

OBAYASHI CORPORATE REPORT 2016

Fiscal Year Ended March 31, 2016

Obayashi Principles

- 1 Exercise true craftsmanship and employ superior technologies to make every space as valuable as it can be.
- 2 Show concern for the global environment and offer solutions to social challenges as a good corporate citizen.
- 3 Value everyone we come in contact with in our business.

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Readers' Guide to This Report



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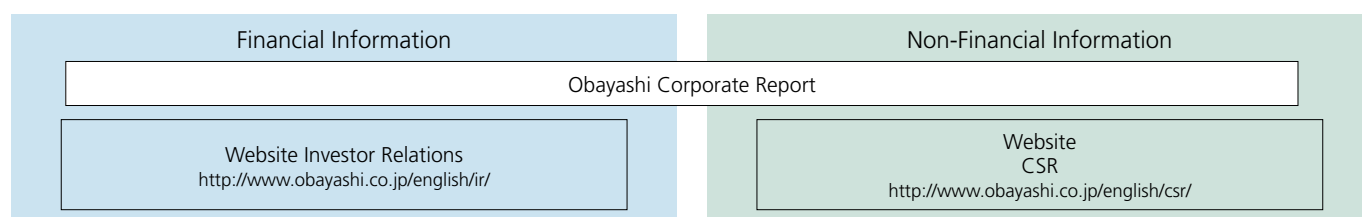
Related information

This is a tab providing a link to websites and pages related to the information published in this report.

Purpose of Publication	The Obayashi Corporate Report is published to enable readers to understand the overall business activities of Obayashi and the Obayashi Group by disclosing its management strategy, financial information, and non-financial information in an integrated format.
Reporting Period	Fiscal year 2016.3 (April 1, 2015–March 31, 2016) and includes some activities in fiscal year 2017.3
Caution Regarding Forward-Looking Statements	The Obayashi Corporate Report contains predictions and forecasts regarding the future plans, strategies, and performance of Obayashi 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.

Information Disclosure System

The Obayashi Corporate Report concentrates on the key information needed to understand Obayashi. More detailed information is available on our website.



Obayashi also discloses financial information in its annual and quarterly financial statements.

OUR HISTORY

Shaping the Times with Care

Construction companies shape the world like no one else can, creating unique and timeless spaces that bridge the past, the present, and the future. As Obayashi professionals, we are each determined to bring sincerity, courtesy, mindfulness, and enthusiasm to everything we do. In every construction process, and in every business practice, we carry a strong sense of responsibility.



1914 Tokyo Central Station (currently Tokyo Station)



1956 Nukabira Dam Power Generation Development



1970 Japan World Exposition (Theme Pavilion)



1924 Hanshin Koshien Stadium



1964 Yoyogi National Stadium 2nd Gymnasium



1972 Minato Bridge on Hanshin Expressway Route 5 Bayshore Line



1931 The Main Tower of Osaka Castle



1965 Musi River Bridge (Indonesia)



1982 San Francisco Sewer (U.S.)

1892–1945

Building the Foundations of the Construction Business

The predecessor of Obayashi Corporation was founded on January 25, 1892 by Yoshigoro Obayashi as a civil engineering and building construction contractor in Osaka. At that time, directly after the Meiji Restoration, every industry in Japan was beginning to take steps towards modernization.

We were involved in construction of plants and offices for various industries as well as infrastructure construction projects such as ports and railroads. In February 1904, the company name was changed to Obayashi Corporation.

Starting with our successful construction of Tokyo Central Station (currently Tokyo Station) in 1914, we completed a string of iconic buildings for the time, including Hanshin Koshien Stadium and the reconstruction of the Main Tower of Osaka Castle. These achievements consolidated our position as a national-scale construction company.

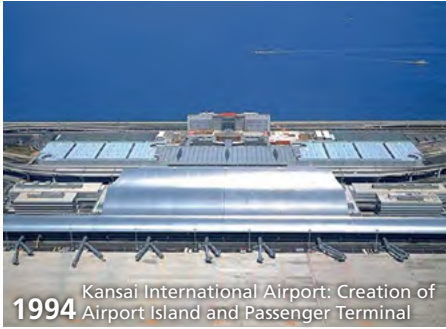
1946–1990

Rapid Development

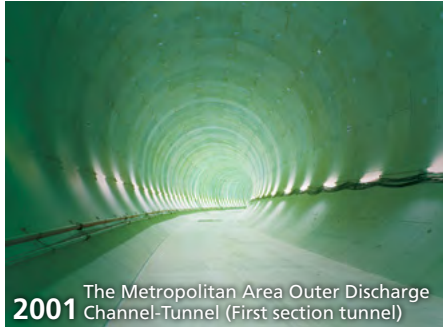
During the post-war reconstruction period, we applied our full attention to rebuilding key facilities throughout Japan, such as government offices, schools, and hospitals. We were also involved in several dam construction projects that pioneered electrical power development.

Thereafter, as Japan's car manufacturing, petrochemical, and synthetic fiber industries grew rapidly, the construction industry also advanced with the introduction of new materials and building methods.

In the 1960s, we became the first in Japan's construction industry to undertake overseas projects. We were also involved in numerous major projects in Japan as we developed into one of Japan's leading general contracting companies.



1994 Kansai International Airport: Creation of Airport Island and Passenger Terminal



2001 The Metropolitan Area Outer Discharge Channel-Tunnel (First section tunnel)



2012 TOKYO SKYTREE®



1997 Tokyo Bay Aqua-Line



2002 Oasis 21



1998 Shinagawa Intercity



2010 Hoover Dam Bypass Project: Colorado River Bridge (U.S.)



2014 Toranomon Hills



1999 Stadium Australia (Australia)



2011 Dubai Metro Project (Dubai, U.A.E.)



2015 Sagami Interchange Ramp Bridge, Sagami Longitudinal Expressway

1991-1999

Participation in Major Projects in Japan and Overseas

After marking our centenary, we continued to ride a wave of vigorous construction demand and expanded our business operations even further.

We participated in numerous major projects in Japan and overseas, including the Kansai International Airport, the Tokyo Bay Aqua-Line, the Akashi-Kaikyo Bridge, and the main stadium for the Sydney Olympics, as well as being involved in construction of urban landmarks, such as Shinagawa Intercity and Kyocera Dome Osaka.

We began to undertake aggressive overseas development in response to expanding overseas demand, widening the range of our operations.

2000-

Creating Value in a New Era

Entering the 21st century, we have participated in several distinctive projects in Japan, such as the construction of the world's tallest free-standing broadcasting tower, TOKYO SKYTREE®, and Toranomon Hills. We have also worked on urban development projects throughout Japan, including Grand Front Osaka and Oasis 21 in Nagoya.

Overseas construction projects include the Taiwan High Speed Rail, the Colorado River Bridge, and the Dubai Metro.

We will continue to meet diverse construction needs, such as disaster prevention and mitigation and reducing environmental impact.

KEY BUSINESS PERFORMANCE

Consolidated Financial Data

Fiscal years ended March 31	(Millions of yen)					(Thousands of U.S. dollars)* ³
	2012	2013	2014	2015	2016	2016
Orders received	¥1,362,702	¥1,449,567	¥1,653,005	¥1,900,517	¥1,951,943	\$17,322,894
Orders received (construction business)	1,289,779	1,372,658	1,580,900	1,797,441	1,862,140	16,525,915
Net sales	1,245,772	1,448,305	1,612,756	1,773,981	1,777,834	15,777,726
Operating income	31,145	35,153	31,991	48,388	106,380	944,093
Operating margin (%)	2.5	2.4	2.0	2.7	6.0	–
Ordinary income	35,241	44,690	40,135	59,913	111,208	986,937
Profit attributable to owners of parent* ¹	5,142	13,195	21,627	28,695	63,437	562,985
Profit attributable to owners of parent per share (EPS) (yen / U.S. dollars)	7.16	18.37	30.11	39.96	88.36	0.78
Net assets	365,492	414,650	448,108	549,483	561,658	4,984,543
Total assets	1,618,748	1,656,289	1,818,886	1,996,193	1,951,907	17,322,576
Equity ratio (%)	21.0	23.2	22.7	25.4	26.4	–
Return on equity (ROE) (%)	1.5	3.6	5.4	6.2	12.4	–
Dividends per share (yen / U.S. dollars)	8	8	8	10	18	0.15
Net cash provided by (used in) operating activities* ²	65,755	31,496	37,962	74,646	124,980	1,109,161
Net cash provided by (used in) investing activities* ²	(1,919)	(29,151)	(47,328)	(7,442)	(48,029)	(426,248)
Net cash provided by (used in) financing activities* ²	(48,949)	(28,977)	27,587	(34,523)	(68,967)	(612,062)
Cash and cash equivalents at end of period	121,682	99,690	121,177	162,607	164,802	1,462,574
Interest-bearing debt (except nonrecourse loans)	320,798	306,323	351,592	327,802	266,465	2,364,796
Total amount of interest-bearing debt and nonrecourse loans	405,115	388,168	428,444	410,820	346,339	3,073,654
Debt/equity (D/E) ratio (times)	1.19	1.01	1.04	0.81	0.67	–
Capital expenditure	17,017	35,084	69,110	42,308	56,231	499,036
Research and development expense	9,093	8,742	8,927	9,391	10,081	89,469
Depreciation	11,954	10,916	12,103	14,392	14,476	128,477

*1 From fiscal 2015, the line item "Net income (loss)" has been changed to "Profit (loss) attributable to owners of parent."

*2 In statements of cash flows, figures in () represent the corresponding decrease in cash and cash equivalents.

*3 U.S. dollar amounts are provided solely for the convenience of the reader, translated on the basis of ¥112.68 to US\$1, the prevailing rate of exchange at March 31, 2016.

Please refer to the Consolidated Financial Summary on page 67 for further details.

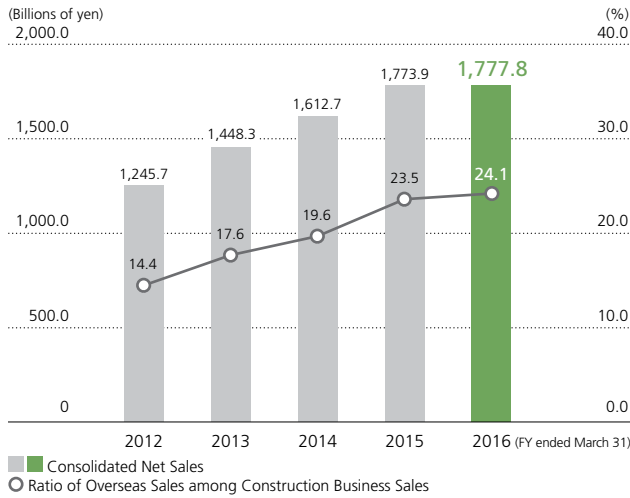
Non-financial Data (non-consolidated)

Fiscal years ended March 31	Unit	2012	2013	2014	2015	2016
Employees						
Consolidated employee headcount	Persons	12,870	12,838	12,856	13,432	13,688
Employee headcount	Persons	8,305	8,179	8,329	8,369	8,402
Men	Persons	7,193	7,075	7,058	7,094	7,110
Women	Persons	1,112	1,104	1,271	1,275	1,292
Average age	Years old	42.4	42.4	42.5	42.4	42.3
Average years of continuous employment	Years	18.1	18.0	17.7	17.4	17.2
Safety*¹						
Accident frequency rate* ²	–	0.71	0.67	0.71	0.74	0.67
Number of accidents resulting in four or more lost workdays	Cases	69	70	79	85	68
Environment						
CO ₂ emission volume	1,000 t-CO ₂	194	224	236	228	224
Waste emission volume	10,000 t	213	244	294	261	278
Water consumption volume	10,000 m ³	190	154	152	126	129

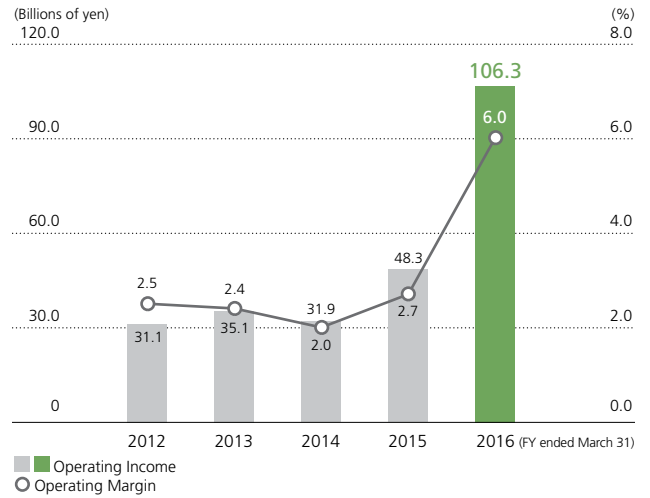
*1 Figure includes skilled workers.

*2 An indicator of the frequency of accidents measured as the number of accidental labor deaths and injuries recorded for every 1 million actual labor hours.

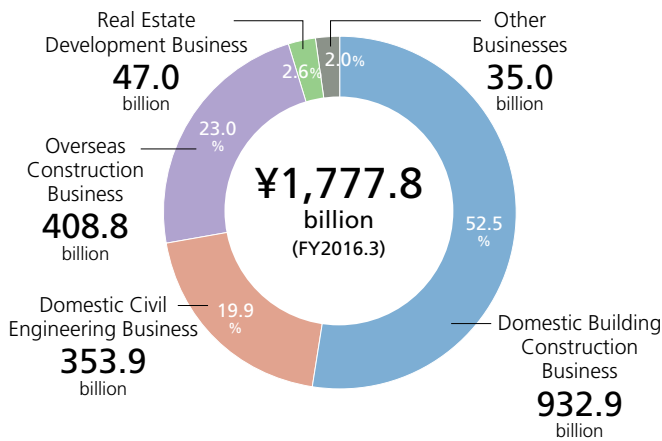
Net Sales and Ratio of Overseas Sales among Construction Business Sales



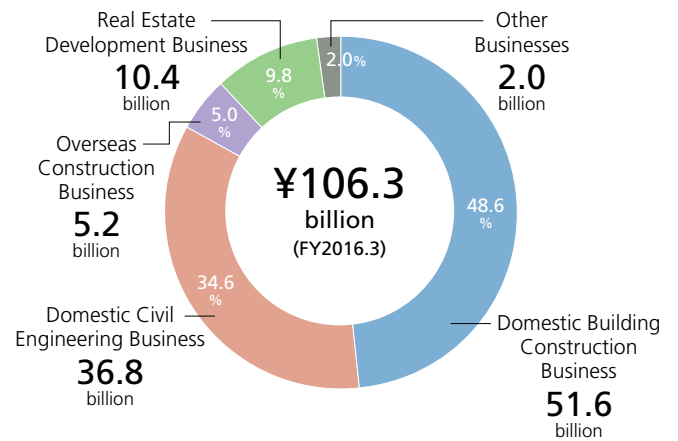
Operating Income and Operating Margin



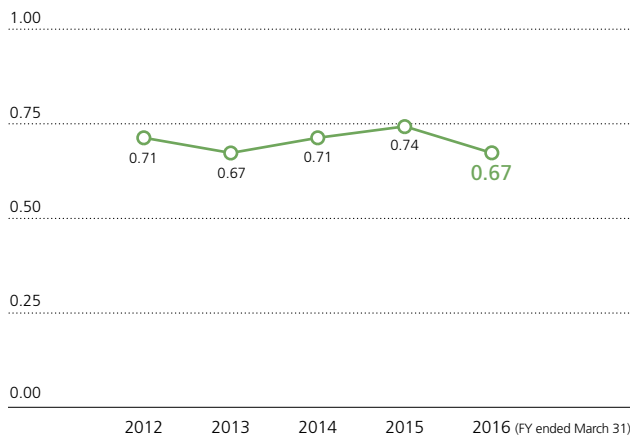
Net Sales by Business



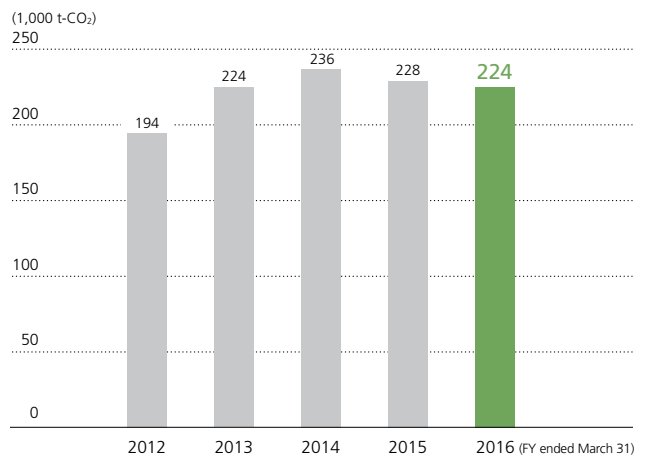
Operating Income by Business



Accident Frequency Rate (Status of Occupational Accident Occurrence)



CO₂ Emission Volume



A MESSAGE TO OUR STAKEHOLDERS—

Heading for New Growth



Obayashi Corporation celebrates its 125th anniversary this year. We will keep working to earn the trust of our customers, shareholders, investors, and other stakeholders, contributing to the realization of a safe, secure, and comfortable society.

Technology for a Safe, Secure Society

In recent years, Japan has been facing a growing threat from natural disasters including damage from severe earthquakes, frequent localized torrential downpours, catastrophic floods, storms, and landslides. To protect peoples' lives from such natural calamities, seismic reinforcements are being made to road and rail bridge piers and public facilities throughout Japan, while seawalls are being built and rivers improved. It is also imperative to extend the lifespans and update the aging wave of infrastructure constructed during Japan's high economic growth period.

In particular, interest in preparation against severe earthquakes has grown since the Great East Japan Earthquake. The Obayashi Group has established design and construction techniques to prevent and mitigate disaster from earthquakes, including seismic isolation and vibration damping technologies tailored to various types of buildings. We also provide earthquake damage prediction systems and other services for business continuity planning (BCP) to our customers.

We offer solutions to meet various needs. For example, equipment that dramatically reduces vibrations from long-period ground motion caused by large earthquakes; beam-to-column jointing methods that make steel buildings more resistant to earthquakes; seismic reinforcement that can be used for small spaces inside factories; and techniques to prevent existing ceiling panels from falling to ensure the safety of building users. We also assist companies in formulating BCPs by analyzing seismic risks and hazards for building sites and structures, as well as levels of impact on business. In case of an earthquake, our proprietary earthquake damage prediction system will assist our customers with all steps from planning restoration operations through to construction work to get business back to normal as quickly as possible.

Meanwhile, there is also growing demand for improving infrastructure to make cities more globally competitive. In major metropolitan areas, ultra-modern offices and complexes are cropping up one after another. They are equipped with the latest structural technologies to provide outstanding seismic resistance, enabling them to excel in terms of disaster prevention and mitigation. Their strengths are due to unified development and very effective utilization of land. Moreover, construction work has begun on main transportation lines for the next generation including the Chuo Maglev Shinkansen, the Shin Tomei Expressway, the Shin Meishin Expressway, and loop expressway roads for the Tokyo area.

As work advances to enhance infrastructure and create attractive areas, I believe reliable construction technology will become even more critical to meeting challenging demands and difficult construction conditions, such as working in deep underground space as well as giving buildings and structures resilience. The Obayashi Group will continue endeavoring to develop advanced technology to contribute to a safe, secure society and meet society's diverse needs.

Environmentally Friendly Technology

On the global environment front, our medium- to long-term environmental vision, "Obayashi Green Vision 2050," envisages a society in 2050 that is low-carbon, recycling-oriented, nature-respecting, safe and secure. We are working on action plans and goals to make that a reality.

In our core domestic construction operations, we aim to cut energy use by 18% in 2020 from 2010 levels. Shield machines used in tunnel excavation are one of the heaviest electricity users among construction equipment. We have been developing energy-conserving shield tunneling methods since we expect more opportunities to use large-diameter shield machines. This method has successfully reduced electricity consumption by about 30% while increasing tunneling speed by roughly 25% over conventional methods, and we are already starting to use the new approach at construction sites.

In the construction material development field, we are promoting the use of concrete that slashes CO₂ emissions by up to about 80% compared to ordinary concrete. Conformed by Japanese Industrial Standards (JIS) as the first low-carbon mixed cement, it will be supplied to a wide range of areas in Japan and will be used in many projects.

We are also focusing on R&D in domains seen as being at the forefront of future energy-saving technologies. At the Obayashi Technical Research Institute, which is a net zero energy building (ZEB)*¹, we constructed a smart energy system which we are now operating to verify the energy-conserving effects. The center's large distributed power sources are controlled by an energy management system (EMS) that adjusts the balance of electric power supply and demand in real time, which has reduced CO₂ emissions by 15%. Additionally, we are developing and verifying the technology for a new energy system for efficient power use on a regional level using electricity generation equipment fueled by hydrogen. We leveraged expertise gained from the results of such demonstration trials to develop a design

support tool to reap even greater energy savings by forming networks of several buildings in a certain area. Going forward, we will supply optimal energy systems to realize smart cities planned around Japan.

*1 A building that achieves a zero net energy balance by generating enough renewable energy to offset the energy it uses during operation

Making an Attractive Construction Industry

The aging of skilled workers underpinning construction site operations is now a grave issue for Japan's construction industry. The Japan Federation of Construction Contractors estimates that about one third or 1.1 million of the 3.4 million skilled construction workers will leave the profession in the next decade, owing to factors of aging. Developing construction methods that shorten work periods and save labor, innovating production systems, and securing and fostering human resources is thus a major task for the construction industry overall.

We are promoting the use of devices and technologies that speed up work and lessen labor at construction sites. That includes shifting to precast materials like pillars, beams and joint materials manufactured in advance at plants to be assembled at construction sites, as well as the use of robot suits to lighten the load on the backs of skilled workers when carrying heavy materials. Moreover, the Ministry of Land, Infrastructure, Transport and Tourism is forging ahead

in full force on "i-Construction," which aims to increase construction site productivity by utilizing ICT. Obayashi has long led the industry ahead of other companies in utilizing ICT to raise productivity. We intend to lift productivity even higher by actively employing Construction Information Modeling (CIM) and Building Information Modeling (BIM) to visualize through 3D models information on buildings and structures spanning from design to construction and maintenance management processes. We will also use drones for taking measurements and other ICT for calculating volumes and creating 3D engineering drawings.

As part of initiatives to secure and foster human resources, we expanded the scope of the Obayashi Excellent Site Supervisor Certification Program, which offers certification and higher pay to exceptional supervisors. Specifically, we added a junior course for supervisors under the age of 40 in the fiscal year ending March 31, 2017. Additionally, we newly set up the Obayashi Excellent Operator Certification Program for crane operators and are working more to enhance the program. Further, we stepped up efforts to encourage suppliers to enroll in social insurance programs to help create a secure working environment for skilled workers. For instance, we held social insurance-related seminars and offered individual consultations for business owners. Along with such initiatives to improve working treatment, we are helping to nurture skilled workers for the future in part through the vocational training school we opened in 2014. There, employees from Obayashi and our suppliers serve as lecturers who provide instruction on construction work, safety management, and more.



In addition, the construction industry is promoting the active participation of women to make the profession more appealing. Obayashi's ratio of female managers was 6.4% as of March 31, 2016, the highest level in the domestic construction industry and by 2024, we aim to double the number of female managers compared to 2014. We also aim to raise the ratio of female engineers to about 10% by 2024. We will keep striving to improve the working environment for women by enhancing steps to support work-life balance such as a system for working shorter hours, introducing construction workwear designed from a women's perspective, and improving sanitary and other facilities at construction sites.

Medium-Term Business Plan 2015 **Evolution 2015**

■ Business Performance for the Fiscal Year Ended March 31, 2016

During the fiscal year under review, the Japanese economy remained in a moderate recovery, as private capital expenditure showed a trend toward picking up primarily due to an improvement in corporate profits. In the domestic construction market, orders from the public sector declined from the previous fiscal year, but those from the private sector had a firm tone as conditions remained brisk due to high construction demand.

In the fiscal year ended March 31, 2016, consolidated net sales amounted to ¥1,777.8 billion, increasing by 0.2% from the previous fiscal year primarily due to an increase in net sales of the construction business. This figure is the highest on record, making us the top company in the domestic construction industry for the third fiscal year in a row. On the earnings front, primarily due to an increase in gross profit on completed construction contracts mainly in the domestic construction business, operating income increased by 119.8% to ¥106.3 billion, ordinary income increased by 85.6% to ¥111.2 billion, and profit attributable to owners of parent increased by 121.1% to ¥63.4 billion from the previous fiscal year.



■ Evolution 2015 Basic Policy

In the domestic construction market, we anticipate a certain level of ongoing construction investment. However, there is little potential for major growth in the future given Japan's low birthrate, aging society, and declining population. Meanwhile, in overseas construction markets, construction investment is expected to expand in our priority regions, such as Southeast Asia, North America, and Oceania.

Under these conditions, **toward social safety, security and further stable management**, we started the Obayashi Group Medium-Term Business Plan 2015, "Evolution 2015," in the fiscal year ending March 31, 2016.

The plan sets out the following three initiatives.

- Provide social **safety, security and comfort** responding to diverse needs including preparation for imminent major natural disasters, and environment and energy measures.
- Create new sources of earnings in addition to building construction, civil engineering and real estate businesses, and promote diversification of the earnings base by taking **new businesses** as a fourth pillar of income.
- Improve the profitability of subsidiaries by implementing **solid Group management**, leveraging Obayashi's technology and financial capabilities.

■ Diversifying the Earnings Base

We are promoting the diversification of our earnings base in order to build a business structure that delivers stable profit in other business fields, even if the business environment in the domestic construction changes in the future. Specifically, we are expanding the overseas construction business through M&As, expanding the real estate development business with a focus on properties for lease, and growing new businesses by advancing renewable energy operations.

In the overseas construction business, our expansion of operations mainly in the North American region through M&As and other means has resulted in steady net sales, consistently around ¥400 billion. In the fiscal year ending March 31, 2017, we intend to achieve our target of generating 25% of net construction business sales overseas, and will aim to bolster our earnings capacity through measures such as improving project profitability.

In addition, in the real estate development business, the Obayashi Group is working as one to expand the real estate leasing business, including by opening rental office buildings in the Tokyo metropolitan areas. In the renewable energy business, we are planning to start all of our solar power generation facilities by 2017. We are also making

progress on commercializing wind power and woodchip biomass energy generation businesses, starting operations from the fiscal year ending March 31, 2018, onward.

Looking ahead, we aim to grow profit by further advancing both businesses.

Enhancing Corporate Governance

Along with building an effective framework for business execution, we believe increasing transparency and sound management are critical to maintaining the trust of society.

Two of the eleven directors on the Board of Directors and three of the five corporate auditors on the Audit Committee are appointed from outside the Company. They each contribute from an independent position, offering advice on improving management efficiency, supervising management in general, and checking on management from an objective perspective. In this way, they play a role in the effective functioning of corporate governance.

Obayashi Group's Business Performance (Consolidated)

(Billions of yen)

	FY2014.3 Result	FY2015.3 Result	FY2016.3 Result	FY2017.3 (full year) Forecast	Obayashi Group Medium-Term Business Plan 2015
Net sales	1,612.7	1,773.9	1,777.8	1,915.0	About 1,700.0
Construction business	1,521.0	1,673.0	1,695.7	1,840.0	About 1,600.0
Domestic	80%	76%	76%	75%	75%
Overseas	20%	24%	24%	25%	25%
Real estate development business	51.6	63.8	47.0	44.5	50.0–60.0
New businesses	40.0	37.0	23.6	22.0	22.0–28.0
Others			11.3	8.5	About 10.0
Operating income (Operating Margin)	31.9 (2.0%)	48.3 (2.7%)	106.3 (6.0%)	95.0 (5.0%)	About 45.0 (stable)
Domestic construction	52% (16.5)	58% (28.1)	83% (88.5)	83% (79.0)	60% → 55%
Other than domestic construction [overseas construction, real estate development, new businesses, others]	48% (15.4)	42% (20.2)	17% (17.8)	17% (16.0)	40% → 45%
Ordinary income	40.1	59.9	111.2	98.5	About 50.0
Profit attributable to owners of parent	21.6	28.6	63.4	63.0	—
ROE	5.4%	6.2%	12.4%	11.7%*	About 8% (over the medium to long term)

* FY2017.3 ROE is a figure solely for reference: Equity for the end of FY2017.3 calculated by adding surplus after dividends only to equity at the end of FY2016.3

We are working to further enhance corporate governance following the principles of Japan's Corporate Governance Code set out by the Tokyo Stock Exchange with an eye to ensuring the continuous growth of the Group and further increase in enterprise value. By realizing fair, rapid, resolute decision-making, as well as ensuring management transparency, we aim to win even greater trust from all our stakeholders as a company.

In addition, under the guidance of the Corporate Ethics Committee directly overseen by the president, we established the Corporate Ethics Program and are constantly working to foster and promote a sound corporate culture. We will carefully follow individual measures based on these programs, inspect the status of enforcement and constantly make revisions, aiming to be a company that complies with every aspect of laws and regulations and continuously maintains and raises its high observance of corporate ethics.

Toward New Growth

The year 2016 marks the 125th anniversary of the Obayashi Group. Since our foundation, we have been aggressively developing and introducing superior and advanced technologies to meet society's various needs and earn the trust of our customers, shareholders, investors, and other stakeholders.

Nowadays, technology, such as the Internet of Things (IoT) and Artificial Intelligence (AI), is advancing at breakneck speed in every area, and those innovations are driving the creation of services that never existed before. With technological progress rapidly advancing, our sights are set on creating revolutionary technology, in part through open innovation and strategic technological development. These efforts will certainly make construction processes even more efficient, and we are also setting out to flexibly evolve our business structure, adapting our business model in response to society's needs as we head full-force towards new growth.

We look forward to your continued understanding and support for our endeavors.



Toru Shiraishi
Representative Director
President



BUSINESS HIGHLIGHTS



TOKYO SKYTREE®

Domestic Building Construction Business

Obayashi Group provides all types of buildings such as offices, condominiums, commercial facilities, factories, hospitals and schools that meet diverse needs including reduced environmental load and energy conservation, comfort and convenience as well as seismic resistance and disaster readiness for securing business continuity. We have completed many historically and culturally symbolic projects, such as Tokyo Central Station (currently Tokyo Station), Japan World Exposition (Theme Pavilion), Roppongi Hills, TOKYO SKYTREE®, and Toranomon Hills.

Net sales

¥932.9 billion

(Down 2.1% year on year)

Operating income

¥51.6 billion

(Up 475.2% year on year)



Nyukawa Dam

Domestic Civil Engineering Business

We build infrastructure essential to people's lives, such as tunnels, bridges, dams, riverbanks, railroads, and expressways. Such projects have a profound impact on forming national landscape and are interlaced with nature. Recently, this business domain has widened to cover maintenance and upgrades, including repairs, and we have been actively using our technologies to extend the life and functionality of existing infrastructure. We will contribute to the realization of a more abundant society and public safety and security, while carefully considering the surrounding environment and harmonizing with nature.

Net sales

¥353.9 billion

(Up 8.4% year on year)

Operating income

¥36.8 billion

(Up 92.0% year on year)



Golden Gate Bridge Seismic Retrofit (U.S.)

Overseas Construction Business

We have a proven track record in numerous overseas projects, such as Taiwan High Speed Rail and Colorado River Bridge at Hoover Dam, underscored by our world-renowned technological capabilities such as seismic resistance and shield tunneling construction methods. We also provide safety, security, and comfort to people's lives in developing nations through construction of infrastructure such as roads, bridges, and schools. We can offer customers optimal buildings and structures with our global network and half-century of experience overseas, especially in North America, Asia and Oceania.

Net sales

¥408.8 billion

(Up 3.9% year on year)

Operating income

¥5.2 billion

(—% year on year)



Grand Front Osaka

Real Estate Development Business

We develop and own excellent leasing properties in prime locations, primarily in metropolitan areas, and provide safe, secure, and comfortable spaces for customers. In the urban redevelopment business, we are actively involved in the operation of large-scale projects, having accumulated extensive expertise from our experience in numerous projects as a project partner and specified agent. In 2014, we merged two real estate subsidiaries to form Obayashi-Shinseiwa Real Estate Corporation in a bid to reinforce the real estate development business and consolidate its functions.

Net sales

¥47.0 billion

(Down 26.4% year on year)

Operating income

¥10.4 billion

(Down 43.8% year on year)



Ashikita Solar Power Station

Other Businesses

We promote renewable energy, PPP business, and agriculture businesses as our new business domains, aiming to develop them as a fourth pillar of earnings to follow our core business. In the renewable energy business, we will advance our initiatives in natural energy power generation such as wind power and biomass, as well as solar power generation. In the PPP business, we will strengthen our initiatives by leveraging the expertise we have accumulated as a leader in PFI projects in Japan, while planning to make a full-scale entry into the agriculture business, harvesting cherry tomatoes and starting plant factories that use artificial light.

Net sales

¥35.0 billion

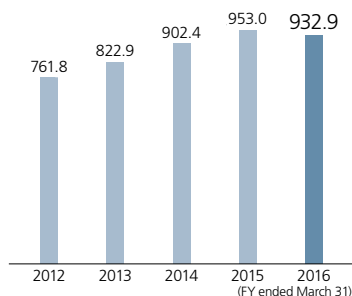
(Down 5.5% year on year)

Operating income

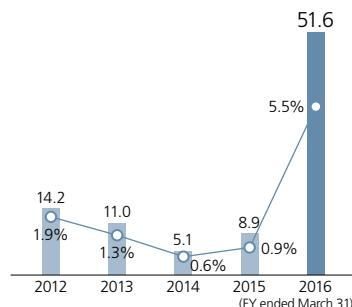
¥2.0 billion

(Up 16.2% year on year)

Net Sales (Billions of yen)



Operating Income (Loss) and Operating Margin (Billions of yen)

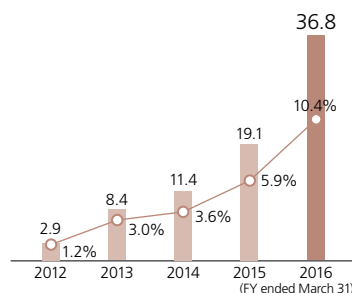
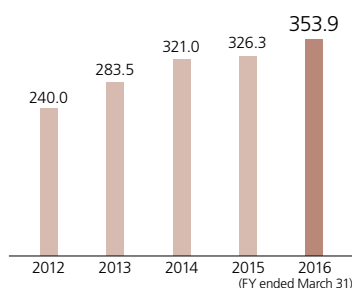


Review of FY2016.3

Orders received: Increased by ¥92.6 billion (9.4%) from the previous fiscal year to ¥1,076.3 billion, mainly reflecting growth in non-consolidated orders received from the manufacturing sector such as ICT and food products.

Net sales: Decreased ¥20.0 billion (2.1%) from the previous fiscal year to ¥932.9 billion, mainly due to a large project which requires a long time for preparation.

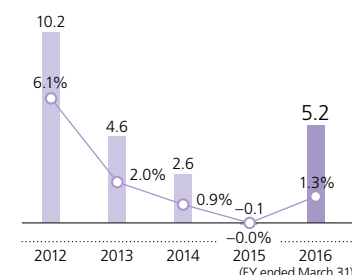
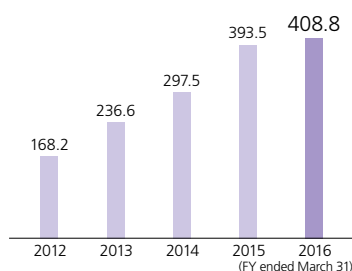
Operating income: Increased by ¥42.7 billion (475.2%) from the previous fiscal year to ¥51.6 billion, mainly reflecting an improvement on gross profit on completed construction contracts due to a decrease in unprofitable projects and stabilization in construction costs, while the core Group companies also performed steadily.



Orders received: Decreased ¥29.9 billion (7.4%) from the previous fiscal year to ¥374.5 billion due to a fallback after a large construction order received in the previous fiscal year.

Net sales: Increased by ¥27.5 billion (8.4%) from the previous fiscal year to ¥353.9 billion, mainly reflecting a large quantity of carried-forward projects at the start of the fiscal year and increases in contract prices due to additions and design changes.

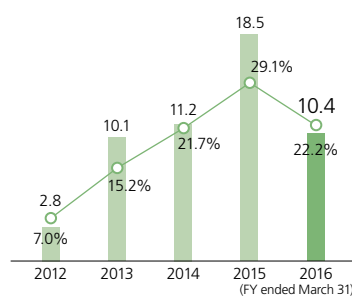
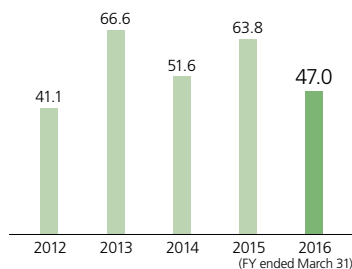
Operating income: Increased by ¥17.6 billion (92.0%) from the previous fiscal year to ¥36.8 billion, mainly due to certain profitable projects among large construction projects.



