and expense accounts are translated at the rates of exchange in effect at the balance sheet date. Differences arising from the translation are presented as foreign currency translation adjustments and minority interests in the consolidated financial statements.

(6) Cash equivalents
All highly liquid investments, generally with a maturity of three months or less when purchased, which are readily convertible into known amounts of cash and are so near maturity that they represent only an insignificant risk of any change in value attributable to changes in interest rates, are considered cash equivalents.

(7) Short-term investment securities and investment securities
Securities are classified into two categories: held-to-maturity and other securities. Held-to-maturity securities are carried at amortized cost. Marketable securities classified as other securities are carried at fair value with changes in unrealized holding gain or loss, net of the applicable income taxes, included directly in net assets. Non-marketable securities classified as other securities are carried at cost. Cost of securities sold is determined by the moving average method.

(8) Inventories
Real estate held for sale, costs on uncompleted construction contracts, inventories for PFI and other projects and costs on real estate business and other are all stated at cost determined by the specific identification method.
Raw materials and supplies are stated at cost determined by the first-in first-out method.
The net book value of inventories in the balance sheet is written down if the net realizable value declines. See Note 4-(4)

(9) Property, plant and equipment
The Company and its domestic consolidated subsidiaries mainly calculate depreciation by the declining-balance method, while straight-line method is applied to the buildings, excluding building fixtures, acquired on or after April 1, 1998. Foreign consolidated subsidiaries mainly apply the straight-line method.
The useful lives and residual values of depreciable assets are estimated mainly in accordance with the Corporate Tax Law.

(10) Intangible assets
Intangible fixed assets are amortized by the straight-line method. Computer software for internal use is amortized by the straight-line method over the estimated useful life of 5 years.

(11) Leased assets
Depreciation of leased assets under finance leases that do not transfer ownership of the leased assets to the lessee is calculated by the straight-line method over the lease period with a residual value of zero. See Note 4-(5)

(12) Allowance for doubtful accounts
The allowance for doubtful accounts is provided based on the historical experience with respect to write-offs for the Company and its domestic subsidiaries and based on an estimate of the amount for specific uncollectible accounts for the Companies.

(13) Provision for warranties for completed construction
The provision for warranties for completed construction is provided to cover expenses for defects claimed concerning completed work, based on the estimated amount of compensation to be paid in the future for the work completed during the fiscal year.

(14) Provision for loss on construction contracts
The provision for loss on construction contracts is provided at the estimated amount for the future losses on contract backlog at the balance sheet date which will probably be incurred and which can be reasonably estimated.

(15) Provision for retirement benefits
The provision for retirement benefits is provided mainly at an amount calculated based on the projected benefit obligation and the fair value of the pension plan assets, as adjusted for unrecognized actuarial differences and unrecognized prior service cost. Prior service cost (PSC) is amortized by the straight-line method over a period of 10 years which is shorter than the average remaining years of service of the employees, while PSC of certain subsidiaries is expensed as incurred. Actuarial differences are amortized commencing in the year or in the following year after the difference is recognized primarily by the straight-line method over periods (5 years to 10 years) which are shorter than the average remaining years of service of the employees. See Note 4-(2)

(16) Provision for environmental measures
The provision for environmental measures is provided based on an estimate of costs for disposal of Polychlorinated Biphenyl (PCB) waste, which the Company and its domestic subsidiaries are obliged to dispose by the Act on Special Measures Concerning Promotion of Proper Treatment of PCB Waste.

(17) Derivatives and hedge accounting
(a) Method of hedge accounting
Hedging instruments are valued at fair value and accounted for using the deferral method of accounting.
The monetary assets and liabilities denominated in foreign currencies, for which foreign exchange forward contracts or currency options are used to hedge the foreign currency fluctuations, are translated at the contracted rate if the foreign exchange forward contracts or currency options qualify for hedge accounting.
The 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 agreements is charged to income (short-cut method).

(b) Hedging instruments and hedged items
To hedge foreign exchange risks related to foreign currency loans and projected future foreign currency transactions, foreign exchange forward contracts, non-deliverable foreign exchange forward contracts and currency options are employed as hedging instruments. To hedge the interest-rate risks and foreign exchange risks related to loans payable, bonds payable, bonds receivable and transactions of affiliates, interest rate swaps or interest rate/currency swaps are employed as hedging instruments.

(c) Hedging policy
The Companies utilize derivative financial instruments only for the purpose of hedging future risks of fluctuation of foreign currency exchange rates or interest rates in accordance with internal rules.

(d) Assessment of hedge effectiveness
Hedge effectiveness is not assessed when substantial terms and conditions of the hedging instruments and the hedged transactions are the same.
The evaluation of hedge effectiveness is omitted for interest rate swaps as they meet certain criteria under the short-cut method.

(18) Recognizing revenues and costs of construction contracts
Revenues and costs of construction contracts of which the percentage of completion can be reliably estimated are recognized by the percentage-of-completion method. The percentage of completion is calculated at the cost incurred as a percentage of the estimated total cost. The completed-contract method continues to be applied for contracts for which the percentage of completion cannot be reliably estimated.
Revenues from construction contracts and the related costs of the overseas subsidiaries are mainly recorded on the percentage-of-completion method.
Revenues from construction contracts recognized by the percentage-of-completion method for the fiscal year ended March 31, 2010 were ¥901,479 million (US$9,689,164 thousand). See Note 4-(1)

(19) Revenues and expenses associated with finance lease transactions
Sales and cost of sales are recognized upon receipt of lease payment.

(20) Consumption taxes
Consumption tax and local consumption tax are accounted for under the tax-exclusive method.

(21) Income taxes
The Companies apply deferred tax accounting for income taxes which requires recognition of income taxes by the asset/liability method.
Under the asset/liability method, deferred tax assets and liabilities are determined based on the difference between financial reporting basis and the tax basis of the assets and liabilities and are measured using the enacted tax rates and laws which will be in effect when the differences are expected to reverse.

4. Changes in Significant Accounting Policies

(1) Change in recognizing revenues and costs of construction contracts
Until the year ended March 31, 2009, revenues and costs of construction contracts of the Company and its domestic subsidiaries were recorded under the completed-contract method, except for those related to the contracts with a construction period exceeding 1 year which were mainly recognized by the percentage-of-completion method. Revenues from construction contracts recognized by the percentage-of-completion method for the year ended March 31, 2009 were ¥922,466 million (US$9,914,517 thousand).
Effective the year ended March 31, 2010, the Company and its domestic subsidiaries have adopted the "Accounting Standard for Construction Contracts" (ASBJ Statement No. 15, issued on December 27, 2007) and "Guidance for the Application of Accounting Standard for Construction Contracts" (ASBJ Guidance No. 18, issued on December 27, 2007). Under the new accounting standard and guidance, revenues and costs of construction contracts that commenced on or after April 1, 2009, of which the percentage of completion can be reliably estimated, are recognized by the percentage-of-completion method. The percentage of completion is calculated at the cost incurred as a percentage of the estimated total cost. The completed-contract method continues to be applied for contracts for which the percentage of completion cannot be reliably estimated.
As a result of this change, net sales for the year ended March 31, 2010 increased by ¥24,379 million (US$262,030 thousand), and operating loss and loss before income taxes and minority interests for the year ended March 31, 2010 each decreased by ¥2,190 million (US$23,543 thousand) compared with the corresponding amounts that would have been recorded under the previous method.
The effect of the change to segment information is disclosed in Note16 "Segment Information."

(2) Application of the "Partial Amendments to Accounting Standard for Retirement Benefits (Part 3)"
Effective the year ended March 31, 2010, the Companies have adopted the "Partial Amendments to Accounting Standard for Retirement Benefits (Part 3)" (ASBJ Statement No. 19, issued on July 31, 2008).
This change had no effect on operating loss and loss before income taxes and minority interests for the year ended March 31, 2010.

(3) Application of the "Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for Consolidated Financial Statements"
Effective the year ended March 31, 2009, the Company has adopted the "Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for Consolidated Financial Statements" (ASBJ Practical Issues Task Force No. 18, issued on May 17, 2006) and made necessary adjustments for the purpose of consolidated financial statement preparation.
The effect of this change on operating income and income before income taxes and minority interests was immaterial for the year ended March 31, 2009.

(4) Change in method of measurement of inventories

Effective the year ended March 31, 2009, the Company and its domestic consolidated subsidiaries have adopted, the "Accounting Standard for Measurement of Inventories" (ASBJ Statement No. 9, issued on July 5, 2006).

As a result of this change, operating income decreased by ¥64 million (US$695 thousand), and income before income taxes and minority interests decreased by ¥3,211 million (US$34,512 thousand), for the year ended March 31, 2009, compared with the corresponding amounts that would have been recorded under the previous method.

(5) Application of lease accounting

Effective the year ended March 31, 2009, the Companies have adopted the "Accounting Standard for Lease Transactions" (ASBJ Statement No. 13, issued on June 17, 1993 by the First Committee for Business Accounting Standards; revised on March 30, 2007) and the "Guidance on Accounting Standard for Lease Transactions" (ASBJ Guidance No. 16, issued on January 18, 1994 by the Accounting Practice Committee of the Japanese Institute of Certified Public Accountants; revised on March 30, 2007). As a result, the accounting treatment for finance leases that do not transfer ownership of the leased assets to the lessee has been changed from the method applicable to operating lease transactions to the method applicable to the ordinary buying and selling transactions.

The effect of this change on operating income and income before income taxes and minority interests was immaterial for the year ended March 31, 2009.

5. Notes to Consolidated Balance Sheets

(1) Accumulated depreciation of property, plant and equipment

	Millions of yen		Thousands of U.S. dollars	
At March 31	**2010**	2009	**2010**	2009
	¥156,573	¥157,097	**$1,682,861**	$1,688,494

(2) Investments in affiliates

	Millions of yen		Thousands of U.S. dollars	
At March 31	**2010**	2009	**2010**	2009
	¥2,979	¥2,890	**$32,028**	$31,072

(3) Revaluation reserve for land

Pursuant to the "Law Concerning the Revaluation of Land," land used for business operations was revalued on March 31, 2000. The excess of the revalued carrying amount over the book value before revaluation is included in net assets as reserve for land revaluation, net of applicable income taxes.