Orders received: Increased by ¥1.9 billion (0.5%) from the previous fiscal year to ¥411.2 billion, mainly as a result of the addition of Kraemer North America, LCC (KNA) to the civil engineering business group in November 2014 and a large bridge project in Bangladesh, although orders received for the building construction business group decreased.

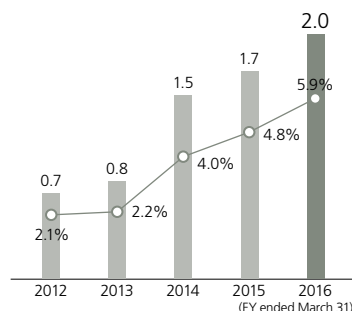
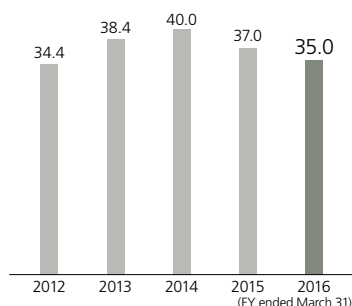
Net sales: Increased by ¥15.2 billion (3.9%) from the previous fiscal year to ¥408.8 billion, mainly due to progress on a large building project by a North American Group company and the impact of the addition of KNA in civil engineering.

Operating income: Increased by ¥5.4 billion from the previous fiscal year to ¥5.2 billion, reflecting one-time factor of recording a gain on carryback in accounting for past fiscal years' projects in civil engineering.



Net sales and operating income: Net sales decreased ¥16.8 billion (26.4%) to ¥47.0 billion and operating income decreased ¥8.1 billion (43.8%) to ¥10.4 billion from the previous fiscal year. The result mainly reflected by systematic shuffling of the portfolio and a fallback from a large-scale real estate sale in the previous fiscal year.

Status of investment: Under our Group Medium-Term Business Plan 2015, we plan to invest ¥55.0 billion in development projects over the three-year period from the fiscal year ended March 31, 2016 to 2018 (new investment in real estate for lease, excluding real estate for sale). The amount of investment in the fiscal year ended March 31, 2016 came to ¥38.3 billion, mainly due to concentrating investment in real estate for lease in central Tokyo.




Net sales and operating income: Net sales decreased ¥2.0 billion (5.5%) from the previous fiscal year to ¥35.0 billion, mainly reflecting the completion of certain projects in the PPP business during the previous fiscal year. Operating income increased by ¥0.2 billion (16.2%) from the previous fiscal year to ¥2.0 billion, mainly due to progress in the solar power generation business.

Status of progress in new business domains:

(1) Renewable energy: In the solar power generation business, 83 MW of our targeted generation capacity of 128 MW was online in March, 2016. We started construction of a biomass power generation station in Yamanashi, and a wind power station in Akita.

(2) Agriculture: We constructed a solar-powered cultivation facility in Chiba, and started harvesting cherry tomatoes.

DOMESTIC BUILDING CONSTRUCTION BUSINESS



Obayashi will realize stable earnings by providing higher-value-added services in the construction business, utilizing its advanced engineering technologies and other advantages, while strengthening its competitiveness in growing markets such as in the Tokyo metropolitan area and renewal fields.

Business Environment

The economic outlook is currently affected by concerns such as uncertainties in overseas economies and yen appreciation. On the other hand, in the manufacturing industry, companies continue to invest in upgrading and streamlining their equipment to enhance competitiveness. Investment in new fields in conjunction with energy diversification and technological innovation has also been strong. In the non-manufacturing industry, many of the buildings that were constructed during Japan's high growth period are due for renewal, and ahead of the Tokyo 2020 Olympic and Paralympic Games, investment has continued to pour into redevelopment projects in the Tokyo metropolitan area and other major cities, railway and other infrastructure upgrading, and constructing and remodeling hotels.

Meanwhile, the volume of orders received expanded 16% year on year to ¥1.2 trillion in the fiscal year ended March 31, 2016, reflecting robust construction demand in Japan. Obayashi and sub-contractors are likely to be reaching the limit of production capacity. In order to meet the expectations of our customers, we will work hard to secure and expand production capacity.

Business Strategies

In growth fields and fields peripheral to construction that require advanced engineering technologies, we are focusing on renewable energy, industrial robots and medical equipment fields, as well as Smart Cities*¹ and other new fields that are associated with technological innovation.

On the other hand, while many buildings in Japan are coming due for renewal, a large number of old buildings were devastated by the Kumamoto earthquake in April 2016. We believe it is our mission to pass on high-quality, environmentally friendly buildings that are secure against natural disasters to the next generation. From the standpoint of business continuity planning (BCP), we are concentrating on renewal projects that will provide safety, security and comfort.

In response to the issue of securing production capacity, we are focusing efforts on training skilled construction workers and improving labor conditions. We are developing construction methods that save labor and shorten construction periods, while deploying Information Communications Technology (ICT) such as Building Information Modeling (BIM).

*1 Smart City: An environmentally friendly city focused on resource conservation that aims to achieve effective citywide energy consumption by deploying cutting-edge technologies such as IT and environmental technology.

Priority Measures

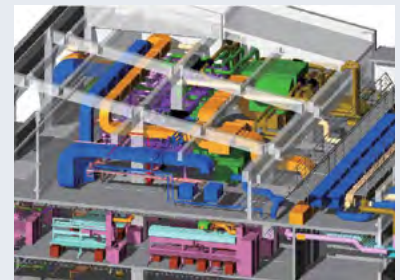
- Bolster competitiveness in growing markets such as Tokyo metropolitan area and renewal fields
- Receive orders for engineering projects for production facilities and renewable energy-related facilities
- Develop and implement labor-saving and short period construction methods, as well as training multi-skilled workers
- Help suppliers to secure and train skilled workers
- Optimize BIM, IoT (Internet of Things) and other ICT

TOPICS

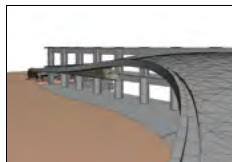
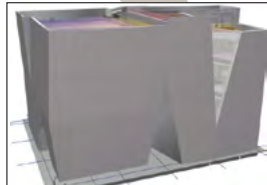
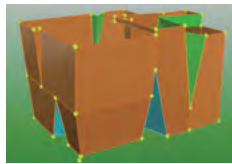
Integrated Use of BIM, —From Design to Maintenance

We utilize BIM in all of our designed and contracted projects as well as roughly 80% of the projects designed by other companies.

Throughout the process of planning, design, and construction, maintenance and management, we share 3D model data with architects and subcontractors through BIM in order to improve quality and productivity.



Projects Using BIM



Sumida Hokusai Museum Construction Project

Customer: Sumida City, Tokyo
Architect: KAZUYO SEJIMA & ASSOCIATES

This museum is constructed in Sumida City, Tokyo, where artist Katsushika Hokusai flourished as an *ukiyo*e painter during the Edo Period.

Construction on this novel building went smoothly by sharing digital information of 3D coordinates, which is automatically generated from a building frame model in the BIM system, with external panel and window sash suppliers.

Meijo University Nagoya Dome-Mae Campus

Customer: Meijo University
Architect: NIHON SEKKEI, INC.

A new campus building was constructed to commemorate the 90th anniversary of Meijo University.

By utilizing BIM data in making the concrete placing forms, multiple complex curved designs in the campus building were able to be constructed.

PROJECT REPORT



Story

South Exit of Shinjuku Station, the World's Busiest Train Station

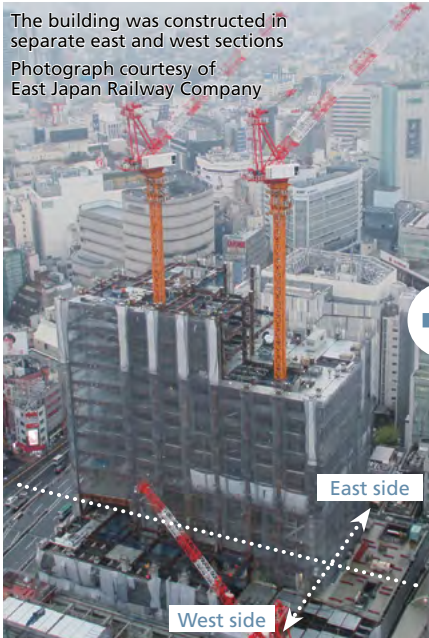
A 16-year project on the South side of Shinjuku Station (project owners: Ministry of Land, Infrastructure, Transport and Tourism, East Japan Railway Company) is scheduled for completion in 2016. This project started by replacing the overpass bridge on National Route 20 (Koushu Road), which was originally constructed over 90 years ago.

Obayashi completed JR SHINJUKU MIRAINA TOWER, a new landmark in Shinjuku comprising a large-scale office and the commercial complex "NEWoMan," and featuring a multi-purpose hall and an outdoor space.

Moreover, the Shinjuku Expressway Bus Terminal was opened as the largest bus terminal in Japan with 1,600 expressway buses arriving and departing each day during peak periods. The expressway bus stops that used to be scattered around the West Exit of Shinjuku Station are now concentrated and joined directly to the station, allowing passengers to easily transfer between buses and trains, improving convenience. The taxi stop on the overpass has also been relocated to a spot inside the bus terminal, alleviating the chronic traffic jams on National Route 20.

The completion of JR SHINJUKU MIRAINA TOWER and the Shinjuku Expressway Bus Terminal has dramatically changed the appearance of the South Exit of Shinjuku Station, making the station more convenient and attractive.

The building was constructed in separate east and west sections
Photograph courtesy of East Japan Railway Company



Attaching the curtain wall using the *outer wall lifting system*



Shinjuku Expressway Bus Terminal is constructed directly above the railway lines



Our Solution

Coordinated Construction in Three Sections

For this project, Obayashi advanced construction in three sections in parallel: building construction, underground construction (civil engineering), and construction above the railway lines. Since progress on each section influenced the construction schedule for the entire project, it was vital that each section coordinated with the others. For example, the underground construction needed to use the western side of the building construction area in order to have materials delivered underground. Therefore, building construction started on the eastern side first, with construction on the western side starting six months later. This not only moved the entire project forward, but also shortened the construction period for the building construction section.

Introduction of Outer Wall Lifting System

Obayashi introduced an “outer wall lifting system” for installing external panels in the building construction section. The construction period was considerably reduced by using a mobile crane on rails attached to the outer rim of the building frame to hoist and move the curtain wall to its predetermined position, thereby conveying it separately from steel beams and other construction materials.

Thorough Safety Measures

Shinjuku Station is used by more than 3 million people each day. One of our projects was to construct a bus terminal above the railway lines by the station. To prevent any risk of interrupting railway services due to falling objects or other reasons, construction on exterior portions of the steel frame was performed late at night, and objects were secured with double suspension wires as an extra precaution.

DOMESTIC CIVIL ENGINEERING BUSINESS



Obayashi will contribute to the development of safe and secure infrastructure through its business activities, while focusing on projects that require advanced technologies. We aim to reduce labor by using more precast units for construction structures and improve productivity by utilizing ICT to increase the efficiency of production systems.

Business Environment

We estimate domestic construction investment at ¥49.6 trillion in the fiscal year ending March 31, 2017, and expect it to remain around ¥45–50 trillion annually for the time being. We anticipate high levels of investment in our target markets, such as projects related to the Chuo Shinkansen Project using the Superconducting Maglev System as well as newly constructing infrastructure, renewing infrastructure, and renovating existing infrastructure related to the upcoming Tokyo 2020 Olympic and Paralympic Games.

In order to ensure infrastructure quality and train and secure skilled workers in the construction industry over the medium and long term, the Japanese government has revised three labor-related laws*¹ in conjunction, including the Quality Assurance Act*², which is fundamental to public works projects. As a consequence, private-sector companies have introduced and utilized a diverse array of bidding contract systems allowing diverse types of order placements.

*1 The Act on Promoting Quality Assurance in Public Works, the Act for Promoting Proper Tendering and Contracting for Public Works, and the Construction Business Act

*2 The Act on Promoting Quality Assurance in Public Works

Business Strategies

Among abundant projects, Obayashi aims to receive orders from projects in our areas of strength, such as advanced technologies, new infrastructure construction, infrastructure renovation, disaster prevention and mitigation measures, and energy-related fields.

We are pressing the limits of project execution capacity due to shortages of human resources, both in-house engineers and skilled workers at our subcontractors. We therefore aim to secure production capacity by improving productivity and increasing the number of skilled workers, while proposing and implementing measures to ensure a sufficient labor supply in the construction industry in the future.

Moreover, we will respond to the needs of our customers by strengthening proposal-based marketing, mainly focused on our proprietary technologies, and aiming to develop competitive new technologies.

Priority Measures

- Shorten construction periods and reduce labor to improve productivity at construction sites
 - Use photos taken from drones to manage soil volume, use ICT in heavy machinery
 - Implement the use of precast structures
 - Regularly deploy Construction Information Modeling (CIM)
 - Promote wearable robots and further expand use of tablets

TOPICS

High Durable Concrete with Seawater Wins the 6th "Monodzukuri Nippon Grand Award"

This award recognizes outstanding individuals and organizations chosen from a broad range of people that support manufacturing, production, and traditional culture, in order to pass along and advance methods of production that have contributed to the formation of abundant lifestyles for citizens.

High Durable Concrete with Seawater is a concrete that uses seawater instead of fresh water. It enables highly durable and strong structures. Our High Durable Concrete with Seawater can be used to construct infrastructure with little fresh water, making it useful on remote islands and coastal areas, as well as overseas and in the event of natural disasters, helping to reduce environmental load.



We won the Prime Minister's "Monodzukuri Nippon Grand Award."

Ongoing Projects

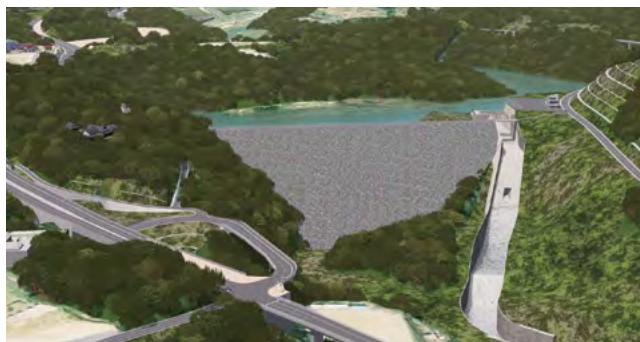


Image of the completed project

Aigawa River Dam Construction Project

Customer: Osaka prefectural government

This dam is designed for flood control in the Northern region of Osaka.

We pay full attention to the abundant plants and animals around the construction site, as well as the undeveloped woodlands and terraced rice fields. We make every effort to communicate with local residents to build a dam that is considerate to everyone. (Rock fill dam; height: 76.5 m, width: 337.5 m, volume: 2,225,000 m³)



National Highway 45 Yoshihama-Kamaishi Road Construction (Toni Viaduct Bridge No. 2, Arakawa Tunnel)



National Highway 45 Yoshihama-Kamaishi Road Construction, National Highway 283 Kamaishi Road Construction

Customer: Ministry of Land, Infrastructure, Transport and Tourism

On the Sanriku coastline that was devastated by the Great East Japan Earthquake, we are restoring roads that connect coastline north and south (including three tunnels extending a total of 2,155 m and two bridges spanning a total of 659 m), and newly constructing roads connecting coastal areas to inland areas (including one tunnel extending 808 m, 14 bridge substructures, one bridge superstructure, and 415,000 m³ of earth moving) to assist revitalization of the area.

We are working hard to complete these important revitalization projects as soon as possible in collaboration with local communities.

PROJECT REPORT

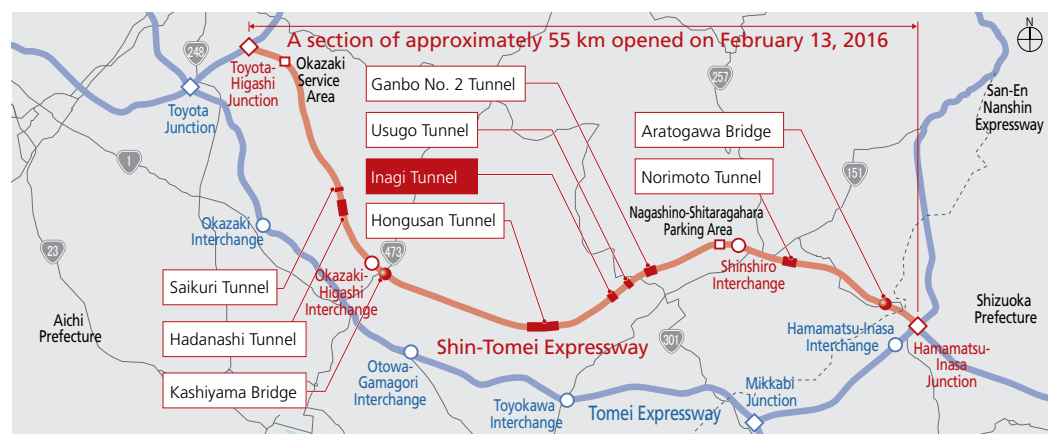


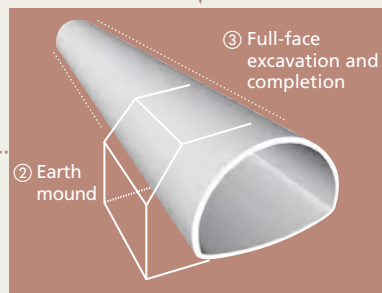
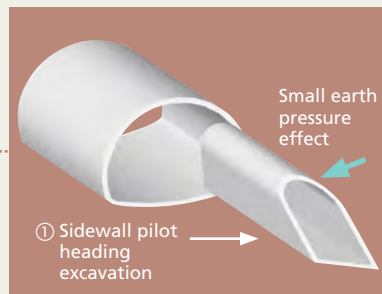
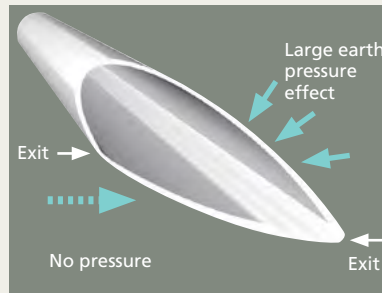
Story

Completion of a Section of the Shin Tomei Expressway in Aichi Prefecture, a New Major Transportation Artery in Japan

On February 13, 2016, approximately 55 km of the Shin Tomei Expressway in Aichi Prefecture between the Hamamatsu-Inasa Junction and the Toyota-Higashi Junction was opened. (Project Owner: Central Nippon Expressway Company Limited). Connected to an already-opened section in Shizuoka Prefecture, the newly opened expressway stretches approximately 200 km, forming a double network with the Tomei Expressway. This is expected to alleviate traffic on Tomei Expressway, facilitate restoration in the event of a natural disaster, and reinforce links between the three largest metropolitan areas in Japan as a major transportation artery.

Obayashi has played a major role in the development of the new section of the expressway, constructing many tunnels and bridges in Aichi Prefecture.





Sidewall Pilot Heading Excavation

Tunnel stability increases when earth pressure is evenly distributed on both sides of the tunnel. When tunneling through an exit slanted on a slope as shown in the image on the upper left, the left side reaches the end of the tunnel first, exposing the right side of the tunnel to earth pressures. This section is inherently unstable and could deform the shape of the tunnel.

To stabilize the tunnel, it is necessary to evenly distribute the earth pressure on both sides at the exit of the tunnel.

When the exit of the tunnel cannot be accessed, full-face excavation is suspended just before the exit as shown in the middle left image. First, a smaller tunnel is made on the right side to minimize the impact of earth pressure. Next, as shown in the image on the bottom left, earth is moved to the left side to even out the pressure from earth on both sides of the tunnel. Then, full-face excavation resumes until the end of the tunnel is reached.

Our Solution

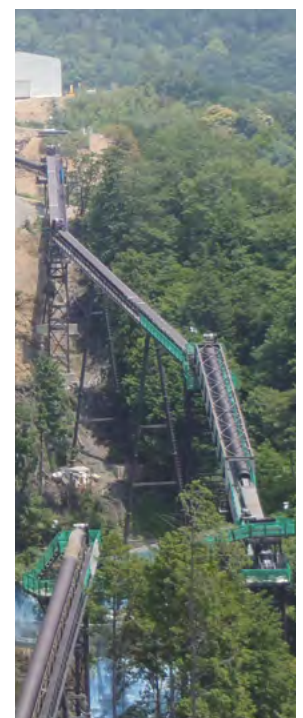
Tunnels Passing Diagonally through Steep Inclines

The outbound lane of Inagi Tunnel (717 m) in Shinshiro City, Aichi Prefecture, passes diagonally through a steep incline. To overcome this geological condition, we used the "side wall pilot heading excavation method." A small cross-section pilot tunnel was dug first to minimize the earth pressure. Next, earth was mounded up until the pressure effect on both sides of the exit became even, and then the full-face excavation was completed to the end of the tunnel. This method contributed to a safe completion of the tunnel. (See the pictures above).

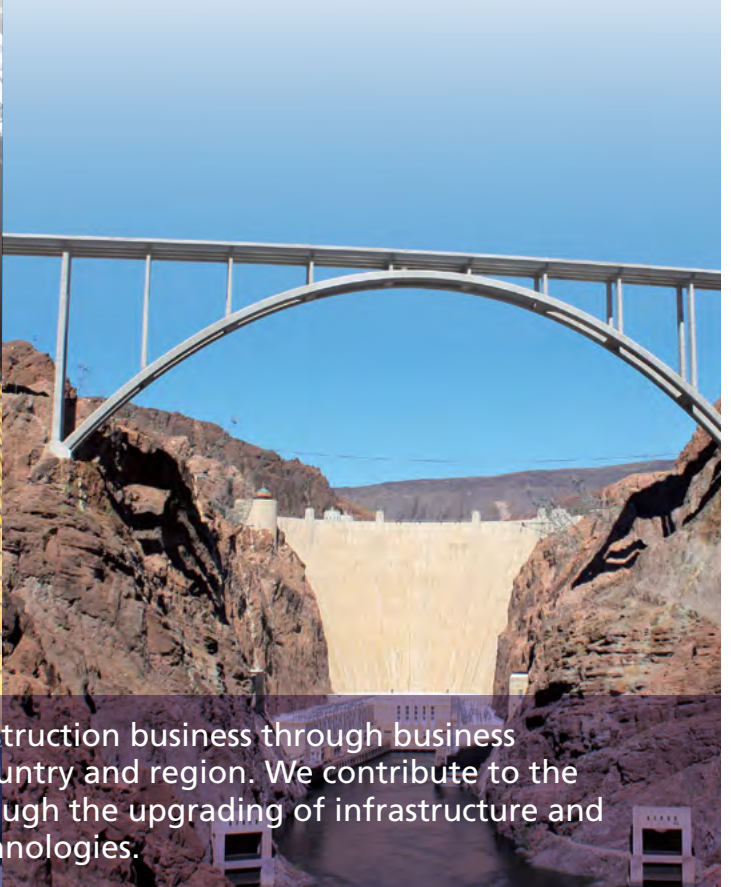
Safely Carrying Debris from a Tunnel with an Outside Conveyor Belt

We initially planned to carry out approximately 110,000 m³ of debris in 30,000 dump-truck loads carried along narrow roads with steep inclines from the Inagi Tunnel. However, since tunnel excavation coincided with the construction of a nearby bridge, the possibility of contact accidents occurring from the large number of vehicles and workers passing along the road remained. As a solution, we built a 300-square-meter surface belt conveyor passing over a valley to carry out most of the debris without using dump trucks, thereby preventing accidents on the road.

The "zero accident and zero injury" record of the Inagi Tunnel project was recognized with the Labour Minister's Awards to excellent workplaces, organizations and persons who contributed to occupational safety and health, in FY2016.



OVERSEAS CONSTRUCTION BUSINESS



Obayashi aims to expand the overseas construction business through business developments closely aligned with each country and region. We contribute to the development of countries and regions through the upgrading of infrastructure and the global reach of our environmental technologies.

Business Environment

In tandem with economic development, especially in emerging countries, environmental problems, urbanization, and energy shortages have become more serious issues, prompting increased demand for infrastructure that will provide safety, security and comfort for society.

Investment in infrastructure and other construction is projected to expand in the regions where the Obayashi Group conducts business, including Southeast Asia, North America, and Oceania.

Business Strategies

From the standpoint of selection and concentration of management resources and risk management, our policy is to focus on areas such as Southeast Asia, North America, and Oceania, where legal systems, business practices and socio-economic infrastructure have been established to a certain extent, and political and security risks are relatively small.

Business development with strong roots in each country and region is key to growth in the overseas construction business.

We have had a constant presence in Southeast Asia for more than 40 years, and we are forming local networks in each country. Looking ahead, we will localize operations further at our overseas affiliates by assigning locally hired staff to administrative and management positions and training personnel as candidates for core positions. We will also conduct technical training at Obayashi and transferring technology to local affiliates through personnel exchanges, and expanding sales to non-Japanese global corporations and leading local companies.

In North America in 1979, we became the first Japanese construction company to win an order for a public works project in the U.S. Since then, Obayashi has been in charge of many tunnel and bridge construction projects that require a high level of technological capability. Group companies are also developing business in North America. In 1989, E.W. Howell Co., LLC joined the Obayashi Group, followed by Webcor, LP in 2007, Kenaidan Group Ltd. in 2011, and Kraemer North America, LLC, an expert in bridge construction with an extensive track record, in 2014. We aim for further growth in North America by generating synergies between its credibility, technological capabilities, large-scale project management capabilities, and overseas Group company expertise.

Priority Measures

(Southeast Asia)

- Increase opportunities to win orders by expanding sales to non-Japanese global corporations and leading local companies
- Expand the production formation, improve safety, quality and process management by training locally hired staff

(North America)

- Expand business scope through human resource exchanges between Obayashi and Group companies
- Collaborate with Group companies and form joint ventures with local companies for tunnel and bridge projects that will benefit from our technologies and experience

Ongoing Projects



Image of the completed project

Construction of Jakarta Mass Rapid Transit Project Surface Section CP103

Location: Indonesia
 Client: PT Mass Rapid Transit Jakarta
 Construction: Joint venture between Obayashi Corporation, Shimizu Corporation, and PT. Jaya Konstruksi Manggala Pratama Tbk

This project entails the construction of Indonesia's first subway in order to alleviate traffic jams in Jakarta.



Aerial photograph of the site

Nam Ngiep 1 Hydropower Project

Location: Laos
 Client: Nam Ngiep 1 Power Co., Ltd.
 Construction: Obayashi Corporation

This is a hydroelectric dam project on the Mekong water system to reliably supply electricity to Laos and Thailand over the long term.



Image of the completed project

ICONSIAM Retail Facility

Location: Thailand
 Client: ICONSIAM Co., Ltd.
 Construction: Thai Obayashi Corporation Ltd.

A large shopping center will be constructed in a redevelopment district along the west bank of the Chao Phraya River that flows through the center of Bangkok.

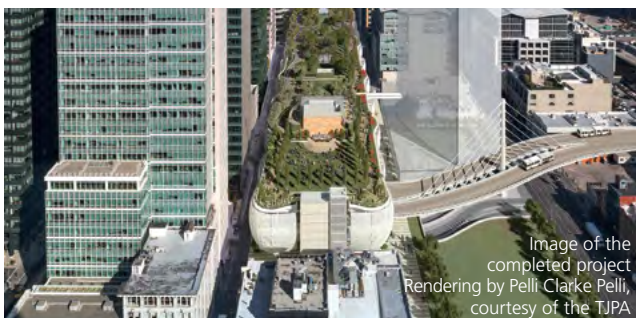


Image of the completed project
Rendering by Pelli Clarke Pelli, courtesy of the TJPA

Transbay Transit Center

Location: U.S.A.
 Client: Transbay Joint Powers Authority
 Construction: Joint venture between Webcor, LP and Obayashi Corporation

This project involves demolishing an aging bus terminal in downtown San Francisco and constructing a new multi-modal transit center with three above ground floors, two underground rail levels, and approximately 22,000 m² rooftop park.

PROJECT REPORT

Overseas Project (Main projects completed in the fiscal year ended March 31, 2016)



Head Office of The Stock Exchange of Thailand

Location: Thailand
Client: The Stock Exchange of Thailand
Contractor: Thai Obayashi Corporation Limited

The Head Office of The Stock Exchange of Thailand is a symbolic building for the financial market in Bangkok. Its SRC structure is resistant even to M 7.2 earthquakes, offering a comfortable market trading environment.



AEON MALL Long Bien

Location: Vietnam
Client: AEON MALL HIMLAM CO., LTD.
Contractor: Obayashi Vietnam Corporation
COTEC CONSTRUCTION JOINT STOCK COMPANY

AEON MALL Long Bien is in the capital city of Vietnam, Hanoi, known as the City of Water. The interior and exterior of the building are designed with numerous curves to evoke the image of water.



I-70 Twin Tunnels Widening project

Location: U.S.A.
Client: Colorado Department of Transportation
Contractor: Joint venture between Kraemer North America, LLC, and Obayashi Corporation

I-70 Twin Tunnels Widening project on Interstate Highway 70 connecting Denver, Colorado with the Rocky Mountains, to alleviate traffic congestion. The project expanded the road on one side from two lanes to three along a stretch of approximately 4 km, including a tunnel section.



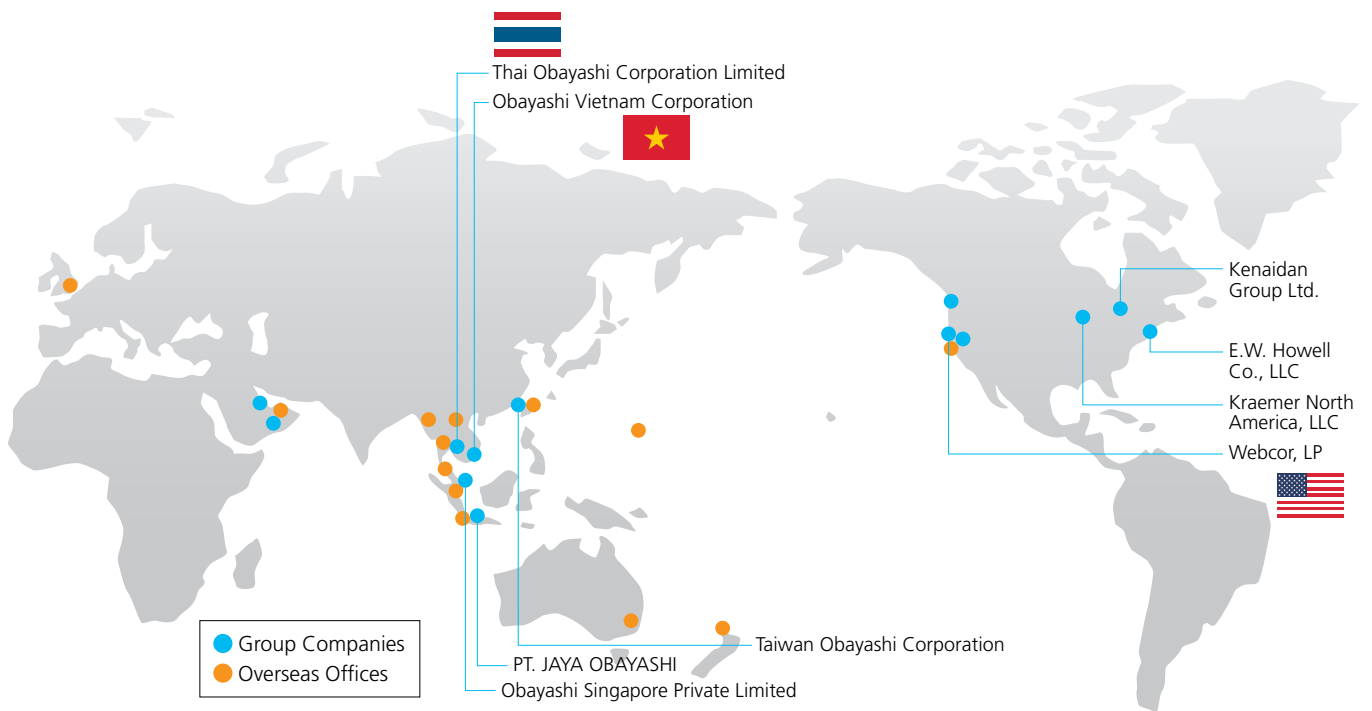
New campus of Samsung Semiconductor, Inc.

Location: U.S.A.
 Client: Samsung E&C America, Inc.
 Contractor: Webcor, LP

This project is to take place at Samsung Semiconductor Office in Silicon Valley. A large courtyard, sports ground, and sidewalk café have been built within the building to provide employees with spaces to relax.



Major Group Companies and Offices Overseas



REAL ESTATE DEVELOPMENT BUSINESS



Obayashi aims to strengthen its stable earnings base by investing more in the office leasing business and diversifying its leasing portfolio. Obayashi will contribute to the creation of attractive communities by proactively participating in redevelopment projects and joint development projects.

Business Environment

Urban infrastructure renovation and development projects are underway, especially in the Tokyo metropolitan area, as many buildings constructed during Japan's strong economic growth period are due for renewal and Tokyo Olympic and Paralympic Games are approaching in 2020. Creating internationally competitive cities and developing international business centers have become urgent priorities following a recent upturn in business related to inbound tourism, as well as in the private sector, and there is a need for urban revitalization and redevelopment projects deploying National Strategic Special Zones and other mechanisms by the government.

In these circumstances, conditions in the leasing market have steadily improved over the past few years. Amid robust demand for office space, vacancy rates have remained at low levels for A-grade office buildings in central Tokyo locations. However, market growth looks likely to taper off in light of a large supply of office space poised to come onto the market from 2018 through 2019.

Business Strategies

We aim to further reinforce the stable earnings foundation of the office leasing business, an earnings pillar in the real estate development business, by investing more in the key area of central Tokyo. In areas of the leasing market, in which we are competitive, we plan to develop and acquire new revenue-generating properties and proactively participate as a business partner in large-scale redevelopment and joint development projects. For office buildings that we already own, we will systematically shuffle our properties and execute projects to increase value, such as renovation and BCP projects, while working hard to improve the level of satisfaction of tenants and other users of our properties. Through these measures, we will hone the competitiveness and earnings potential of our properties.

In the housing business, we continue to sell detached housing and condominiums located in the Tokyo metropolitan area and major cities in the Kansai region, mainly through Obayashi-Shinseiwa Real Estate Corporation, a major group company. We also continue to develop new rental housing as part of our efforts to diversify our portfolio in leasing operations. The Obayashi Group will evolve its business structure to adapt flexibly to changes in the business environment.

Priority Measures

- Form a high-quality leasing portfolio focused on key areas (central Tokyo)
Develop and acquire new revenue-generating properties, participate in redevelopment and joint development projects, systematically add value to properties
- Stabilize earnings and diversify the leasing portfolio
Develop facilities for the leasing business other than office buildings, such as rental housing and logistics facilities
- Get involved in urban infrastructure renovation projects, promote the creation of secure and safe communities and the revitalization of regions
Participate in large-scale development projects and urban redevelopment projects
- Apply the latest construction technologies in the development stage
Increase customer satisfaction by providing ideal solutions, including for energy conservation and BCPs

Ongoing Projects



NIPPON LIFE HAMAMATSU-CHO CREA TOWER

Location: Minato City, Tokyo
 Uses: Offices, stores, conferences, parking
 Scale/structure: Site area: 7,646.56 m²
 Floor area: 99,277.09 m²
 Steel frame, steel-reinforced concrete construction
 Hybrid vibration control structure (combined use of brake damper and oil damper)
 29 floors above ground, 3 floors below ground, 1 penthouse floor
 Project owner: Nippon Life Insurance Company, OBAYASHI CORPORATION
 Construction to be completed: August 2018 (scheduled)



Kanda Station Front Project

Location: Chiyoda City, Tokyo
 Uses: Offices, stores, parking
 Scale/structure: Site area: 1,054.80 m²
 Floor area: 8,168.04 m²
 Steel frame construction (vibration control construction)
 9 floors above ground, 1 floor below ground, 2 penthouse floors
 Project owner: Obayashi-Shinseiwa Real Estate Corporation
 Construction to be completed: August 2017 (scheduled)

PROJECT REPORT



Office Leasing Business

Completion of *oak meguro*

In March 2016, Obayashi completed construction on *oak meguro*, a new landmark building near Meguro Station.