The revaluation of the land was determined based on the official standard notice prices in accordance with Article 2, Paragraph 1 of the "Enforcement Ordinance Concerning Land Revaluation" and the appraisal value made by the certified real estate appraisers in accordance with Article 2, Paragraph 5 of the same ordinance with certain necessary adjustments.

(4) Pledged assets

Assets pledged as collateral for long-term loans payable were as follows:

	Millions of yen		Thousands of U.S. dollars	
At March 31	**2010**	2009	**2010**	2009
Assets pledged as collateral:				
Buildings and structures	**¥13,018**	¥ 618	**$139,918**	$ 6,647
Machinery, vehicles, tools, furniture and fixtures	**195**	–	**2,103**	–
Land	**10,411**	306	**111,905**	3,290
Investment securities	**1,916**	1,890	**20,599**	20,318
Total	**¥25,542**	¥2,815	**$274,527**	$30,255
Liabilities secured thereby:				
Current portion of long-term loans payable	**¥ 1,575**	¥ 554	**$ 16,935**	$ 5,961
Long-term loans payable	**11,546**	2,563	**124,097**	27,554
Total	**¥13,121**	¥3,118	**$141,032**	$33,515

(5) Contingent liabilities

The Companies were contingently liable for the following:

	Millions of yen		Thousands of U.S. dollars	
At March 31	**2010**	2009	**2010**	2009
Guarantees of long-term debt of customers, affiliates and employees	**¥1,839**	¥2,314	**$19,769**	$24,874
Repurchase obligation for notes receivable sold	**4,318**	3,081	**46,410**	33,118

(6) Estimated loss on uncompleted construction contracts

An estimated loss on uncompleted construction was recognized and included in the inventory account but was not offset against the amount on the balance sheet. It was recorded as a provision for loss on construction in the amount of ¥1,696 million (US$18,237 thousand) at March 31, 2010.

(7) Noncurrent assets reclassified as real estate held for sale

The following noncurrent assets were reclassified as real estate held for sale due to change in holding purpose.

	Millions of yen		Thousands of U.S. dollars	
	2010	2009	**2010**	2009
Buildings and structures	**¥ –**	¥ 5,595	**$ –**	$ 60,137
Machinery, vehicles, tools, furniture and fixtures	**–**	49	**–**	534
Land	**–**	7,112	**–**	76,446
Intangible assets	**–**	442	**–**	4,755
Total	**¥ –**	¥13,200	**$ –**	$141,874

(8) Directly-deducted advanced depreciation

Advanced depreciation for tax purposes was charged directly to the following non-current assets:

	Millions of yen		Thousands of U.S. dollars	
	2010	2009	**2010**	2009
Buildings and structures	**¥127**	¥ –	**$1,366**	$ –
Machinery, vehicles, tools, furniture and fixtures	**26**	–	**283**	–
Land	**–**	1	**–**	12
Total	**¥153**	¥1	**$1,649**	$12

(9) PFI and other project finance loans

PFI and other project finance loans are non-recourse loans payable to financial institutions, which are issued to the Company's consolidated special purpose company and are backed by the related PFI business or the real estate business as collateral.

Assets as collateral for the PFI and other project finance loans were as follows:

	Millions of yen		Thousands of U.S. dollars	
At March 31	**2010**	2009	**2010**	2009
Cash and deposits	**¥ 6,564**	¥ 5,679	**$ 70,558**	$ 61,047
Notes receivable, accounts receivable from completed construction contracts and other	**11,872**	12,244	**127,604**	131,609
Inventories for PFI and other projects	**59,613**	62,296	**640,731**	669,564
Buildings and structures	**5,805**	6,053	**62,396**	65,067
Machinery, vehicles, tools, furniture and fixtures	**473**	627	**5,086**	6,747
Land	**19**	19	**209**	209
Total	**¥84,348**	¥86,922	**$906,586**	$934,246

(10) Commitment lines

The Company has a commitment line agreement with syndicated financial institutions to ensure timely access to funds in case of emergency. At March 31, 2010 and 2009, there were no outstanding balances under the agreement. This commitment line agreement includes financial covenants on net assets, ordinary income (loss) and the credit rating of the Company.

The total commitment lines available were as follows:

	Millions of yen		Thousands of U.S. dollars	
At March 31	**2010**	2009	**2010**	2009
	¥50,000	¥40,000	**$537,403**	$429,922

(11) Covenants on syndicate loan

The Company has entered into a syndicated loan agreement that includes certain financial covenants on net assets and the credit rating of the Company. The outstanding balance payable was ¥23,500 million (US$252,579 thousand) at March 31, 2010 under long-term loans payable.

6. Notes to Consolidated Statements of Operations

(1) Provision for loss on construction contracts included in cost of sales of construction contracts

	Millions of yen		Thousands of U.S. dollars	
For the years ended March 31	**2010**	2009	**2010**	2009
	¥17,528	¥ –	**$188,392**	$ –

(2) Write-down of inventories included in cost of sales on real estate business and other

	Millions of yen		Thousands of U.S. dollars	
For the years ended March 31	**2010**	2009	**2010**	2009
	¥8,893	¥ –	**$95,586**	$ –

(3) The major components of "Selling, general and administrative expenses"

	Millions of yen		Thousands of U.S. dollars	
For the years ended March 31	**2010**	2009	**2010**	2009
Employees' salaries and allowances	**¥30,811**	¥32,520	**$331,165**	$349,532
Retirement benefit expenses	**3,089**	2,697	**33,206**	28,992
Research study expenses	**8,018**	7,269	**86,188**	78,130
Provision of allowance for doubtful accounts	**1,879**	–	**20,196**	–

(4) Research and development costs included in "Selling, general and administrative expenses"

	Millions of yen		Thousands of U.S. dollars	
For the years ended March 31	**2010**	2009	**2010**	2009
	¥8,018	¥7,269	**$86,188**	$78,130

(5) Gain on sales of noncurrent assets was from the sale of land and buildings.

(6) Loss on sales and disposal of noncurrent assets was from the sale of land and buildings and the disposal of structures.

(7) The major components of "Other, net" included in "Other income/(expenses)"

	Millions of yen		Thousands of U.S. dollars	
For the years ended March 31	**2010**	2009	**2010**	2009
Other income				
Reversal of allowance for doubtful accounts	**¥ –**	¥195	**$ –**	$2,106
Other expenses				
Provision for environmental measures	**(1,004)**	–	**(10,799)**	–

(8) Impairment loss

The following table summarizes the impairment losses recognized for the fiscal years ended March 31, 2010 and 2009.

Classification by purpose

			2010
Use	Type of assets	Location	Number of assets
Real estate for lease	**Land, buildings and others**	**Tokyo and others**	**8**
Real estate reclassified as “held for sale”	**Land**	**Hyogo and others**	**6**
Underutilized real estate	**Land, buildings and others**	**Hyogo and others**	**5**
Goodwill	**Intangible assets**	**United States of America**	**2**
Golf courses	**Land, buildings and others**	**Chiba**	**1**

			2009
Use	Type of assets	Location	Number of assets
Underutilized real estate	Land	Hokkaido and others	3
Real estate for lease	Land	Shizuoka and others	3
Real estate reclassified as “held for sale”	Land, buildings and others	Tokyo and others	2
Asphalt plants	Land, buildings and others	Hyogo	1

Breakdown by account

	Millions of yen		Thousands of U.S. dollars	
	2010	2009	**2010**	2009
Buildings	**¥2,454**	¥ 90	**$26,376**	$ 968
Structures	**171**	50	**1,846**	539
Machinery	**75**	41	**811**	445
Tools, furniture and fixtures	**2**	1	**28**	10
Land	**5,621**	1,292	**60,424**	13,895
Intangible assets	**247**	–	**2,661**	–
Total	**¥8,573**	¥1,475	**$92,148**	$15,859

Valuation method

The Companies recognize impairment losses for individual items classified as; 1) Real estate for lease; 2) Real estate reclassified as “held for sale”; 3) Underutilized real estate; 4) Goodwill; 5) Golf courses; and 6) Asphalt plants.

Due to the decrease in fair value and profitability of real estate, the Companies reduced the carrying values of these assets to their recoverable amounts and recognized the declines as impairment losses.

The recoverable amounts of the assets were the net realizable values, which were calculated as the selling prices (estimated based on the Japanese Real Estate Appraisal Standards) less applicable sales expenses.

7. Notes to Consolidated Statements of Changes in Net Assets

(1) Type and number of outstanding shares

For the year ended March 31, 2010

	Number of shares			
Type of shares	Balance at beginning of year	Increase in shares during the year	Decrease in shares during the year	Balance at end of year
Issued stock:				
Common stock	**721,509,646**	**–**	**–**	**721,509,646**
Treasury stock:				
Common stock	**2,465,726**	**257,306**	**–**	**2,723,032**

Note: Treasury stock increased by 257,306 shares due to the repurchase of shares less than one unit.

For the year ended March 31, 2009

Type of shares	Balance at beginning of year	Increase in shares during the year	Decrease in shares during the year	Balance at end of year
	Number of shares			
Issued stock:				
Common stock	721,509,646	–	–	721,509,646
Treasury stock:				
Common stock	1,778,809	686,917	–	2,465,726

Note: Treasury stock increased by 686,917 shares due to the repurchase of shares less than one unit.

(2) Dividends

(a) Dividends paid to shareholders

For the year ended March 31, 2010

Resolution approved by	Type of shares	Amount: Millions of yen	Amount: Thousands of U.S. dollars	Amount per share: Yen	Amount per share: U.S. dollars	Shareholders' cut-off date	Effective date
Annual General Meeting of Shareholders (June 25, 2009)	**Common stock**	**¥2,876**	**$30,913**	**¥4**	**$0.04**	**March 31, 2009**	**June 26, 2009**
Board of Directors (November 12, 2009)	**Common stock**	**¥2,876**	**$30,911**	**¥4**	**$0.04**	**September 30, 2009**	**December 10, 2009**

For the year ended March 31, 2009

Resolution approved by	Type of shares	Amount: Millions of yen	Amount: Thousands of U.S. dollars	Amount per share: Yen	Amount per share: U.S. dollars	Shareholders' cut-off date	Effective date
Annual General Meeting of Shareholders (June 26, 2008)	Common stock	¥2,878	$30,942	¥4	$0.04	March 31, 2008	June 27, 2008
Board of Directors (November 12, 2008)	Common stock	¥2,878	$30,938	¥4	$0.04	September 30, 2008	December 10, 2008

(b) Dividends with a shareholders' cut-off date during the fiscal year but an effective date subsequent to the fiscal year

For the year ended March 31, 2010

Resolution approved by	Type of shares	Amount: Millions of yen	Amount: Thousands of U.S. dollars	Paid from	Amount per share: Yen	Amount per share: U.S. dollars	Shareholders' cut-off date	Effective date
Annual General Meeting of Shareholders (June 25, 2010)	**Common stock**	**¥2,875**	**$30,902**	**Retained earnings**	**¥4**	**$0.04**	**March 31, 2010**	**June 28, 2010**

For the year ended March 31, 2009

Resolution approved by	Type of shares	Amount: Millions of yen	Amount: Thousands of U.S. dollars	Paid from	Amount per share: Yen	Amount per share: U.S. dollars	Shareholders' cut-off date	Effective date
Annual General Meeting of Shareholders (June 25, 2009)	Common stock	¥2,876	$30,913	Retained earnings	¥4	$0.04	March 31, 2009	June 26, 2009

(3) Shareholders' equity

The Corporation Law of Japan provides that an amount equal to 10% of the amount to be disbursed as distributions of capital surplus (other than the capital reserve) and retained earnings (other than the legal reserve) be transferred to the capital reserve and the legal reserve, respectively, until the sum of the capital reserve and the legal reserve equals 25% of the capital stock account. Such distributions can be made at any time by resolution of the shareholders, or by the Board of Directors if certain conditions are met.

8. Notes to Consolidated Statements of Cash Flows

The reconciliation between cash and cash equivalents reported in the consolidated statements of cash flows and amounts reported in the consolidated balance sheets is as follows:

	Millions of yen		Thousands of U.S. dollars	
At March 31	2010	2009	2010	2009
Cash and deposits	¥136,969	¥144,640	$1,472,158	$1,554,606
Time deposits with a maturity of more than three months	(4,544)	(819)	(48,845)	(8,803)
Cash and cash equivalents at end of period	¥132,425	¥143,821	$1,423,313	$1,545,803

9. Lease Transactions

Operating leases

(a) Lessee's accounting

Future minimum payments under non-cancelable lease contracts at March 31, 2010 and 2009, were as follows:

	Millions of yen		Thousands of U.S. dollars	
At March 31	2010	2009	2010	2009
Within 1 year	¥2,864	¥2,644	$30,783	$28,423
Over 1 year	1,698	3,176	18,256	34,138
Total	¥4,562	¥5,820	$49,040	$62,562

(b) Lessor's accounting

Future minimum receivables under non-cancelable lease contracts at March 31, 2010 and 2009, were as follows:

	Millions of yen		Thousands of U.S. dollars	
At March 31	2010	2009	2010	2009
Within 1 year	¥ 3,779	¥ 3,654	$ 40,626	$ 39,279
Over 1 year	16,719	19,975	179,698	214,700
Total	¥20,498	¥23,630	$220,324	$253,979

10. Financial instruments

(1) Overview

(a) Policy for financial instruments

The Companies raise funds by borrowing from banks and issuing commercial paper or corporate bonds. Also, the Companies restrict temporary excess fund management to highly secure assets, time deposits and other short-term investments. The Companies use derivatives in order to avoid the risks, fluctuations of particular assets and liabilities, and fluctuations of interest rates. The Companies do not use derivative transactions to gain short-term profits or for speculative purposes.

(b) Types of financial instruments related risks and risk management

"Notes receivable, accounts receivable from completed construction contracts and other" and "Accounts receivable—other," which are operating receivables, are exposed to the credit risk of customers. In order to mitigate the risk when orders are received, the Companies conduct a strict screening and determine project plans so that potential risks are minimized.

Short-term investment securities and investment securities mainly consist of stocks. While short-term investment securities and investment securities are exposed to market risk, the Companies monitor market prices of these securities.

"Notes payable, accounts payable for construction contracts and other" and "Deposits received," which are operating liabilities, are due within one year.

"Short-term loans payable," "Long-term loans payable," "Commercial paper" and "Bonds payable" are used for operations or capital investment. "PFI and other project finance loans" are used for enterprise funds related to particular PFI projects and other. The floating rate loans are exposed to fluctuation in interest rates. In order to hedge against the interest rate risks and fix the payment of interest, the Companies utilize derivative transactions (interest rate swaps) for each contract of certain long-term loans payable. The evaluation of hedge effectiveness is omitted for interest rate swaps as they meet certain criteria under the short-cut method.

The transactions of derivative financial instruments are carried out in accordance with the Companies' internal rules, and the status of the transactions is reported regularly to the Board of Directors. The Companies trade derivative transactions with major financial institutions and therefore consider there is no credit risk underlying those transactions.

While operating debt and borrowings are exposed to liquidity risk, the Companies manage the risk mainly by preparing quarterly and monthly cash management plans.

(c) Supplementary explanation of fair values of financial instruments

Notional amounts of derivative transactions, disclosed in "(2) Fair values of financial instruments," do not indicate market risk in derivative transactions.

(2) Fair value of financial instruments

The following table shows the carrying values and fair values of financial instruments as of March 31, 2010, and any differences. Certain financial instruments for which it is extremely difficult to determine the fair value are not included (see Note 2 below).

	Millions of yen			Thousands of U.S. dollars		
	Carrying value	Fair value	Difference	Carrying value	Fair value	Difference
Assets						
Cash and deposits	¥136,969	¥136,969	¥ –	$ 1,472,158	$ 1,472,158	$ –
Notes receivable, accounts receivable from completed construction contracts and other	433,512	433,744	231	4,659,419	4,661,909	2,490
Short-term investment securities and investment securities	275,698	275,695	(2)	2,963,221	2,963,190	(31)
Accounts receivable—other	89,368	89,368	–	960,541	960,541	–
Subtotal	935,548	935,777	228	10,055,341	10,057,800	2,459
Liabilities						
Notes payable, accounts payable for construction contracts and other	453,076	453,076	–	4,869,699	4,869,699	–
Short-term loans payable	70,012	70,012	–	752,494	752,494	–
Current portion of PFI and other project finance loans	10,698	10,698	–	114,984	114,984	–
Commercial papers	50,000	50,000	–	537,403	537,403	–
Current portion of bonds	10,000	10,000	–	107,480	107,480	–
Deposits received	72,308	72,308	–	777,173	777,173	–
Bonds payable	20,000	20,100	100	214,961	216,041	1,080
Long-term loans payable	159,694	161,358	1,663	1,716,410	1,734,293	17,882
PFI and other project finance loans	70,645	72,891	2,246	759,297	783,437	24,140
Subtotal	916,435	920,445	4,010	9,849,904	9,893,008	43,103
Derivative transactions (*)	(48)	(48)	–	(519)	(519)	–

(*) Assets and liabilities arising from derivative transactions are shown at net value, with the amount in parentheses representing net liability position.

Note 1. Method to determine the fair values of financial instruments, and other information related to marketable securities and derivatives

Assets

Cash and deposits

Since deposits are settled in a short period of time, the carrying value approximates fair value. The carrying value is the same as fair value.

Notes receivable, accounts receivable from completed construction contracts and other

The fair value of these items is determined based on the present value of carrying value, grouped by term of settlement, discounted at an interest rate determined taking into account the remaining period of those and credit risk.

Short-term investment securities and investment securities

The fair value of stocks is determined based on quoted market price and the fair value of debt securities is determined based on either quoted market price or prices provided by financial institutions making markets in these securities.

Information on securities classified by holding purpose is disclosed in Note 11 "Securities."

Accounts receivable—other

Since "Accounts receivable—other" is settled in a short period of time, the carrying value approximates fair value. The carrying value is the same as fair value.

Liabilities

Notes payable, accounts payable for construction contracts and other, Short-term loans payable, Current portion of PFI and other project finance loans, Commercial papers, Current portion of bonds and Deposits received

Since these accounts are settled in a short period of time, the carrying value approximates fair value. The carrying value is the same as fair value.

Bonds payable

The fair value of bonds issued by the Company is based on the present value of the total principal and interest discounted by an interest rate determined taking into account the remaining period of bond and current credit risk.

Long-term loans payable and PFI and other project finance loans

For fixed rate loans, the fair value is based on the present value of the total principal and interest discounted by an interest rate to be applied if similar new loans were entered into. For floating rate loans, since the market interest rate is reflected in the interest rate set within a short period of time, the carrying value is the same as the fair value.

The fair value of loans qualifying for special hedge accounting treatment of interest rate swaps is based on the present value of the total principal and interest hedged by interest rate swaps, which is discounted by an interest rate to be applied if similar new loans were entered into.

Derivatives

See Note 12 "Derivative Transactions."

Note 2. Financial instruments for which it is extremely difficult to determine the fair value

	Millions of yen	Thousands of U.S. dollars
	Carrying value	Carrying value
Non-listed stocks	¥18,847	$202,579
Non-listed preferred equity securities	740	7,953
Stocks of affiliates	2,877	30,923
Investments in capital of affiliates	102	1,104
Total	¥22,567	$242,561

It is extremely difficult to determine the fair values for these securities, since they have no quoted market prices available. Thus, they are not included in "Short-term investment securities and investment securities" above.

Note 3. Redemption schedule for money claims and securities with maturities at March 31, 2010

	Millions of yen			
	Due in 1 year or less	Due after 1 year through 5 years	Due after 5 years through 10 years	Due after 10 years
Cash and deposits				
Deposits	¥136,674	¥ –	¥ –	¥ –
Notes receivable, accounts receivable from completed construction contracts and other	402,499	24,330	1,846	4,835
Short-term investment securities and investment securities				
Held-to-maturity securities				
Government bonds and municipal bonds	–	49	150	–
Corporate bonds	6	797	18	–
Accounts receivable—other	89,368	–	–	–
Total	¥628,549	¥25,177	¥2,015	¥4,835

	Thousands of U.S. dollars			
	Due in 1 year or less	Due after 1 year through 5 years	Due after 5 years through 10 years	Due after 10 years
Cash and deposits				
Deposits	$1,468,989	$ –	$ –	$ –
Notes receivable, accounts receivable from completed construction contracts and other	4,326,092	261,500	19,851	51,974
Short-term investment securities and investment securities				
Held-to-maturity securities				
Government bonds and municipal bonds	–	536	1,614	–
Corporate bonds	67	8,574	201	–
Accounts receivable-other	960,541	–	–	–
Total	$6,755,690	$270,611	$21,667	$51,974

Note 4. Redemption schedule for bonds, long-term loans payable, lease obligations and other interest bearing debts at March 31, 2010

See Note 19 "Corporate bonds" and Note 20 "Loans."