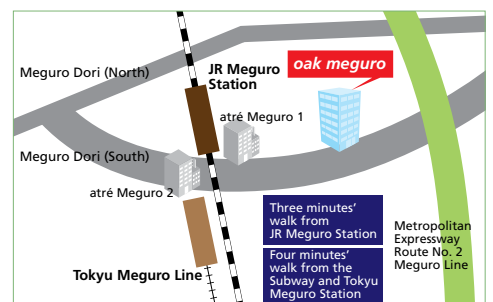
oak meguro is an office building with excellent safety features that support the BCP (business continuity planning) initiatives of tenants. It features a seismically reinforced structure and environmentally friendly technologies that enhance energy conservation performance and comfort in office spaces.

Office spaces on each floor feature approximately 1,720 m² of open area, facilitating the design of flexible layouts, in addition to the latest specifications for a comfortable office environment.

Obayashi planned, designed and constructed the office building, which is now owned and managed by Obayashi-Shinseiwa Real Estate Corporation.

Building Overview

Location: Shinagawa City, Tokyo
 Uses: Offices, stores, parking
 Site area: 3,820.81 m²
 Floor area: 23,100.04 m²
 Structure: Steel frame, partial steel reinforced concrete
 Scale: 10 floors above ground, 2 floors below ground, 2 penthouse floors



Greenery and Environmental Considerations

With an appearance befitting the location, *oak meguro* provides a pleasant and abundant urban environment with greenery on the outskirts of the property and along the approach to the building, as well as a soothing rooftop garden. The office building features a bicycle parking area and shower rooms for cyclists who commute to work, four recharging spaces for electric vehicles, and other enhanced amenities.



For the underground structure of the building, Obayashi used "Clean-Crete," a low-carbon concrete that reduces CO₂ emissions by roughly 80% during the concrete production stage.

BCP Compatible

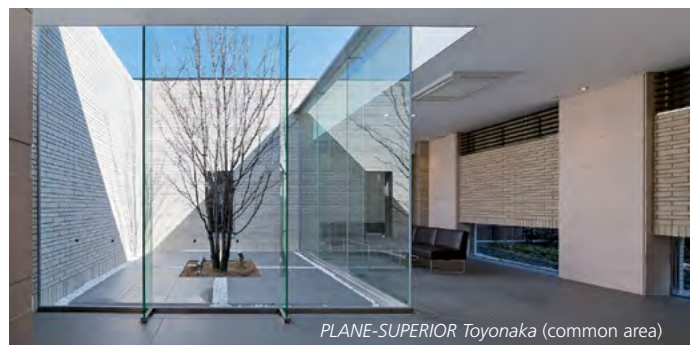
oak meguro has a seismically reinforced structure with S-grade earthquake resistance that exceeds standards in the Building Standards Act. Its beam-column joints are made using the wing beam construction method, which excels at absorbing the energy produced by earthquakes, and paired with CFT (Concrete Filled steel Tube) columns, the resistance of the building to earthquakes and fires is enhanced even further. The building has an emergency power generator and emergency stockpiles of supplies in the event of a natural disaster, enabling the building to maintain basic functions.

Residential Sales Business

Obayashi-Shinseiwa Real Estate Corporation is a core Group company in charge of the real estate development business. It provides sleek, valuable residences that are in harmony with their surrounding communities.

Its condominiums are developed under the *PLANE-SUPERIOR* brand. "Superior" denotes its high-grade facilities, excellent location in terms of convenience in the residential environment, and the luxurious essence of the residences, such as in their design and fixtures. The brand symbolizes our pride in creating condominiums with the finest levels of quality.

This *PLANE-SUPERIOR* brand is the crystallization of our ideals for creating residences that address the diverse needs of our customers. In 2015, we received a positive response to the launch of *PLANE-SUPERIOR Toyonaka* and *PLANE-SUPERIOR Nishinomiyama Nigawa*.



Logistic Facility Leasing Business

In 2015, Obayashi completed the Komaki Distribution Center, effectively using the site of its former Nagoya machinery plant (Obayashi planned, developed and owns the facility), as a newly developed logistics facility on the heels of the Kumiyama Distribution Center, which was completed in 2012 in Kyoto.

Obayashi-Shinseiwa Real Estate Corporation is now the owner of the Komaki Distribution Center, and supplies the facility for the leasing business.



NEW BUSINESSES



Obayashi aims to diversify its earnings base by making inroads into new business fields where we can leverage our expertise, such as renewable energy, PPP and agriculture. We are focusing our efforts on the creation of new business models, stable supplies of energy, and measures to address aging infrastructure.

Business Environment

The environment for energy has changed with governments' decision on an ideal energy mixture for 2030 and the full deregulation of the retail electric power sector in April 2016.

As infrastructure and public facilities age, finances of local public agencies are under increasing pressure. We therefore expect an increase in the number of PPP*¹ projects, which take advantage of private-sector expertise.

Moreover, due to the Trans-Pacific Partnership (TPP) and a declining population of farmers, food safety and security needs have been increasing.

*1 PPP: Public-Private Partnership. An arrangement where public and private entities work together to provide public services.

Business Strategies

In the renewable energy field, we have decided to start operating the solar power generation business with at least 128 MW of generation capacity. By 2017, we plan to have all of our power generation facilities up and running, while moving ahead with initiatives in other types of natural energy power generation businesses, such as wind power and woodchip biomass power generation. We are examining entry into business selling electricity to corporations using the Group's power stations and its accumulated expertise in the renewable energy power generation business.

In the PPP field, we aim to leverage our expertise in the PFI business such as creating business schemes, raising funds and other aspects. We collect information from upstream sources and will strive to undertake projects through alliances built to fulfill the needs of customers.

We have made a full-scale entry into the agriculture business. We started harvesting cherry tomatoes at our plant factory that uses sunlight at our agricultural production company established in Chiba Prefecture. At the same time, we made preparations to commercialize our solar-powered cultivation facility.

Priority Measures

Develop business domestically and internationally while formulating and advancing strategies to turn new business fields into new earnings pillars with our technologies and expertise

- Expand into new renewable energy businesses to follow solar power
- Examine new business models that leverage our technologies and expertise
- Secure earnings by redoubling efforts in PPP projects

TOPICS

Starting the Agriculture Business

In May 2016, Oak Katori Farm, an agricultural production corporation established in Katori City, Chiba Prefecture in November 2014, harvested its first crop of cherry tomatoes at its plant factory that uses sunlight.

We will take on the challenge of achieving a stable, highly productive supply of safe food, undertaking further research using the environmental control technologies developed in the construction business.



Ongoing Projects



Image of the completed project

Mitanehamada Wind Power Station (Mitane-cho, Yamamoto-District, Akita Prefecture)

This wind farm is a first for Obayashi. It is scheduled to commence operation by March 31, 2018 (three 2 MW generators).

Obayashi is examining the practicality of offshore wind power generation along the coast of Akita Prefecture, where wind conditions are favorable, in a bid to further advance the wind power generation business.



Image of the completed project

Otsuki Biomass Power Plant (Otsuki City, Yamanashi Prefecture)

We are engaged in the biomass power generation business, seeking it as a new source of renewable energy to follow solar and wind power. Plans call for commencing operations by March 31, 2019 (facility capacity 14.5 MW).


For fuel, we plan to use pruned tree branches, mainly from cities, and unused forest thinnings. We are also cooperating with local governments to increase employment in local communities and stimulate the forest industry.

PROJECT REPORT

Promoting the renewable energy business

Obayashi is advancing renewable energy business, such as solar power generation. In July 2012, we began operation of mega-solar power generation projects with the establishment of Obayashi Clean Energy Corporation for the purpose of generating electricity from renewable energy sources. In the fiscal year ended March 31, 2016, seven renewable energy power plants commenced operations in five locations and we now produce electricity at 36 power stations in 24 locations across Japan.

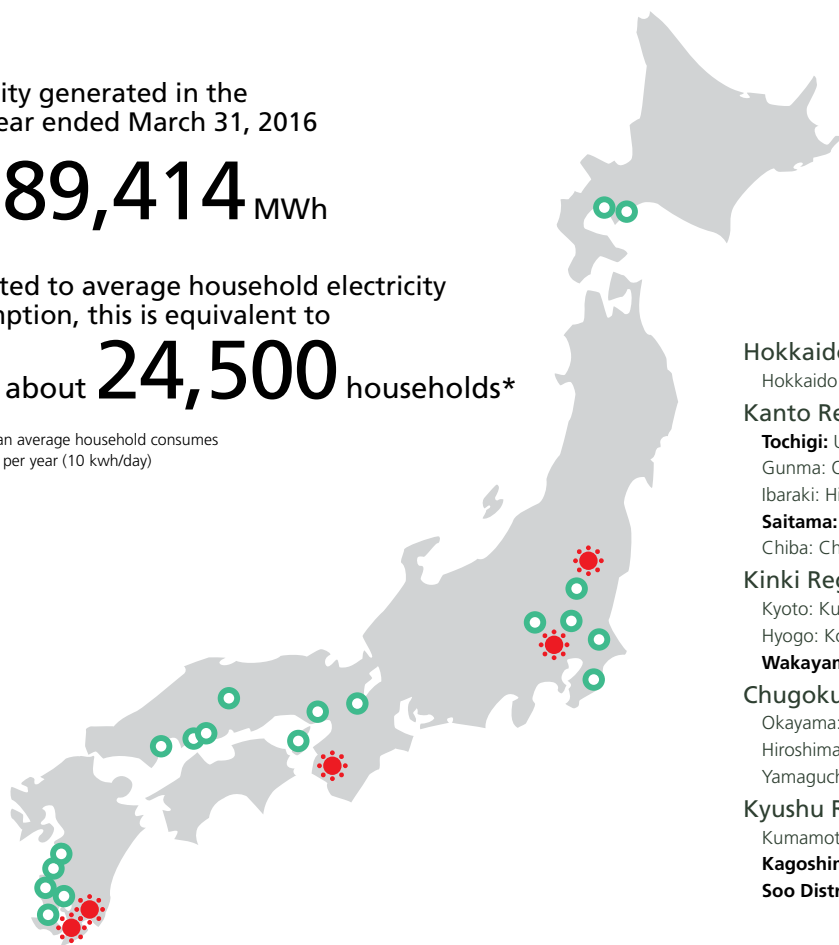
Electricity generated in the fiscal year ended March 31, 2016


 **89,414** MWh

Converted to average household electricity consumption, this is equivalent to

 about **24,500** households*

* Assuming an average household consumes 3.65 MWh per year (10 kwh/day)



 Started operation in the fiscal year ended March 31, 2016

Hokkaido


Hokkaido: Date City, Noboribetsu City

Kanto Region

Tochigi: Utsunomiya City, Moka City, **Nasushiobara City** 

Gunma: Ota City

Ibaraki: Higashiibaraki District

Saitama: **Kawagoe City** 

Chiba: Chosei District

Kinki Region

Kyoto: Kuse District

Hyogo: Kobe City, Sumoto City

Wakayama: **Kaiso District** 

Chugoku and Shikoku Regions

Okayama: Niimi City



Hiroshima: Hiroshima City, Higashi Hiroshima City

Yamaguchi: Iwakuni City

Kyushu Region

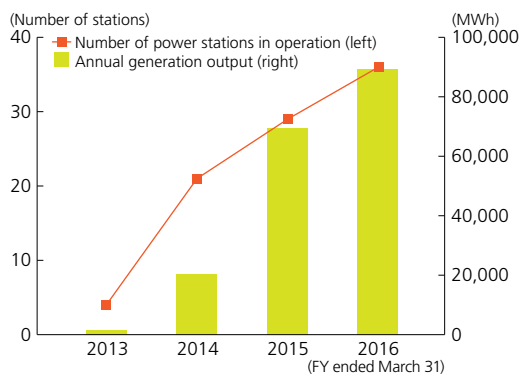
Kumamoto: Yatsushiro City, Ashikita District

Kagoshima: Akune City, Satsuma District, Hioki City,

Soo District (two locations)  

Number of Power Stations in Operation and Annual Generation Amount

	FY2013.3	FY2014.3	FY2015.3	FY2016.3	Target
Number of power stations in operation	4	21	29	36	40
Generation capacity (MW)	4.56	32.08	71.02	83.19	128
Annual generation amount (MWh)	1,534	20,435	69,335	89,414	145,000



Main Power Stations in Operation

Kumiyama Solar Power Station

(Kuse District, Kyoto Prefecture)



Rated output: 0.928 MW Operation start: July 2012

Ashikita Solar Power Station

(Ashikita District, Kumamoto Prefecture)



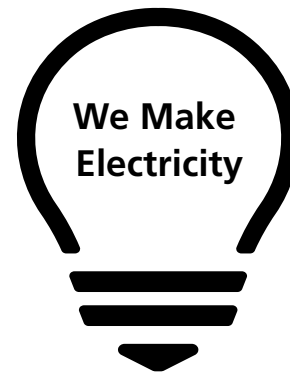
Rated output: 21.520 MW Operation start: April 2014

Oshibedani Solar Power Station

(Kobe City, Hyogo Prefecture)



Rated output: 9.746 MW Operation start: November 2014



**Obayashi Group's
Renewable Energy Creation Business**

Main Power Stations Starting Operations in the Fiscal Year Ended March 31, 2016

Osaki Futamatsu Solar Power Stations (No. 1 & 2)

(Soo District, Kagoshima Prefecture)



Rated output: 3.643 MW Operation start: June 2015

Nasushiobara Aoki Solar Power Station (No. 1 & 2)

(Nasushiobara City, Tochigi Prefecture)



Rated output: 4.644 MW Operation start: September 2015

TECHNOLOGICAL DEVELOPMENT



Obayashi promotes technological innovation in line with the needs of its customers and social issues. We also aim to generate profits and diversify our earnings base through technology by strengthening the engineering and nuclear power businesses.

Business Environment

R&D: There is a need for new technologies that satisfy diversifying customer needs and solve social issues such as energy, the environment, natural disasters, aging infrastructure and the declining birthrate and aging population.

Engineering business: The construction of production facilities for pharmaceuticals and food, as well as energy facility construction, soil remediation and information engineering, require advanced engineering skills to meet complex requirements for safety, reliability, functionality and environmental performance.

Nuclear power business: Making safety enhancements to enable the restart of reactors at nuclear power plants is a major challenge in Japan. Overseas, we expect new demand for nuclear power stations, especially in emerging countries.

Business Strategies

R&D: • Focus on technological innovation to address social issues and meet customer needs in areas such as the environment, energy measures, disaster preparedness, renovation, short construction periods, low-cost construction, automation, and labor-saving technologies. • Research and develop new technologies to spur growth in the construction business and new business fields such as renewable energy. • Aim to enhance our ability to provide comprehensive solutions for the environmental field and the healthcare field.

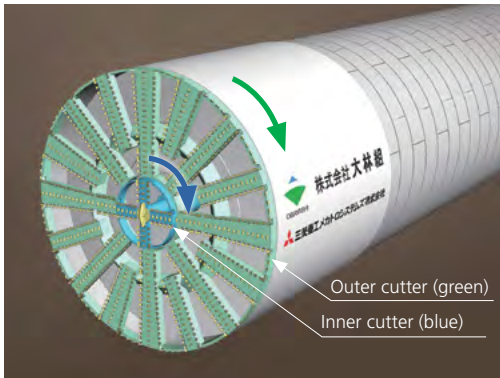
Engineering business: To expand operations, we aim to • Increase orders in the existing fields of production facilities, environmental facilities, energy facilities, soil remediation, and information engineering, • Enter growing fields, • Develop business overseas, and • Strengthen systems for promoting business.

Nuclear power business: • Win orders for projects to improve the safety of nuclear power plants by leveraging our seismic analysis technologies and countermeasures for tsunamis and hurricanes. • Acquire projects for decommissioning existing plants. • Receive orders for facilities for intermediate processing and storage of contaminated waste, as well as underground disposal facilities for radioactive waste. • Working to formulate new overseas business plans.

Priority Measures

- Develop automation and labor-saving technologies that help improve productivity
- Develop environmental and energy-related technologies
- Promote the smart city business
- Develop business overseas, centered on Southeast Asia, by increasing efforts in new growth fields in the engineering business
- Leverage our safety technologies in activities to acquire orders for projects in the nuclear power business and projects for overseas facilities

Technology Feature

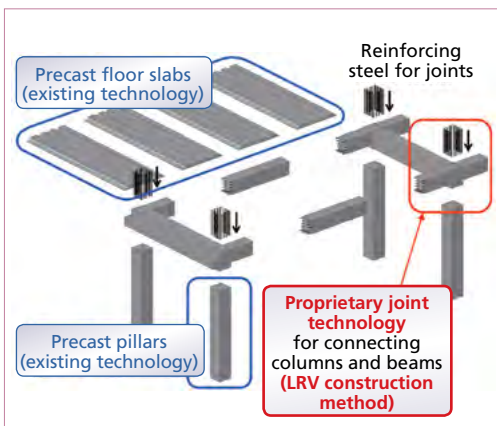


Energy-saving Shield with Double Cutter

In shield tunneling projects, needs are growing for larger-diameter shield tunneling machines (greater than 10 m) and fast excavation speeds. Better energy efficiency is also desired from the standpoint of reducing environmental load.

This method separately optimizes the rotational speeds of inner and outer cutter heads, with the inner head protruding forward of the outer head to be at the initial point of excavation. This makes it possible to reduce excavation resistance and improve the mobility of excavated soil.

Compared to conventional excavation methods, this new excavation method is highly efficient, improving excavation speeds by roughly 25% and reducing electric power consumption by around 30%.



Full Precast Construction Method for Railway Viaducts

This method entails the use of precast sections for the column and beam structure, including connecting joints. It has been successfully applied to numerous high-rise residential buildings to reduce labor and shorten construction periods.

Our viaduct construction technology is used to construct reinforced concrete rigid frame railway viaducts utilizing the LRV (Left-Right-Vertical) construction method. In conventional reinforced concrete rigid frame railway viaducts, precast sections were unable to be used for all the joints connecting columns and beams where reinforced arrangement are concentrated. However, our technology has made it possible to use them.

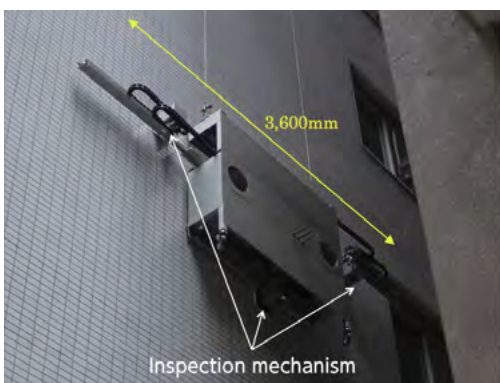
It is ideal for constructing viaducts when shortening construction periods in continuous grade separation projects in urban areas with numerous constraints on construction work.



Ceiling Fall Prevention System, "Fail-Safe Ceiling"

This construction method helps ensure enough time and space for people in a facility to evacuate in the event of an earthquake by temporarily keeping the ceiling in place with a fall prevention mechanism. The back surface of the ceiling is secured using flat bars and netting or thin ropes.

It can be used in a wide variety of buildings including public facilities, offices, hotels, research labs, factories, schools, gymnasiums, assembly halls and theaters. In 2015, Obayashi was the first company in the construction industry to receive Architectural Technology Performance Verification from a third-party organization for this method.



External Wall Inspection System, "Wall Checker"

This system increases the efficiency and speed of inspection and diagnosis of building external wall tiles. The system automates photography for visual inspection and recording of diagnosis results, which were manual processes previously. The system features an inspection arm that moves right and left as well as up and down, increasing efficiency and reducing labor in wall tile inspections.

It is able to efficiently inspect a width of tiles up to 3,600 mm in about 10 seconds, and automatically displays the results of the diagnosis in elevation drawings using data processing software. This greatly reduces the amount of work needed to create inspection reports.

CSR HIGHLIGHTS

We will carry out our responsibilities to society and report on our CSR initiatives for contributing to the realization of a sustainable society in line with the following themes.

Quality

▶ p39

- Quality Management System
- Developing Human Resources
- Application of ICT

Use of Tablets

We promote smart quality management at construction sites utilizing tablets.



Environment

▶ p43

- Promoting "Obayashi Green Vision 2050"

Received a Low-Carbon Cup 2016 Best Long-term Goals Award

Obayashi was recognized for its commitment to, and achievement in, reducing CO₂ emissions.



Human Resources

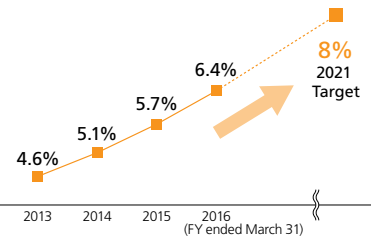
▶ p51

- Nurturing Human Resources
- Promoting Opportunities for Female Employees

Ratio of Female Managers

We aim to raise the ratio of female managers to about 8% by 2021.

Ratio of Female Managers



Health and Safety

▶ p53

- Occupational Health and Safety Management System
- Prevention of Workplace Accidents
- Improving the Working Environment at Construction Sites

We began introducing HAL® (Hybrid Assistive Limb®) wearable robots at construction sites throughout Japan in the fiscal 2016.



Photo by CYBERDYNE INC.

Obayashi is a participant in the UN Global Compact, a global framework for realizing a sustainable international society.



Suppliers

▶ p57

- Certification Programs (Excellent Site Supervisor, Excellent Operator)
- Obayashi Rin-yu-kai Vocational Training School
- Supporting Recruiting Activities

Obayashi Excellent Site Supervisor Certification Program

We expanded the program's scope for Excellent Site Supervisors, certifying 330 individuals in fiscal 2016. In addition, we increased the amount of additional pay for them.



Local Communities

▶ p59

- Initiatives in Japan and Overseas

Construction site tours

We hold tours at construction sites and the Obayashi Technical Research Institute.



Corporate Ethics

▶ p61

- Corporate Ethics Program
- Corporate Ethics Promotion System

Training sessions on corporate ethics

Workplace training in corporate ethics is held for all employees in Japan and overseas.



Major Awards from External Organizations

Award Name	Award Sponsor	Award-Winning Object/Party
AIJ Prize 2016 (Results)	Architectural Institute of Japan	Sustainably Managed Commercial Complex and Terraced Rooftop Garden Providing Co-existing Urban/Park Environment for Public Gathering and Activities (Namba Parks)
Good Design Award 2015	Japan Institute of Design Promotion	Development Center, RIKEN KEIKI CO., LTD.
56th BCS Prize	Japan Federation of Construction Contractors	DAIBIRU HONKAN, Nakanoshima Shiki-no-oka
The 25th BELCA Award, long-life category	Building and Equipment Long-life Cycle Association	Sumitomo Mitsui Banking Corporation Osaka Head Office Building Social Science Library and Rokkodai Main Building, Kobe University
54th SHASE Award of the Society "Award of Technology" "Award of Specialty—Ten Years Award"	The Society of Heating, Air-Conditioning and Sanitary Engineers of Japan	Award of Technology: GRAND FRONT OSAKA eco-friendly town planning and execution Award of Specialty—Ten Years Award Steps to maintain facilities' functions over the long term via a Private Finance Initiative (PFI) at Kanagawa University of Human Services
JSCE Awards Fiscal 2014 "Outstanding Civil Engineering Achievement (OCEA) Award" "Innovative Technique Award"	Japan Society of Civil Engineers	OCEA Award: Construction of a shallow, transverse expressway tunnel using a free cross-section staged excavation method Innovative Technique Award: Development of a concrete reinforcement method using thin, super tough cement board
35th Engineering Commendation Award	Engineering Advancement Association of Japan	Development of a seismic resistance system for skyscrapers
Fiscal 2015 Awards for Achievement in Promoting Reduce, Reuse, Recycle Activities (3R Awards) Minister of Land, Infrastructure, Transport and Tourism Award	Reduce, Reuse, Recycle Promotion Association	Restriction of the emergence of construction by-products and emissions during renovation work on the Nikko River Lock Gate

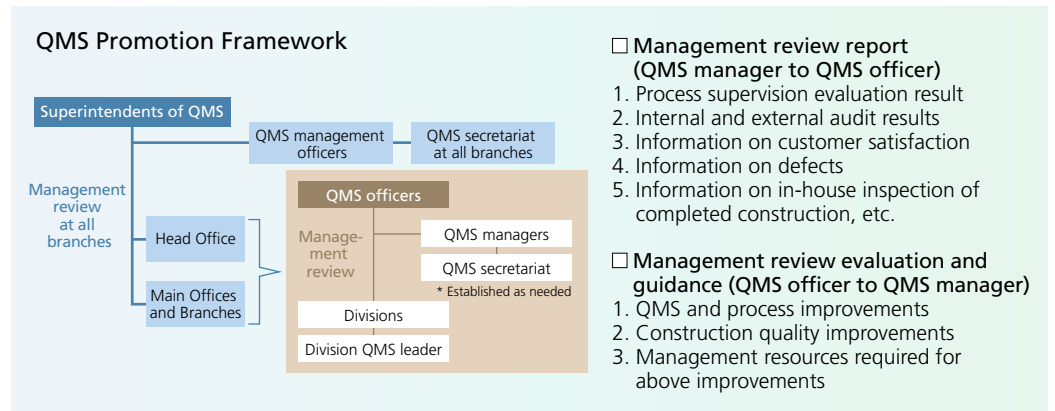
QUALITY

Our quality policy is to provide customers with buildings and infrastructure that will give them peace of mind, satisfaction, and a sense of pride. We employ quality management measures in every aspect of our operations, and work constantly to improve them.

Quality Management System

Obayashi has implemented a Quality Management System (QMS) conforming to ISO 9001, under which we practice integrated quality management with a commitment to continuous quality improvement, at all stages from planning to design, construction, and after-sales service.

Further, we are constantly sharing information and engaging in an array of training and education for higher quality and technology.



Developing Human Resources

To provide customers with high-quality buildings and infrastructure, we conduct training programs designed to increase the capabilities of our engineers in managing construction work on-site.

■ Training Programs in Japan

New recruits undergo a construction experience training program at the Fuji Education Training Center*1. This training program provides hands-on experience of core construction site operations such as measuring, assembling steel frames and concrete molds, and inspecting materials.

We also offer training at a model construction site adjoining our Osaka Machinery Works. Here, trainees enhance their construction management skills such as identifying defects. They use tablets displaying blueprints and check if rebar assembly matches them.

*1 An education training facility for construction engineers and skilled workers

■ Training Programs Overseas

Thai Obayashi opened a newly constructed training center in May 2015. At the center boasting cutting-edge facilities, experienced engineers offer instruction to a range of people spanning from younger staff to mid-career employees and to university students aspiring to be engineers.

(Left)
Thai Obayashi Training Center exterior
(Right)
Rebar assembly training



Application of ICT

■ Tablets

Engineers utilize tablets which help ensure excellent quality by facilitating verification of construction progress based on the latest information.

They contain a lot of information needed for construction management, such as blueprints and specifications sheets. They also enable inspection of result data such as on rebar arrangements and equipment to be recorded directly on-site using our in-house tablet program. We will make use of tablets for smarter quality management.



Recording inspection result data on a tablet

■ Machine Guidance (MG)

MG is a technology that uses location information from satellites to improve drilling accuracy.

It enables operators to see the satellite data of construction machinery locations so that they can compare them with blueprints and work plans. This method offers greater accuracy and shorter construction periods compared with conventional visual verification.



Operating construction machinery using an MG monitor (photo to the left) enables very accurate work



TOPICS

BCS Prize and JSCA Awards

The DAIBIRU HONKAN, Nakanoshima Shiki-no-oka built by Obayashi was selected to receive the 56th BCS Prize.*1 The BCS Prize is presented to outstanding buildings in Japan helping to encourage the creation of excellent architectural assets, cultural progress, and global environmental preservation. Its rebirth as an office building recreating the magnificent facade, lobby area, and other features that have become familiar over the years, integrating the latest technology to meet modern needs were recognized.

*1 Held by the Japan Federation of Construction Contractors

DAIBIRU HONKAN,
Nakanoshima Shiki-no-oka
(Osaka, Osaka Prefecture)



JSCA Awards*1 are given in recognition of outstanding civil engineering projects in Japan and overseas, as well as new technologies or significant contributions to its field. We received two Outstanding Civil Engineering Achievement (OCEA) Awards and an Innovative Technique Award.

OCEA Award: Combination of Small Shield Tunnels for a High Way Ramp-Off Structure*2

OCEA Award: Construction of the first Underground Research Laboratory in Japan excavated to a depth of 500 m in crystalline rock*3

Innovative Technique Award: Development of a concrete repair method (Smooth Board Method), using high-toughness cement boards*4

*1 Held by the Japan Society of Civil Engineers *2 Awarded jointly with the customer
*3 Awarded jointly with the customer and other construction section joint ventures *4 Awarded solely to Obayashi



Interior view of
Underground Research
Laboratory's tunnel
built 500 meters
underground

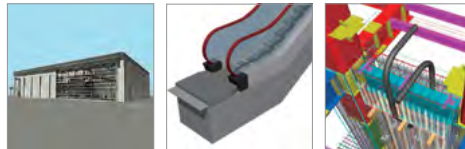
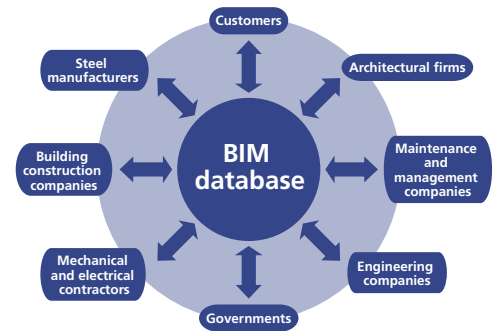
Visualizing Information in 3D—BIM and CIM

■ Building Information Modeling (BIM)

Obayashi's Smart BIM®

“Smart BIM” is a new platform for unified management and sharing of information across all construction processes—from planning to design and maintenance.

By enabling people involved in projects to simultaneously access the BIM database, the platform facilitates smooth communication and construction progress as well as quality assurance.



Sharing the latest data including design changes and piping equipment obstructions

BIMobile®—Maintenance Management Tool

We developed BIMobile*¹ to help manage the maintenance of customers' buildings.

3D BIM models and information about buildings such as frames, finishing materials, and equipment are shown on tablets where engineers can record photos and inspection records on-site.

BIMobile enables efficient inspections since actual sites can be compared with 3D models as the work is done.

*1 Developed in cooperation with Lattice Technology Co., Ltd.

Example of use:

- ① Select the equipment that needs to be inspected while comparing equipment at the site with 3D models.
- ② Information on the equipment, manuals, past inspection data, and so forth is verified, and the status of inspections, photos, and other information is recorded on-site and saved to a server.

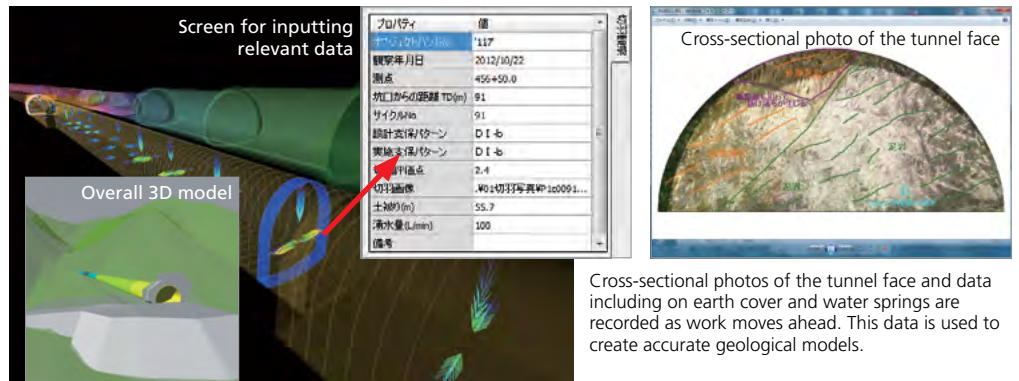


■ Construction Information Modeling (CIM)

CIM in Tunnel Construction

We employ CIM in tunnel construction by combining topographical data, tunnel face observation records, and other pertinent information in 3D models. Recording and amassing relevant information during construction helps us to predict geological conditions which allows us to create very precise plans to execute construction work.

CIM is also utilized in tunnel maintenance management since it enables uniform control and visualization of geological information previously hard to grasp.



Cross-sectional photos of the tunnel face and data including on earth cover and water springs are recorded as work moves ahead. This data is used to create accurate geological models.

Use of Drones (Small Unmanned Aerial Vehicles)

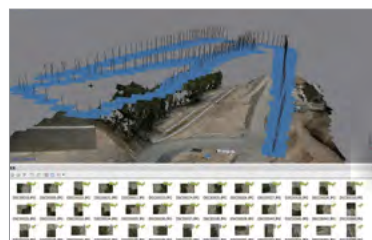
Applying CIM to data from photos taken by drones enables fast 3D measurements of spacious areas. In land development work, management of final shapes and volume of land is important. Using comparisons of data from 3D models, according to the status of construction progress, enables calculation of soil volume and timely, accurate management of work.



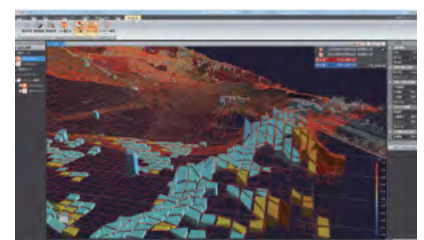
Receiving data from photos taken by drones



Multiple photos are used to create an image of the entire construction area



A 3D model is created from the image of the entire construction area



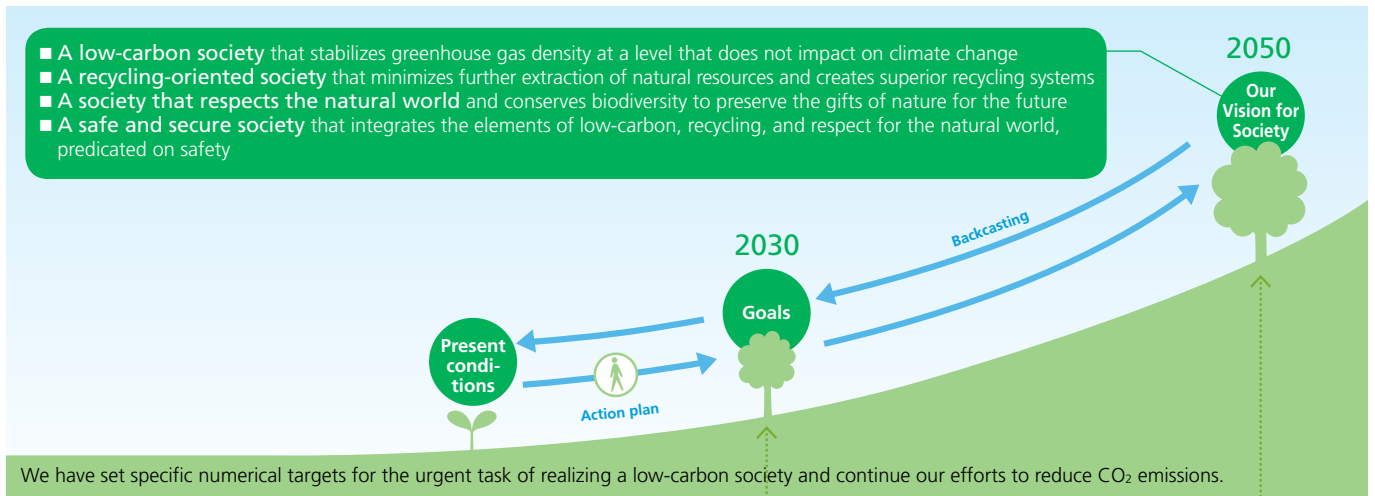
Soil volume is calculated using comparisons of topographical data in each grid

ENVIRONMENT

We will work to advance the “Obayashi Green Vision 2050,” a medium- to long-term vision for achieving a sustainable society, as well as environmental protection activities.

Obayashi Green Vision 2050

Our Vision for Society in 2050



We have set specific numerical targets for the urgent task of realizing a low-carbon society and continue our efforts to reduce CO₂ emissions.

	By 2030	By 2050
Action plan for direct contributions (Reduction of carbon footprint at facilities and adoption of low-carbon construction methods)	-85%	-85%
Action plan for indirect contributions (Development and popularization of low-carbon technologies and materials, and proposals and design of energy-conserving buildings)	-25%	-45%

* Base year: 2013

Main Initiatives in the Fiscal Year Ended March 31, 2016

Business Areas	Action Plan	Main Initiatives in the Fiscal Year Ended March 31, 2016	3+1 Society			
			Low-Carbon	Recycling-Oriented	Respect for the Natural World	Safe and Secure
Building and urban construction (buildings, urban development, and management)	Promote environmentally responsible real estate development projects	Proposed, examined, and carried out Group development projects	○	○	○	○
	Realize Smart Cities	Participated and verified at Technical Research Institute	◎	○	△	○
	Promote ZEB*1	Participated in development technology projects	◎	△	—	○
	Promote the soil and groundwater remediation business	Advanced remediation business for soil contaminated with VOC, heavy metals, or other substances	△	◎	○	○
	Reduce impact on ecosystems	Utilized technology to assess impact during development when considering projects	—	△	◎	○
Infrastructure construction (construction and operation of infrastructure)	Implement initiatives to invigorate communities mainly in the power generation business	Considered business that invigorates communities	◎	◎	○	○
	Promote the renewable energy business	Renewable energy generated: 8.941 million kWh/year	◎	○	○	○
Provision of services (other services)	Renew and extend the life of infrastructure	Developed technology to extend life and conserve resources in infrastructure rejuvenation	—	◎	○	◎
	Implement initiatives in hydrogen energy services	Considered hydrogen energy services	◎	○	—	○
Initiatives towards reducing CO ₂ emissions	Promotion of conserving energy at the construction stage	Reduced the amount of primary energy used in construction by 17.0% vs. fiscal 2011.3	◎	—	—	—
	Promote eco-friendly concrete use	Used about 12,000 m ² of Clean-Crete in civil engineering and building construction	◎	—	—	—

*1 Net Zero Energy Buildings designed to consume net zero energy in operation through energy conservation and the generation of renewable energy.

Relevance △ ○ ◎
Low ↔ High

Creating a Low-Carbon Society

We are working to reduce energy consumption over the total life cycle of buildings and to achieve lower carbon emissions in society overall. Our efforts include achieving zero-energy construction operations, providing energy-saving buildings and engaging in the renewable energy business.

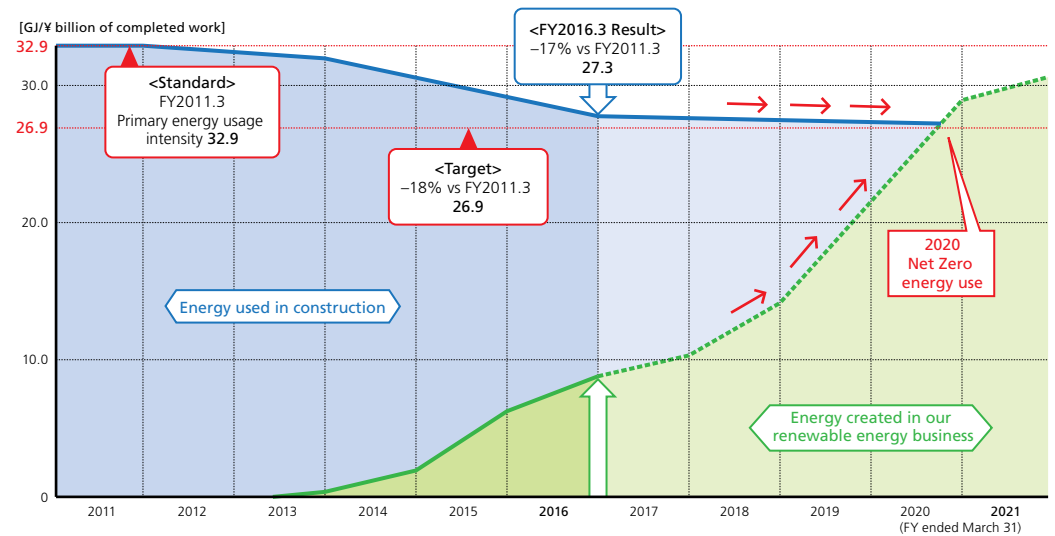
■ Action Plan for Direct Contributions

(Reduction of carbon footprint at facilities and adoption of low-carbon construction methods)

Promoting Net Zero Energy Construction (ZEC)

We are working to consume net zero energy in building and civil engineering construction in Japan by 2020, using energy-saving methods and creating energy in the renewable energy business.

ZEC Roadmap to 2020



Examples of ZEC



We installed about 1,600 LED light bulbs at a shopping center construction site with a total floor area of over 130,000 m². Electricity use was almost one-seventh of incandescent lighting and two-thirds of fluorescent lighting.



We set up a sign showing energy demand at the entrance of a tunnel under construction. This made each worker more conscious of saving energy and reduced electricity use.

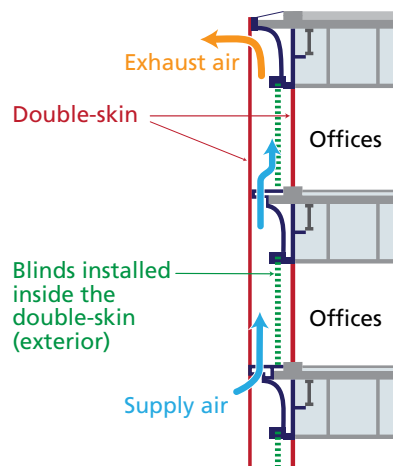
■ Action Plan for Indirect Contributions

(Development and popularization of low-carbon technologies and materials, and proposals and design of energy-conserving buildings)

Proposal and Design of Energy-Conserving Building

Canon Inc.'s Kawasaki Office Tower, constructed and designed by Obayashi, is built running from east to west.

Since bright sunlight pours into the offices in the morning and in the evening, the building uses a high-performance double-skin facade, offering advantages in terms of the view and lighting as well as being eco-friendly. Blinds are installed within the double-skin of the facade, which can be moved up and down and their angle can be changed to block the sunlight entering the office, which reduces the air-conditioning burden.



Double-skin enables natural ventilation, which reduces the use of air conditioning or such artificial energy



Blinds slats can be adjusted at two different angles; Upper part open and lower part closed (right photo). They provide optimal lighting, while reducing the thermal load

Smart City Construction

Obayashi took part in a three-year urban proof-of-concept trial*1 on the effective use of thermal energy at Japan's largest international exhibition forum, Intex Osaka. We deployed an energy-saving air-conditioning system (thermal grid system) utilizing water at various temperatures flowing between numerous buildings in air conditioning. This resulted in reducing CO₂ emissions by 68% during summer (July-September) when the air conditioning is on.

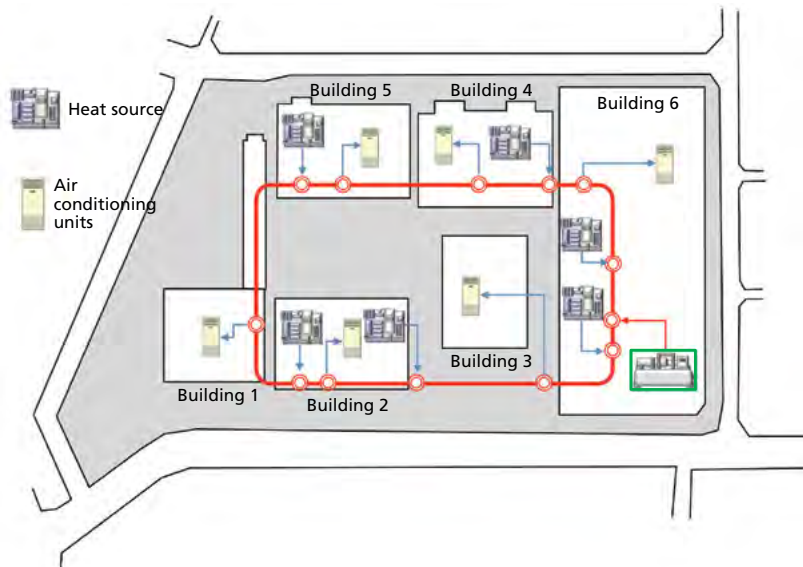


Proof-of-concept trial was conducted at six sites of Intex Osaka forums

*1 Verification Project on Green Community by Utilizing Untapped Resources such as Waste Heat, Japanese Ministry of the Environment

Grid System Overview

- Heat sources and air units in buildings are connected by using double loop piping (— red line in the image below), which enables water at different temperatures to be supplied freely. This creates a system for controlling hot and cold water supply to minimize primary energy consumption, specifically through cascade use of water.*2
- *2 Method of using thermal energy in stages, from hot to low temperatures
- Partial thermal source upgrade to high-efficiency equipment (outlined in green)



Results (Comparison based on estimates before installation and actual figures during summer 2015 trial installation)

	Before installation	After installation	Reduction impact
CO ₂ emission	166 t-CO ₂	53 t-CO ₂	-68%

Creating a Recycling-Oriented Society

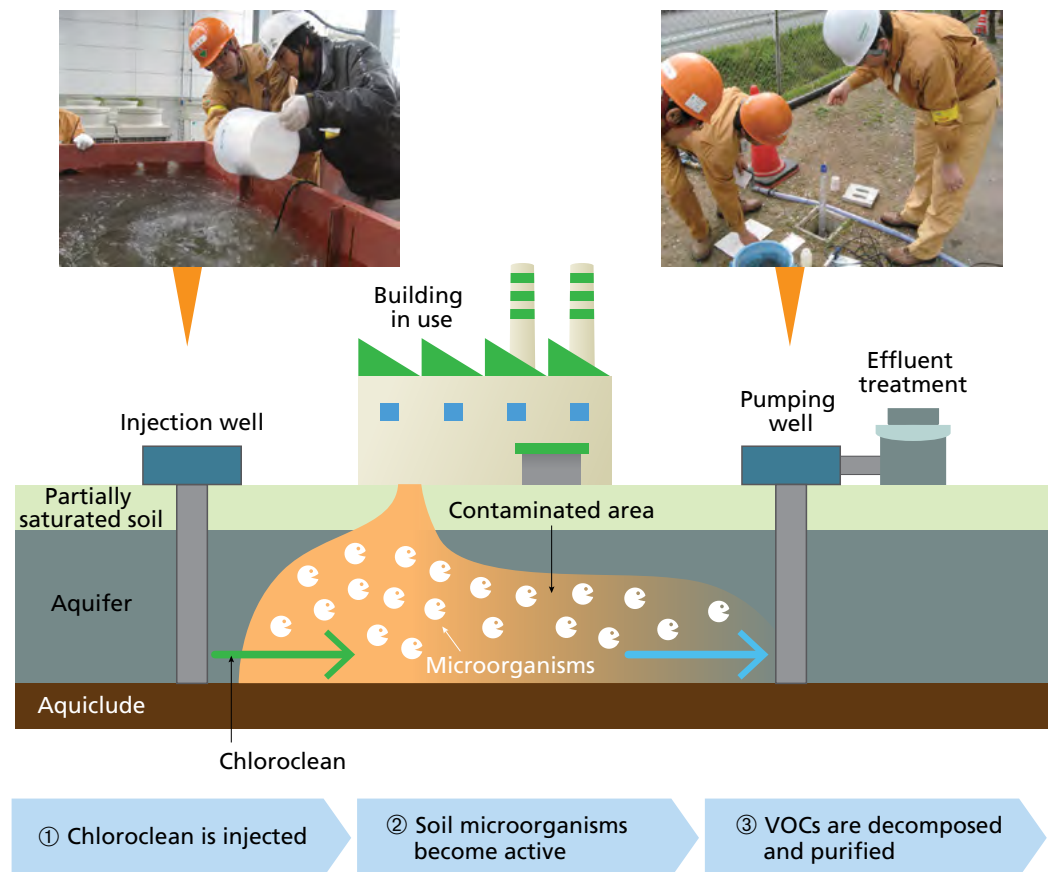
In addition to reducing and recycling construction waste through our net zero emission construction site initiative, we are also developing technologies such as soil remediation to restore it to an environmental resource.

■ Chloroclean

Chloroclean is our proprietary bioremediation technology for cleaning up soil and groundwater that is contaminated with volatile organic compounds (VOCs) without any digging. Injecting the microbial nutrient Chloroclean into the VOC-contaminated ground activates microorganisms living in the soil, which decompose and purify the VOCs. Made from food additives, Chloroclean is very safe. It also does a superior job activating microorganisms. After VOCs are decomposed and purified, activated microorganisms decline and the ground returns to its normal state.

This eco-friendly, low-cost method has been used in 23 projects to date.

Chloroclean in the Works



Creating a Society that Respects the Natural World

We consider ways to preserve nature at every stage, including planning, design, and construction. We are also working on regenerating ecosystems and ecosystem-friendly urban development.

■ Preservation of Living Organism

We are part of the joint venture*¹ building Asakawa Dam in Nagano Prefecture.

To protect living organisms in the basin of the dam construction, we enlisted the help of a local NPO and other parties in relocating species designated as being in danger of extinction.

Before the relocation, we took a survey of important living organisms that could conceivably be affected by the construction. We worked to the fullest extent to protect creatures identified by the preliminary survey as being at risk, including char, Japanese freshwater crab, and firefly (*Luciola cruciata*).

*1 Joint venture comprised of Obayashi Corporation, Moriya Corporation and Kawanakajima Kensetsu



Catching creatures living in the river basin with bare hands and by using nets



Japanese freshwater crab



Young char

■ Initiatives in New Zealand

Sophisticated ecological preservation is called for in New Zealand, a leading country in environmental conservation.

At the Waterview Connection Tunnels and Great North Road Interchange construction site, Obayashi worked on the environmental front as a member of an alliance organization*¹. With the consent of the local city council and residents, we relocated three brooks, captured and released back into the wild over 1,000 eels, enhanced and expanded a reserve for endemic species, and relocated rare plants.

These initiatives were well received by residents.

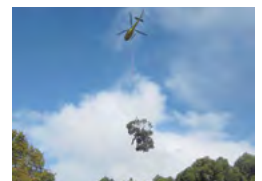
*1 Organization uniting client, contractors, and architects in executing the project. The contractors were Obayashi, Fletcher Construction Company, and McConnell Dowell.



Capturing and releasing eels while relocating a brook



New Zealand eel

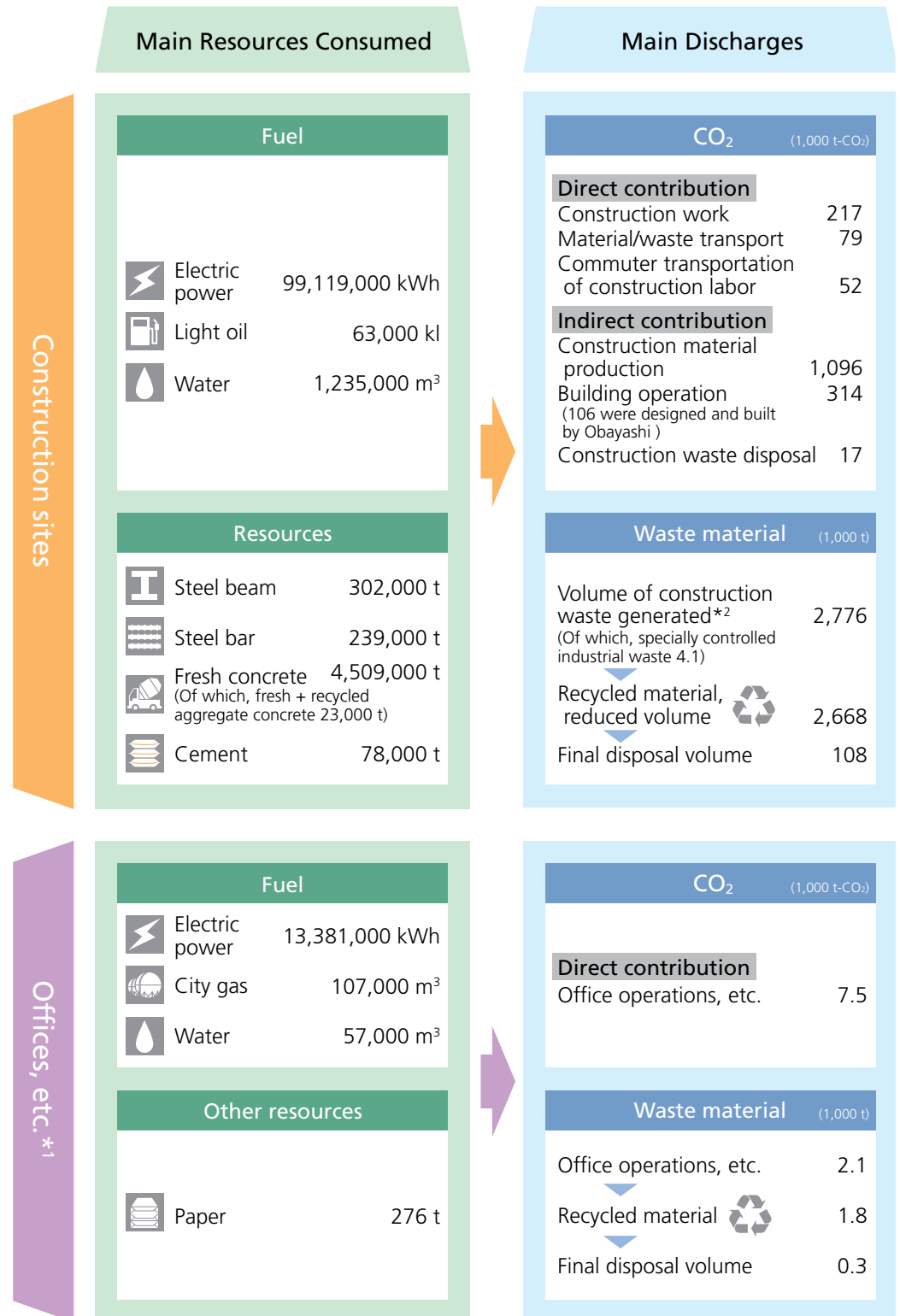


Transplanting a tree by helicopter

Photo provided by Well-Connected Alliance (WCA)

Environmental Impact of Our Business Activities

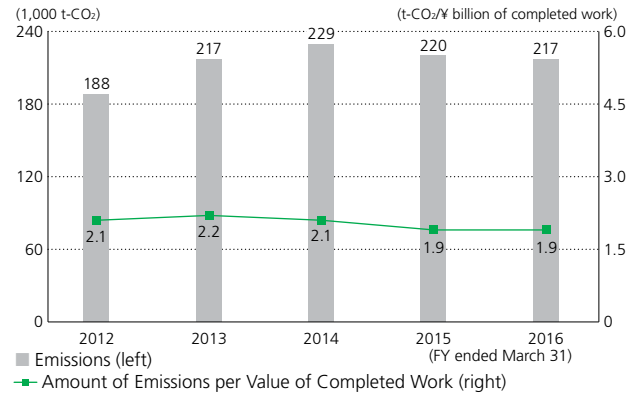
■ Material Flow for Fiscal Year Ended March 31, 2016



*1 Applicable facilities are buildings housing the Head Office, Tokyo Main Office, Osaka Main Office and branch offices, machinery works, material/equipment centers, the Obayashi Technical Research Institute, etc.
 *2 General waste products are excluded.

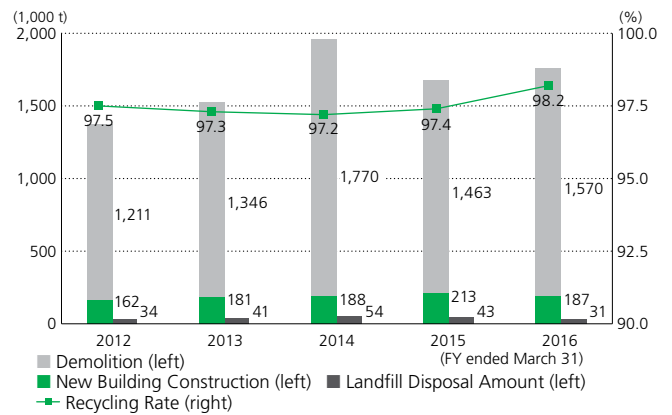
CO₂ Emission Volume during Construction

To reduce CO₂ emission volume during construction, we will work harder than ever to lower fuel consumption in construction machinery and vehicle operation, as well as installing LED lighting on construction sites as part of our efforts to realize ZEC.



Construction Waste Emissions (Excluding Sludge)

We will promote implementation of recycling in demolition projects, which generate a large amount of construction waste. Moreover, we will focus on reducing waste and using resources effectively in new building construction.



TOPICS

Environmental Initiatives

“Obayashi Green Vision 2050,” Obayashi’s medium- to long-term environmental vision established in February 2011, employs backcasting from where Obayashi aims in 2050, and uses forecasting to plan how to achieve its targets by 2030. This approach was highly recognized in winning the Low-Carbon Cup 2016 Best Long-term Goals Award, and its establishment before the COP 21 Paris Agreement on climate change adopted in December 2015 shows the challenging spirit of Obayashi.

Its vision for society in 2050 taking an integrated approach with regard to four key principles, “a recycling-oriented society,” “a society that respects the natural world,” “a safe and secure society,” as well as “a low-carbon society”, pre-empted the 2030 Agenda for Sustainable Development (Sustainable Development Goals or SDGs) adopted by the United Nations in September 2015.

The SDGs and Paris Agreement shift the axis of civilization from infinite progress and growth to finite sustainable development. This signifies dramatic change in the social, environmental, and economic structure. I believe “Obayashi Green Vision 2050” foresees that change. Global targets

for decarbonization are to be revised every five years under the Paris Agreement, and each time, significant change is likely to ensue.

In that sense, the Environment Department and business units reviewing the extent of the relationships between four principles and various business domains every few years helps increase the awareness of those involved and enhance initiatives.

All of the concrete examples presented in this report demonstrate solid headway on achieving the vision and goals. These include realizing smart cities and a recycling-oriented society, as well as action plans enabling direct and indirect contributions.

Such initiatives will become increasingly critical, and I hope to see Obayashi continue developing its steps on many fronts from numerous angles.



Toshihiko Goto
Chief Executive Officer
Sustainability Forum Japan

HUMAN RESOURCES

Corporate activities are supported by each and every employee.
We create a working environment where all of our associates can exercise their unique talents.

Respect for Human Rights

In June 2011, we established the Obayashi Statement on Human Rights. Based on the Universal Declaration on Human Rights, this statement sets out our commitments. These include respecting fundamental human rights; not discriminating based on race, gender, age, nationality, or other distinction; respecting international rules including International Labor Organization (ILO) agreements; prohibiting the use of forced labor or child labor; and complying with all applicable laws and regulations in the nations and regions where we operate.

To promote the recognition of human rights in keeping with our statement, a Human Rights Awareness Promotion Committee chaired by the executive officer responsible for human resources meets regularly. All employees need to ensure they do not engage in any form of discrimination and have a correct sense and awareness of human rights. To this end, we will undertake education on issues such as racism, sexual harassment, and international human rights.

Group companies also conduct training tailored to their business activities and regional characteristics, based on the policies determined by the Human Rights Awareness Promotion Committee.

Nurturing Human Resources

We offer in-house training systems, such as a staff instructor system where senior employees guide their younger colleagues, as well as a system where employees can express the position that they wish to work in. We also have level-specific training and specialist training for specific roles, as well as training for each business unit and type of operation.

Employees are also encouraged to acquire national and public qualifications related to their work, and we support their self-development by providing subsidies and incentives.

Global Human Resources

In addition to overseas study, dispatch to overseas companies and a language training program, the Global Leadership Training Program fosters understanding of the business customs in various countries and risk management skills to nurture global human resources. Around 30 young employees join the program each year. They are now working in a wide range of roles in Japan and overseas.

Locally Hired Staff

We offer a hands-on training program for locally hired staff at overseas Group companies. This program enables locally hired staff to learn our construction technologies and safety management measures.

In the fiscal year ended March 31, 2016, a total of eight staff from Thailand, Indonesia, and Vietnam came to Japan for this program. Upon returning to their home countries, they took on key roles in local Group companies.

Feedback from experiences overseas



Natsue Miyoshi (second from right)
"I am the first woman to take a post at Thai Obayashi. I really feel my job is worth doing when a team comes together overcoming cultural and language barriers."



Kinya Sunagawa (right)
"I am taking advantage of the overseas study program to obtain an MBA in the U.K. Experiencing first-hand things like differences in business practices and diversity makes every day fulfilling."

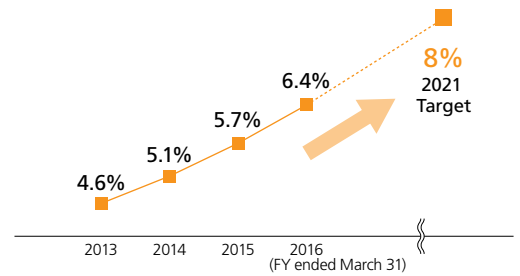
Promoting Opportunities for Female Employees

Female Managers (Target and Results)

We aim to double the number of female managers by 2024 compared with 2014, and raise the ratio of female managers to about 8% by 2021.

Women filled 6.4% of managerial positions as of March 31, 2016.

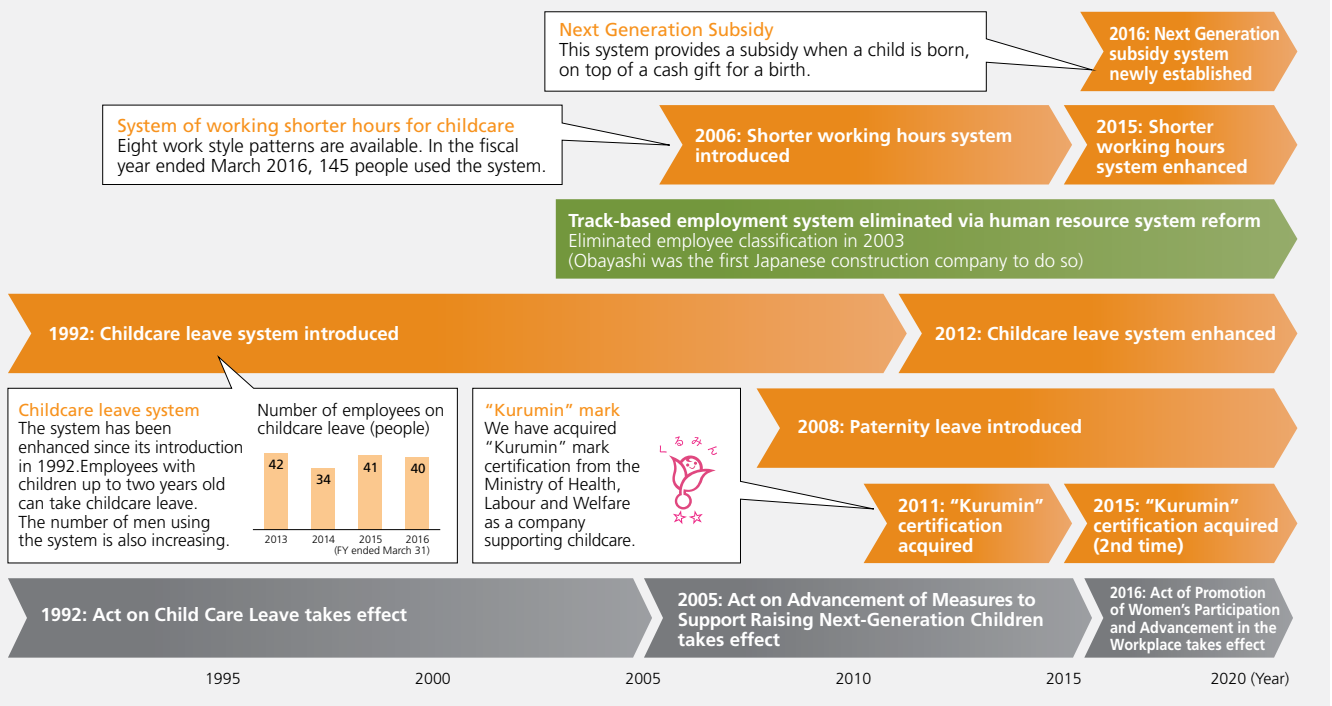
Ratio of Female Managers



Initiatives to Encourage Women to Thrive

Our establishment of a childcare leave system in 1992 is just one example of our efforts to shore up frameworks for bringing up the next generation and balancing work and private life.

In April 2016, we newly set up the "Next Generation subsidy" to provide financial aid when a child is born.



TOPICS

A Female Engineer Participating Overseas

After experiencing work at construction sites in Japan and abroad, I have been in charge of viaduct road construction work in Jakarta, Indonesia since 2012.

Working while raising a child overseas is difficult at times, but it is also very rewarding. I want to keep taking on various challenges while balancing work and parenting.



Yoko Onishi, Jakarta viaduct construction project office head

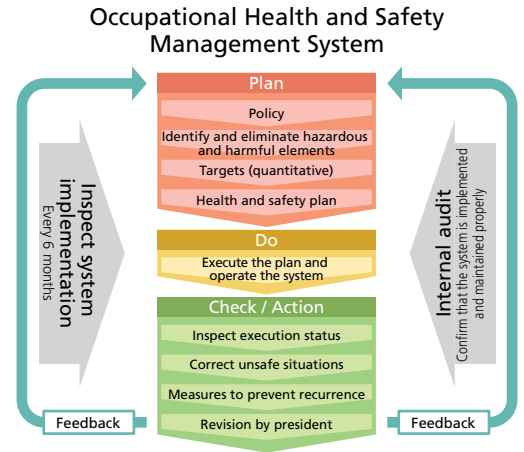
HEALTH AND SAFETY

Guided by our Health and Safety Principles, we carry out daily health and safety activities as part of our commitment to preserving the health and safety of workers and providing a comfortable work environment.

Occupational Health and Safety Management System

Our Occupational Health and Safety Management System is designed not only to achieve zero workplace accidents, but eliminate the risk of such accidents from our workplaces.

With this system, Obayashi sets policies and targets each year, and works through a Plan, Do, Check, Action (PDCA) cycle to eliminate or reduce the potential risks for workplace accidents. We also share expertise and take measures to foster an organizational culture that prioritizes safety.

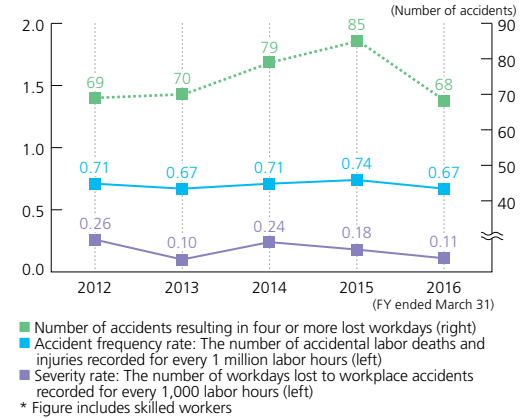


Targets and Status of Occupational Accident Occurrence

We made eliminating fatal accidents one of our targets for the fiscal year ended March 31, 2016, carrying out the following priority measures.

1. Prevent occupational accidents under the leadership of the project manager
2. Prevent accidents resulting in falls
3. Prevent machinery accidents
4. Increase health and safety management capabilities
5. Promote creation of healthy work environments
6. Prevent damage to third-parties due to accidents

Status of Occupational Accident Occurrence



Prevention of Workplace Accidents

To prevent faults in safety equipment and unsafe behavior on construction sites, we are rigorously implementing the following measures.

■ Initiative for Enhancing On-Site Inspections

Our employees and supplier supervisors check directly on the implementation of safety measures at worksites. Any faults are corrected on the spot.

■ Initiative to Encourage Calling

Under our construction site rules, workers who see someone doing something unsafe are required to verbally caution them. We strive to make an environment where people can call out to each other freely.

■ ATKY Initiative

Our employees and others working on construction sites actively employ pointing and calling to ensure safety, inspection, and check (in Japanese, *anzen, tenken, kakunin* or "ATK") and hazard prediction (*kiken yochi* or "KY"). This method enables them to identify hazards and harmful factors before starting an operation and to take proper countermeasures.

Safety Training

We provide training for employees and educational support for suppliers to prevent workplace accidents and raise health and safety awareness.

Employee Training

e-Learning

We use e-learning courses to enhance awareness of safety and foster deeper understanding of relevant laws and regulations.

In the fiscal year ended March 31, 2016, we held coursework on two themes: "Sling Work," since accidents frequently happen in this area, and "Mobile Crane Work," which has a high potential for serious accidents. Case studies were used to study the situations in which accidents occurred, as well as causes and countermeasures.

Hands-on Training

We conduct hands-on training to increase sensitivity to construction site dangers.

This training aimed to inspire employees to enhance their safety management skills and ability to lead suppliers by simulating actual accidents.

Training for Suppliers

We cooperate with the Obayashi Accident Prevention Association, which is organized by suppliers to provide training for promoting safety and health.

We use original educational DVDs to increase understanding related to safety and health. In the fiscal year ended March 31, 2016, we created two DVDs. One explains how to properly use safety belts—a belt with a lifeline attached to prevent falling. The other provides instruction on preventing heart disease and strokes as well as on how to use an Automated External Defibrillator (AED).



Digital e-learning textbook (excerpt)



Learning from an accident—hand caught in machinery



Educational DVD on Proper Safety Belt Use

TOPICS

Flexible Workplace Awards

The Yoka Hidaka Road Kuto Tunnel project office received the Award for Excellence at the Sixth Flexible Workplace Awards*1.

The award recognized steps to facilitate workers taking vacations by visualizing work schedules, to enhance the environment in the tunnel site, and to encourage workers to enroll in social insurance programs.

*1 Held by the Japan Federation of Construction Contractors



Members of the Yoka Hidaka Road Kuto Tunnel project office

Improving the Work Environment at Construction Sites

■ HAL® Wearable Robot

HAL® (Hybrid Assistive Limb®), a wearable robot developed by CYBERDYNE INC., has been used at Obayashi construction sites.

We are using HAL® for Labor Support, which is a robot worn around the waist to reduce the load when lifting heavy objects. This will lighten the burden on skilled workers and lead to working environment improvements and enhanced productivity.

Having completed workplace tests, we began introducing HAL® at construction sites throughout Japan in the fiscal year ending March 31, 2017.

Skilled worker wearing HAL® carrying an office floor board

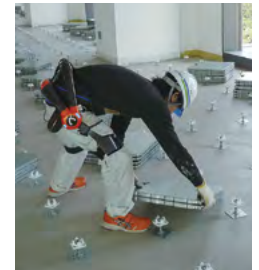


Photo by CYBERDYNE INC.

■ A Safety Management System Utilizing the IoT

We are conducting demonstration trials of a safety management system developed with NTT Communications Corporation that utilizes the Internet of Things (IoT).

We are using clothing made from hitoe®*1, a functional textile that can acquire real-time data on the wearer's heart rate and other vital signs, in combination with a system to ascertain WBGT*2 (heat index) levels at construction sites to prevent heatstroke.

Construction Sites



- ① A measurement device near the chest automatically sends data on heart rate and other vital signs to smartphones with which skilled workers can verify their physical condition.
- ② WBGT levels can be checked on smartphones (lower left photo).

Project Offices



- ③ Data on vital signs and WBGT levels are consolidated in the cloud-based safety management system. In addition to workers' vital signs, working posture and areas they work in are monitored.

- ④ When skilled worker's heat stress is detected, a danger alert is sent to the safety manager.

Construction Sites

- ⑤ Safety managers use alerts received by tablet, smartphone, or other device as a reference to check the physical conditions of workers, and provide guidance on taking breaks, hydration, and so on.



*1 hitoe® was developed by and is a registered trademark of both NIPPON TELEGRAPH AND TELEPHONE CORPORATION (NTT) and Toray Industries, Inc. Simply wearing this functional material enables heart rate, electrocardiograph, and other readings to be taken. It offers durability, skin comfort and highly sensitive detection of bio-signals by applying a special coating to a nanofiber knit impregnated with conductive polymers.

*2 WBGT: Wet bulb globe temperature in degrees Celsius
WBGT is an index first proposed in the U.S. in 1954 for the purpose of preventing heat exhaustion. Like the weather, it is expressed in terms of degrees Celsius, but the figure differs from the actual temperature. The heat index focuses on the interaction between a human body and heat in the outside air (heat balance) and accounts for the factors with a significant effect on the heat balance of the body, which are: (1) humidity, (2) peripheral heat environment such as sunlight and radiation, and (3) temperature. (Source: Ministry of the Environment Heat Exhaustion Prevention Information Site)

Creating Comfortable Working Environments for Women

■ Women's Construction Workwear

We recently introduced construction workwear for women.

Reflecting the opinions of women working at construction sites, we incorporated designs suited to the female body and emphasized comfort and lightness in selecting fabric. Planners, calculators and other equipment used at construction sites can be stored in large pockets.



New construction workwear for women

■ Sanitary and Other Site Facilities

We are working to make improvements on sanitary and facility levels at construction sites by establishing companywide standards. Some examples are setting up women's locker rooms and restrooms, and break rooms with air conditioning.

■ Transforming Awareness

As well as introducing women's construction workwear and improving facilities pertaining to health, we are also striving to reform the mindsets of men. We are making rules designed to foster good working environments for women well-known to everyone working at construction sites.