(Additional information)

Effective the year ended March 31, 2010, the Companies have adopted the "Accounting Standard for Financial Instruments" (ASBJ Statement No. 10, issued on March 10, 2008) and "Guidance on Disclosures about Fair Value of Financial Instruments" (ASBJ Guidance No. 19, issued on March 10, 2008).

11. Securities

(1) For the year ended March 31, 2010

(a) Held-to-maturity debt securities

	Millions of yen			Thousands of U.S. dollars		
At March 31, 2010	Carrying value	Estimated fair value	Unrealized gain/(loss)	Carrying value	Estimated fair value	Unrealized gain/(loss)
Securities whose fair value exceeds their carrying value:						
Government bonds and municipal bonds	¥ 49	¥ 49	¥ 0	$ 536	$ 537	$ 0
Securities whose carrying value exceeds their fair value:						
Government bonds and municipal bonds	150	147	(2)	1,614	1,582	(32)
Corporate bonds	822	822	–	8,843	8,843	–
Subtotal	973	970	(2)	10,458	10,426	(32)
Total	¥1,022	¥1,020	¥(2)	$10,994	$10,963	$(31)

(b) Other securities

	Millions of yen			Thousands of U.S. dollars		
At March 31, 2010	Carrying value	Acquisition cost	Unrealized gain/(loss)	Carrying value	Acquisition cost	Unrealized gain/(loss)
Securities whose carrying value exceeds their acquisition cost:						
Stock	¥247,187	¥102,816	¥144,371	$2,656,789	$1,105,077	$1,551,712
Securities whose acquisition cost exceeds their carrying value:						
Stock	25,745	32,172	(6,426)	276,714	345,789	(69,074)
Other	1,741	1,754	(12)	18,722	18,853	(131)
Subtotal	27,487	33,926	(6,438)	295,437	364,642	(69,205)
Total	¥274,675	¥136,742	¥137,932	$2,952,227	$1,469,720	$1,482,506

It is extremely difficult to determine the fair values for non-listed stocks and non-listed preferred equity securities (carrying value ¥19,587 million (US$210,533 thousand)), since they have no quoted market prices available. Thus, they are not included in "Other securities" above.

(c) Sales of securities classified as other securities

	Millions of yen			Thousands of U.S. dollars		
For the year ended March 31, 2010	Sales proceeds	Aggregate gain	Aggregate loss	Sales proceeds	Aggregate gain	Aggregate loss
Stock	¥3,056	¥2,108	¥221	$32,853	$22,658	$2,379
Other	3	–	10	42	–	108
Total	¥3,060	¥2,108	¥231	$32,896	$22,658	$2,487

Non-listed stocks, for which fair value was extremely difficult to determine, are included in "Stock" above. (Sales proceeds: ¥1 million (US$13 thousand), aggregate gain: ¥0 million (US$2 thousand) and aggregate loss: ¥6 million (US$74 thousand))

(d) Write down of securities

The Companies recognized loss on write-downs of ¥887 million (US$9,540 thousand) on its other securities. (Non-listed stocks, for which it is extremely difficult to determine the fair values, were included and amounted to ¥876 million (US$9,419 thousand) for the year ended March 31, 2010.)

(2) For the year ended March 31, 2009

(a) Marketable held-to-maturity debt securities

	Millions of yen			Thousands of U.S. dollars		
At March 31, 2009	Carrying value	Estimated fair value	Unrealized gain/(loss)	Carrying value	Estimated fair value	Unrealized gain/(loss)
Securities whose fair value exceeds their carrying value:						
Government bonds and municipal bonds	¥49	¥49	¥ 0	$535	$537	$ 1
Securities whose carrying value exceeds their fair value:						
Government bonds and municipal bonds	30	28	(1)	324	308	(15)
Total	¥80	¥78	¥(1)	$860	$845	$(14)

(b) Marketable other securities

	Millions of yen			Thousands of U.S. dollars		
At March 31, 2009	Acquisition cost	Carrying value	Unrealized gain/(loss)	Acquisition cost	Carrying value	Unrealized gain/(loss)
Securities whose carrying value exceeds their acquisition cost:						
Stock	¥93,887	¥181,982	¥88,094	$1,009,106	$1,955,956	$946,850
Securities whose acquisition cost exceeds their carrying value:						
Stock	41,732	32,775	(8,957)	448,544	352,268	(96,276)
Other	204	192	(11)	2,198	2,070	(128)
Subtotal	41,937	32,967	(8,969)	450,743	354,338	(96,404)
Total	¥135,824	¥214,949	¥79,125	$1,459,849	$2,310,295	$850,445

The Companies recognized loss on write-downs of ¥3,580 million (US$38,487 thousand) on its marketable other securities for the year ended March 31, 2009.

(c) Sales of securities classified as other securities

For the year ended March 31, 2009	Millions of yen	Thousands of U.S. dollars
Sales proceeds	¥12,661	$136,085
Aggregate gain	6,275	67,450
Aggregate loss	30	323

(d) Investment securities which have no market price available

	Millions of yen	Thousands of U.S. dollars
At March 31, 2009	Carrying value	Carrying value
Held-to-maturity securities		
Non-listed domestic bonds	¥ 50	$ 537
Non-listed foreign bonds	729	7,835
Other securities		
Non-listed stocks	¥19,256	$206,972
Non-listed preferred equity securities	340	3,654
Others	1,890	20,319

(e) Redemption schedule for other securities with maturities and held-to-maturity debt securities at March 31, 2009

	Millions of yen				Thousands of U.S. dollars			
At March 31	Due in 1 year or less	Due after 1 year through 5 years	Due after 5 years through 10 years	Due after 10 years	Due in 1 year or less	Due after 1 year through 5 years	Due after 5 years through 10 years	Due after 10 years
Government bonds and municipal bonds	¥50	¥ –	¥30	¥ –	$547	$ –	$324	$ –
Corporate bonds	–	728	50	–	–	7,824	537	–
Total	¥50	¥728	¥80	¥ –	$547	$7,824	$861	$ –

12. Derivative Transactions

(1) For the year ended March 31, 2010

(a) Derivative transactions to which the hedge accounting method is not applied

Compound financial instruments

	Millions of yen				Thousands of U.S. dollars			
At March 31, 2010	Contract amount	Contract amount of more than 1 year	Estimated fair value	Unrealized loss	Contract amount	Contract amount of more than 1 year	Estimated fair value	Unrealized loss
Derivative-embedded deposits:								
(Special policy of cancellation before expiry date/ Condition fulfillment type deposits)	**¥300**	**¥300**	**¥(53)**	**¥(53)**	**$3,224**	**$3,224**	**$(570)**	**$(570)**

Notes: 1. Estimated fair value was provided by the counterparty financial institution.
2. Estimated fair value of derivative-embedded deposits was computed based on the value of the embedded derivatives included in compound financial instruments.
3. Contract amounts are notional amounts of the interest-rate swaps and do not show market risk of all derivative instruments.

(b) Derivative transactions to which the hedge accounting method is applied

Currency-related transactions

		Millions of yen			Thousands of U.S. dollars		
At March 31, 2010	Hedged item	Contract amount	Contract amount of more than 1 year	Estimated fair value	Contract amount	Contract amount of more than 1 year	Estimated fair value
Benchmark method:							
Foreign exchange forward contract (Buy US$)	Imports of materials (Forecasted transaction)	**¥ 48**	**¥ –**	**¥1**	**$ 523**	**$ –**	**$13**
Non-deliverable foreign exchange forward contract (Buy Korean Won)	Imports of materials (Forecasted transaction)	**152**	**–**	**5**	**1,638**	**–**	**64**
Translated at the contracted rate:							
Foreign exchange forward contract (Buy US$)	Short-term loans payable	**4,008**	**–**	**[*]**	**43,080**	**–**	**[*]**
Total		**¥4,209**	**¥ –**	**¥7**	**$45,241**	**$ –**	**$77**

Note: Estimated fair value was provided by the counterparty financial institution.

[*] Since the foreign exchange forward contract, which is translated at the contract amount, is treated with short-term loans payable, the fair value of the contract is included in the fair value of short-term loans payable.

Interest-related transactions

At March 31, 2010	Hedged item	Millions of yen			Thousands of U.S. dollars		
		Contract amount	Contract amount of more than 1 year	Estimated fair value	Contract amount	Contract amount of more than 1 year	Estimated fair value
Benchmark method:							
Interest rate swaps: Payment fixed/ Receive floating	PFI and other project finance loans (Forecasted transaction)	**¥ 230**	**¥ 230**	**¥ (2)**	**$ 2,472**	**$ 2,472**	**$ (26)**
Short-cut method:							
Interest rate swaps:	Long-term loans payable	**44,732**	**42,111**	**[*1]**	**480,782**	**452,611**	**[*1]**
Payment fixed/ Receive floating	PFI and other project finance loans	**9,963**	**5,395**	**[*1]**	**107,088**	**57,989**	**[*1]**
	PFI and other project finance loans as of affiliate company's [*2]	**43,640**	**4,057**	**(254)**	**469,045**	**43,608**	**(2,736)**
Interest rate swaps: Payment floating/ Receive fixed	PFI and other project finance loans as of affiliate company's [*2]	**43,640**	**4,057**	**269**	**469,045**	**43,608**	**2,900**
Total		**¥142,205**	**¥55,851**	**¥ 12**	**$1,528,433**	**$600,291**	**$ 137**

Note: Estimated fair value was provided by the counterparty financial institution.

[*1] Since these interest rate swaps, which are not remeasured at market value but the differential paid or received under the swap agreements is charged to income, are treated with long-term loans payable or PFI and other project finance loans payable, the fair values of the contracts are included in the fair value of long-term loans payable or PFI and other project finance loans payable presented in Note10 "Financial Instruments (2) Fair values of financial instruments."