Aspiring to create good working environments for women

TOPICS

Kensetsu Komachi Activity Promotion Awards

Tokyo Port Tunnel II Joint Venture Project Office*1 received the Special Prize at the First "Kensetsu Komachi Activity Promotion Awards"*2.

These awards were established to recognize initiatives related to promoting active roles by women in construction, with the goal of improving the industry's image and diversity as well as bolstering its workforce for the future.

The project office received praise not just for enhancing the working environment for women, but also for creating a team comprising female engineers checking and giving suggestions on improvements to sanitary and other facilities from a female perspective.

*1 Members of the joint venture include Obayashi Corporation and Kajima Corporation

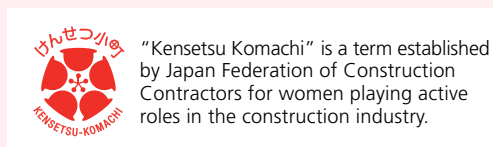
*2 Held by the Japan Federation of Construction Contractors



Director Nagao Ariga (far left) and Kensetsu Komachi Unit Chief Kumiko Kitai (far right) from the Japan Federation of Construction Contractors, Obayashi employees



"We want to help make construction sites comfortable places not only for women, but for all the people who work on them."



"Kensetsu Komachi" is a term established by Japan Federation of Construction Contractors for women playing active roles in the construction industry.

SUPPLIERS

We conduct fair transactions with suppliers and build strong relationships of trust that result in mutual growth.

Certification Programs (Excellent Site Supervisor, Excellent Operator)

In recent years, the construction industry has been confronted with problems related to a shortage of skilled workers. This is due to the aging workforce, a decline in the number of younger recruits and low retention rates.

We introduced the Obayashi Excellent Site Supervisor Certification Program aiming to raise the motivation of skilled workers. Under the system, Obayashi began certifying, and raising the pay of, exceptional supervisors*1.

In the fiscal year ending March 31, 2017, we have expanded the program's scope to younger supervisors and increased the amount of additional pay.

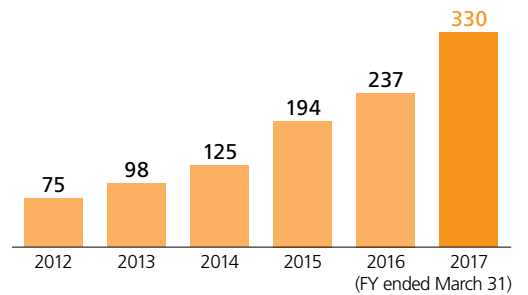
Recognizing the growing importance of crane operators, we have also launched a similar program, "Obayashi Excellent Operator Certification Program" in the fiscal year ending March 31, 2017, offering certification and higher pay for outstanding crane operators. So far, 16 operators have been certified in the first year of this program.

*1 A skilled worker who provides instructions to subordinates at construction worksites



Obayashi Excellent Site Supervisor, Excellent Operator certification ceremony

Obayashi Excellent Site Supervisors (People)



Obayashi Rin-yu-kai Vocational Training School

In April 2014, we opened a vocational training school to nurture skilled workers and pass on their expert skills to future generations. This school is certified by the Tokyo metropolitan government to implement a Ministry of Health, Labour and Welfare program as a regional organization conducting occupational training. Employees from Obayashi and our suppliers serve as lecturers, enhancing the skills of younger workers.

The school offers three courses: scaffolding, ferro-concrete reinforcement, and formwork. Trainees spend two months acquiring critical construction knowledge and technical skills necessary for construction worksites, including safety management and computer-assisted design (CAD).

As of March 31, 2016, 45 workers have completed the training and putting their skills to use at construction sites.

Furthermore, we have newly established a course for mid-level skilled workers in the fiscal year ending March 31, 2017, looking to broaden the training horizons.



Participants practicing assembling formwork



Learning how to create blueprints using CAD

Supporting Recruiting Activities

Promoting recruitment of skilled workers who will lead future generations and passing on techniques is not an issue solely for suppliers, but a matter in which we can play an important role. We work together with suppliers to convey the appeal of the construction industry.

■ Joint Company Introduction Seminars

Since the fiscal year ended March 31, 2015, we have been holding company introduction seminars for high school career counselors with the Rin-yu-kai, organized by the Obayashi Group's suppliers.

School career counselors and others from 61 high schools participated in these seminars in the fiscal year ended March 31, 2016.



Joint Company Introduction Seminars

■ Utilizing Recruiting DVDs

We produced a DVD in which skilled workers and supervisors working at construction sites introduce their daily duties and working environments. We use this DVD as part of recruiting activities to high school students, providing an opportunity to deepen their understanding of the construction industry and envisage themselves thriving on construction frontlines.



"Join us on the construction frontlines!" DVD produced by Obayashi and the Rin-yu-kai

Various Types of Training

We dispatch our employees as instructors for various types of training, such as quality, health and safety and compliance, held by Rin-yu-kai and the Obayashi Accident Prevention Association. We also hold joint training every year for newly recruited employees from Rin-yu-kai member companies to support training young workers.

■ Social Insurance Programs

As part of efforts to improve working conditions for skilled workers, we hold seminars and individual consultations together with Rin-yu-kai to encourage suppliers to enroll in social insurance programs.

In the fiscal year ended March 31, 2016, we held four such events in Osaka and Tokyo.



Seminar at Obayashi's Head Office in Tokyo. Individual consultations also attracted many people.

TOPICS

Minister of Health, Labour and Welfare Awards for Supervisor Safety Excellence

Three supervisors working at Obayashi construction sites were honored with an award for excellence at the 2015 Minister of Health, Labour and Welfare Awards for Supervisor Safety Excellence*1.

This award is presented to outstanding supervisors with excellent technical skills and experience as well as advanced awareness applied appropriately to provide safe guidance with the purpose of further vitalizing safety activities at workplaces and within local communities.

*1 Sponsored by the Ministry of Health, Labour and Welfare



Scene from the awards ceremony

LOCAL COMMUNITIES

Obayashi promotes social contribution activities as a good corporate citizen.

Initiatives in Japan

■ Tours at Construction Sites and Obayashi Technical Research Institute

We hold tours at construction sites and at Obayashi Technical Institute in Kiyose City, Tokyo, for students, citizens, and other interested parties.

Tours give participants a better understanding of cutting-edge construction technology, current construction conditions, and the real joy of building.



Tour for elementary school students and their guardians

■ Obayashi Cup U-12 Soccer Festival

Obayashi Cup U-12 Soccer Festival in Kijimadaira was held by F.C. Tokyo with Obayashi as a special sponsor.

The event not only enabled players to improve their soccer skills and strengthen their teams, but also promoted children's mental health and physical development by enabling them to experience nature and interact with other teams.



Participants came from 16 teams from seven organizations (215 people)

■ Parent-Child Woodworking Workshop

Obayashi Group company Naigai Technos Corporation held a parent-child woodworking workshop during summer when kids are off from school.

By making a wooden chair, children enjoyed woodworking and learned how to use tools like saws and hammers they do not normally handle.



Total of 53 elementary school students and their parents participated

■ Obayashi Foundation Scholarship Program

The Obayashi Foundation offers assistance to researchers and international conferences involved in urban planning, as well as operates an award program for researchers in the field. The foundation also provides scholarships to students studying to become urban planning professionals or researchers.

In the fiscal year ended March 31, 2016, 21 students were selected for scholarships.



The Obayashi Foundation scholarship presentation ceremony for the fiscal year ended March 31, 2016

■ **Matching Gift Program**

In the fiscal year ended March 31, 2015, we introduced a Matching Gift Program where we matched donations voluntarily made by employees.

We delivered employee and matching donations to 15 organizations in the fiscal year ended March 31, 2016, including those aimed at recovery from the Kumamoto Earthquakes occurred in April 2016.

■ **Supporting Special Olympics Nippon**

The Special Olympics is an international organization that aims to improve the quality of life through sport for people with intellectual disabilities .

We support these activities as an official sponsor of Special Olympics Nippon.



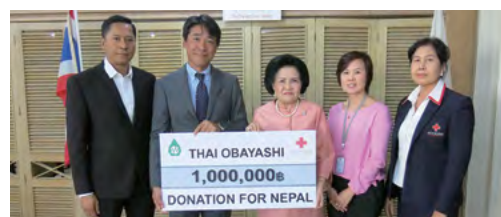
Received a certificate of appreciation from Japan Guide Dog Association for our donation



Initiatives Overseas

■ **Donation for Nepal**

Thai Obayashi donated funds along with voluntary contributions from employees to support victims of the major earthquake that hit Nepal in April 2015 via the Thai Red Cross Society.



Thai Obayashi presenting the donation to the Thai Red Cross Society

■ **Participation in Jakarta "Kizuna" Ekiden*¹**

This long-distance relay race (ekiden) aims to promote friendly relations between Japan and Indonesia. PT. JAYA OBAYASHI, our group company, supports this race, and participated with teams including Japanese and Indonesian nationals.

*1 Sponsored by The Mainichi Newspapers Co., Ltd.



Eight teams participated

■ **Tree Planting**

Kenaidan employees and their families took part in the "One Million Trees"*¹ greenery initiative, planting 150 seedlings in Dunton Athletic Fields in Mississauga, Ontario.

*1 Sponsored by One Million Trees, the City of Mississauga, Ontario



Participating employees and their families

CORPORATE ETHICS

We comply with laws and regulations and practice proper business conduct while striving to foster a strong awareness of ethics in each director and employee.

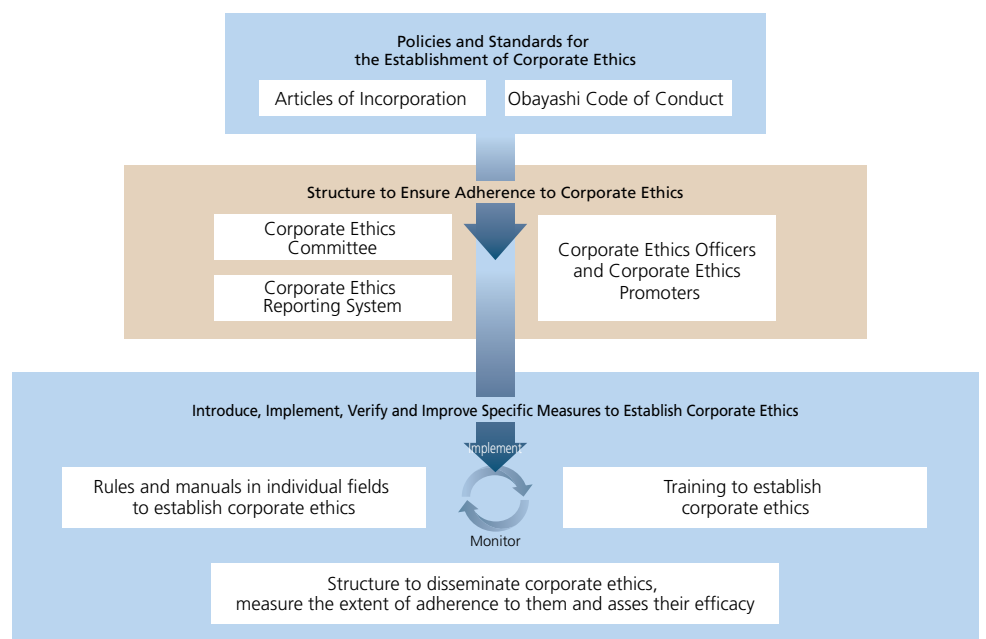
Policy

Obayashi's Articles of Incorporation stipulate a strong determination to comply with laws and regulations in order to ensure thorough awareness of compliance issues, including corporate ethics, and create a sound corporate culture. Moreover, the Code of Conduct within the Obayashi Principles stipulates thorough adherence to corporate ethics throughout the Company, led by top management.

<p>Obayashi Corporation's Articles of Incorporation, Article 3 (Compliance and Sensible Course of Action)</p> <p>Each and every director and employee of the Corporation will comply with all laws and regulations, have a high awareness of ethics in corporate activities, and will act in good faith. In particular, in winning orders for construction work, no actions will be taken that hinder the fairness and legitimacy of public tenders, such as tender bids that violate criminal law or the Anti-Monopoly Act (Act on Prohibition of Private Monopolization and Maintenance of Fair Trade).</p>	<p>Obayashi Code of Conduct (Ensure Strict Adherence to Corporate Ethics)</p> <ol style="list-style-type: none"> 1. Comply with laws and regulations and proper business conduct 2. Promote fair and free competition 3. Maintain appropriate relationships with stakeholders 4. Avoid all contact with antisocial forces 5. Ensure appropriate information disclosure and transparency of management
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Corporate Ethics Program

The Corporate Ethics Program was created to establish corporate ethics and ensure adherence. In the program, Obayashi set out policies and standards, established systems, and introduced specific measures, which we are rigorously implementing. The program incorporates a Plan, Do, Check, Action (PDCA) cycle which includes regularly reviewing the implementation status of each measure.



Corporate Ethics Promotion System

■ Corporate Ethics Committee

The Corporate Ethics Committee, chaired by the president, has been established to deliberate on important issues such as the formulation of basic policies for establishing corporate ethics, and to ensure adherence to corporate ethics. In addition, a Corporate Ethics Promotion Committee, comprised primarily of general managers, has been established to strengthen the framework. In order to incorporate assessments from independent parties, both of the committees include outside authorities and the head of the employees' union.

■ Corporate Ethics Reporting System

We have established a corporate ethics reporting system for people involved in our operations (including employees, temporary employees, incoming transferred employees, part-time staffers, personnel from suppliers, and so forth).

In addition to an internal contact, an outside law office is available as an external point of contact to make the system easier to utilize for whistleblowers. Whistleblowers can be anonymous and are thoroughly protected against prejudicial treatment.

All reports of impropriety are followed promptly by a fact-finding investigation and necessary actions.



A poster promoting the Corporate Ethics Reporting System

Introduce, Implement, Verify and Improve Specific Measures

■ Rules and Manuals

We have set forth and abide by rules and manuals for individual fields, starting with the Antimonopoly Act Compliance Program, the Antisocial Forces Exclusion Program, and the Obayashi Group Anti-Bribery Program, and also including the Occupational Health and Safety Manual and the Quality Manual.

■ Corporate Ethics Training

In April of each year, workplace training in corporate ethics is held for all employees in Japan and overseas.

Using a textbook produced by the Corporate Ethics Promotion Committee, the training focuses discussion on specific cases, such as compliance with the Construction Industry Act and exclusion of antisocial forces. Participants also learn about preventing bribery of foreign government officials, as well as information security knowledge, and other issues.



Corporate Ethics Training

■ Monitoring

We monitor the implementation of our corporate ethics programs, including the Bid-Rigging Monitoring Program conducted by the Audit Committee and monitoring of internal audits by the Business Administration Department.

We verify that corporate ethics are being instilled throughout the Company and that manuals are being implemented into routines by conducting workplace training in corporate ethics in each division, as well as follow-up e-learning sessions.

CORPORATE GOVERNANCE

Basic Policy

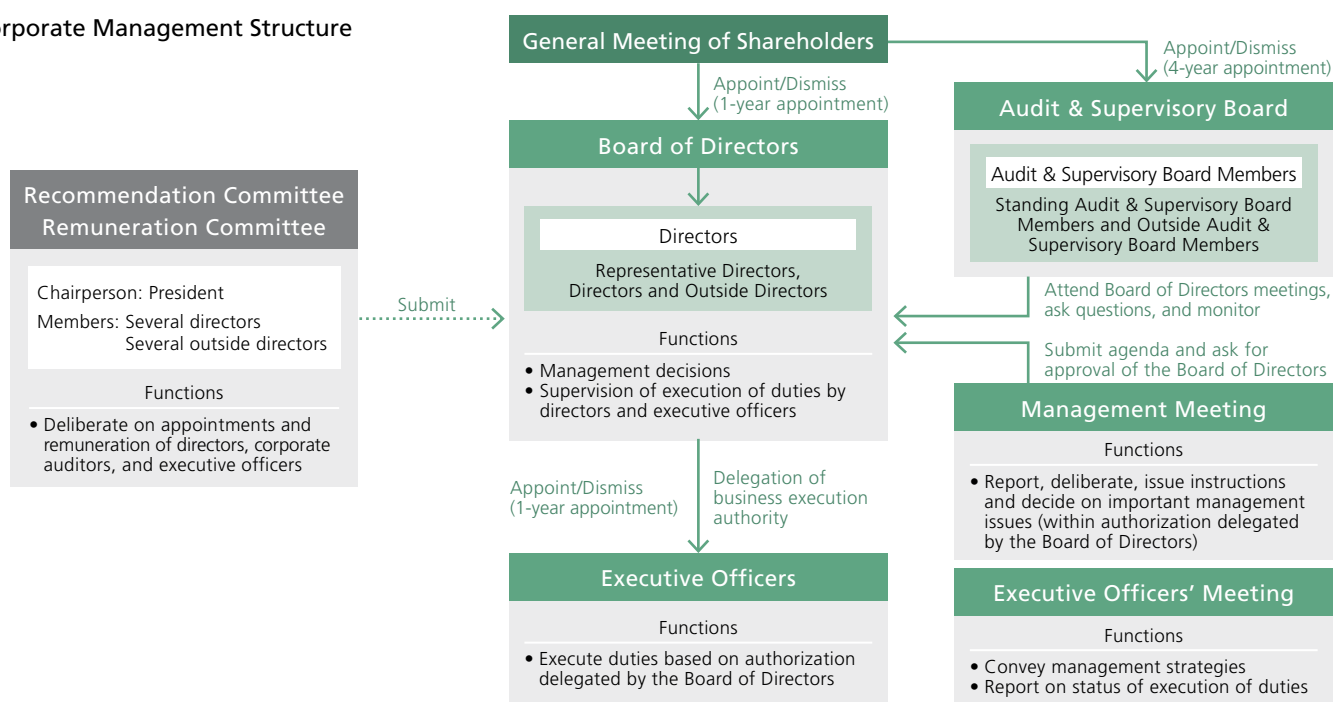
Along with building a strong framework for business execution, Obayashi believes that transparency and sound management are critical to maintaining the trust of society. We always work to enhance corporate governance with that in mind.

The Company is working to enhance its corporate governance with a view to achieving sustainable growth and increasing its enterprise value over the medium to long term. Specific initiatives include transparent, fair, rapid, and resolute decision making based on the principles of Japan's Corporate Governance Code set out by the Tokyo Stock Exchange.

Management Structure

We have put in place the General Meeting of Shareholders, the Board of Directors, the Audit & Supervisory Board, the independent auditor, and other statutory bodies. Additionally, we have established systems for making management decisions and conducting appropriate audits. We practice precise and swift decision-making through our executive officer system and Management Meeting, which is composed of members appointed from among the directors and executive officers.

Corporate Management Structure



■ Board of Directors

The Board of Directors is composed of up to 15 directors. Directors are responsible for management decision-making and business execution, as well as supervision of the execution of duties by other directors, executive officers and employees. The tenure for directors is one year, which enables us to respond dynamically to changes in the business environment, while also clarifying management responsibilities for each business term.

The effectiveness of the Board of Directors as a whole was analyzed and assessed based on the assessments and opinions of the directors. They have judged that the effectiveness of the Board has been ensured.

■ Audit & Supervisory Board

The Audit & Supervisory Board comprises a maximum of five Audit & Supervisory Board members (of whom the majority must be outside Audit & Supervisory Board members). In accordance with the "Obayashi Audit Guidelines for Audit & Supervisory Board members," the Audit & Supervisory Board members, in a position independent from the directors, conduct audits to ensure that the status of business execution by the directors, executive officers, and employees is in compliance with the law and the Articles of Incorporation. At the same time, to ensure the appropriateness of the financial statements, the Audit & Supervisory Board members monitor and verify the work of the independent auditor (accounting firm).

■ Management Meeting

The Management Meeting is composed of members appointed from among the directors and executive officers. It is held to report, discuss, resolve, and instruct on important management matters, in order to ensure precise and swift decision-making.

■ Executive Officers

Executive officers receive authority from the Board of Directors to execute business operations. By concentrating on their executive duties, the executive officers achieve efficient business execution.

■ Executive Officers' Meeting

The Executive Officers' Meeting is comprised of directors and executive officers. The meeting is held to convey management strategies and report on the status of business execution.

■ Recommendation Committee and Remuneration Committee

The Recommendation Committee and Remuneration Committee (both chaired by the president) include outside directors in their composition. The Recommendation Committee deliberates on the selection process for directors, Audit & Supervisory Board members, and executive officers and the Remuneration Committee deliberates on the decision-making process for their remuneration. The results are submitted to the Board of Directors. This is intended to clarify the selection process and remuneration decision process, while ensuring transparency and objectivity.

Overview of the Corporate Governance Structure

(As of June 29, 2016)

Form of organization		Company with Audit & Supervisory Board
Directors	Number of directors provided in Articles of Incorporation	15
	Number	11
	Of which outside directors	2
	Appointment term	1 year
	Remuneration	Basic remuneration and stock remuneration in line with contribution to performance
Audit & Supervisory Board members	Number	5
	Of which outside audit & supervisory board members	3
Number of independent directors and Audit & Supervisory Board members		5
Executive officer system		Yes
Independent auditor		Ernst & Young ShinNihon LLC
Discretionary committees		Recommendation Committee regarding directors, audit & supervisory board members and executive officers. Remuneration Committee regarding executive remuneration

Main Recent Initiatives to Enhance Corporate Governance

2004	Increased the number of outside Audit & Supervisory Board members from 2 to 3 to strengthen the independence of the Audit & Supervisory Board
2005	Introduced the executive officer system to clarify the roles of managing officers Changed the maximum number of directors from 50 to 15 to enable Board of Directors meetings to be held flexibly to expedite decision-making
2007	Changed appointment term for directors from 2 years to 1 year to clarify management responsibility during the appointment term
2013	Elected 1 independent outside director to enhance the corporate governance structure
2015	Increased the number of independent outside directors from 1 to 2 to enhance the corporate governance structure
	Introduced performance-linked stock remuneration for directors and executive officers to incentivize contribution to improving earnings and increasing corporate value over the medium to long term

Outside Directors and Outside Audit & Supervisory Board Members

We have appointed two outside directors and three outside Audit & Supervisory Board members. The outside directors provide advice on improving management efficiency, along with supervision of all aspects of management from an independent position. The outside Audit & Supervisory Board members are responsible for ensuring that corporate governance functions effectively by providing checks from a third-party position independent of management.

Our standards for appointing outside directors and Audit & Supervisory Board members, including standards regarding independence, are as follows:

Requirements for selection as an Outside Director/Audit & Supervisory Board member candidate

- The capabilities, knowledge, experience and character of the outside director/Audit & Supervisory Board member candidate (hereinafter referred to as the "Candidate") are suitable for an outside director/Audit & Supervisory Board member at the Corporation, and the Candidate is able to provide directions and opinions to the Corporation's management from an independent and impartial standpoint.
- The Candidate is not a former Director/Audit & Supervisory Board member or employee of the Corporation or any of its associated companies.
- The Candidate does not currently belong, and has not belonged in the past, to an Accounting Auditor, law office or main bank with which the Corporation currently has a contract.
- The Candidate is not a major shareholder with an ownership stake of 10% or more (or a person that currently belongs or has belonged in the past to an entity that is a major shareholder).
- The Candidate does not currently belong, and has not belonged in the past, to an entity that has a business relationship with the Corporation in which the annual amount of transactions has exceeded 2% of the net sales of both the Corporation and such entity during the last three fiscal years.
- The Candidate does not currently work, and has not worked in the past, as an executive at a non-profit organization to which the Corporation has made an annual donation exceeding 20 million yen during the last three fiscal years.
- If the Candidate does not meet the requirements in 3. through 6., at least five years have passed since the candidate left the relevant entity.
- The Candidate meets the requirements for an independent director/auditor pursuant to the provisions of the Tokyo Stock Exchange's Securities Listing Regulations.

(Enacted October 22, 2010 and revised December 1, 2012)

Outside Director	Reason for Appointment	Activity in the fiscal year ended March 31, 2016
Shinichi Otake Chief Executive Counselor, NIPPON TELEGRAPH AND TELEPHONE WEST CORPORATION	To have his ample experience and advanced knowledge from many years of involvement in corporate management reflected in the appropriate decision-making and supervision of Obayashi's Board of Directors, from an independent standpoint	Attendance at Board of Directors Meetings: 16 out of 16 meetings (100% attendance)
Shinichi Koizumi * Appointed in June 2015 Advisor, Toray Industries, Inc.	To have his ample experience and advanced knowledge from many years of involvement in corporate management reflected in the appropriate decision-making and management supervision of Obayashi's Board of Directors, from an independent standpoint	Attendance at Board of Directors Meetings: 12 out of 13 meetings (92% attendance)
Outside Audit & Supervisory Board Member	Reason for Appointment	Activity in the fiscal year ended March 31, 2016
Yasutaka Kakiuchi Former Deputy Director-General Minister's Secretariat of the Ministry of Construction	To have his ample experience from many years of involvement in the administration of government policy on land, infrastructure and transport reflected in Obayashi's audits, from an independent standpoint	Attendance at Board of Directors Meetings: 15 out of 16 meetings (94% attendance) Attendance at Audit & Supervisory Board Meetings: 16 out of 16 meetings (100% attendance)
Hiroshi Murao President, Murao Certified Public Accountant Office	To have his specialized knowledge as a certified public accountant and ample experience in corporate accounting reflected in Obayashi's audits, from an independent standpoint	Attendance at Board of Directors Meetings: 16 out of 16 meetings (100% attendance) Attendance at Audit & Supervisory Board Meetings: 16 out of 16 meetings (100% attendance)
Hiroshi Yokokawa * Appointed in June 2015 President, Japan Association of Athletics Federations	To have his ample experience from many years of involvement in the administration of government policy on economy and industry as well as corporate management reflected in Obayashi's audits, from an independent standpoint	Attendance at Board of Directors Meetings: 12 out of 13 meetings (92% attendance) Attendance at Audit & Supervisory Board Meetings: 11 out of 12 meetings (92% attendance)

Supporting Structure of Audit & Supervisory Board Members

The Audit & Supervisory Board members and independent auditor each conduct audits from their independent standpoints, with the Audit & Supervisory Board members receiving reports and briefings as required from the independent auditor. The two parties also cooperate to raise the effectiveness of audits by sharing information and opinions. Meanwhile, as Obayashi's internal audit arm, the Business Administration Department is responsible for all audits conducted separately from the Audit & Supervisory Board members and independent auditor. Performed according to Obayashi's Internal Audit Regulations, these audits monitor the effectiveness of internal control and the execution of duties by each department within the Company. The Audit & Supervisory Board members and Business Administration Department cooperate as well to raise the effectiveness of audits by sharing information and opinions.

Policies for Determining Remuneration

The basic policy with regards to director and executive officer remuneration is to determine the amount of basic remuneration and stock remuneration for each director and executive officer in accordance with actual contribution to earnings, in order to secure outstanding human resources and to provide incentive to each director and executive officer to improve earnings and enhance corporate value.

Specifically, for basic remuneration, the Board of Directors has set a remuneration table in accordance with title and earnings contribution ranking, and the Remuneration Committee, which includes outside directors as members, appraises the degree of earnings contribution of individual directors and executive officers to determine the amount of remuneration.

Stock remuneration was introduced from the fiscal year ending March 31, 2016, with the goal of incentivizing contributions to increasing earnings mainly over the medium to long term. The system distributes Obayashi shares to directors and executive officers based on the degree of achievement of earnings targets for each fiscal year. The standard for distributing shares is determined in advance by the Board of Directors after deliberation by the Remuneration Committee.

The basic policy with regard to the remuneration of the Audit & Supervisory Board members is to set an amount required to secure outstanding human resources in order to have corporate governance function effectively.

Specifically, remuneration standards are set up in advance according to full-time and part-time status, and so forth through discussions among Audit & Supervisory Board members, and remuneration for each Audit & Supervisory Board member is determined in line with those standards.

Total Amount of Director and Audit & Supervisory Board Member Remuneration (Fiscal Year Ended March 31, 2016)

Position	Total Remuneration and Other Compensation
Directors (13 directors)	¥554 million
Audit & Supervisory Board members (6 auditors)	¥82 million
Of which outside directors / Audit & Supervisory Board members (6)	¥46 million

Notes: 1. The above includes amounts for two directors and one outside Audit & Supervisory Board member who left their posts as of the conclusion of the 111th Ordinary General Meeting of Shareholders held on June 26, 2015.
2. The above includes a performance-linked stock remuneration expense of ¥58 million recorded for 9 of the 11 directors (excluding 2 outside directors) who were appointed at the 11th Ordinary General Meeting of Shareholders held on June 26, 2015

Matters Pertaining to the Independent Auditor (Fiscal Year Ended March 31, 2016)

Category	Compensation Paid for Audit Certification Activities	Compensation Paid for Non-Audit Activities
Obayashi Corporation	¥97 million	¥0 million
Consolidated subsidiaries	¥81 million	—
Total	¥179 million	¥0 million

Name of the independent auditor: Ernst & Young ShinNihon LLC

Establishment and Implementation of Internal Control System

We have established an internal control system in accordance with the Companies Act and Ordinance for Enforcement of the Companies Act. The purpose of the system is to ensure appropriate business operations throughout the Group.

Constructive Dialogue with Shareholders

We consider the General Meeting of Shareholders to be an important forum for dialogue with shareholders. At the meetings, we promote constructive dialogue with shareholders through the presentation of business reports and explanations by the president, Q&A sessions with directors, and other activities. We also hold financial results briefings for second-quarter and annual financial results, and conduct results briefings by conference calls for the first- and third-quarter results. Other opportunities include holding construction site tours (twice a year) and participation in securities companies' investment conferences (five times a year), as well as small meetings and other such activities.

IR Activities

Activity	Number of Times in the Fiscal Year Ended March 31, 2016	Description
Financial results briefings and telephone conferences for analysts	4	Financial results briefings given by the president and the management team (May, November) and telephone conferences (August, February)
Individual meetings for institutional investors	90 (meetings with 120 companies in total)	Held individual meetings with institutional investors after financial results announcement
Small meetings	4	Held meetings on specific themes
Investment conferences	5 (meetings with 41 companies in total)	Participated in investment conferences held by securities companies and held meetings with overseas institutional investors
Overseas IR Activities	—	The president and assigned directors visited overseas institutional investors to have meetings with them
Construction site tours	2	Held construction site tours for institutional investors and securities analysts

Message from an Outside Director

Toward a Sustainable Society and Community Development through the Core Businesses

In order to continually increase enterprise value, it is important to maintain management soundness and transparency. I intend to carefully scrutinize the adequacy of management decisions through questioning and verification at meetings of the Board of Directors and other bodies. From my management experience in the telecommunications industry, where technology innovation is rapid and earnings structures change drastically, I will continue to state my opinions at board meetings on risk management and earnings diversification.

Obayashi's Board of Directors engages in free and open debate, and not just at the broad level; specific topics such as risk management are also discussed. Statements are also made by the Audit & Supervisory Board members, which furthers vitalizes the discussion.

For cross-shareholdings disclosed in the Corporate Governance Report for the fiscal year ended March 31, 2016, the Board of Directors has discussed the matter and formulated a decision-making process using qualitative and quantitative criteria. The Board intends to take a rational approach to handling these shareholdings going forward.

Obayashi's medium- and long-term issues are to increase and stabilize earnings from new businesses, which the Company is currently actively promoting, and to prepare for the population

decline in Japan and future changes in the domestic construction market. In addition, from the standpoint of developing personnel for the next generation, it will be necessary to secure construction workers and develop working environments that are comfortable for female employees.

I expect to see Obayashi continue striving to "realize a sustainable society and community development" by considering coexistence with nature and the environment. In this way, I expect the Company to contribute to sustainability in its construction, civil engineering, real estate development, and new businesses.



Shinichi Otake
Chief Executive Counselor,
NIPPON TELEGRAPH AND
TELEPHONE WEST
CORPORATION

Outside director of
Obayashi Corporation
since June 2013

Toward Establishment of Highly Effective Corporate Governance

The roles and responsibilities of the Board of Directors are to state a broad direction for corporate strategy and make resolute decisions transparently, fairly, and quickly, aiming to realize sustained development for the future and increased enterprise value for the medium to long term.

The Board of Directors of Obayashi conducts free and open debate on appropriately determined agenda items, and the effectiveness of the board on the whole is ensured. I have many years of direct experience in overseas business and in corporate acquisitions and formation of business partnerships with companies inside and outside Japan. I also have extensive knowledge of finance, accounting and business administration. Drawing on this experience, I intend to contribute to active business development based on rigorous risk management, with a focus on the overseas business and new businesses, where growth is expected going forward, and to the construction of business alliances that maximize synergies.

The fiscal year ended March 31, 2016 was a year in which most listed corporations strengthened their corporate governance initiatives. Obayashi also faithfully conducted various discretionary initiatives to build an effective corporate governance system. It was my first year as an outside director, but

I was able to come to a deeper understanding of Obayashi's activities by participating not only in board meetings but also in briefings on specific projects, research and technology presentations and other opportunities. Going forward, I expect Obayashi to move beyond its role as a construction industry leader in Japan and work to constantly anticipate innovation and become one of the world's leading companies based on its exceptional technologies and project management abilities.



Shinichi Koizumi
Advisor,
Toray Industries, Inc.

Outside director of
Obayashi Corporation
since June 2015

CONSOLIDATED FINANCIAL SUMMARY

Obayashi Group: Consolidated Financial Results

Fiscal years ended March 31	2006	2007	2008	2009
Orders received	¥1,533,215	¥1,552,727	¥1,513,380	¥1,494,508
Orders received (construction business)	1,454,369	1,446,091	1,431,271	1,438,365
Net sales	1,476,424	1,567,960	1,691,635	1,682,462
Gross profit	121,708	121,436	106,956	106,881
Gross profit margin (%)	8.2	7.7	6.3	6.4
Selling, general and administrative expenses	75,050	73,897	78,289	79,518
Operating income (loss)	46,658	47,538	28,667	27,363
Operating margin (%)	3.1	3.0	1.7	1.6
Ordinary income (loss)	50,859	53,320	32,312	31,829
Profit (loss) attributable to owners of parent* ¹	34,489	40,652	18,595	10,966
Profit (loss) attributable to owners of parent per share (EPS) (yen / U.S. dollars)	47.89	56.46	25.83	15.24
Net assets	506,170	565,456	477,504	395,809
Equity	486,017	542,652	449,876	371,069
Retained earnings	151,816	183,599	198,507	202,941
[The ratio of retained earnings to equity]	[31.2%]	[33.8%]	[44.1%]	[54.7%]
Total assets	1,977,295	2,066,984	1,854,071	1,725,645
Property, plant and equipment	357,161	325,903	341,044	329,415
Investment securities	502,411	541,508	374,454	238,245
[Sales result of investment securities]	[16,539]	[13,797]	[9,477]	[12,645]
Net assets per share (yen / U.S. dollars)	674.94	753.78	625.06	516.06
Equity ratio (%)	24.6	26.3	24.3	21.5
Return on equity (ROE) (%) ^{*2}	8.1	7.9	3.7	2.7
Price earning ratio (PER) (times) ^{*2}	20.0	13.5	16.2	31.4
Dividends per share (yen / U.S. dollars) ^{*3}	12	12	8	8
Dividend payout ratio (%) ^{*2}	25.1	21.3	31.0	52.5
Net cash provided by (used in) operating activities ^{*4}	17,793	20,565	(47,631)	(39,610)
Net cash provided by (used in) investing activities ^{*4}	25,437	53,036	(18,924)	1,699
Net cash provided by (used in) financing activities ^{*4}	(53,996)	(38,325)	54,804	62,427
Cash and cash equivalents at end of period	101,527	139,942	128,537	143,821
Number of personnel ^{*5}	13,704	13,743	15,088	15,150
[Average number of temporary personnel not included in the above]				
Interest-bearing debt (except nonrecourse loans)	241,253	183,454	242,448	314,165
Nonrecourse loans	38,512	74,295	85,373	84,649
Total amount of interest-bearing debt and nonrecourse loans	279,766	257,750	327,822	398,814
Debt/equity (D/E) ratio (times)	0.58	0.47	0.73	1.07
Financial balance	3,567	5,482	5,631	4,384
Capital expenditure	16,163	13,856	38,959	16,028
Research and development expense	7,206	6,793	6,947	7,269
Depreciation	10,517	10,340	10,462	10,956

*1. From fiscal 2015, the line item "Net income (loss)" has been changed to "Profit (loss) attributable to owners of parent."

*2. Return on equity (ROE), the price-earnings ratio (PER) and the dividend payout ratio for the fiscal year ended March 31, 2010 were omitted due to net loss posted during that year.

*3. Included in each yearly dividend of ¥12 per share for the fiscal years ended March 31, 2006 and 2007 is a special dividend of ¥4 per share.