[*2] Since these interest rate swaps, which are not remeasured at market value but the differential paid or received under the swap agreements is charged to income, and borrowings held by affiliates are not accounted for in the consolidated balance sheets, the fair values of the contracts are not included in the fair value of derivative transactions presented in Note10 "Financial Instruments (2) Fair values of financial instruments."

(2) For the year ended March 31, 2009

(a) Overview

The Companies utilize derivative financial instruments only for the purpose of hedging future risks of fluctuation of foreign currency exchange rates or interest rates.

The Companies utilize foreign exchange forward contracts and currency option transactions to hedge the risk of fluctuation of foreign exchange rates.

The Companies also utilize interest swaps and interest rate/currency swaps to hedge fluctuation risk involving interest rates or foreign exchange rates.

The Companies utilize structured products with a long term investment purpose. The products, derivative-embedded deposits, have no risk of negative interest rates and the principal is guaranteed.

The interest rate swaps, interest rate/currency swaps, foreign exchange forward contracts and currency option transactions have risks arising from changes in market interest rates and changes in the exchange rates.

Since derivative-embedded deposits are variable rate fixed deposits linked to an exchange rate, there is a risk that the deposit interest rate may be less than a market interest rate.

The Companies trade derivative transactions with major financial institutions and therefore consider there is no credit risk underlying those transactions.

The transactions of derivative financial instruments are carried out in accordance with the Companies' internal rules, and the status of the transactions is reported regularly to the Board of Directors.

(b) Market value of derivative transactions

Interest-related transactions

As deferral hedge accounting is applied to all derivative transactions, this information is omitted.

Compound Financial Instruments

	Millions of yen				Thousands of U.S. dollars			
At March 31, 2009	Contract amount	Contract amount of more than 1 year	Estimated fair value	Unrealized loss	Contract amount	Contract amount of more than 1 year	Estimated fair value	Unrealized loss
Derivative-embedded deposits : (Special policy of cancellation before expiry date/ Condition fulfillment type deposits)	**¥300**	**¥300**	**¥(44)**	**¥(44)**	**$3,224**	**$3,224**	**$(474)**	**$(474)**

Notes: 1. Estimated fair value was provided by the counterparty financial institution.
2. Estimated fair value of derivative-embedded deposits was computed based on the value of the embedded derivatives included in compound financial instruments.
3. Contract amounts are notional amounts of the interest-rate swaps and do not show market risk of all derivative instruments.

13. Retirement Benefit Plans

The Company and its domestic subsidiaries have tax-qualified defined benefit pension plans (established as of March 1, 1982) which cover 50% of the total amount of the pension benefits, in addition to lump-sum payments covering the remainder. However, these tax-qualified pension plans were terminated and, as a result of a recent amendment to the related laws, "Regulation type corporate pension plans" based on the "Defined Benefit Corporate Pension Law" were introduced effective April 1, 2004.

The following tables show the funded and accrued status of the plans and the amounts recognized in the consolidated balance sheets at March 31, 2010 and 2009 of the Company and its domestic subsidiaries.

	Millions of yen		Thousands of U.S. dollars	
At March 31	**2010**	2009	**2010**	2009
Projected benefit obligations	**¥(147,549)**	¥(153,232)	**$(1,585,866)**	$(1,646,949)
Plan assets at fair value	**69,440**	66,008	**746,354**	709,462
Unfunded projected benefit obligations	**(78,108)**	(87,223)	**(839,512)**	(937,486)
Unrecognized actuarial loss	**12,092**	20,604	**129,968**	221,462
Unrecognized prior service cost	**(97)**	(142)	**(1,044)**	(1,535)
Amount reported on the consolidated balance sheet	**(66,113)**	(66,761)	**(710,588)**	(717,558)
Prepaid pension costs	**19**	157	**206**	1,689
Provision for retirement benefits	**¥ (66,132)**	¥ (66,918)	**$ (710,795)**	$ (719,248)

The consolidated subsidiaries, except Obayashi Road Corporation and Oak Setsubi Corporation, adopted a simplified method to compute their projected benefit obligations.

The components of retirement benefit expenses for the years ended March 31, 2010 and 2009 are outlined as follows:

	Millions of yen		Thousands of U.S. dollars	
For the years ended March 31	**2010**	2009	**2010**	2009
Service cost	**¥ 4,996**	¥ 5,164	**$ 53,707**	$ 55,509
Interest cost	**3,784**	3,912	**40,670**	42,050
Expected return on plan assets	**(1,638)**	(1,988)	**(17,611)**	(21,372)
Amortization of actuarial differences	**3,616**	2,450	**38,872**	26,336
Amortization of prior service cost	**(45)**	(45)	**(490)**	(490)
Total	**¥10,713**	¥ 9,493	**$115,148**	$102,033

The retirement benefit expenses of consolidated subsidiaries using a simplified computation method are included in "Service cost."

The assumptions used in accounting for the above plans were as follows:

At March 31	2010	2009
Method of attributing the projected benefit obligations to periods of service	**Straight-line basis**	Straight-line basis
Discount rate	**1.8% or 2.5%**	1.8% or 2.5%
Expected rate of return on plan assets	**1.8% or 2.5%**	1.8% or 2.5%
Amortization period for prior service cost	**10 years (Prior service cost (PSC) is amortized by the straight-line method over a period of 10 years, which is shorter than the average remaining years of service of the employees, while PSC of certain subsidiaries is expensed as incurred.)**	10 years (Prior service cost (PSC) is amortized by the straight-line method over a period of 10 years, which is shorter than the average remaining years of service of the employees, while PSC of certain subsidiaries is expensed as incurred.)
Amortization period for actuarial differences	**5 to10 years (Actuarial differences are amortized commencing in the year or in the following year after the difference is recognized primarily by the straight-line method over periods (5 years to 10 years) which are shorter than the average remaining years of service of the employees.)**	5 to10 years (Actuarial differences are amortized commencing in the year or in the following year after the difference is recognized primarily by the straight-line method over periods (5 years to 10 years) which are shorter than the average remaining years of service of the employees.)

14. Deferred Tax Accounting

The major components of deferred tax assets and liabilities at March 31, 2010 and 2009 are summarized as follows:

	Millions of yen		Thousands of U.S. dollars	
At March 31	2010	2009	2010	2009
Deferred tax assets:				
Tax loss carryforwards	**¥ 61,935**	¥ 8,030	**$ 665,690**	$ 86,314
Provision for retirement benefits	**26,773**	27,033	**287,763**	290,557
Impairment loss	**15,787**	29,933	**169,686**	321,726
Provision for loss on construction contracts	**10,395**	7,539	**111,731**	81,034
Loss on valuation of real estate for sale	**5,685**	11,320	**61,106**	121,670
Unrealized profit on inventories	**1,464**	1,838	**15,736**	19,761
Other	**16,704**	18,680	**179,541**	200,783
	138,746	104,376	**1,491,257**	1,121,846
Valuation allowance	**(18,484)**	(8,866)	**(198,667)**	(95,301)
Total deferred tax assets	**120,262**	95,509	**1,292,589**	1,026,545
Deferred tax liabilities:				
Valuation difference on available-for-sale securities	**(55,754)**	(31,949)	**(599,251)**	(343,393)
Reserve for advanced depreciation of noncurrent assets	**(1,110)**	(1,147)	**(11,937)**	(12,328)
Other	**(666)**	(709)	**(7,159)**	(7,620)
Total deferred tax liabilities	**(57,531)**	(33,805)	**(618,348)**	(363,342)
Net deferred tax assets	**¥ 62,731**	¥ 61,704	**$ 674,241**	$ 663,203

The net deferred tax assets are included in the following items on the consolidated balance sheets:

	Millions of yen		Thousands of U.S. dollars	
At March 31	2010	2009	2010	2009
Current assets—Deferred tax assets	**¥25,736**	¥38,509	**$276,617**	$413,898
Noncurrent assets—Deferred tax assets	**36,994**	23,195	**397,624**	249,304

In addition to the above, the Companies recognized deferred tax liabilities of ¥33,810 million (US$363,397 thousand) and ¥29,095 million (US$312,716 thousand) related to reserve for land revaluation at March 31, 2010 and 2009, respectively.

A reconciliation between the statutory tax rates and the effective tax rates for the years ended March 31, 2010 and 2009 are summarized as follows:

For the years ended March 31	2010	2009
Statutory tax rates	40.5%	40.5%
Reconciliation:		
Effect of unrecognized deferred taxes on subsidiaries—losses	–	0.9
Tax loss carryforwards	–	(5.3)
Permanent non-deductible items	–	4.7
Permanent non-taxable items	–	(3.2)
Per-capita inhabitant tax	–	1.6
Increase in valuation allowance	–	7.6
Other	–	0.0
Effective tax rates	–	46.8%

Reconciliation between the statutory tax rate and the effective tax rate for the year ended March 31, 2010 is not presented, as permitted, since the Companies recorded a loss before income taxes and minority interests.

15. Investment and Rental Properties

The Company and certain of its subsidiaries hold office buildings (including land), lands for redevelopment projects, etc., mainly in Tokyo and Osaka. Profit and impairment loss from these real estate properties for the year ended March 31, 2010 were ¥6,596 million (US$70,090 thousand) and ¥6,551 million (US$70,418 thousand) respectively. Sales and costs on real estate are recorded as "Net sales on real estate business and other" and "Cost of sales on real estate business and other" respectively. Impairment loss is included in "Other income/(expenses)." Carrying value in the consolidated balance sheets and fair value of those real estate properties are as follows:

	Millions of yen	Thousands of U.S. dollars
	2010	2010
Carrying value		
At the end of previous period	¥187,206	$2,012,106
Increase (decrease)—net	(3,729)	(40,081)
At the end of current period	183,477	1,972,025
Fair value at the end of current period	214,914	2,309,915

1. The carrying value represents the acquisition cost less the accumulated depreciation.
2. "Increase (decrease)—net" mainly consists of purchase of office buildings (including land) for rent and other in the amount of ¥1,816 million (US$19,525 thousand) and impairment loss in the amount of ¥6,551 million (US$70,418 thousand).
3. Fair value at March 31, 2010 was estimated in accordance with the "Real estate evaluation standards," and was adjusted using official indices.