*4. In the statements of cash flows, figures in parentheses represent the corresponding decrease in cash and cash equivalents.

*5. Average headcount for each fiscal year is recorded separately in parentheses next to the employee headcount. This is because the importance of temporary employees in the average headcount rose as a result of a revision in the boundary between employees and temporary employees from the fiscal year ended March 31, 2012.

*6. U.S. dollar amounts are provided solely for the convenience of the reader, translated on the basis of ¥112.68 to US\$1, the prevailing rate of exchange at March 31, 2016.

						Millions of yen	Thousands of U.S. dollars*6
2010	2011	2012	2013	2014	2015	2016	2016
¥1,282,334	¥1,180,639	¥1,362,702	¥1,449,567	¥1,653,005	¥1,900,517	¥1,951,943	\$17,322,894
1,214,745	1,108,348	1,289,779	1,372,658	1,580,900	1,797,441	1,862,140	16,525,915
1,341,456	1,131,864	1,245,772	1,448,305	1,612,756	1,773,981	1,777,834	15,777,726
14,569	99,716	110,678	114,687	112,059	131,707	193,052	1,713,277
1.1	8.8	8.9	7.9	6.9	7.4	10.9	-
77,103	76,542	79,532	79,534	80,067	83,318	86,671	769,183
(62,534)	23,174	31,145	35,153	31,991	48,388	106,380	944,093
(4.7)	2.0	2.5	2.4	2.0	2.7	6.0	-
(59,608)	22,207	35,241	44,690	40,135	59,913	111,208	986,937
(53,354)	15,423	5,142	13,195	21,627	28,695	63,437	562,985
(74.21)	21.46	7.16	18.37	30.11	39.96	88.36	0.78
367,618	351,287	365,492	414,650	448,108	549,483	561,658	4,984,543
342,227	325,936	340,463	384,730	412,456	507,670	516,098	4,580,214
139,176	151,684	152,278	161,666	178,665	199,296	255,750	2,269,705
[40.7%]	[46.5%]	[44.7%]	[42.0%]	[43.3%]	[39.3%]	[49.6%]	-
1,590,667	1,505,697	1,618,748	1,656,289	1,818,886	1,996,193	1,951,907	17,322,576
319,373	360,209	358,186	376,489	415,089	408,848	441,604	3,919,100
296,589	251,196	264,365	317,386	323,858	415,541	342,021	3,035,338
[3,056]	[12,358]	[14,427]	[9,066]	[12,089]	[4,541]	[4,497]	[39,910]
476.12	453.52	474.01	535.67	574.32	706.94	719.01	6.38
21.5	21.6	21.0	23.2	22.7	25.4	26.4	-
-	4.6	1.5	3.6	5.4	6.2	12.4	-
-	17.2	50.4	24.5	19.3	19.5	12.6	-
8	8	8	8	8	10	18	0.15
-	37.3	111.7	43.5	26.6	25.0	20.4	-
16,156	1,096	65,755	31,496	37,962	74,646	124,980	1,109,161
(12,746)	(33,134)	(1,919)	(29,151)	(47,328)	(7,442)	(48,029)	(426,248)
(15,733)	10,611	(48,949)	(28,977)	27,587	(34,523)	(68,967)	(612,062)
132,425	108,999	121,682	99,690	121,177	162,607	164,802	1,462,574
14,476	14,639	12,870	12,838	12,856	13,432	13,688	-
		[2,869]	[3,031]	[3,139]	[3,658]	[4,066]	-
309,706	321,375	320,798	306,323	351,592	327,802	266,465	2,364,796
81,343	87,885	84,316	81,845	76,851	83,017	79,874	708,857
391,050	409,260	405,115	388,168	428,444	410,820	346,339	3,073,654
1.14	1.26	1.19	1.01	1.04	0.81	0.67	-
2,445	2,650	3,433	4,463	5,587	5,781	6,497	57,661
9,876	49,043	17,017	35,084	69,110	42,308	56,231	499,036
8,018	8,561	9,093	8,742	8,927	9,391	10,081	89,469
10,534	11,394	11,954	10,916	12,103	14,392	14,476	128,477

FINANCIAL REVIEW

Increasing our enterprise value by investing in growth fields and further improving our financial foundation

Shozo Harada

Representative Director
Executive Vice President

Business results for the fiscal year ended March 31, 2016 were as follows. Consolidated net sales achieved an all-time high, buoyed by ongoing domestic construction market strength, mainly in metropolitan areas, underpinned by robust demand for construction. On the earnings front, operating income, ordinary income, and profit attributable to owners of parent all achieved record highs, rising sharply from the previous fiscal year due to an increase in gross profit on completed construction contracts, mainly in the domestic construction business.

We started the new Obayashi Group Medium-Term Business Plan 2015, Evolution 2015, (“the medium-term plan”) in the fiscal year ending March 31, 2016. Under this plan, we will further promote diversification of our earnings base, continuing from the previous medium-term plan (FY2013.3–FY2015.3). For this purpose, we plan to invest a total of ¥180.0 billion over the three years of the plan through to the fiscal year ending March 31, 2018, concentrating on the real estate development business, primarily on leasing properties; new businesses, where we are working on renewable energy commercialization; and R&D of construction technology. In the fiscal year ended March 31, 2016, we invested a total of around ¥68.8 billion, owing partially to active investment in properties for lease in the real estate development business. In the fiscal year ending March 31, 2017, we plan on total investment of roughly ¥60.2 billion, with investments in real estate development business declining from the previous fiscal year while those in renewable energy business increase as we move into full-fledged investments for wind power and woodchip biomass power generation businesses.

We expect to make further progress on reducing the balance of interest-bearing debt, projecting a balance at the end of the fiscal year ending March 31, 2017 of around ¥330.0 billion from ¥346.4 billion at the end of the previous fiscal year. In addition to continuing to make investments for growth, we will also closely monitor and control the level of interest-bearing debt so as to further improve our financial foundation.

In addition, we hold investment securities to maintain and strengthen business relationships with our customers. We

have a well-entrenched practice of periodically reviewing our shareholdings based on their background and transaction status. Over the past 10 years, we have sold around ¥100.0 billion worth of shares. We intend to continue reviewing our shareholdings and sell shares with diminished significance to effectively utilize our asset holdings.

Turning to ROE, we achieved our target of 8% at 12.4% in the fiscal year ended March 31, 2016, mainly due to increase in profits from better profitability in the domestic construction business. We are striving to keep ROE above 8% over the medium to long term by maintaining current income levels.

Regarding shareholder returns, we will continue to sustain stable dividend payouts with returns commensurate with our business performance, following our existing dividend policy, which has improved to realize high levels of profit attributable to owners of parent.

We will continue promoting efficiency and transparency in our company activities, aiming to increase our enterprise value sustainably.

Financial Position

Total assets at the end of the fiscal year ended March 31, 2016 decreased by ¥44.2 billion (2.2%) compared to the balance at the end of the previous fiscal year to ¥1,951.9 billion. The decrease was mainly due to a decline in “Investment securities” as a result of a decline in the market value of shareholdings.

“Investment securities” stood at ¥342.0 billion at the end of the fiscal year ended March 31, 2016. We have sold around ¥100 billion worth of them on a market value basis over the past 10 years. Also the stock price level went lower than its peak of ¥541.5 billion at the end of the fiscal year ended March 31, 2007. On the other hand, “Property, plant and equipment” at the end of the fiscal year ended March 31, 2016 increased by ¥115.7 billion compared with the end of the fiscal year ended March 31, 2007 to ¥441.6 billion. This is primarily due to investments in the renewable energy business and properties for the leasing business. By advancing the sale of assets with low profitability and cross shareholdings, and investing

Capital Expenditure Plan and Result

(Billions of yen)

	FY2013.3–FY2015.3 Result (Cumulative)	FY2016.3 Result	FY2017.3 Plan	FY2016.3–FY2018.3 Plan (Cumulative)	FY2016.3–FY2018.3 Average per Year
Construction machinery and business facilities	20.9	11.2	15.4	25.0	8.3
R&D and ICT	39.2	13.9	15.4	40.0	13.3
Real estate development business*	91.7	38.3	18.0	55.0	18.3
New Businesses	29.5	5.2	11.5	60.0	20.0
Total	181.3	68.8	60.2	180.0	60.0

* New investment in real estate for lease (excluding real estate for sale)

the funds from those sales into recurring-type businesses, we have been building an asset portfolio to generate stable earnings over the medium to long term.

Total liabilities at the end of the fiscal year ended March 31, 2016 decreased by ¥56.4 billion (3.9%) compared to the balance at the end of the previous fiscal year to ¥1,390.2 billion. This was mainly due to a decrease in interest-bearing debt such as "Long-term loans payable" and "Bonds payable." In addition, total net assets increased by ¥12.1 billion (2.2%) compared to the balance at the end of the previous fiscal year to ¥561.6 billion. This was primarily due to an increase in "Retained earnings," since profit attributable to owners of parent was recognized. Interest-bearing debt increased to ¥428.4 billion in the fiscal year ended March 31, 2014 after hovering for some time around ¥400.0 billion. Key factors were overseas construction projects earnings deteriorating from the fiscal year ended March 31, 2008, and domestic construction project profitability worsening as competition for orders escalated more after the financial crisis in 2008. For the same reasons, "Retained earnings" decreased to ¥139.1 billion at the end of the fiscal year ended March 31, 2010 from ¥202.9 billion at the end of the fiscal year ended March 31, 2009, and "Equity" decreased to ¥325.9 billion at the end of the fiscal year ended March 31, 2011 from the peak of ¥542.6 billion at the end of the fiscal year ended March 31, 2007.

Since then, growth in government construction investment through Abenomics since 2012 and recovery in corporate profits have spurred a swing to strong construction demand, improving domestic construction business earnings. Accordingly, we have steadily been reducing the consolidated balance of interest-bearing debt since the fiscal year ended March 31, 2015, bringing the figure down to ¥346.3 billion at the end of the fiscal year ended March 31, 2016.

"Retained earnings" have also been built up as domestic construction business earnings have recovered, and overseas construction business and real estate development business earnings have expanded due to M&As. At the end of the fiscal year ended March 31, 2016, "Retained earnings" increased to ¥255.7 billion. Subsequently, "Equity" at the end of the fiscal year ended March 31, 2016 came to ¥516.0 billion, recovering close to the peak at the end of the fiscal year ended March 31, 2007. As a result, the D/E ratio declined to 0.67 times at the end of the fiscal year ended March 31, 2016, lower than the target in the medium-term plan of about 0.9 times. We will strive to be financially sound enough to maintain this level going forward.

Consolidated Statements of Cash Flows

During the fiscal year ended March 31, 2016, net cash provided by operating activities amounted to ¥124.9 billion marking ¥74.6 billion in the previous fiscal year. This was primarily due to an improvement in cash flows in the domestic construction business. Net cash used in investing activities amounted to ¥48.0 billion, mainly due to purchases of real estate properties for business use marking ¥7.4 billion in the previous fiscal year. Net cash used in financing activities amounted to ¥68.9 billion marking ¥34.5 billion in the previous fiscal year, primarily due to redemption of bonds payable and commercial papers and repayment of loans payable.

Consequently, cash and cash equivalents at the end of the fiscal year ended March 31, 2016 increased by ¥2.1 billion to ¥164.8 billion compared with the balance at the end of the previous fiscal year. We will keep striving to steadily generate cash from operating activities and reduce interest-bearing debt to improve our financial base. At the same time, we will make balanced investments in businesses likely to deliver stable earnings over the long term, such as real estate leasing business and renewable energy business. In doing that, we will build up a business model to complement our mainstay domestic construction business and facilitate flexible adaptation to future changes in the business environment.

Outlook for the Fiscal Year Ending March 31, 2017

The outlook for consolidated financial results for the fiscal year ending March 31, 2017 is as follows:

■ Orders received	¥1,850.0 billion
(including ¥70.0 billion in the real estate business and other)	
■ Net sales	¥1,915.0 billion
(including ¥75.0 billion in the real estate business and other)	
■ Operating income	¥95.0 billion
■ Ordinary income	¥98.5 billion
■ Profit attributable to owners of parent	¥63.0 billion

Note: The forecasts listed above are based on information available as of March 31, 2016. Actual results may differ materially from forecasts due to various factors.

Basic Policy Regarding the Allocation of Profits and Dividends for the Fiscal Years Ended March 31, 2016 and Ending March 31, 2017

Our profit allocation policy is to sustain stable dividend payouts to our shareholders over the long term and provide shareholders with returns commensurate with the Group's performance, taking into account the need to enhance internal reserves so as to further strengthen our financial base, develop technologies and make capital investments for the future. In line with our commitment to stable dividend payouts to shareholders, we will endeavor to maintain a dividend payout ratio of 20% to 30%.

For the fiscal year ended March 31, 2016, considering profit attributable to owners of parent per share (¥88.36) and medium-term business performance, we provided an annual dividend of ¥18 per share (the total annual dividend: an increase of ¥8 per share compared with the previous fiscal year, a dividend payout ratio: 20.4%).

For the fiscal year ending March 31, 2017, we expect to provide ¥9 per share both for the midterm and year-end dividends, making the total annual dividend ¥18 per share (a dividend payout ratio: 20.5%). By continuing to work to enhance internal reserves and raise our enterprise value while providing stable dividends, we look to return profits in a manner that makes sense to shareholders and institutional investors.

Note: The plans for dividends listed above are based on information available as of March 31, 2016. Actual dividends may differ materially from forecast amounts due to various factors.

CONSOLIDATED FINANCIAL STATEMENTS

Consolidated Balance Sheets

OBAYASHI CORPORATION
At March 31, 2016 and 2015

	Millions of yen		Thousands of U.S. dollars (Note 2)	
	2016	2015	2016	2015
Assets				
Current assets				
Cash and deposits (Notes 7 and 13)	¥ 164,829	¥ 164,309	\$ 1,462,813	\$ 1,458,200
Notes and accounts receivable from completed construction contracts and other (Notes 7 and 13)	715,023	687,404	6,345,614	6,100,503
Electronically recorded monetary claims (Note 13)	8,866	9,342	78,690	82,908
Short-term investment securities (Notes 7, 13 and 14)	2,606	2,835	23,129	25,163
Real estate for sale (Note 7)	17,151	11,627	152,212	103,190
Costs on uncompleted construction contracts (Note 7)	37,758	39,839	335,095	353,565
Costs on real estate business	24,448	18,263	216,969	162,086
Inventories for PFI and other projects (Note 7)	45,514	51,512	403,923	457,156
Other inventories (Note 7)	6,266	5,728	55,615	50,838
Deferred tax assets (Note 17)	17,599	20,509	156,190	182,011
Accounts receivable—other (Note 13)	71,059	95,689	630,634	849,216
Other	17,800	14,240	157,974	126,383
Allowance for doubtful accounts	(157)	(157)	(1,393)	(1,398)
Total current assets	1,128,768	1,121,146	10,017,468	9,949,826
Noncurrent assets				
Property, plant and equipment, net				
Buildings and structures (Note 7)	92,265	87,015	818,827	772,231
Machinery, vehicles, tools, furniture and fixtures (Note 7)	30,985	29,679	274,983	263,394
Land (Note 7)	305,588	285,793	2,712,004	2,536,332
Leased assets	225	264	2,001	2,344
Construction in progress (Note 7)	12,539	6,095	111,283	54,099
Total property, plant and equipment, net (Note 7)	441,604	408,848	3,919,100	3,628,402
Intangible assets (Note 7)	6,404	6,369	56,837	56,529
Investments and other assets				
Investment securities (Notes 7, 13 and 14)	342,021	415,541	3,035,338	3,687,803
Long-term loans receivable	2,170	2,181	19,265	19,360
Assets for retirement benefits (Note 16)	68	121	604	1,076
Deferred tax assets (Note 17)	2,029	2,034	18,007	18,052
Other (Note 7)	29,107	40,239	258,319	357,110
Allowance for doubtful accounts	(266)	(291)	(2,367)	(2,588)
Total investments and other assets	375,130	459,826	3,329,168	4,080,814
Total noncurrent assets	823,139	875,044	7,305,106	7,765,746
Deferred assets	0	3	1	28
Total assets	¥1,951,907	¥1,996,193	\$17,322,576	\$17,715,601

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

	Millions of yen		Thousands of U.S. dollars (Note 2)	
	2016	2015	2016	2015
Liabilities				
Current liabilities				
Notes and accounts payable for construction contracts and other (Note 13)	¥ 486,533	¥ 550,042	\$ 4,317,834	\$ 4,881,454
Electronically recorded obligations (Note 13)	122,697	76,982	1,088,902	683,197
Short-term loans payable (Notes 7, 13 and 24)	150,465	124,667	1,335,332	1,106,387
Current portion of nonrecourse loans (Notes 7, 13 and 24)	6,858	8,326	60,863	73,890
Commercial papers (Notes 13 and 24)	–	18,000	–	159,744
Current portion of bonds (Notes 13 and 23)	10,000	25,000	88,746	221,867
Lease obligations (Note 24)	78	85	697	755
Income taxes payable	17,856	4,861	158,474	43,145
Deferred tax liabilities (Note 17)	514	213	4,569	1,894
Advances received on uncompleted construction contracts (Note 7)	122,802	97,807	1,089,832	868,011
Deposits received (Note 13)	76,454	75,366	678,505	668,852
Provision for warranties for completed construction	2,491	2,379	22,112	21,114
Provision for loss on construction contracts (Note 7)	12,808	12,731	113,669	112,992
Other	63,639	62,309	564,779	552,973
Total current liabilities	1,073,200	1,058,772	9,524,320	9,396,280
Noncurrent liabilities				
Bonds payable (Notes 13 and 23)	55,000	65,000	488,107	576,854
Long-term loans payable (Notes 7, 13 and 24)	51,000	95,135	452,609	844,295
Nonrecourse loans (Notes 7, 13 and 24)	73,015	74,691	647,993	662,863
Lease obligations (Notes 13 and 24)	131	146	1,165	1,296
Deferred tax liabilities (Note 17)	41,830	54,420	371,228	482,969
Deferred tax liabilities for land revaluation (Note 17)	21,313	23,098	189,148	204,995
Provision for stock payments for directors	209	–	1,862	–
Provision for loss on real estate business and other	993	993	8,812	8,812
Provision for environmental measures	882	1,022	7,834	9,077
Liability for retirement benefits (Note 16)	52,126	51,231	462,606	454,665
Other	20,546	22,197	182,342	196,999
Total noncurrent liabilities	317,049	387,938	2,813,713	3,442,829
Total liabilities	1,390,249	1,446,710	12,338,033	12,839,109
Net assets				
Shareholders' equity				
Capital stock	57,752	57,752	512,537	512,537
Capital surplus	41,752	41,750	370,540	370,524
Retained earnings	255,750	199,296	2,269,705	1,768,694
Treasury stock	(1,958)	(1,608)	(17,380)	(14,275)
Total shareholders' equity	353,297	297,191	3,135,402	2,637,479
Accumulated other comprehensive income				
Valuation difference on available-for-sale securities	140,328	184,171	1,245,370	1,634,460
Deferred gains (losses) on hedges	(47)	190	(425)	1,689
Revaluation reserve for land (Note 7)	20,937	20,770	185,816	184,334
Foreign currency translation adjustments	822	2,640	7,303	23,437
Retirement benefit asset and liability adjustments	760	2,705	6,747	24,014
Total accumulated other comprehensive income	162,801	210,479	1,444,812	1,867,937
Non-controlling interests	45,559	41,812	404,328	371,074
Total net assets	561,658	549,483	4,984,543	4,876,491
Total liabilities and net assets	¥1,951,907	¥1,996,193	\$17,322,576	\$17,715,601

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

Consolidated Statements of Income

OBAYASHI CORPORATION
For the years ended March 31, 2016 and 2015

	Millions of yen		Thousands of U.S. dollars (Note 2)	
	2016	2015	2016	2015
Net sales:				
Construction contracts (Note 8)	¥1,695,752	¥1,673,040	\$15,049,280	\$14,847,715
Real estate business and other	82,081	100,941	728,446	895,820
Total net sales	1,777,834	1,773,981	15,777,726	15,743,535
Cost of sales:				
Construction contracts (Note 8)	1,524,582	1,572,158	13,530,195	13,952,414
Real estate business and other	60,199	70,115	534,253	622,256
Total cost of sales	1,584,782	1,642,273	14,064,449	14,574,670
Gross profit:				
Construction contracts	171,170	100,882	1,519,085	895,300
Real estate business and other	21,881	30,825	194,192	273,563
Total gross profit	193,052	131,707	1,713,277	1,168,864
Selling, general and administrative expenses (Note 8)	86,671	83,318	769,183	739,429
Operating income	106,380	48,388	944,093	429,434
Other income/(expenses):				
Interest and dividend income	9,211	9,154	81,750	81,247
Foreign exchange gains (losses), net	(2,291)	4,969	(20,333)	44,101
Interest expense	(2,674)	(3,280)	(23,735)	(29,109)
Gain on sales of investment securities	2,961	3,064	26,279	27,195
Gain on transition of retirement benefit plan	—	2,450	—	21,743
Gain on sales of noncurrent assets (Note 8)	1,520	1,042	13,496	9,251
Loss on sales and disposal of noncurrent assets (Note 8)	(1,157)	(811)	(10,274)	(7,203)
Compensation for damage	(3,500)	—	(31,061)	—
Impairment loss (Note 8)	(2,826)	(6,926)	(25,084)	(61,471)
Other, net	(369)	1,230	(3,275)	10,923
Total other income	874	10,893	7,761	96,679
Profit before income taxes	107,255	59,282	951,855	526,114
Income taxes (Note 17)				
Income taxes—current	20,875	9,147	185,260	81,183
Income taxes—deferred	16,622	16,380	147,515	145,368
Total income taxes	37,497	25,527	332,776	226,551
Profit	69,757	33,754	619,078	299,562
Profit attributable to non-controlling interests	6,320	5,059	56,093	44,901
Profit attributable to owners of parent	¥ 63,437	¥ 28,695	\$ 562,985	\$ 254,660

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

Consolidated Statements of Comprehensive Income

OBAYASHI CORPORATION
For the years ended March 31, 2016 and 2015

	Millions of yen		Thousands of U.S. dollars (Note 2)	
	2016	2015	2016	2015
Profit	¥ 69,757	¥ 33,754	\$ 619,078	\$ 299,562
Other comprehensive income				
Valuation difference on available-for-sale securities	(43,861)	68,471	(389,255)	607,659
Deferred gains (losses) on hedges	(247)	389	(2,193)	3,453
Revaluation reserve for land	1,131	2,429	10,043	21,557
Foreign currency translation adjustments	(3,472)	5,608	(30,815)	49,771
Retirement benefit asset and liability adjustments	(2,004)	2,234	(17,786)	19,828
Share of other comprehensive income of affiliates accounted for by the equity method	6	25	55	227
Total other comprehensive income (Note 9)	(48,446)	79,157	(429,951)	702,498
Comprehensive income	¥ 21,310	¥112,912	\$ 189,126	\$1,002,061
Comprehensive income attributable to:				
Owners of parent	¥ 16,675	¥105,232	\$ 147,990	\$ 933,902
Non-controlling interests	4,635	7,680	41,136	68,159

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

Consolidated Statements of Changes in Net Assets

OBAYASHI CORPORATION
For the year ended March 31, 2016

For the year ended March 31, 2016

	Millions of yen				
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total Shareholders' equity
Balance at the beginning of current period	¥57,752	¥41,750	¥199,296	¥(1,608)	¥297,191
Cumulative effects of changes in accounting policies					-
Restated balance at the beginning of current period	57,752	41,750	199,296	(1,608)	297,191
Changes of items during period					
Dividends from surplus			(7,899)		(7,899)
Profit attributable to owners of parent			63,437		63,437
Reversal of revaluation reserve for land			916		916
Purchase of treasury stock				(349)	(349)
Share changes in parent's ownership interests associated with transaction with non-controlling interests		1			1
Net changes in items other than those in shareholders' equity					
Total changes of items during period	-	1	56,453	(349)	56,105
Balance at the end of current period	¥57,752	¥41,752	¥255,750	¥(1,958)	¥353,297

	Millions of yen							
	Valuation difference on available-for-sale securities	Deferred gains (losses) on hedges	Revaluation reserve for land	Foreign currency translation adjustments	Retirement benefit asset and liability adjustments	accumulated other comprehensive income	Non-controlling interests	Total net assets
Balance at the beginning of current period	¥184,171	¥ 190	¥20,770	¥ 2,640	¥ 2,705	¥210,479	¥41,812	¥549,483
Cumulative effects of changes in accounting policies								-
Restated balance at the beginning of current period	184,171	190	20,770	2,640	2,705	210,479	41,812	549,483
Changes of items during period								
Dividends from surplus								(7,899)
Profit attributable to owners of parent								63,437
Reversal of revaluation reserve for land								916
Purchase of treasury stock								(349)
Share changes in parent's ownership interests associated with transaction with non-controlling interests								1
Net changes in items other than those in shareholders' equity	(43,842)	(238)	166	(1,817)	(1,945)	(47,677)	3,747	(43,930)
Total changes of items during period	(43,842)	(238)	166	(1,817)	(1,945)	(47,677)	3,747	12,175
Balance at the end of current period	¥140,328	¥ (47)	¥20,937	¥ 822	¥ 760	¥162,801	¥45,559	¥561,658

	Thousands of U.S. dollars (Note 2)				
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total Shareholders' equity
Balance at the beginning of current period	\$512,537	\$370,524	\$1,768,694	\$(14,275)	\$2,637,479
Cumulative effects of changes in accounting policies					-
Restated balance at the beginning of current period	512,537	370,524	1,768,694	(14,275)	2,637,479
Changes of items during period					
Dividends from surplus			(70,103)		(70,103)
Profit attributable to owners of parent			562,985		562,985
Reversal of revaluation reserve for land			8,129		8,129
Purchase of treasury stock				(3,104)	(3,104)
Share changes in parent's ownership interests associated with transaction with non-controlling interests		16			16
Net changes in items other than those in shareholders' equity					
Total changes of items during period	-	16	501,011	(3,104)	497,922
Balance at the end of current period	\$512,537	\$370,540	\$2,269,705	\$(17,380)	\$3,135,402

	Thousands of U.S. dollars (Note 2)							
	Valuation difference on available-for-sale securities	Deferred gains (losses) on hedges	Revaluation reserve for land	Foreign currency translation adjustments	Retirement benefit asset and liability adjustments	accumulated other comprehensive income	Non-controlling interests	Total net assets
Balance at the beginning of current period	\$1,634,460	\$ 1,689	\$184,334	\$ 23,437	\$ 24,014	\$1,867,937	\$371,074	\$4,876,491
Cumulative effects of changes in accounting policies								-
Restated balance at the beginning of current period	1,634,460	1,689	184,334	23,437	24,014	1,867,937	371,074	4,876,491
Changes of items during period								
Dividends from surplus								(70,103)
Profit attributable to owners of parent								562,985
Reversal of revaluation reserve for land								8,129
Purchase of treasury stock								(3,104)
Share changes in parent's ownership interests associated with transaction with non-controlling interests								16
Net changes in items other than those in shareholders' equity	(389,090)	(2,115)	1,481	(16,133)	(17,267)	(423,124)	33,253	(389,871)
Total changes of items during period	(389,090)	(2,115)	1,481	(16,133)	(17,267)	(423,124)	33,253	108,051
Balance at the end of current period	\$1,245,370	\$ (425)	\$185,816	\$ 7,303	\$ 6,747	\$1,444,812	\$404,328	\$4,984,543

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

For the year ended March 31, 2015

	Millions of yen				
	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance at the beginning of current period	¥57,752	¥41,750	¥178,665	¥(1,577)	¥276,591
Cumulative effects of changes in accounting policies			(4,134)		(4,134)
Restated balance at the beginning of current period	57,752	41,750	174,530	(1,577)	272,456
Changes of items during period					
Dividends from surplus			(5,745)		(5,745)
Profit attributable to owners of parent			28,695		28,695
Reversal of revaluation reserve for land			1,816		1,816
Purchase of treasury stock				(31)	(31)
Share changes in parent's ownership interests associated with transaction with non-controlling interests					-
Net changes in items other than those in shareholders' equity					
Total changes of items during period	-	-	24,765	(31)	24,734
Balance at the end of current period	¥57,752	¥41,750	¥199,296	¥(1,608)	¥297,191

	Millions of yen							
	Accumulated other comprehensive income							
	Valuation difference on available-for-sale securities	Deferred gains (losses) on hedges	Revaluation reserve for land	Foreign currency translation adjustments	Retirement benefit asset and liability adjustments	accumulated other comprehensive income	Non-controlling interests	Total net assets
Balance at the beginning of current period	¥115,744	¥(213)	¥20,264	¥ (595)	¥ 665	¥135,865	¥35,651	¥448,108
Cumulative effects of changes in accounting policies							(461)	(4,596)
Restated balance at the beginning of current period	115,744	(213)	20,264	(595)	665	135,865	35,189	443,511
Changes of items during period								
Dividends from surplus								(5,745)
Profit attributable to owners of parent								28,695
Reversal of revaluation reserve for land								1,816
Purchase of treasury stock								(31)
Share changes in parent's ownership interests associated with transaction with non-controlling interests								-
Net changes in items other than those in shareholders' equity	68,426	403	506	3,236	2,040	74,614	6,622	81,237
Total changes of items during period	68,426	403	506	3,236	2,040	74,614	6,622	105,971
Balance at the end of current period	¥184,171	¥ 190	¥20,770	¥2,640	¥2,705	¥210,479	¥41,812	¥549,483

	Thousands of U.S. dollars (Note 2)				
	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance at the beginning of current period	\$512,537	\$370,524	\$1,585,600	\$(13,996)	\$2,454,665
Cumulative effects of changes in accounting policies			(36,696)		(36,696)
Restated balance at the beginning of current period	512,537	370,524	1,548,903	(13,996)	2,417,968
Changes of items during period					
Dividends from surplus			(50,987)		(50,987)
Profit attributable to owners of parent			254,660		254,660
Reversal of revaluation reserve for land			16,117		16,117
Purchase of treasury stock				(279)	(279)
Share changes in parent's ownership interests associated with transaction with non-controlling interests					-
Net changes in items other than those in shareholders' equity					
Total changes of items during period	-	-	219,790	(279)	219,511
Balance at the end of current period	\$512,537	\$370,524	\$1,768,694	\$(14,275)	\$2,637,479

	Thousands of U.S. dollars (Note 2)							
	Accumulated other comprehensive income							
	Valuation difference on available-for-sale securities	Deferred gains (losses) on hedges	Revaluation reserve for land	Foreign currency translation adjustments	Retirement benefit asset and liability adjustments	accumulated other comprehensive income	Non-controlling interests	Total net assets
Balance at the beginning of current period	\$1,027,192	\$(1,892)	\$179,841	\$ (5,288)	\$ 5,905	\$1,205,759	\$316,394	\$3,976,819
Cumulative effects of changes in accounting policies							(4,096)	(40,793)
Restated balance at the beginning of current period	1,027,192	(1,892)	179,841	(5,288)	5,905	1,205,759	312,298	3,936,026
Changes of items during period								
Dividends from surplus								(50,987)
Profit attributable to owners of parent								254,660
Reversal of revaluation reserve for land								16,117
Purchase of treasury stock								(279)
Share changes in parent's ownership interests associated with transaction with non-controlling interests								-
Net changes in items other than those in shareholders' equity	607,268	3,582	4,493	28,725	18,108	662,177	58,776	720,953
Total changes of items during period	607,268	3,582	4,493	28,725	18,108	662,177	58,776	940,465
Balance at the end of current period	\$1,634,460	\$ 1,689	\$184,334	\$23,437	\$24,014	\$1,867,937	\$371,074	\$4,876,491

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

Consolidated Statements of Cash Flows

OBAYASHI CORPORATION
For the years ended March 31, 2016 and 2015

	Millions of yen		Thousands of U.S. dollars (Note 2)	
	2016	2015	2016	2015
Net cash provided by (used in) operating activities				
Profit before income taxes	¥107,255	¥ 59,282	\$ 951,855	\$ 526,114
Depreciation and amortization	14,476	14,392	128,477	127,733
Impairment loss	2,826	6,926	25,084	61,471
Increase (decrease) in allowance for doubtful accounts	(25)	(2,455)	(226)	(21,791)
Increase (decrease) in provision for loss on construction contracts	87	5,097	772	45,239
Increase (decrease) in liability for retirement benefits	(2,020)	(10,681)	(17,927)	(94,791)
Interest and dividend income	(9,211)	(9,154)	(81,750)	(81,247)
Interest expense	2,674	3,280	23,735	29,109
Loss (gain) on sales of noncurrent assets	(888)	(679)	(7,886)	(6,033)
Loss (gain) on sales of short-term and long-term investment securities	(2,941)	(3,064)	(26,106)	(27,194)
Decrease (increase) in notes and accounts receivable—trade	(29,365)	(30,523)	(260,607)	(270,882)
Decrease (increase) in costs on uncompleted construction contracts	1,979	6,587	17,567	58,460
Decrease (increase) in inventories	(10,034)	2,113	(89,048)	18,759
Decrease (increase) in inventories for PFI and other projects	5,998	5,229	53,233	46,406
Decrease (increase) in other assets	35,091	(14,048)	311,430	(124,671)
Increase (decrease) in notes and accounts payable—trade	(15,900)	37,288	(141,115)	330,924
Increase (decrease) in advances received on uncompleted construction contracts	25,555	(8,596)	226,793	(76,289)
Increase (decrease) in other liabilities	516	11,208	4,580	99,470
Other, net	1,441	4,950	12,793	43,935
Subtotal	127,514	77,154	1,131,652	684,722
Interest and dividend received	9,447	9,383	83,846	83,271
Interest paid	(2,608)	(3,310)	(23,151)	(29,378)
Income taxes (paid) refunded	(9,373)	(8,580)	(83,186)	(76,147)
Net cash provided by (used in) operating activities	124,980	74,646	1,109,161	662,468
Net cash provided by (used in) investing activities				
Purchase of property, plant and equipment and intangible assets	(59,148)	(41,090)	(524,922)	(364,669)
Proceeds from sales of property, plant and equipment and intangible assets	3,904	25,616	34,653	227,342
Purchase of short-term and long-term investment securities	(6,568)	(3,864)	(58,289)	(34,294)
Proceeds from sales and redemption of short-term and long-term investment securities	13,659	8,584	121,221	76,186
Payments of loans receivable	(227)	(53)	(2,015)	(477)
Collection of loans receivable	169	3,368	1,501	29,892
Purchase of shares of subsidiaries resulting in change in scope of consolidation	(62)	—	(553)	—
Proceeds from purchase of shares in subsidiaries resulting in change in scope of consolidation	—	45	—	407
Other, net	242	(49)	2,155	(438)
Net cash provided by (used in) investing activities	(48,029)	(7,442)	(426,248)	(66,051)
Net cash provided by (used in) financing activities				
Net increase (decrease) in short-term loans payable	2,614	782	23,201	6,948
Net increase (decrease) in commercial papers	(18,000)	(4,000)	(159,744)	(35,498)
Repayments of lease obligations	(109)	(159)	(974)	(1,414)
Proceeds from long-term loans payable	9,747	34,548	86,504	306,607
Repayment of long-term loans payable	(25,843)	(74,892)	(229,354)	(664,650)
Proceeds from nonrecourse loans payable	5,366	17,454	47,621	154,898
Payment of nonrecourse loans payable	(8,509)	(11,288)	(75,517)	(100,179)
Proceeds from issuance of bonds	—	10,000	—	88,746
Redemption of bonds	(25,000)	—	(221,867)	—
Cash dividends paid	(7,899)	(5,745)	(70,103)	(50,987)
Cash dividends paid to non-controlling interests	(979)	(771)	(8,688)	(6,850)
Other, net	(353)	(451)	(3,138)	(4,006)
Net cash provided by (used in) financing activities	(68,967)	(34,523)	(612,062)	(306,386)
Effect of exchange rate changes on cash and cash equivalents	(5,788)	8,749	(51,368)	77,652
Net increase (decrease) in cash and cash equivalents	2,195	41,430	19,481	367,684
Cash and cash equivalents at beginning of period	162,607	121,177	1,443,092	1,075,408
Cash and cash equivalents at end of period (Note 11)	¥164,802	¥162,607	\$1,462,574	\$1,443,092

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

Notes to Consolidated Financial Statements

OBAYASHI CORPORATION
For the years ended March 31, 2016 and 2015

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 ¥112.68 to US\$1, the rate of exchange prevailing at March 31, 2016, 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 88 subsidiaries at March 31, 2016. The consolidated financial statements as of and for the years ended March 31, 2016 and 2015 included the accounts of the Company and all subsidiaries.