(Additional information)

Effective the year ended March 31, 2010, the Company has adopted the "Accounting Standard for Disclosures about Fair Value of Investment and Rental Property" (ASBJ Statement No. 20, issued on November 28, 2008) and the "Guidance on Accounting Standard for Disclosures about Fair Value of Investment and Rental Property" (ASBJ Guidance No. 23, issued on November 28, 2008).

16. Segment Information

(a) Business segments

For the year ended March 31, 2010	Construction business	Real estate business	Other businesses	Total	Eliminations or Corporate	Consolidated
	Millions of yen					
Net sales:						
From outside customers	¥1,294,816	¥ 22,708	¥ 23,931	¥1,341,456	¥ –	¥1,341,456
Intersegment or transfer	5,990	1,068	7,805	14,864	(14,864)	–
Total	1,300,806	23,777	31,736	1,356,321	(14,864)	1,341,456
Operating expenses	1,358,663	28,701	31,151	1,418,517	(14,525)	1,403,991
Operating income	(57,857)	(4,924)	585	(62,196)	(338)	(62,534)
Total assets	1,192,049	301,904	162,587	1,656,541	(65,873)	1,590,667
Depreciation and amortization	7,131	1,723	1,887	10,742	(208)	10,534
Impairment loss	532	6,792	1,248	8,573	–	8,573
Capital expenditures	6,645	10,496	1,407	18,549	(8,672)	9,876

For the year ended March 31, 2009	Construction business	Real estate business	Other businesses	Total	Eliminations or Corporate	Consolidated
	Millions of yen					
Net sales:						
From outside customers	¥1,616,591	¥ 26,963	¥ 38,906	¥1,682,462	¥ –	¥1,682,462
Intersegment or transfer	16,512	1,072	7,972	25,556	(25,556)	–
Total	1,633,104	28,036	46,879	1,708,019	(25,556)	1,682,462
Operating expenses	1,615,730	20,774	45,137	1,681,642	(26,544)	1,655,098
Operating income	17,373	7,261	1,741	26,376	987	27,363
Total assets	1,309,094	310,409	165,323	1,784,827	(59,182)	1,725,645
Depreciation and amortization	7,284	2,059	1,840	11,184	(228)	10,956
Impairment loss	279	1,195	–	1,475	–	1,475
Capital expenditures	6,829	6,540	3,015	16,384	(356)	16,028

For the year ended March 31, 2010	Construction business	Real estate business	Other businesses	Total	Eliminations or Corporate	Consolidated
	Thousands of U.S. dollars					
Net sales:						
From outside customers	$13,916,771	$ 244,076	$ 257,216	$14,418,064	$ –	$14,418,064
Intersegment or transfer	64,382	11,485	83,894	159,762	(159,762)	–
Total	13,981,154	255,561	341,111	14,577,827	(159,762)	14,418,064
Operating expenses	14,603,009	308,488	334,817	15,246,314	(156,122)	15,090,192
Operating income	(621,854)	(52,926)	6,293	(668,487)	(3,640)	(672,127)
Total assets	12,812,221	3,244,893	1,747,502	17,804,617	(708,015)	17,096,601
Depreciation and amortization	76,653	18,527	20,281	115,462	(2,237)	113,225
Impairment loss	5,724	73,009	13,414	92,148	–	92,148
Capital expenditures	71,421	112,817	15,133	199,371	(93,215)	106,156

For the year ended March 31, 2009	Construction business	Real estate business	Other businesses	Total	Eliminations or Corporate	Consolidated
	Thousands of U.S. dollars					
Net sales:						
From outside customers	$17,375,233	$ 289,810	$ 418,170	$18,083,214	$ –	$18,083,214
Intersegment or transfer	177,475	11,522	85,689	274,687	(274,687)	–
Total	17,552,709	301,332	503,860	18,357,902	(274,687)	18,083,214
Operating expenses	17,365,977	223,284	485,142	18,074,403	(285,297)	17,789,106
Operating income	186,731	78,048	18,718	283,498	10,609	294,108
Total assets	14,070,234	3,336,299	1,776,912	19,183,447	(636,099)	18,547,348
Depreciation and amortization	78,293	22,133	19,782	120,209	(2,452)	117,757
Impairment loss	3,005	12,854	–	15,859	–	15,859
Capital expenditures	73,404	70,293	32,405	176,103	(3,829)	172,274

1. Classification of businesses
   The Company categorizes its businesses based on the type, similarity in nature, etc.
2. The Company and its subsidiaries are engaged in the following industry segments:
   Construction business: Civil engineering, building construction, and all other construction related businesses
   Real estate business: Purchase and sale, rent, and brokerage of real estate
   Other businesses: PFI (Private Finance Initiative), finance, operation of golf courses, and other businesses
3. Change in recognizing revenues and costs of construction contracts
   "Accounting Standard for Construction Contracts" was adopted effective the year ended March 31, 2010.
   As a result, sales from "Construction Business" for the year ended March 31, 2010, increased by ¥24,379 million (US$262,030 thousand) and operating loss from "Construction Business" for the year ended March 31, 2010, decreased by ¥2,190 million (US$23,543 thousand) compared with the corresponding amounts that would have been recorded under the previous method.

(b) Geographic segments

							Millions of yen
For the year ended March 31, 2010	Japan	North America	Asia	Other Regions	Total	Eliminations or Corporate	Consolidated
Net sales:							
From outside customers	**¥1,205,109**	**¥111,798**	**¥24,544**	**¥ 3**	**¥1,341,456**	**¥ –**	**¥1,341,456**
Intersegment or transfer	**75**	**6**	**440**	**0**	**523**	**(523)**	**–**
Total	**1,205,184**	**111,805**	**24,984**	**4**	**1,341,979**	**(523)**	**1,341,456**
Operating expenses	**1,268,581**	**112,483**	**23,452**	**29**	**1,404,547**	**(555)**	**1,403,991**
Operating income	**(63,396)**	**(677)**	**1,532**	**(25)**	**(62,567)**	**32**	**(62,534)**
Total assets	**1,526,058**	**41,986**	**24,949**	**968**	**1,593,962**	**(3,295)**	**1,590,667**

							Millions of yen
For the year ended March 31, 2009	Japan	North America	Asia	Other Regions	Total	Eliminations or Corporate	Consolidated
Net sales:							
From outside customers	¥1,477,845	¥163,871	¥40,720	¥ 24	¥1,682,462	¥ –	¥1,682,462
Intersegment or transfer	79	6	393	1	479	(479)	–
Total	1,477,925	163,878	41,113	25	1,682,942	(479)	1,682,462
Operating expenses	1,456,318	160,556	38,686	19	1,655,580	(482)	1,655,098
Operating income	21,607	3,321	2,427	5	27,361	2	27,363
Total assets	1,645,390	60,886	23,795	985	1,731,058	(5,413)	1,725,645

							Thousands of U.S. dollars
For the year ended March 31, 2010	Japan	North America	Asia	Other Regions	Total	Eliminations or Corporate	Consolidated
Net sales:							
From outside customers	**$12,952,599**	**$1,201,620**	**$263,804**	**$ 39**	**$14,418,064**	**$ –**	**$14,418,064**
Intersegment or transfer	**806**	**71**	**4,735**	**8**	**5,621**	**(5,621)**	**–**
Total	**12,953,405**	**1,201,692**	**268,539**	**48**	**14,423,685**	**(5,621)**	**14,418,064**
Operating expenses	**13,634,798**	**1,208,976**	**252,066**	**322**	**15,096,163**	**(5,971)**	**15,090,192**
Operating income	**(681,392)**	**(7,284)**	**16,473**	**(273)**	**(672,477)**	**349**	**(672,127)**
Total assets	**16,402,173**	**451,273**	**268,157**	**10,413**	**17,132,017**	**$(35,416)**	**17,096,601**

For the year ended March 31, 2009	Japan	North America	Asia	Other Regions	Total	Eliminations or Corporate	Consolidated
							Thousands of U.S. dollars
Net sales:							
From outside customers	$15,883,984	$1,761,303	$437,667	$ 259	$18,083,214	$ –	$18,083,214
Intersegment or transfer	850	70	4,224	11	5,157	(5,157)	–
Total	15,884,835	1,761,373	441,891	270	18,088,372	(5,157)	18,083,214
Operating expenses	15,652,601	1,725,675	415,800	210	17,794,288	(5,181)	17,789,106
Operating income	232,233	35,698	26,091	60	294,083	24	294,108
Total assets	17,684,760	654,411	255,760	10,597	18,605,530	(58,182)	18,547,348

1. Countries and areas are classified by the geographical proximity.
2. Regions shown above (except Japan) include, but are not limited to, the following countries and areas:
   North America: United States of America
   Asia: Thailand, Vietnam and Indonesia
   Other Regions: The Netherlands
3. Change in recognizing revenues and costs of construction contracts
   "Accounting Standard for Construction Contracts" was adopted effective the year ended March 31, 2010. As a result, sales from "Japan" for the year ended March 31, 2010, increased by ¥24,379 million (US$262,030 thousand) and operating loss from "Japan" for the year ended March 31, 2010, decreased by ¥2,190 million (US$23,543 thousand) compared with the corresponding amounts that would have been recorded under the previous method.

(c) Overseas net sales

For the year ended March 31, 2010	North America	Asia	Other Regions	Total
				Millions of yen
I Overseas net sales	**¥119,458**	**¥81,118**	**¥1,785**	**¥ 202,362**
II Consolidated net sales	———	———	———	**1,341,456**
III Overseas net sales as a percentage of consolidated net sales	**8.9%**	**6.1%**	**0.1%**	**15.1%**

For the year ended March 31, 2009	North America	Asia	Other Regions	Total
				Millions of yen
I Overseas net sales	¥187,962	¥205,233	¥2,197	¥ 395,394
II Consolidated net sales	———	———	———	1,682,462
III Overseas net sales as a percentage of consolidated net sales	11.2%	12.2%	0.1%	23.5%

For the year ended March 31, 2010	North America	Asia	Other Regions	Total
				Thousands of U.S. dollars
I Overseas net sales	**$1,283,947**	**$871,861**	**$19,192**	**$ 2,175,002**
II Consolidated net sales	———	———	———	**14,418,064**
III Overseas net sales as a percentage of consolidated net sales	**8.9%**	**6.1%**	**0.1%**	**15.1%**

For the year ended March 31, 2009	North America	Asia	Other Regions	Total
				Thousands of U.S. dollars
I Overseas net sales	$2,020,238	$2,205,863	$23,622	$ 4,249,724
II Consolidated net sales	———	———	———	18,083,214
III Overseas net sales as a percentage of consolidated net sales	11.2%	12.2%	0.1%	23.5%

1. Countries and areas are classified by the geographical proximity.
2. Regions shown above include, but are not limited to, the following countries and areas:
   North America: United States of America
   Asia: United Arab Emirates, Thailand and Singapore
   Other Regions: United Kingdom
3. Overseas net sales represent those in the countries and regions outside Japan by the Companies.
4. Change in recognizing revenues and costs of construction contracts
   "Accounting Standard for Construction Contracts" was adopted effective the year ended March 31, 2010.
   This change had no effect on the overseas sales of the Companies for the year ended March 31, 2010.