All significant intercompany accounts and transactions are eliminated. Investments in all affiliates (27 companies for 2016) are accounted for by the equity method.

(2) Business year for consolidated subsidiaries

Certain foreign consolidated subsidiaries (36 companies) and a domestic consolidated subsidiary (1 company) 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 that of the Company. Kenaidan and its subsidiaries (4 companies) are consolidated for 10 months from March 1 to December 31 in the latest fiscal year, due to the change of their accounting periods. Consolidated subsidiaries other than those referred to above have the same business year as the Company, which ends on March 31.

(3) Goodwill

Goodwill is amortized by the straight-line method over a period of 5 years. However, goodwill that is not material is charged 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.

(4) 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 non-controlling 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 non-controlling interests in the consolidated financial statements.

(5) 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.

(6) 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.

(7) Inventories

Real estate held for sale, costs on uncompleted construction contracts, costs on real estate business, inventories for PFI and other projects and costs on other business 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.

(8) 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.

(9) 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.

(10) 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.

(11) 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.

(12) 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.

(13) 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.

(14) Provision for stock payments for directors

The provision for stock payments for directors is provided for stock award debt based on predetermined regulations for awarding stock, which is prepared for future awards of the Company shares to its directors and executive officers.

(15) Provision for loss on real estate business and other

The provision for loss on real estate business and other is provided for the estimated losses to be incurred in liquidating real estate and restructuring the real estate related business.

(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 of by the Act on Special Measures Concerning Promotion of Proper Treatment of PCB Waste.

(17) Retirement benefits

In calculating retirement benefits obligations, the benefit formula method is used to allocate expected retirement benefit payments in the period until the end of the current fiscal year.

Actuarial differences are amortized commencing in the following year after the differences 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.

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.

(18) 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 are used to hedge the foreign currency fluctuations, are translated at the contracted rate if the foreign exchange forward contracts 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 the monetary assets and liabilities denominated in foreign currencies and projected future foreign currency transactions, foreign exchange forward contracts and non-deliverable foreign exchange forward contracts are employed as hedging instruments. To hedge the interest-rate risks related to loans payable, interest rate 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.

(19) 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.

(20) Revenues and expenses associated with finance lease transactions

Sales and cost of sales are recognized upon receipt of lease payment.

(21) Consumption taxes

Consumption tax and local consumption tax are accounted for under the tax-exclusive method.

(22) 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.

(23) Consolidated taxation system

The Companies adopted the consolidated taxation system.

4. Change in Accounting Policies

The Company and its domestic consolidated subsidiaries adopted "Revised Accounting Standard for Business Combinations" (ASBJ Statement No. 21; hereinafter the "Business Combinations Accounting Standard"), "Revised Accounting Standard for Consolidated Financial Statements" (ASBJ Statement No. 22; hereinafter the "Consolidation Accounting Standard"), "Revised Accounting Standard for Business Divestitures" (ASBJ Statement No. 7; hereinafter the "Business Divestitures Accounting Standard"), "Revised Accounting Standard for Earnings Per Share" (ASBJ Statement No. 2), "Revised Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures" (ASBJ Guidance No. 10), "Revised Guidance on Accounting Standard for Earnings Per Share" (ASBJ Guidance No. 4) effective from April 1, 2015. As a result, the accounting method has been changed such that the difference associated with changes in equity in subsidiaries remaining under the control of the Company is recorded as capital surplus, and acquisition-related costs are recorded as expenses for the fiscal year in which the costs are incurred. For business combinations implemented on or after April 1, 2015, the accounting method has been changed to reflect the adjustments to the allocated amount of acquisition costs on the finalization of provisional accounting treatment in the consolidated financial statements for the year containing the date of the business combinations. In addition, the presentation method of profit (loss) attributable to owners of parent was amended, the reference to "minority interest" was changed to "non-controlling interests," and accounting treatment for adjustments to provisional amounts during measurement period was also changed.

The Business Combinations Accounting Standard and other were applied on or after April 1, 2015, in accordance with the transitional treatment as prescribed in article 58-2 (4) of the Business Combinations Accounting Standard, article 44-5 (4) of the Consolidation Accounting Standard and article 57-4 (4) of the Business Divestitures Accounting Standard.

The revised accounting policies above have minor effect on the consolidated financial statements as of and for the year ended March 31, 2016.

5. Standards Issued But Not Yet Effective

"Revised Implementation Guidance on Recoverability of Deferred Tax Assets" (ASBJ Guidance No. 26 of March 28, 2016)

(1) Overview

Regarding the treatment of the recoverability of deferred tax assets, a review was conducted following the framework of Japanese Institution of Certified Public Accountants Audit Committee Report No. 66 "Audit Treatment on Determining the Recoverability of Deferred Tax Assets," whereby companies are categorized into five categories and deferred tax assets are calculated based on each of these categories.

(a) Treatment of companies that do not satisfy any of the category requirements for (Category 1) through (Category 5)

(b) Category requirements for (Category 2) and (Category 3)

(c) Treatment related to future deductible temporary differences which cannot be scheduled in companies that qualify as (Category 2)

(d) Treatment related to the reasonable estimable period of future pre-adjusted taxable income in companies that qualify as (Category 3)

(e) Treatment in cases that companies that satisfy the category requirements for (Category 4) but qualify as (Category 2) or (Category 3)

(2) Scheduled date of adoption

The Company expects to adopt the revised implementation guidance from the beginning of the fiscal year ending March 31, 2017.

(3) Impact of adopting revised implementation guidance

The Company is currently evaluating the effect of adopting this revised implementation guidance on its consolidated financial statements.

6. Additional Information

Performance-linked stock compensation plan for directors and executive officers

(1) Transaction summary

The Company introduced a performance-linked stock compensation plan as an incentive plan for its directors and executive officers (the "Directors") from the fiscal year ended March 31, 2016. The plan is highly transparent and objective and closely linked with the Company's performance for the Directors, with the goal of increasing awareness of the importance of contributing to further enhancing the corporate value and performance over the medium-to-long-term.

The Company's shares are acquired through the Board Incentive Plan Trust ("BIP Trust") and awarded to the Directors in accordance with performance targets achieved.

(2) The Company's own stock in the Trust

The Company's own stock in the Trust is recorded in treasury stock under net assets based on the book value in the Trust (excluding ancillary expenses). The book value and the number of these treasury stocks in the Trust as of March 31, 2016 were ¥294 million (\$2,617 thousand) and 281,000 shares, respectively.

7. Notes to Consolidated Balance Sheets

(1) The breakdown of "Inventories for PFI and other projects"

At March 31	Millions of yen		Thousands of U.S. dollars	
	2016	2015	2016	2015
Costs on PFI business	¥45,514	¥51,512	\$403,923	\$457,156

(2) The breakdown of "Other inventories"

At March 31	Millions of yen		Thousands of U.S. dollars	
	2016	2015	2016	2015
Costs on other business	¥1,655	¥1,874	\$14,692	\$16,639
Raw materials and supplies	4,611	3,853	40,922	34,198
Total	¥6,266	¥5,728	\$55,615	\$50,838

(3) Accumulated depreciation of property, plant and equipment

At March 31	Millions of yen		Thousands of U.S. dollars	
	2016	2015	2016	2015
	¥153,993	¥151,998	\$1,366,646	\$1,348,943

(4) Investments in affiliates

At March 31	Millions of yen		Thousands of U.S. dollars	
	2016	2015	2016	2015
	¥3,659	¥3,565	\$32,473	\$31,642

(5) 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 revaluation reserve for land, 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.

(6) Pledged assets

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

At March 31	Millions of yen		Thousands of U.S. dollars	
	2016	2015	2016	2015
Assets pledged as collateral:				
Real estate for sale	¥ -	¥ 624	\$ -	\$ 5,546
Buildings and structures	5,072	7,926	45,020	70,344
Machinery, vehicles, tools, furniture and fixtures	60	854	535	7,586
Land	10,981	19,526	97,458	173,295
Investment securities	391	859	3,472	7,624
Total	¥16,506	¥29,792	\$146,486	\$264,397
Liabilities secured thereby:				
Short-term loans payable	¥ 300	¥ 955	\$ 2,662	\$ 8,480
Advances received on uncompleted construction contracts	-	598	-	5,312
Long-term loans payable	1,800	2,259	15,974	20,052
Total	¥ 2,100	¥ 3,813	\$ 18,636	\$ 33,845

(7) Deposited assets

Assets deposited under the "Law for Execution of Warranty against Housing Defects" and the others were as follows:

At March 31	Millions of yen		Thousands of U.S. dollars	
	2016	2015	2016	2015
Cash and deposits	¥ -	¥192	\$ -	\$1,704
Short-term investment securities	-	19	-	173
Investment securities	743	538	6,595	4,779
Investments and other assets—other	65	-	584	-
Total	¥809	¥750	\$7,179	\$6,656

(8) Contingent liabilities

The Companies were contingently liable for the following:

At March 31	Millions of yen		Thousands of U.S. dollars	
	2016	2015	2016	2015
Guarantees of long-term debt of customers, affiliates and employees	¥231	¥398	\$2,051	\$3,539

(9) Estimated loss on uncompleted construction contracts

An estimated loss on uncompleted construction was recognized but was not offset against costs on uncompleted construction contracts on the balance sheet. It was recorded as provision for loss on construction contracts.

At March 31	Millions of yen		Thousands of U.S. dollars	
	2016	2015	2016	2015
	¥53	¥367	\$478	\$3,264

(10) Directly-deducted advanced depreciation

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

At March 31	Millions of yen		Thousands of U.S. dollars	
	2016	2015	2016	2015
Buildings and structures	¥ –	¥ 58	\$ –	\$ 521
Machinery, vehicles, tools, furniture and fixtures	15	1	139	17
Construction in progress	–	143	–	1,271
Intangible assets	–	6	–	58
Total	¥15	¥210	\$139	\$1,868

(11) Nonrecourse loans

Nonrecourse 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, the real estate business or the renewable energy business as collateral.

Assets as collateral for the nonrecourse loans were as follows:

At March 31	Millions of yen		Thousands of U.S. dollars	
	2016	2015	2016	2015
Cash and deposits	¥12,575	¥11,365	\$111,600	\$100,867
Notes and accounts receivable from completed construction contracts and other	10,115	11,157	89,768	99,021
Inventories for PFI and other projects	45,514	51,512	403,923	457,156
Buildings and structures	4,651	4,921	41,284	43,678
Machinery, vehicles, tools, furniture and fixtures	14,357	15,097	127,420	133,984
Total	¥87,213	¥94,054	\$773,996	\$834,708

(12) 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, 2016 and 2015, 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:

At March 31	Millions of yen		Thousands of U.S. dollars	
	2016	2015	2016	2015
Contract amount	¥50,000	¥50,000	\$443,734	\$443,734
Outstanding borrowings	–	–	–	–
Available amount	¥50,000	¥50,000	\$443,734	\$443,734

8. Notes to Consolidated Statements of Income

(1) Revenues from construction contracts recognized by the percentage-of-completion method

For the years ended March 31	Millions of yen		Thousands of U.S. dollars	
	2016	2015	2016	2015
	¥1,528,785	¥1,487,965	\$13,567,496	\$13,205,231

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

For the years ended March 31	Millions of yen		Thousands of U.S. dollars	
	2016	2015	2016	2015
	¥8,095	¥10,629	\$71,848	\$94,332

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

For the years ended March 31	Millions of yen		Thousands of U.S. dollars	
	2016	2015	2016	2015
Employees' salaries and allowances	¥35,246	¥33,083	\$312,804	\$293,609
Retirement benefit expenses	1,153	1,221	10,233	10,838
Research study expenses	10,081	9,391	89,469	83,347

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

For the years ended March 31	Millions of yen		Thousands of U.S. dollars	
	2016	2015	2016	2015
	¥10,081	¥9,391	\$89,469	\$83,347

(5) The breakdown of "Gain on sales of noncurrent assets"

For the years ended March 31	Millions of yen		Thousands of U.S. dollars	
	2016	2015	2016	2015
Buildings and structures	¥ 325	¥ 173	\$ 2,888	\$1,541
Land	1,171	858	10,394	7,617
Others	23	10	212	92
Total	¥1,520	¥1,042	\$13,496	\$9,251

(6) The breakdown of "Loss on sales and disposal of noncurrent assets"

For the years ended March 31	Millions of yen		Thousands of U.S. dollars	
	2016	2015	2016	2015
Buildings and structures	¥ 177	¥265	\$ 1,572	\$2,358
Land	544	248	4,836	2,209
Demolition and removal costs	397	248	3,529	2,205
Others	37	48	336	430
Total	¥1,157	¥811	\$10,274	\$7,203

(7) Impairment loss

The following table summarizes the impairment losses recognized for the years ended March 31, 2016 and 2015.

Classification by purpose

Use	Type of assets	Location	2016
			Number of assets
Real estate for lease	Land, buildings and others	Kagawa and others	15
Real estate reclassified as "held for development"	Land, buildings and others	Hyogo	1
Idle real estate and others	Land, buildings and others	Hyogo and others	19
Real estate reclassified as "held for lease"	Land, buildings and others	Aichi	1
Real estate reclassified as "held for sale"	Buildings and others	Tokyo	1

Use	Type of assets	Location	2015
			Number of assets
Real estate for lease	Land, buildings and others	Chiba and others	16
Real estate reclassified as "held for sale"	Land, buildings and others	Osaka	1
Idle real estate	Land	Hyogo and others	6

Breakdown by account

For the years ended March 31	Millions of yen		Thousands of U.S. dollars	
	2016	2015	2016	2015
Buildings and structures	¥ 454	¥ 242	\$ 4,033	\$ 2,150
Land	2,372	6,684	21,051	59,321
Total	¥2,826	¥6,926	\$25,084	\$61,471

Valuation method

The Companies recognize impairment losses for individual items classified as; 1) Real estate for lease; 2) Real estate reclassified as "held for development"; 3) Idle real estate and others; 4) Real estate reclassified as "held for leases"; 5) Real estate reclassified as "held for sale".

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.

9. Notes to Consolidated Statements of Comprehensive Income

The following table presents reclassification adjustments as amounts reclassified to net income for the years ended March 31, 2016 and 2015 which were recognized in other comprehensive income for the years ended on or before March 31, 2016 and 2015 and tax effect allocated to each component of other comprehensive income for the years ended March 31, 2016 and 2015.

For the years ended March 31	Millions of yen		Thousands of U.S. dollars	
	2016	2015	2016	2015
Valuation difference on available-for-sale securities				
Occurred during the year	¥(66,617)	¥ 94,846	\$(591,205)	\$ 841,730
Reclassification adjustments	(2,758)	(3,010)	(24,481)	(26,716)
Valuation difference on available-for-sale securities before tax effect	(69,375)	91,835	(615,687)	815,014
Tax effect	25,514	(23,364)	226,431	(207,355)
Valuation difference on available-for-sale securities	(43,861)	68,471	(389,255)	607,659
Deferred gains (losses) on hedges				
Occurred during the year	(170)	753	(1,512)	6,686
Reclassification adjustments	(179)	(174)	(1,597)	(1,550)
Deferred gains (losses) on hedges before tax effect	(350)	578	(3,109)	5,136
Tax effect	103	(189)	916	(1,682)
Deferred gains (losses) on hedges	(247)	389	(2,193)	3,453
Revaluation reserve for land				
Occurred during the year	—	—	—	—
Tax effect	1,131	2,429	10,043	21,557
Revaluation reserve for land	1,131	2,429	10,043	21,557
Foreign currency translation adjustments				
Occurred during the year	(3,472)	6,188	(30,815)	54,918
Reclassification adjustments	—	(579)	—	(5,147)
Foreign currency translation adjustments	(3,472)	5,608	(30,815)	49,771
Retirement benefit asset and liability adjustments				
Occurred during the year	(2,672)	3,407	(23,713)	30,242
Reclassification adjustments	(344)	(161)	(3,061)	(1,430)
Retirement benefit asset and liability adjustments before tax effect	(3,017)	3,246	(26,775)	28,811
Tax effect	1,012	(1,012)	8,989	(8,982)
Retirement benefit asset and liability adjustments	(2,004)	2,234	(17,786)	19,828
Share of other comprehensive income of affiliates accounted for by the equity method				
Occurred during the year	6	7	55	63
Reclassification adjustments	—	18	—	164
Share of other comprehensive income of affiliates accounted for by the equity method	6	25	55	227
Total other comprehensive income	¥(48,446)	¥ 79,157	\$(429,951)	\$ 702,498

10. Notes to Consolidated Statements of Changes in Net Assets

(1) Type and number of outstanding shares

For the year ended March 31, 2016

Type of shares	Number 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	3,383,894	334,804	—	3,718,698

Notes: 1. Treasury stock increased by 334,804 shares due to the acquisition of shares by BIP Trust (increased amount: 281,000 shares) and the repurchase of shares less than one unit (increased amount: 53,804 shares).

2. Stocks owned by BIP Trust are included in Treasury stock (included amount: 281,000 shares).

For the year ended March 31, 2015

Type of shares	Number 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	3,341,212	42,682	–	3,383,894

Note: Treasury stock increased by 42,682 shares due to the repurchase of shares less than one unit.

(2) Dividends

(a) Dividends paid to shareholders

For the year ended March 31, 2016

Resolution approved by	Type of shares	Amount		Share		Shareholders' cut-off date	Effective date
		Millions of yen	Thousands of U.S. dollars	Yen	U.S. dollars		
Annual General Meeting of Shareholders (June 26, 2015)	Common stock	¥4,308	\$38,238	¥6	\$0.05	March 31, 2015	June 29, 2015
Board of Directors (November 10, 2015)	Common stock	3,590	31,864	5	0.04	September 30, 2015	December 2, 2015

Note: Dividends for shares in BIP Trust are included in dividends in accordance with the resolution at the Board of Directors on November 10, 2015 (included amount: ¥1 million (\$8 thousand)).

For the year ended March 31, 2015

Resolution approved by	Type of shares	Amount		Share		Shareholders' cut-off date	Effective date
		Millions of yen	Thousands of U.S. dollars	Yen	U.S. dollars		
Annual General Meeting of Shareholders (June 27, 2014)	Common stock	¥2,872	\$25,494	¥4	\$0.03	March 31, 2014	June 30, 2014
Board of Directors (November 11, 2014)	Common stock	2,872	25,493	4	0.03	September 30, 2014	December 4, 2014

(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, 2016

Resolution approved by	Type of shares	Amount			Share		Shareholders' cut-off date	Effective date
		Millions of yen	Thousands of U.S. dollars	Paid from	Yen	U.S. dollars		
Annual General Meeting of Shareholders (June 29, 2016)	Common stock	¥9,334	\$82,844	Retained earnings	¥13	\$0.11	March 31, 2016	June 30, 2016

Note: Dividends for shares in BIP Trust are included in dividends in accordance with the resolution at the Annual General Meeting of Shareholders on June 29, 2016 (included amount: ¥3 million (\$26 thousand)).

For the year ended March 31, 2015

Resolution approved by	Type of shares	Amount			Share		Shareholders' cut-off date	Effective date
		Millions of yen	Thousands of U.S. dollars	Paid from	Yen	U.S. dollars		
Annual General Meeting of Shareholders (June 26, 2015)	Common stock	¥4,308	\$38,238	Retained earnings	¥6	\$0.05	March 31, 2015	June 29, 2015

(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 legal capital surplus) and retained earnings (other than legal reserve) be transferred to legal capital surplus or legal reserve, until the sum of legal capital surplus and 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.

11. 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:

At March 31	Millions of yen		Thousands of U.S. dollars	
	2016	2015	2016	2015
Cash and deposits	¥164,829	¥164,309	\$1,462,813	\$1,458,200
Time deposits with a maturity of more than three months	(27)	(269)	(239)	(2,394)
Bank overdraft	–	(1,432)	–	(12,713)
Cash and cash equivalents at end of period	¥164,802	¥162,607	\$1,462,574	\$1,443,092

12. Lease Transactions

Operating leases

(a) Lessee's accounting

Future minimum payments under non-cancelable lease contracts at March 31, 2016 and 2015 were as follows:

At March 31	Millions of yen		Thousands of U.S. dollars	
	2016	2015	2016	2015
Within 1 year	¥ 3,049	¥ 3,066	\$ 27,065	\$ 27,216
Over 1 year	10,679	11,943	94,776	105,991
Total	¥13,729	¥15,009	\$121,842	\$133,207

(b) Lessor's accounting

Future minimum receivables under non-cancelable lease contracts at March 31, 2016 and 2015 were as follows:

At March 31	Millions of yen		Thousands of U.S. dollars	
	2016	2015	2016	2015
Within 1 year	¥ 4,151	¥ 4,770	\$ 36,840	\$ 42,334
Over 1 year	13,459	15,969	119,445	141,720
Total	¥17,610	¥20,739	\$156,285	\$184,055

13. 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," "Electronically recorded monetary claims" 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," "Electronically recorded obligations" 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. “Nonrecourse 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. Regarding the evaluation of hedge effectiveness, it is omitted by the judgement of the short-cut method because the interest rate swaps meet the 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 value 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, and any differences. Certain financial instruments for which it is extremely difficult to determine the fair value are not included (see Note 2 below).

At March 31, 2016	Millions of yen			Thousands of U.S. dollars		
	Carrying value	Fair value	Difference	Carrying value	Fair value	Difference
Assets						
Cash and deposits	¥ 164,829	¥ 164,829	¥ -	\$ 1,462,813	\$ 1,462,813	\$ -
Notes and accounts receivable from completed construction contracts and other	715,023	715,306	282	6,345,614	6,348,123	2,509
Electronically recorded monetary claims	8,866	8,866	-	78,690	78,690	-
Short-term investment securities and investment securities	328,363	328,400	36	2,914,124	2,914,452	327
Accounts receivable—other	71,059	71,059	-	630,634	630,634	-
Subtotal	¥1,288,143	¥1,288,463	¥ 319	\$11,431,877	\$11,434,714	\$ 2,836
Liabilities						
Notes and accounts payable for construction contracts and other	¥ 486,533	¥ 486,533	¥ -	\$ 4,317,834	\$ 4,317,834	\$ -
Electronically recorded obligations	122,697	122,697	-	1,088,902	1,088,902	-
Short-term loans payable	150,465	150,465	-	1,335,332	1,335,332	-
Current portion of nonrecourse loans	6,858	6,858	-	60,863	60,863	-
Commercial papers	-	-	-	-	-	-
Current portion of bonds	10,000	10,000	-	88,746	88,746	-
Deposits received	76,454	76,454	-	678,505	678,505	-
Bonds payable	55,000	56,331	1,331	488,107	499,924	11,816
Long-term loans payable	51,000	51,397	397	452,609	456,136	3,526
Nonrecourse loans	73,015	78,832	5,816	647,993	699,614	51,620
Subtotal	¥1,032,024	¥1,039,569	¥7,545	\$ 9,158,896	\$ 9,225,860	\$66,963
Derivative transactions*	¥ (33)	¥ (33)	¥ -	\$ (294)	\$ (294)	\$ -

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

At March 31, 2015	Millions of yen			Thousands of U.S. dollars		
	Carrying value	Fair value	Difference	Carrying value	Fair value	Difference
Assets						
Cash and deposits	¥ 164,309	¥ 164,309	¥ –	\$ 1,458,200	\$ 1,458,200	\$ –
Notes and accounts receivable from completed construction contracts and other	687,404	687,353	(50)	6,100,503	6,100,051	(452)
Electronically recorded monetary claims	9,342	9,342	–	82,908	82,908	–
Short-term investment securities and investment securities	399,304	399,329	25	3,543,703	3,543,926	222
Accounts receivable—other	95,689	95,689	–	849,216	849,216	–
Subtotal	¥1,356,051	¥1,356,025	¥ (25)	\$12,034,532	\$12,034,302	\$ (230)
Liabilities						
Notes and accounts payable for construction contracts and other	¥ 550,042	¥ 550,042	¥ –	\$ 4,881,454	\$ 4,881,454	\$ –
Electronically recorded obligations	76,982	76,982	–	683,197	683,197	–
Short-term loans payable	124,667	124,667	–	1,106,387	1,106,387	–
Current portion of nonrecourse loans	8,326	8,326	–	73,890	73,890	–
Commercial papers	18,000	18,000	–	159,744	159,744	–
Current portion of bonds	25,000	25,000	–	221,867	221,867	–
Deposits received	75,366	75,366	–	668,852	668,852	–
Bonds payable	65,000	65,817	817	576,854	584,107	7,252
Long-term loans payable	95,135	95,288	152	844,295	845,651	1,355
Nonrecourse loans	74,691	78,816	4,125	662,863	699,471	36,608
Subtotal	¥1,113,211	¥1,118,306	¥5,095	\$ 9,879,407	\$ 9,924,624	\$45,217
Derivative transactions*	¥ 314	¥ 314	¥ –	\$ 2,792	\$ 2,792	\$ –

* 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 and accounts receivable from completed construction contracts and other and Electronically recorded monetary claims

The carrying value of the items that will be settled within a year approximates fair value. The carrying value is the same as fair value.

The items that will be settled later than a year are 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 12 "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 and accounts payable for construction contracts and other, Electronically recorded obligations, Short-term loans payable, Current portion of nonrecourse 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 Nonrecourse 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 15 "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	
At March 31	2016	2015	2016	2015
Non-listed stocks	¥12,605	¥15,507	\$111,868	\$137,621
Stocks of affiliates	3,658	3,557	32,465	31,573
Investments in capital of affiliates	0	7	7	68
Total	¥16,264	¥19,072	\$144,342	\$169,263

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 monetary claims and securities with maturities at March 31

	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
At March 31, 2016				
Cash and deposits				
Deposits	¥164,671	¥ -	¥ -	¥ -
Notes and accounts receivable from completed construction contracts and other	665,253	45,312	1,846	2,610
Electronically recorded monetary claims	8,866	-	-	-
Short-term investment securities and investment securities				
Held-to-maturity securities				
Government bonds and municipal bonds	29	367	347	-
Corporate bonds	6	46	-	180
Accounts receivable—other	71,059	-	-	-
Total	¥909,888	¥45,725	¥2,194	¥2,790

	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
At March 31, 2016				
Cash and deposits				
Deposits	\$1,461,411	\$ -	\$ -	\$ -
Notes and accounts receivable from completed construction contracts and other	5,903,918	402,133	16,391	23,171
Electronically recorded monetary claims	78,690	-	-	-
Short-term investment securities and investment securities				
Held-to-maturity securities				
Government bonds and municipal bonds	265	3,257	3,081	-
Corporate bonds	55	410	-	1,597
Accounts receivable—other	630,634	-	-	-
Total	\$8,074,975	\$405,802	\$19,473	\$24,768

	Millions of yen			
At March 31, 2015	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	¥164,114	¥ –	¥ –	¥ –
Notes and accounts receivable from completed construction contracts and other	628,456	54,121	1,846	2,980
Electronically recorded monetary claims	9,342	–	–	–
Short-term investment securities and investment securities				
Held-to-maturity securities				
Government bonds and municipal bonds	20	247	462	–
Corporate bonds	16	42	–	–
Accounts receivable-other	95,689	–	–	–
Total	¥897,638	¥54,411	¥2,309	¥2,980

	Thousands of U.S. dollars			
At March 31, 2015	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	\$1,456,464	\$ –	\$ –	\$ –
Notes and accounts receivable from completed construction contracts and other	5,577,353	480,311	16,391	26,447
Electronically recorded monetary claims	82,908	–	–	–
Short-term investment securities and investment securities				
Held-to-maturity securities				
Government bonds and municipal bonds	177	2,199	4,101	–
Corporate bonds	144	377	–	–
Accounts receivable-other	849,216	–	–	–
Total	\$7,966,264	\$482,887	\$20,492	\$26,447

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

	Millions of yen					
At March 31, 2016	Due in 1 year or less	Due after 1 year through 2 years	Due after 2 years through 3 years	Due after 3 years through 4 years	Due after 4 years through 5 years	Due after 5 years
Short-term loans payable	¥ 97,130	¥ –	¥ –	¥ –	¥ –	¥ –
Commercial papers	–	–	–	–	–	–
Bonds payable	10,000	25,000	10,000	10,000	–	10,000
Long-term loans payable	53,334	15,392	15,826	11,313	4,034	4,433
Nonrecourse loans	6,858	6,823	6,043	6,092	6,252	47,804
Lease obligations	78	64	39	20	6	0
Total	¥167,401	¥47,280	¥31,909	¥27,426	¥10,292	¥62,238

	Thousands of U.S. dollars					
At March 31, 2016	Due in 1 year or less	Due after 1 year through 2 years	Due after 2 years through 3 years	Due after 3 years through 4 years	Due after 4 years through 5 years	Due after 5 years
Short-term loans payable	\$ 862,000	\$ –	\$ –	\$ –	\$ –	\$ –
Commercial papers	–	–	–	–	–	–
Bonds payable	88,746	221,867	88,746	88,746	–	88,746
Long-term loans payable	473,331	136,601	140,458	100,405	35,800	39,344
Nonrecourse loans	60,863	60,555	53,631	54,072	55,486	424,249
Lease obligations	697	574	346	180	59	3
Total	\$1,485,639	\$419,598	\$283,183	\$243,405	\$91,346	\$552,343

	Millions of yen					
At March 31, 2015	Due in 1 year or less	Due after 1 year through 2 years	Due after 2 years through 3 years	Due after 3 years through 4 years	Due after 4 years through 5 years	Due after 5 years
Short-term loans payable	¥ 99,033	¥ -	¥ -	¥ -	¥ -	¥ -
Commercial papers	18,000	-	-	-	-	-
Bonds payable	25,000	10,000	25,000	10,000	10,000	10,000
Long-term loans payable	25,634	52,765	13,694	14,373	8,740	5,561
Nonrecourse loans	8,326	6,451	6,462	5,695	5,744	50,337
Lease obligations	85	63	49	23	7	2
Total	¥176,078	¥69,279	¥45,206	¥30,092	¥24,492	¥65,900

	Thousands of U.S. dollars					
At March 31, 2015	Due in 1 year or less	Due after 1 year through 2 years	Due after 2 years through 3 years	Due after 3 years through 4 years	Due after 4 years through 5 years	Due after 5 years
Short-term loans payable	\$ 878,889	\$ -	\$ -	\$ -	\$ -	\$ -
Commercial papers	159,744	-	-	-	-	-
Bonds payable	221,867	88,746	221,867	88,746	88,746	88,746
Long-term loans payable	227,497	468,277	121,536	127,556	77,572	49,352
Nonrecourse loans	73,890	57,251	57,351	50,550	50,979	446,730
Lease obligations	755	560	436	211	68	19
Total	\$1,562,644	\$614,836	\$401,191	\$267,064	\$217,367	\$584,849

14. Securities

(a) Held-to-maturity debt securities

	Millions of yen			Thousands of U.S. dollars		
At March 31, 2016	Carrying value	Estimated fair value	Unrealized gain/(loss)	Carrying value	Estimated fair value	Unrealized gain/(loss)
Securities whose fair values exceed their carrying values:						
Government bonds and municipal bonds	¥744	¥ 781	¥36	\$6,605	\$6,933	\$327
Securities whose carrying values exceed their fair values:						
Government bonds and municipal bonds	-	-	-	-	-	-
Corporate bonds	232	232	-	2,063	2,063	-
Subtotal	232	232	-	2,063	2,063	-
Total	¥976	¥1,013	¥36	\$8,669	\$8,996	\$327

	Millions of yen			Thousands of U.S. dollars		
At March 31, 2015	Carrying value	Estimated fair value	Unrealized gain/(loss)	Carrying value	Estimated fair value	Unrealized gain/(loss)
Securities whose fair values exceed their carrying values:						
Government bonds and municipal bonds	¥674	¥700	¥25	\$5,989	\$6,213	\$224
Securities whose carrying values exceed their fair values:						
Government bonds and municipal bonds	55	54	(0)	488	486	(2)
Corporate bonds	58	58	-	521	521	-
Subtotal	113	113	(0)	1,010	1,007	(2)
Total	¥788	¥813	¥25	\$6,999	\$7,221	\$222

(b) Other securities

At March 31, 2016	Millions of yen			Thousands of U.S. dollars		
	Carrying value	Acquisition cost	Unrealized gain/(loss)	Carrying value	Acquisition cost	Unrealized gain/(loss)
Securities whose carrying values exceed their acquisition costs:						
Stock	¥312,089	¥107,166	¥204,922	\$2,769,696	\$ 951,069	\$1,818,626
Other	81	79	2	726	707	19
Subtotal	312,171	107,246	204,925	2,770,422	951,776	1,818,645
Securities whose acquisition costs exceed their carrying values:						
Stock	12,725	15,560	(2,834)	112,937	138,093	(25,155)
Other	2,489	2,489	–	22,095	22,095	–
Subtotal	15,215	18,050	(2,834)	135,032	160,188	(25,155)
Total	¥327,386	¥125,296	¥202,090	\$2,905,455	\$1,111,965	\$1,793,489

It is extremely difficult to determine the fair values for non-listed stocks (carrying value ¥12,605 million (US\$111,868 thousand)), since they have no quoted market prices available. Thus, they are not included in "Other securities" above.

At March 31, 2015	Millions of yen			Thousands of U.S. dollars		
	Carrying value	Acquisition cost	Unrealized gain/(loss)	Carrying value	Acquisition cost	Unrealized gain/(loss)
Securities whose carrying values exceed their acquisition costs:						
Stock	¥391,512	¥119,294	¥272,217	\$3,474,553	\$1,058,705	\$2,415,848
Other	152	147	4	1,355	1,311	43
Subtotal	391,665	119,442	272,222	3,475,909	1,060,017	2,415,891
Securities whose acquisition costs exceed their carrying values:						
Stock	4,193	4,908	(715)	37,215	43,562	(6,346)
Other	2,656	2,665	(8)	23,579	23,654	(75)
Subtotal	6,850	7,574	(723)	60,795	67,217	(6,422)
Total	¥398,515	¥127,016	¥271,498	\$3,536,704	\$1,127,235	\$2,409,469

It is extremely difficult to determine the fair values for non-listed stocks (carrying value ¥15,507 million (US\$137,621 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

For the year ended March 31, 2016	Millions of yen			Thousands of U.S. dollars		
	Sales proceeds	Aggregate gain	Aggregate loss	Sales proceeds	Aggregate gain	Aggregate loss
Stock	¥4,497	¥2,919	¥–	\$39,910	\$25,912	\$ –
Other	1,010	41	5	8,966	367	49
Total	¥5,507	¥2,961	¥5	\$48,876	\$26,279	\$49

Non-listed stocks, for which fair values were extremely difficult to determine, are included in "Stock" above. (Sales proceeds: ¥201 million (US\$1,785 thousand), aggregate gain: ¥161 million (US\$1,431 thousand))

For the year ended March 31, 2015	Millions of yen			Thousands of U.S. dollars		
	Sales proceeds	Aggregate gain	Aggregate loss	Sales proceeds	Aggregate gain	Aggregate loss
Stock	¥4,541	¥3,051	¥0	\$40,302	\$27,083	\$0
Other	861	12	0	7,641	112	0
Total	¥5,402	¥3,064	¥0	\$47,943	\$27,196	\$1

Non-listed stocks, for which fair values were extremely difficult to determine, are included in "Stock" above. (Sales proceeds: ¥51 million (US\$453 thousand), aggregate gain: ¥41 million (US\$367 thousand) and aggregate loss: ¥0 million (US\$0 thousand))

(d) Write down of securities

For the years ended March 31	Millions of yen		Thousands of U.S. dollars	
	2016	2015	2016	2015
"Stock" of other securities	¥2	¥8	\$22	\$76
Non-listed stocks included in "Stock" of other securities above	2	8	22	76
"Other" of other securities	9	0	80	2

Non-listed stocks were extremely difficult to determine the fair values.