17. Related Party Transactions

Details of transactions with related parties and the respective balances as of and for the years ended March 31, 2010 and 2009 were as follows:

For the year ended March 31, 2010

Classification	Related party	Address	Capital	Type of business	% of voting rights held (held by others)	Relationship	Nature of transaction	Amount of transaction (*1)		Accounts	Balance at the end of the year	
			Millions of yen					Millions of yen	Thousands of U.S. dollars		Millions of yen	Thousands of U.S. dollars
Companies in which the majority of voting rights are owned by a director's close relative	**Naniwabashi Law Office (*2)**	**Kita-ku, Osaka**	**–**	**Law Office**	**–**	**The Company agreed to retain the services of the law office**	**Request legal advisory services (*3)**	**¥36**	**$393**	**–**	**–**	**–**

*1 Consumption taxes have not been included in the transaction amounts.
*2 The law office is managed by Mr. Naohiro Tsuda, a statutory auditor of the Company, and a close relative of him.
*3 The fees for legal services were determined in consideration of the fees typically paid for the performance of such work.

For the year ended March 31, 2009

Classification	Related party	Address	Capital	Type of business	% of voting rights held (held by others)	Relationship		Nature of transaction	Amount of transaction (*1)		Accounts	Balance at the end of the year	
			Millions of yen			Concurrent director	Business relationship		Millions of yen	Thousands of U.S. dollars		Millions of yen	Thousands of U.S. dollars
Companies in which the majority of voting rights are owned by a director's close relative	Naniwabashi Law Office (*2)	Kita-ku, Osaka	–	Law Office	–	–	The Company agreed to retain the services of the law office	Request legal advisory services (*3)	¥27	$294	–	–	–

*1 Consumption taxes have not been included in the transaction amounts.
*2 The law office is managed by a close relative of Mr. Naohiro Tsuda, a statutory auditor of the Company.
*3 The fees for legal services were determined in consideration of the fees typically paid for the performance of such work.

(Additional information)

Effective the year ended March 31, 2009, the Companies have adopted the "Accounting Standard for Related Party Disclosures" (ASBJ Statement No. 11, issued on October 17, 2006) and "Guidance on Accounting Standard for Related Party Disclosures" (ASBJ Guidance No. 13, issued on October 17, 2006)

There were no additional transactions to be disclosed in accordance with the application of this standard.

18. Amounts per Share

Basic net income (loss) per share was computed based on the weighted average number of shares of common stock outstanding during the year.

Diluted net income per share was not presented for the years ended March 31, 2010 and 2009 because the Company had no potentially dilutive shares outstanding as of these balance sheet dates.

Net assets per share was computed based on the number of shares of common stock outstanding at the balance sheet date.

Net assets and net income (loss) per share for the years ended March 31, 2010 and 2009 were as follows:

	Yen		U.S. dollars	
For the years ended March 31	2010	2009	2010	2009
Net assets per share	¥476.12	¥516.06	$5.11	$5.54
Basic net income (loss) per share	(74.21)	15.24	(0.79)	0.16

1. Net assets per share

	Millions of yen		Thousands of U.S. dollars	
At March 31	2010	2009	2010	2009
Net assets	¥367,618	¥395,809	$3,951,183	$4,254,180
Amounts deducted from net assets (Minority interests)	25,390	24,739	272,897	265,901
Net assets applicable to shareholders of common stock	342,227	371,069	3,678,285	3,988,279
Number of shares of common stock at the year end (thousands of shares)	718,786	719,043	718,786	719,043

2. Basic net income per share

	Millions of yen		Thousands of U.S. dollars	
For the years ended March 31	2010	2009	2010	2009
Net income (loss)	¥ (53,354)	¥ 10,966	$(573,454)	$117,871
Net income (loss) not attributable to shareholders of common stock	–	–	–	–
Net income (loss) attributable to shareholders of common stock	(53,354)	10,966	(573,454)	117,871
Average number of shares issued and outstanding during the period (thousands of shares)	718,971	719,435	718,971	719,435

19. Corporate Bonds

At March 31

			Millions of yen		Thousands of U.S. dollars				
Issued by	Issue type	Issue date	2010	2009	2010	2009	Interest rate (%)	Collateral	Maturity
Obayashi Corp.	9th unsecured straight bond	Jun. 3, 2003	¥ 10,000	¥10,000	$ 107,480	$107,480	1.07	None	Jun. 3, 2013
Obayashi Corp.	10th unsecured straight bond	Nov. 17, 2003	10,000 (10,000)	10,000	107,480 (107,480)	107,480	1.48	None	Nov. 17, 2010
Obayashi Corp.	11th unsecured straight bond	Jun. 9, 2004	–	10,000	–	107,480	0.85	None	Jun. 9, 2009
Obayashi Corp.	12th unsecured straight bond	Oct. 27, 2004	–	10,000	–	107,480	0.89	None	Oct. 27, 2009
Obayashi Corp.	13th unsecured straight bond	Oct. 27, 2004	10,000	10,000	107,480	107,480	1.34	None	Oct. 27, 2011
Total			¥ 30,000 (10,000)	¥50,000	$ 322,441 (107,480)	$537,403			

1. The amounts in parentheses are due within 1 year.
2. The annual repayment schedule of corporate bonds subsequent to March 31, 2010 is as follows:

	Millions of yen	Thousands of U.S. dollars
Less than 1 year	**¥10,000**	**$107,480**
Over 1 year less than 2 years	**10,000**	**107,480**
Over 2 years less than 3 years	**–**	**–**
Over 3 years less than 4 years	**10,000**	**107,480**
Over 4 years less than 5 years	**–**	**–**

20. Loans

	Millions of yen		Thousands of U.S. dollars			
At March 31	**2010**	2009	**2010**	2009	Average interest rate (%)	Maturity
Short-term loans payable	**¥ 57,454**	¥ 84,240	**$ 617,523**	$ 905,426	0.86	–
Current portion of long-term loans payable	**23,255**	28,611	**249,955**	307,523	1.81	–
Current portion of lease obligations	**626**	755	**6,737**	8,121	–	–
Long-term loans payable (excluding current portion)	**230,339**	169,962	**2,475,707**	1,826,762	1.77	2011–2037
Lease obligations (excluding current portion)	**705**	808	**7,578**	8,694	–	2011–2016
Commercial paper	**50,000**	66,000	**537,403**	709,372	0.16	–
Total	**¥362,382**	¥350,379	**$3,894,906**	$3,765,900		

1. The "Average interest rate" is the weighted average interest rate for the average balance of loans during the given fiscal year.
2. The annual repayment schedule of long-term loans payable and lease obligations subsequent to March 31, 2010 is as follows:

	Millions of yen	Thousands of U.S. dollars
Long-term loans payable		
Over 1 year less than 2 years	**¥51,413**	**$552,597**
Over 2 years less than 3 years	**47,902**	**514,859**
Over 3 years less than 4 years	**28,779**	**309,320**
Over 4 years less than 5 years	**50,025**	**537,672**
Lease obligations		
Over 1 year less than 2 years	**¥ 400**	**$ 4,299**
Over 2 years less than 3 years	**207**	**2,232**
Over 3 years less than 4 years	**60**	**647**
Over 4 years less than 5 years	**28**	**304**

3. The loan amounts above include "Current Liabilities—Current portion of PFI and other project finance loans" and "Noncurrent liabilities—PFI and other project finance loans."
4. The "Average interest rate" columns for the "Current portion of lease obligations" and the "Lease obligations (excluding current portion)" are left blank, as the lease obligations stated on the consolidated balance sheet include the interest portion of the lease payments.

21. Subsequent Event

None.

REPORT OF INDEPENDENT AUDITORS

ERNST & YOUNG

Ernst & Young ShinNihon LLC
Hibiya Kokusai Bldg.
2-2-3 Uchisaiwai-cho
Chiyoda-ku, Tokyo, Japan 100-0011

Tel : +81 3 3503 1100
Fax: +81 3 3503 1197

Report of Independent Auditors

The Board of Directors
OBAYASHI CORPORATION

We have audited the accompanying consolidated balance sheets of OBAYASHI CORPORATION and consolidated subsidiaries as of March 31, 2010 and 2009, and the related consolidated statements of operations, changes in net assets, and cash flows for the years then ended, all expressed in yen. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of OBAYASHI CORPORATION and consolidated subsidiaries at March 31, 2010 and 2009, and the consolidated results of their operations and their cash flows for the years then ended in conformity with accounting principles generally accepted in Japan.

Supplemental Information

As discussed in Note 4(1) to the consolidated financial statements, effective the year ended March 31, 2010, the "Accounting Standard for Construction Contracts" has been adopted.

As discussed in Note 4(4) to the consolidated financial statements, effective the year ended March 31, 2009, the "Accounting Standard for Measurement of Inventories" has been adopted.

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the years ended March 31, 2010 and 2009 are presented solely for convenience. Our audit also included the translation of yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 2.

June 28, 2010

Ernst & Young ShinNihon LLC

A member firm of Ernst & Young Global Limited

CORPORATE PROFILE/STOCK INFORMATION

Corporate Profile (As of March 31, 2010)

Founded: January, 1892

Company Established: December, 1936

Paid-in Capital: ¥57,752,671,801

Number of Shares Authorized: 1,224,335,000 shares

Total Number of Shares Issued and Outstanding: 721,509,646 shares

Number of Shareholders: 49,982

Number of Employees: 14,476 (consolidated)
9,222 (non-consolidated)

Scope of Business

1. Contracting for construction work
2. Regional, urban, marine environmental development and management, and other construction related business
3. Engineering and management, including research and surveys, planning, design and supervision related to the two preceding items
4. Housing business
5. Sale and purchase, exchange, lease, brokerage, ownership, maintenance, superintending and utilization of real estate
6. Financial Instruments Dealer for Type 2 Financial Instruments Trading Business, investment advisory and agency business based on Financial Products Trading Law
7. Planning, construction, possession, maintenance, management and operation of government office buildings, educational and cultural facilities, medical facilities, roads, harbors, water and sewerage works, waste disposal and other public facilities
8. Environmental pollution restoration business, including decontamination of soil, rehabilitation of river, lake and marsh beds; collection, transportation, treatment and recycling of general and industrial wastes
9. Power generation, and supply of electricity and heat
10. Greenhouse gas emission rights trading
11. Manufacture, procurement, sale and lease of construction machinery and equipment, and materials and equipment for temporary work
12. Manufacture and sale of concrete products for construction, fireproof and nonflammable building materials, interior and exterior materials for buildings, furniture and wooden construction products, and sale of civil engineering building materials
13. Maintenance and management of buildings and related facilities, and security and guard services
14. Acquisition, development, licensing for use, and sale of software, industrial property rights and know-how for computer utilization
15. Information processing and provision services, and telecommunication circuit provision
16. Sale, lease and maintenance of computers and other electronic office machinery and equipment
17. Management of health, medical, athletic and leisure facilities, hotels and restaurants, and travel agencies
18. Manufacture and sale of medical machinery and tools
19. Temporary personnel placement agency business based on the Temporary Personnel Placement Agency Act
20. Contracting services including general affairs, personnel, accounting and other operations
21. Non-life insurance agency services and insurance agency operation services based on the Automobile Accident Compensation Security Act
22. Landscaping, gardening and horticulture
23. Loans, loan guarantees, and other financial services
24. Consulting services related to the preceding items
25. Operational services relating to any and all of the preceding items

Stock Information

Transfer Agent: Mitsubishi UFJ Trust and Banking Corporation
1-4-5, Marunouchi, Chiyoda-ku, Tokyo
100-8212, Japan

General Meeting of Shareholders: Late June

Stock Listings: Tokyo, Osaka, Nagoya and Fukuoka

Major Shareholders

As of March 31, 2010

	Shareholdings	
	Shares held (Thousands)	Investment ratio (%)
Japan Trustee Services Bank, Ltd. (Trust Account)	67,292	9.36
The Master Trust Bank of Japan, Ltd. (Trust Account)	43,833	6.10
Takeo Obayashi	27,014	3.76
Nippon Life Insurance Company	26,131	3.64
Japan Trustee Services Bank, Ltd. (Trust Account 9)	21,940	3.05
OM04 SSB Client Omnibus	17,662	2.46
Obayashi Employee Share-holding Association	10,885	1.51
BBH Boston Custodian for Vanguard International Value Fund	10,468	1.46
Sumitomo Realty & Development Co., Ltd.	9,159	1.27
OD 05 Omnibus China Treaty 808150	8,517	1.18

(Note) Equity positions calculated excluding treasury stock (2,723,032 shares)

NETWORK OF COMPANIES

Domestic Offices

HEAD OFFICE
Shinagawa Intercity Tower B, 2-15-2, Konan, Minato-ku, Tokyo 108-8502, Japan
TEL: +81-3-5769-1111 FAX: +81-3-5769-1910

TOKYO MAIN OFFICE
*Refer to HEAD OFFICE

OSAKA MAIN OFFICE
4-33, Kitahamahigashi, Chuo-ku, Osaka 540-8584, Japan
TEL: +81-6-6946-4400 FAX: +81-6-6946-4755

BRANCHES
Sapporo • Tohoku • Yokohama • Hokuriku • Nagoya • Kobe • Hiroshima • Shikoku • Kyushu

OVERSEAS BUSINESS DIVISION
Shinagawa Intercity Tower B, 2-15-2, Konan, Minato-ku, Tokyo 108-8502, Japan
TEL: +81-3-5769-1048 FAX: +81-3-5769-1919

TECHNICAL RESEARCH INSTITUTE
4-640, Shimokiyoto, Kiyose-shi, Tokyo 204-8558, Japan
TEL: +81-42-495-1111 FAX: +81-42-495-0901

Domestic Subsidiaries

OBAYASHI ROAD CORPORATION
NAIGAI TECHNOS CORPORATION
OBAYASHI FACILITIES CORPORATION
OAK SETSUBI CORPORATION
OBAYASHI REAL ESTATE CORPORATION
OC FINANCE CORPORATION

Overseas Offices, Subsidiaries, and Affiliates

NORTH AMERICA

■ NORTH AMERICAN REGIONAL HEADQUARTERS
5000 Shoreline Court, Suite 201, South San Francisco, California 94080, U.S.A.
TEL: 1-650-952-4910 FAX: 1-650-589-8384

U.S.A.

■ OBAYASHI USA, LLC
420 East Third Street, Suite 906, Los Angeles, California 90013, U.S.A.
TEL: +1-213-687-8700 FAX: +1-213-687-3700

■ E.W. HOWELL CO., INC.
245 Newton Road, Suite 600, Plainview, NY11803, U.S.A.
TEL: +1-516-921-7100 FAX: +1-516-921-0119

■ JOHN S. CLARK COMPANY, LLC
210 Airport Road, Mt. Airy, North Carolina 27030, U.S.A.
TEL: +1-336-789-1000 FAX: +1-336-789-7609

■ WEBCOR, LP
951 Mariners Island Blvd., 7th Floor, San Mateo, California 94404, U.S.A.
TEL: +1-650-349-2727 FAX: +1-650-524-7399

■ OC REAL ESTATE MANAGEMENT, LLC
*Refer to OBAYASHI USA, LLC for address
TEL: +1-213-687-9700 FAX: +1-213-687-0335

■ JAMES E. ROBERTS-OBAYASHI CORPORATION
20 Oak Court, Danville, California 94526, U.S.A.
TEL: +1-925-820-0600 FAX: +1-925-820-1195

■ SAN FRANCISCO OFFICE
*Refer to NORTH AMERICAN REGIONAL HEADQUARTERS

ASIA

■ ASIAN REGIONAL HEADQUARTERS
20 Cecil Street, #26-01 Equity Plaza, Singapore 049705
TEL: +65-6220-3122 FAX: +65-6224-8425

THAILAND

■ THAI OBAYASHI CORPORATION LIMITED
11th Floor, Nantawan Building, 161 Rajdamri Road, Bangkok 10330, Thailand
TEL: +66-2-252-5200 FAX: +66-2-252-5381

■ THAILAND OFFICE
*Refer to THAI OBAYASHI CORPORATION LIMITED

INDONESIA

■ PT. JAYA OBAYASHI
JL. Pancoran Timur II No. 3, Pancoran, Jakarta 12780, Indonesia
TEL: +62-21-7982223, 7944142 FAX: +62-21-7973672, 7973673

■ INDONESIA OFFICE
*Refer to PT. JAYA OBAYASHI

VIETNAM

■ OBAYASHI VIETNAM CORPORATION
Ho Chi Minh Head Office
Saigon Trade Center, 19th Floor, Unit 1906, 37 Ton Duc Thang Street, District 1, Ho Chi Minh City, Vietnam
TEL: +84-8-39105523 FAX: +84-8-39105529

Hanoi Branch Office
Sun Red River Building, 5th Floor, Room No. 512, 23 Phan Chu Trinh Street, Hoan Kiem District, Hanoi, Vietnam
TEL: +84-4-39333701 FAX: +84-4-39333700

■ HANOI OFFICE
Binh Minh Hotel, Room 226, 27 Ly Thai To St., Hoan Kiem District, Hanoi, Vietnam
TEL: +84-4-38258475 FAX: +84-4-38258673

SINGAPORE

■ SINGAPORE OFFICE
*Refer to ASIAN REGIONAL HEADQUARTERS

MALAYSIA

■ MALAYSIA OFFICE
Suite 10.6, Level 10, Menara Great Eastern No. 303, Jalan Ampang, 50450 Kuala Lumpur, Malaysia
TEL: +60-3-4252-6688 FAX: +60-3-4252-8860

CAMBODIA

■ PHNOM PENH OFFICE
#802, Prek Eang Commune, Kean Svay District, Taprum Village, Kandal Province, Cambodia. (Street to Tiger Beer Factory)
TEL: +855-24-39-4055 FAX: +855-24-39-4055

PHILIPPINES

■ MANILA OFFICE
3/F Dacon Building, 2281 Pasong Tamo Extension, 1231 Makati City, Metro Manila, Philippines
TEL: +63-2-812-1124 FAX: +63-2-812-1124

TAIWAN

■ TAIWAN OBAYASHI CORPORATION
16-1, 57, Fu-Hsing N. Road, Taipei, Taiwan, Republic of China
TEL: +886-2-2781-4678 FAX: +886-2-2771-5368

■ TAIWAN OFFICE
*Refer to TAIWAN OBAYASHI CORPORATION

OTHER

U.K.

■ EUROPE OFFICE
Bracken House, One Friday Street, London EC4M 9JA, U.K.
TEL: +44-20-7236-8338 FAX: +44-20-7236-8337

U.A.E.

■ DUBAI MANAGEMENT OFFICE
P.O. Box 182845 Union Square, Al Maktoum Road beside, Deira Taxi Stand, Deira, Dubai, U.A.E.
TEL: +971-4-221-2121 FAX: +971-4-221-2181

CHINA

■ CHINA OFFICE
Shanghai International Trade Center 1912, 2201 Yan'an Road (West), Shanghai, People's Republic of China 200336
TEL: +86-21-6219-2999, 3123 FAX: +86-21-6219-2555

■ Offices ■ Subsidiaries and Affiliates

OBAYASHI

OBAYASHI CORPORATION

Shinagawa Intercity Tower B, 2-15-2, Konan,
Minato-ku, Tokyo 108-8502, Japan
TEL +81-3-5769-1111

http://www.obayashi.co.jp

[Environmental Consciousness]
This publication is printed on FSC approved paper using
Earth-friendly soy-based ink.

Printed in Japan