15. Derivative Transactions

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

Currency-related transactions

	Millions of yen				Thousands of U.S. dollars			
	Contract amount	Contract amount of more than 1 year	Estimated fair value	Unrealized profit or loss	Contract amount	Contract amount of more than 1 year	Estimated fair value	Unrealized profit or loss
At March 31, 2016								
Foreign exchange forward contract								
Sell								
EURO	¥152	¥-	¥17	¥17	\$1,349	\$-	\$154	\$154
AUS\$	4	-	0	0	36	-	0	0
Buy								
EURO	100	-	(8)	(8)	891	-	(76)	(76)
US\$	39	-	0	0	347	-	5	5
AUS\$	9	-	0	0	80	-	1	1
JPY	2	-	(0)	(0)	20	-	(7)	(7)
Total	¥307	¥-	¥ 8	¥ 8	\$2,725	\$-	\$ 77	\$ 77

	Millions of yen				Thousands of U.S. dollars			
	Contract amount	Contract amount of more than 1 year	Estimated fair value	Unrealized profit or loss	Contract amount	Contract amount of more than 1 year	Estimated fair value	Unrealized profit or loss
At March 31, 2015								
Foreign exchange forward contract								
Sell								
EURO	¥176	¥176	¥ 29	¥ 29	\$1,564	\$1,564	\$ 260	\$ 260
Buy								
EURO	186	23	(35)	(35)	1,653	212	(315)	(315)
US\$	225	118	(5)	(5)	2,001	1,053	(50)	(50)
AUS\$	90	9	(16)	(16)	799	82	(144)	(144)
JPY	23	1	(9)	(9)	208	17	(82)	(82)
Total	¥701	¥330	¥(37)	¥(37)	\$6,227	\$2,929	\$(333)	\$(333)

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

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

Currency-related transactions

	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
At March 31, 2016							
Deferral method:							
Foreign exchange forward contract (Buy US\$)	Imports of materials (Forecasted transaction)	¥3,569	¥ -	¥101	\$31,673	\$ -	\$ 904
Foreign exchange forward contract (Buy EURO)	Imports of materials (Forecasted transaction)	799	143	(70)	7,094	1,273	(629)
Foreign exchange forward contract (Buy AUS\$)	Imports of materials (Forecasted transaction)	0	-	(0)	6	-	(0)
Total		¥4,369	¥143	¥ 30	\$38,774	\$1,273	\$ 274

At March 31, 2015	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
Deferral method:							
Foreign exchange forward contract (Buy US\$)	Imports of materials (Forecasted transaction) . . .	¥ 4,430	¥1,718	¥495	\$ 39,319	\$15,248	\$4,396
Foreign exchange forward contract (Buy EURO)	Imports of materials (Forecasted transaction) . . .	1,176	615	(19)	10,442	5,459	(172)
Foreign exchange forward contract (Buy AUS\$)	Imports of materials (Forecasted transaction) . . .	7	0	(0)	67	6	(5)
Translated at the contracted rate:							
Foreign exchange forward contract (Sell US\$)	Accounts receivable from completed construction contracts	7,766	–	[*1]	68,921	–	[*1]
Foreign exchange forward contract (Sell S\$)	Accounts receivable from completed construction contracts	36	–	[*1]	325	–	[*1]
Total		¥13,417	¥2,334	¥475	\$119,076	\$20,714	\$4,218

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

[*1] Since the foreign exchange forward contract, which is translated at the contract amount, is treated with accounts receivable from completed construction contracts, the fair value of the contract is included in the fair value of accounts receivable from completed construction contracts.

Interest-related transactions

At March 31, 2016	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
Deferral method:							
Interest rate swaps: Payment fixed/Receive floating	Nonrecourse loans (Forecasted transaction) . . .	¥ 3,800	¥ 3,800	¥(72)	\$ 33,723	\$ 33,723	\$(646)
Short-cut method:							
Interest rate swaps: Payment fixed/Receive floating	Long-term loans payable . . .	11,480	1,800	[*2]	101,884	15,974	[*2]
Interest rate swaps: Payment fixed/Receive floating	Nonrecourse loans	25,615	23,431	[*2]	227,326	207,950	[*2]
Total		¥40,895	¥29,031	¥(72)	\$362,934	\$257,649	\$(646)

At March 31, 2015	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
Deferral method:							
Interest rate swaps: Payment fixed/Receive floating	Nonrecourse loans (Forecasted transaction) . . .	¥ 3,952	¥ 3,854	¥(123)	\$ 35,072	\$ 34,207	\$(1,093)
Short-cut method:							
Interest rate swaps: Payment fixed/Receive floating	Long-term loans payable . . .	19,545	11,705	[*2]	173,458	103,879	[*2]
Interest rate swaps: Payment fixed/Receive floating	Nonrecourse loans	23,807	21,760	[*2]	211,279	193,118	[*2]
Total		¥47,304	¥37,320	¥(123)	\$419,811	\$331,205	\$(1,093)

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

[*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, are treated with long-term loans payable or nonrecourse loans, the fair values of the contracts are included in the fair value of long-term loans payable or nonrecourse loans presented in Note 13 "Financial Instruments (2) Fair value of financial instruments."

16. Retirement Benefit Plans

The Company and its subsidiaries have defined benefit pension plans (cash balance plan in the Company and its certain subsidiaries), in addition to lump-sum payments covering the remainder. The Company and certain subsidiaries have defined contribution pension plans.

The following tables show the funded and the amounts recognized in the consolidated balance sheet at March 31, 2016 and 2015 of the Company and its subsidiaries.

(1) Defined benefit pension plans

The changes in the projected benefit obligation for the years ended March 31, 2016 and 2015 are as follows:

At March 31	Millions of yen		Thousands of U.S. dollars	
	2016	2015	2016	2015
Balance at the beginning of current period	¥112,755	¥128,463	\$1,000,667	\$1,140,077
Cumulative effect of change in accounting principle	–	7,128	–	63,263
Restated balance at the beginning of current period	112,755	135,592	1,000,667	1,203,341
Service cost	4,696	4,783	41,679	42,451
Interest cost	679	709	6,028	6,297
Actuarial gain	307	820	2,726	7,285
Retirement benefit paid	(10,563)	(10,812)	(93,748)	(95,953)
Effect of transition to the defined contribution pension plan	–	(18,439)	–	(163,642)
Other	(57)	99	(513)	887
At the end of current period	¥107,816	¥112,755	\$ 956,839	\$1,000,667

Certain consolidated subsidiaries adopted a simplified method to compute their projected benefit obligations.

The changes in plan assets for the years ended March 31, 2016 and 2015 are as follows:

At March 31	Millions of yen		Thousands of U.S. dollars	
	2016	2015	2016	2015
At the beginning of current period	¥ 61,644	¥70,834	\$547,077	\$628,636
Expected return on plan assets	1,497	1,534	13,287	13,621
Actuarial gain (loss)	(2,378)	4,260	(21,112)	37,807
Contributions by the Companies	1,503	1,840	13,346	16,330
Retirement benefits paid	(6,508)	(6,771)	(57,761)	(60,096)
Effect of transition to the defined contribution pension plan	–	(10,073)	–	(89,397)
Other	–	19	–	176
At the end of current period	¥ 55,758	¥61,644	\$494,837	\$547,077

Certain consolidated subsidiaries adopted a simplified method.

The following table sets forth the funded status of the plans and the amounts recognized in the consolidated balance sheet as of March 31, 2016 and 2015 for the Company's and the consolidated subsidiaries' defined benefit plans:

At March 31	Millions of yen		Thousands of U.S. dollars	
	2016	2015	2016	2015
Retirement benefit obligation under the funded plans	¥ 59,126	¥ 63,262	\$ 524,732	\$ 561,431
Plan assets at fair value	(55,758)	(61,644)	(494,837)	(547,077)
	3,368	1,617	29,894	14,353
Retirement benefit obligation under the unfunded plans	48,689	49,493	432,107	439,235
Net liability for retirement benefits in the balance sheet	52,058	51,110	462,001	453,589
Liability for retirement benefits	52,126	51,231	462,606	454,665
Asset for retirement benefits	(68)	(121)	(604)	(1,076)
Net liability for retirement benefits in the balance sheet	¥ 52,058	¥ 51,110	\$ 462,001	\$ 453,589

The components retirement benefit expense for the years ended March 31, 2016 and 2015 are as follows:

At March 31	Millions of yen		Thousands of U.S. dollars	
	2016	2015	2016	2015
Service cost	¥ 4,696	¥ 4,783	\$ 41,679	\$ 42,451
Interest cost	679	709	6,028	6,297
Expected return on plan assets	(1,497)	(1,534)	(13,287)	(13,621)
Amortization of actuarial loss	(453)	(322)	(4,020)	(2,861)
Amortization of prior service cost	90	100	807	888
Retirement benefit expense	¥ 3,516	¥ 3,735	\$ 31,206	\$ 33,155

Certain consolidated subsidiaries adopted a simplified method.

Except the above, gain on transition of retirement benefit plan of ¥2,450 million (US\$21,743 thousand) is posted for the year ended March 31, 2015.

Prior service cost and actuarial loss included in other comprehensive income (before tax effect) for the years ended March 31, 2016 and 2015 are as follows:

At March 31	Millions of yen		Thousands of U.S. dollars	
	2016	2015	2016	2015
Prior service cost	¥ (102)	¥ (71)	\$ (905)	\$ (634)
Actuarial gain (loss)	3,119	(3,174)	27,681	(28,177)
Total	¥3,017	¥(3,246)	\$26,775	\$(28,811)

Unrecognized prior service cost and unrecognized actuarial loss included in other comprehensive income (before tax effect) for the years ended March 31, 2016 and 2015 are as follows:

At March 31	Millions of yen		Thousands of U.S. dollars	
	2016	2015	2016	2015
Unrecognized prior service cost	¥ 21	¥ 123	\$ 192	\$ 1,097
Unrecognized actuarial loss	(1,284)	(4,403)	(11,401)	(39,082)
Total	¥(1,263)	¥(4,280)	\$(11,209)	\$(37,984)

The fair value of plan assets, by major category, as a percentage of total plan assets as of March 31, 2016 and 2015 are as follows:

At March 31	Millions of yen		Thousands of U.S. dollars	
	2016	2015	2016	2015
General accounts	27.8%	27.2%	27.8%	27.2%
Stocks	28.8	32.2	28.8	32.2
Bonds	20.4	21.3	20.4	21.3
Cash on hand and in banks	8.9	5.6	8.9	5.6
Other	14.1	13.7	14.1	13.7
Total	100.0%	100.0%	100.0%	100.0%

The expected return on plan assets has been estimated based on the present and anticipated allocation to each asset class and the expected long-term returns on asset held in each category.

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

At March 31	Millions of yen		Thousands of U.S. dollars	
	2016	2015	2016	2015
Discount rates	0.6% or 0.8%	0.6% or 0.8%	0.6% or 0.8%	0.6% or 0.8%
Expected rates of return on plan assets	1.8% or 2.5%	1.8% or 2.5%	1.8% or 2.5%	1.8% or 2.5%

(2) Defined contribution pension plans

For the years ended March 31, 2016 and 2015, pension expenses for defined contribution plans were ¥3,337 million (US\$29,617 thousand) by the Company and the consolidated subsidiaries, and ¥2,790 million (US\$24,764 thousand) by the consolidated subsidiaries, respectively, including the expense for small and medium enterprises retirement benefit mutual aid schemes and multi-employer pension plans of foreign subsidiaries.

17. Deferred Tax Accounting

The major components of deferred tax assets and liabilities at March 31, 2016 and 2015 are summarized as follows:

At March 31	Millions of yen		Thousands of U.S. dollars	
	2016	2015	2016	2015
Deferred tax assets:				
Impairment loss	¥ 17,900	¥ 21,189	\$ 158,864	\$ 188,050
Liability for retirement benefits	16,034	16,593	142,296	147,259
Costs on uncompleted construction contracts	3,769	2,239	33,457	19,871
Accrued expenses (bonus)	3,737	3,663	33,171	32,513
Provision for loss on construction contracts	3,464	3,544	30,749	31,457
Assets traded within the group	2,080	63	18,463	559
Other	11,327	27,265	100,527	241,968
	58,315	74,558	517,530	661,679
Valuation allowance	(16,303)	(15,990)	(144,691)	(141,908)
Total deferred tax assets	42,011	58,567	372,839	519,771
Deferred tax liabilities:				
Valuation difference on available-for-sale securities	(61,620)	(87,135)	(546,866)	(773,304)
Reserve for advanced depreciation of noncurrent assets	(1,367)	(1,513)	(12,137)	(13,431)
Other	(1,739)	(2,009)	(15,435)	(17,835)
Total deferred tax liabilities	(64,727)	(90,659)	(574,439)	(804,570)
Net deferred tax assets	¥(22,716)	¥(32,091)	\$(201,599)	\$(284,798)

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

At March 31	Millions of yen		Thousands of U.S. dollars	
	2016	2015	2016	2015
Current assets—Deferred tax assets	¥ 17,599	¥ 20,509	\$ 156,190	\$ 182,011
Noncurrent assets—Deferred tax assets	2,029	2,034	18,007	18,052
Current liabilities—Deferred tax liabilities	(514)	(213)	(4,569)	(1,894)
Noncurrent liabilities—Deferred tax liabilities	(41,830)	(54,420)	(371,228)	(482,969)

In addition to the above, the Companies recognized deferred tax liabilities related to reserve for land revaluation on the consolidated balance sheets:

At March 31	Millions of yen		Thousands of U.S. dollars	
	2016	2015	2016	2015
	¥(21,313)	¥(23,098)	\$(189,148)	\$(204,995)

A reconciliation between the statutory tax rates and the effective tax rates for the years ended March 31, 2016 and 2015 are summarized as follows:

For the years ended March 31	2016	2015
Statutory tax rates	32.9%	35.5%
Reconciliation:		
Permanent non-deductible items	0.9	1.6
Permanent non-taxable items	(0.5)	(2.0)
Tax loss carryforwards	(0.7)	(1.9)
Change in valuation allowance	0.5	0.1
Difference of statutory tax rates between the Company and foreign subsidiaries	(0.6)	(1.6)
Change in tax rate	1.8	9.3
Tax credit for research and development expenses	(0.6)	(0.9)
Other	1.3	3.0
Effective tax rates	35.0%	43.1%

The “Act to partially revise the Income Tax Act and Others” (Act No.15 of 2016) and the “Act to partially revise the Local Tax Act and Others” (Act No.13 of 2016) were enacted on March 29, 2016. As a result, the effective statutory tax rate used to measure the Company’s deferred tax assets and liabilities was changed from 32.1% to 30.7% and 30.5% for the temporary differences expected to be realized or settled in the two years beginning on or after April 1, 2016, and for the temporary differences expected to be realized or settled in the years beginning on or after April 1, 2018, respectively. The effect of the announced reduction of the effective statutory tax rate was to decrease deferred tax liabilities, after offsetting deferred tax assets, by ¥1,357 million (\$12,048 thousand), and to increase deferred income tax expense by ¥1,875 million (\$16,644 thousand), valuation difference on available-for-sale securities by ¥3,232 million (\$28,689 thousand) and deferred gains (losses) on hedges by ¥0 million (\$3 thousand) as of and for the year ended March 31, 2016. The effect was also to decrease deferred tax liabilities related to the revaluation reserve for land by ¥1,131 million (\$10,043 thousand) and to increase revaluation reserve for land by the equivalent amount.

18. Asset Retirement Obligations

Asset retirement obligations recognized by the Companies are mainly obligations to restore rental properties for business use under real estate lease contracts at the time the lease agreement is terminated. Instead of recording asset retirement obligations, the Companies have estimated total unrefundable deposits on lease contracts and expensed the current portion.

Estimated total unrefundable deposits and periods of use of the rental properties are as follows:

(1) Estimated total unrefundable deposits

At March 31	Millions of yen		Thousands of U.S. dollars	
	2016	2015	2016	2015
	¥4,389	¥4,394	\$38,954	\$39,003

(2) Estimated period of use

At March 31	2016	2015
	15–38 years from the initial day of the contract	15–38 years from the initial day of the contract

19. 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, 2016 were ¥9,566 million (US\$84,900 thousand) and ¥2,128 million (US\$18,892 thousand), respectively. Profit and impairment loss from these real estate properties for the year ended March 31, 2015 were ¥9,834 million (US\$87,280 thousand) and ¥5,919 million (US\$52,529 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 sheet and fair value of those real estate properties are as follows:

At March 31	Millions of yen		Thousands of U.S. dollars	
	2016	2015	2016	2015
Carrying value				
At the beginning of current period	¥251,697	¥261,979	\$2,233,739	\$2,324,986
Increase (decrease)—net	35,096	(10,281)	311,470	(91,247)
At the end of current period	286,794	251,697	2,545,209	2,233,739
Fair value at the end of current period	386,817	312,889	3,432,882	2,776,797

1. The carrying value represents the acquisition cost less the accumulated depreciation.
2. "Increase (decrease)—net" for the year ended March 31, 2016 mainly consists of: increase in purchase of office buildings for lease (including land) and other in the amount of ¥34,524 million (US\$306,391 thousand) and decrease in depreciation cost in the amount of ¥2,854 million (US\$25,336 thousand) and impairment loss in the amount of ¥2,128 million (US\$18,892 thousand).
"Increase (decrease)—net" for the year ended March 31, 2015 mainly consists of: increase in purchase of office buildings for lease (including land) and other in the amount of ¥13,929 million (US\$123,621 thousand) and decrease in sale of office buildings for lease (including land) and other in the amount of ¥18,585 million (US\$164,937 thousand) and impairment loss in the amount of ¥5,919 million (US\$52,529 thousand).
3. Fair value at March 31, 2016 and 2015, was estimated in accordance with the "Real estate evaluation standards," and was adjusted using official indices.

20. Segment Information

(1) Segment information

(a) Overview of reportable segments

The reportable segments of the Companies are components for which discrete financial information is available and whose operating results are regularly reviewed by the Executive Committee to make decisions about resource allocation and to assess performance.

The Building Construction, Civil Engineering and Real Estate Development divisions at the Company are responsible for strategic planning and business development of the building construction, civil engineering and real estate development businesses, respectively. Business operations of the building construction and civil engineering divisions are classified geographically with headquarters and each branch as separate operating units and evaluated individually. The Company's subsidiaries are also evaluated on an individual basis. The building construction and civil engineering businesses are segmented based on domestic and overseas areas.

The Companies therefore have five reportable segments: "domestic building construction," "overseas building construction," "domestic civil engineering," "overseas civil engineering" and "real estate."

The overview of each reportable segment is as follows:

Domestic building construction:	Execution of building construction contracts and related businesses within Japan
Overseas building construction:	Execution of building construction contracts and related businesses outside Japan
Domestic civil engineering:	Execution of civil engineering construction contracts and related businesses within Japan
Overseas civil engineering:	Execution of civil engineering construction contracts and related businesses outside Japan
Real estate:	Purchase, sale and rent of real estate properties, development of land parcels and related businesses

(b) Accounting treatment for net sales, income (loss), assets, liabilities and others by each segment

The accounting methods of the segment are substantially the same as those described in "3. Summary of Significant Accounting Policies." Segment performance is evaluated based on operating income or loss.

Intersegment sales are recorded at the same prices used in transactions with third parties.

(c) Reportable segment information (net sales and income (loss))

	Millions of yen								
	Reporting segment							Others (Note 1)	Total
	Domestic building construction	Overseas building construction	Domestic civil engineering	Overseas civil engineering	Real estate	Subtotal			
For the year ended March 31, 2016									
Net sales:									
Sales to third parties	¥932,997	¥337,956	¥353,909	¥70,889	¥47,020	¥1,742,773	¥35,061	¥1,777,834	
Inter-segment sales and transfers	31,970	57	23,345	–	1,152	56,525	7,442	63,967	
Segment sales	964,968	338,013	377,254	70,889	48,172	1,799,298	42,503	1,841,801	
Operating income:									
Operating income from sales to third parties (Note 2)	51,697	2,624	36,860	2,664	10,452	104,299	2,081	106,380	
Inter-segment operating income and transfers	(30)	(23)	110	(2)	(0)	53	(100)	(47)	
Segment income	¥ 51,666	¥ 2,600	¥ 36,971	¥ 2,662	¥10,451	¥ 104,352	¥ 1,980	¥ 106,333	

	Thousands of U.S. dollars								
	Reporting segment							Others (Note 1)	Total
	Domestic building construction	Overseas building construction	Domestic civil engineering	Overseas civil engineering	Real estate	Subtotal			
For the year ended March 31, 2016									
Net sales:									
Sales to third parties	\$8,280,064	\$2,999,258	\$3,140,833	\$629,124	\$417,289	\$15,466,570	\$311,156	\$15,777,726	
Inter-segment sales and transfers	283,728	510	207,180	–	10,228	501,647	66,046	567,693	
Segment sales	8,563,792	2,999,769	3,348,014	629,124	427,518	15,968,217	377,202	16,345,420	
Operating income:									
Operating income from sales to third parties (Note 2)	458,796	23,290	327,128	23,648	92,760	925,623	18,470	944,093	
Inter-segment operating income and transfers	(269)	(208)	977	(19)	(8)	471	(891)	(420)	
Segment income	\$ 458,526	\$ 23,082	\$ 328,106	\$ 23,628	\$ 92,751	\$ 926,095	\$ 17,578	\$ 943,673	

- Notes: 1. Businesses that cannot be classified into the reportable segments are shown as "Others." This includes PFI (Private Finance Initiative), renewable energy, finance, operation of golf courses and other businesses.
2. "Operating income from sales to third parties" was computed by subtracting "Inter-segment operating income and transfers" from "Segment income." The total "Operating income from sales to third parties" equals to "Operating income" as shown in the consolidated statements of income.
3. The amounts of the assets are not shown since the assets are not divided by the segments.

	Millions of yen								
	Reporting segment							Others (Note 1)	Total
	Domestic building construction	Overseas building construction	Domestic civil engineering	Overseas civil engineering	Real estate	Subtotal			
For the year ended March 31, 2015									
Net sales:									
Sales to third parties	¥953,097	¥330,702	¥326,353	¥62,886	¥63,858	¥1,736,898	¥37,082	¥1,773,981	
Inter-segment sales and transfers	35,790	77	15,828	–	1,880	53,577	7,335	60,913	
Segment sales	988,888	330,780	342,182	62,886	65,738	1,790,476	44,418	1,834,894	
Operating income (loss):									
Operating income (loss) from sales to third parties (Note 2)	8,988	2,939	19,195	(3,124)	18,597	46,596	1,791	48,388	
Inter-segment operating income and transfers	127	(10)	(94)	–	(0)	22	(92)	(70)	
Segment income (loss)	¥ 9,116	¥ 2,928	¥ 19,101	¥ (3,124)	¥18,597	¥ 46,619	¥ 1,699	¥ 48,318	

	Thousands of U.S. dollars								
	Reporting segment							Others (Note 1)	Total
	Domestic building construction	Overseas building construction	Domestic civil engineering	Overseas civil engineering	Real estate	Subtotal			
For the year ended March 31, 2015									
Net sales:									
Sales to third parties	\$8,458,442	\$2,934,885	\$2,896,287	\$558,100	\$566,722	\$15,414,437	\$329,097	\$15,743,535	
Inter-segment sales and transfers	317,632	689	140,473	-	16,687	475,482	65,103	540,585	
Segment sales	8,776,074	2,935,575	3,036,760	558,100	583,409	15,889,920	394,200	16,284,121	
Operating income (loss):									
Operating income (loss) from sales to third parties (Note 2)	79,769	26,084	170,358	(27,724)	165,045	413,532	15,901	429,434	
Inter-segment operating income and transfers	1,135	(95)	(841)	-	(0)	198	(823)	(624)	
Segment income (loss)	\$ 80,904	\$ 25,989	\$ 169,516	\$ (27,724)	\$ 165,045	\$ 413,731	\$ 15,078	\$ 428,810	

- Notes: 1. Businesses that cannot be classified into the reportable segments are shown as "Others." This includes PFI (Private Finance Initiative), renewable energy, finance, operation of golf courses and other businesses.
2. "Operating income (loss) from sales to third parties" was computed by subtracting "Inter-segment operating income and transfers" from "Segment income (loss)." The total "Operating income (loss) from sales to third parties" equals to "Operating income" as shown in the consolidated statements of income.
3. The amounts of the assets are not shown since the assets are not divided by the segments.

(d) Reconciliation of difference between total reportable segment income and operating income as shown in the consolidated statement of income

	Millions of yen	Thousands of U.S. dollars
For the year ended March 31, 2016		
Net sales:		
Total reportable segment	¥1,799,298	\$15,968,217
Sales from "Others"	42,503	377,202
Elimination of inter-segment transactions	(63,967)	(567,693)
Sales in the statements of income	¥1,777,834	\$15,777,726
Operating income:		
Total reportable segment	¥ 104,352	\$ 926,095
Income from "Others"	1,980	17,578
Elimination of inter-segment transactions	47	420
Operating income in the statements of income	¥ 106,380	\$ 944,093

	Millions of yen	Thousands of U.S. dollars
For the year ended March 31, 2015		
Net sales:		
Total reportable segment	¥1,790,476	\$15,889,920
Sales from "Others"	44,418	394,200
Elimination of inter-segment transactions	(60,913)	(540,585)
Sales in the statements of income	¥1,773,981	\$15,743,535
Operating income:		
Total reportable segment	¥ 46,619	\$ 413,731
Income from "Others"	1,699	15,078
Elimination of inter-segment transactions	70	624
Operating income in the statements of income	¥ 48,388	\$ 429,434

(2) Related information

(a) Information by product or service

As the same information is disclosed in "(1) Segment information," this information has not been presented.

(b) Information by region

Net sales by region

For the year ended March 31, 2016

Millions of yen					Thousands of U.S. dollars				
Japan	North America	Asia	Others	Total	Japan	North America	Asia	Others	Total
¥1,365,799	¥270,953	¥133,669	¥7,411	¥1,777,834	\$12,121,046	\$2,404,631	\$1,186,278	\$65,770	\$15,777,726

For the year ended March 31, 2015

Millions of yen					Thousands of U.S. dollars				
Japan	North America	Asia	Others	Total	Japan	North America	Asia	Others	Total
¥1,370,565	¥238,450	¥157,340	¥7,625	¥1,773,981	\$12,163,343	\$2,116,171	\$1,396,348	\$67,671	\$15,743,535

Tangible assets by region

As Japan-based tangible assets account for over 90% of total tangible assets at March 31, 2016 and 2015, this information has not been presented.

(c) Information by major customers

Of sales to external customers, sales to a specific customer account for less than 10% of net sales in the consolidated financial statements, and therefore this information has not been presented for the years ended March 31, 2016 and 2015.

(3) Impairment loss on noncurrent assets by reportable segment

Millions of yen							
	Domestic building construction	Overseas building construction	Domestic civil engineering	Overseas civil engineering	Real estate	Others (Note)	Total
For the year ended March 31, 2016	¥-	¥-	¥27	¥-	¥2,799	¥-	¥2,826

Thousands of U.S. dollars							
	Domestic building construction	Overseas building construction	Domestic civil engineering	Overseas civil engineering	Real estate	Others (Note)	Total
For the year ended March 31, 2016	\$-	\$-	\$242	\$-	\$24,842	\$-	\$25,084

Millions of yen							
	Domestic building construction	Overseas building construction	Domestic civil engineering	Overseas civil engineering	Real estate	Others (Note)	Total
For the year ended March 31, 2015	¥-	¥-	¥-	¥-	¥6,926	¥-	¥6,926

Thousands of U.S. dollars							
	Domestic building construction	Overseas building construction	Domestic civil engineering	Overseas civil engineering	Real estate	Others (Note)	Total
For the year ended March 31, 2015	\$-	\$-	\$-	\$-	\$61,471	\$-	\$61,471

(4) Amortization and balance of goodwill by reportable segment

Millions of yen							
	Domestic building construction	Overseas building construction	Domestic civil engineering	Overseas civil engineering	Real estate	Others	Total
For the year ended March 31, 2016	¥-	¥203	¥-	¥463	¥-	¥62	¥730
Amortization amount	-	-	-	569	-	251	820
Balance							

Thousands of U.S. dollars							
	Domestic building construction	Overseas building construction	Domestic civil engineering	Overseas civil engineering	Real estate	Others	Total
For the year ended March 31, 2016	\$-	\$1,805	\$-	\$4,115	\$-	\$558	\$6,479
Amortization amount	-	-	-	5,050	-	2,234	7,284
Balance							

Millions of yen							
For the year ended March 31, 2015	Domestic building construction	Overseas building construction	Domestic civil engineering	Overseas civil engineering	Real estate	Others	Total
Amortization amount	¥-	¥ -	¥3	¥ 691	¥-	¥-	¥ 694
Balance	-	203	-	1,060	-	-	1,264

Thousands of U.S. dollars							
For the year ended March 31, 2015	Domestic building construction	Overseas building construction	Domestic civil engineering	Overseas civil engineering	Real estate	Others	Total
Amortization amount	\$-	\$ -	\$29	\$6,135	\$-	\$-	\$ 6,164
Balance	-	1,805	-	9,415	-	-	11,220

(5) Amount of gain on negative goodwill by reportable segment

None.

21. Related Party Transactions

None.

22. Amounts per Share

Basic profit attributable to owners of parent per share was computed based on the weighted average number of shares of common stock outstanding during the year.

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

Net assets and profit per share for the years ended March 31, 2016 and 2015 were as follows:

For the years ended March 31	Yen		U.S. dollars	
	2016	2015	2016	2015
Net assets per share	¥719.01	¥706.94	\$6.38	\$6.27
Basic profit attributable to owners of parent per share	88.36	39.96	0.78	0.35

(1) Diluted net income per share was not presented for the years ended March 31, 2016 and 2015 because the Company had no potentially dilutive shares outstanding as of these balance sheet dates.

(2) Net assets per share

At March 31	Millions of yen		Thousands of U.S. dollars	
	2016	2015	2016	2015
Net assets	¥561,658	¥549,483	\$4,984,543	\$4,876,491
Amounts deducted from net assets (Non-controlling interests) . . .	45,559	41,812	404,328	371,074
Net assets applicable to shareholders of common stock	516,098	507,670	4,580,214	4,505,416
Number of shares of common stock at the year end (Thousands of shares)	717,790	718,125	717,790	718,125

Shares in BIP Trust are included in treasury stocks from which are deducted in calculating net assets per share. The numbers of the treasury stocks at March 31, 2016 and 2015 were 3,718 thousand and 3,383 thousand, respectively, including 281 thousand of shares in BIP Trust in 2016.

(3) Basic profit attributable to owners of parent per share

For the years ended March 31	Millions of yen		Thousands of U.S. dollars	
	2016	2015	2016	2015
Basic profit attributable to owners of parent	¥ 63,437	¥ 28,695	\$562,985	\$254,660
Profit attributable to owners of parent not attributable to shareholders of common stock	—	—	—	—
Profit attributable to owners of parent attributable to shareholders of common stock	63,437	28,695	562,985	254,660
Average number of shares issued and outstanding during the period (Thousands of shares)	717,925	718,147	717,925	718,147

Shares in BIP Trust are included in treasury stocks from which are deducted in calculating basic profit attributable to owners of parent per share. The average number of shares issued and outstanding during the years ended March 31, 2016 and 2015 were 3,584 thousand and 3,361 thousand, respectively, including 172 thousand of shares in BIP Trust in 2016.

23. Corporate Bonds

At March 31	Issued by	Issue type	Issue date	Millions of yen		Thousands of U.S. dollars		Interest rate (%)	Collateral	Maturity
				2016	2015	2016	2015			
	Obayashi Corp.	14th unsecured straight bond	Aug. 30, 2010	¥ —	¥ 15,000	\$ —	¥ 133,120	0.85	None	Aug. 28, 2015
					(15,000)		(133,120)			
	Obayashi Corp.	15th unsecured straight bond	Oct. 26, 2010	—	(10,000)	—	88,746	0.68	None	Oct. 23, 2015
					(10,000)		(88,746)			
	Obayashi Corp.	16th unsecured straight bond	Oct. 26, 2010	15,000	15,000	133,120	133,120	0.96	None	Oct. 26, 2017
	Obayashi Corp.	17th unsecured straight bond	Sep. 13, 2011	10,000	10,000	88,746	88,746	0.624	None	Sep. 13, 2016
				(10,000)		(88,746)				
	Obayashi Corp.	18th unsecured straight bond	May 9, 2012	10,000	10,000	88,746	88,746	0.588	None	May 9, 2017
	Obayashi Corp.	19th unsecured straight bond	May 9, 2013	10,000	10,000	88,746	88,746	0.440	None	May 9, 2018
	Obayashi Corp.	20th unsecured straight bond	May 9, 2013	10,000	10,000	88,746	88,746	0.970	None	May 9, 2023
	Obayashi Corp.	21st unsecured straight bond	May 7, 2014	10,000	10,000	88,746	88,746	0.344	None	May 7, 2019
Total				¥ 65,000	¥ 90,000	\$576,854	¥ 798,722			
				(10,000)	(25,000)	(88,746)	(221,867)			

- The figures in parentheses at March 31, 2016 indicate the amount as "Current portion of bonds" in the consolidated balance sheet because they will be redeemed within a year.
- The annual redemption schedule of corporate bonds subsequent to March 31, 2016 is as follows:

	Millions of yen	Thousands of U.S. dollars
Less than 1 year	¥10,000	\$ 88,746
Over 1 year less than 2 years	25,000	221,867
Over 2 years less than 3 years	10,000	88,746
Over 3 years less than 4 years	10,000	88,746
Over 4 years less than 5 years	—	—

24. Loans

At March 31	Millions of yen		Thousands of U.S. dollars		Average interest rate (%)	Maturity
	2016	2015	2016	2015		
Short-term loans payable	¥ 97,130	¥ 99,033	\$ 862,000	\$ 878,889	0.60	–
Current portion of long-term loans payable	53,334	25,634	473,331	227,497	0.49	–
Current portion of nonrecourse loans	6,858	8,326	60,863	73,890	2.13	–
Current portion of lease obligations	78	85	697	755	–	–
Long-term loans payable (excluding current portion)	51,000	95,135	452,609	844,295	0.43	2017–2026
Nonrecourse loans (excluding current portion)	73,015	74,691	647,993	662,863	2.06	2017–2038
Lease obligations (excluding current portion)	131	146	1,165	1,296	–	2017–2023
Commercial paper	–	18,000	–	159,744	–	–
Total	¥281,549	¥321,051	\$2,498,662	\$2,849,232		

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, nonrecourse loans and lease obligations subsequent to March 31, 2016 is as follows:

	Millions of yen	Thousands of U.S. dollars
Long-term loans payable		
Over 1 year less than 2 years	¥15,392	\$136,601
Over 2 years less than 3 years	15,826	140,458
Over 3 years less than 4 years	11,313	100,405
Over 4 years less than 5 years	4,034	35,800
Nonrecourse loans		
Over 1 year less than 2 years	¥ 6,823	\$ 60,555
Over 2 years less than 3 years	6,043	53,631
Over 3 years less than 4 years	6,092	54,072
Over 4 years less than 5 years	6,252	55,486
Lease obligations		
Over 1 year less than 2 years	¥ 64	\$ 574
Over 2 years less than 3 years	39	346
Over 3 years less than 4 years	20	180
Over 4 years less than 5 years	6	59

3. 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.

25. Subsequent Event

None.

Independent Auditor's Report



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Hibiya Kokusai Bldg.
2-2-3 Uchisaiwai-cho, Chiyoda-ku
Tokyo 100-0011, Japan

Tel: +81 3 3503 1100
Fax: +81 3 3503 1197
www.shinnihon.or.jp

Independent Auditor's Report

The Board of Directors
OBAYASHI CORPORATION

We have audited the accompanying consolidated financial statements of OBAYASHI CORPORATION and its consolidated subsidiaries, which comprise the consolidated balance sheet as at March 31, 2016, and the consolidated statements of income, comprehensive income, changes in net assets, and cash flows for the year then ended and a summary of significant accounting policies and other explanatory information, all expressed in Japanese yen.

Management's Responsibility for the Consolidated Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of OBAYASHI CORPORATION and its consolidated subsidiaries as at March 31, 2016, and their consolidated financial performance and cash flows for the year then ended in conformity with accounting principles generally accepted in Japan.

Convenience Translation

We have reviewed the translation of these consolidated financial statements into U.S. dollars, presented for the convenience of readers, and, in our opinion, the accompanying consolidated financial statements have been properly translated on the basis described in Note 2.

June 30, 2016
Tokyo, Japan

Ernst & Young ShinNihon LLC (Ernst & Young Global Limited)

OFFICERS

Directors

Chairman
Representative Director

Takeo Obayashi

Representative Directors

Toru Shiraishi	Shozo Harada	Nao Sugiyama	Kozaburo Tsuchiya
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Directors

Makoto Kishida	Akihisa Miwa	Kenji Hasuwa	Jiro Otsuka
Shinichi Otake* ¹	Shinichi Koizumi* ¹		*1 Outside Director

Audit & Supervisory Board Members

Standing Audit & Supervisory Board Members

Masaru Mizuno	Tadashi Utashiro
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Audit & Supervisory Board Members

Yasutaka Kakiuchi* ²	Hiroshi Murao* ²	Hiroshi Yokokawa* ²	*2 Outside Audit & Supervisory Board members
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Executive Officers

President

Toru Shiraishi

Executive Vice Presidents

Shozo Harada	Nao Sugiyama	Kozaburo Tsuchiya
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Senior Managing Executive Officers

Makoto Kishida	Akihisa Miwa	Kenichi Shibata	Shingo Ura
Masahito Hayashi	Takafumi Hanai	Nobuo Tsuruta	Shuji Yamane
Yasuo Kotera	Kenji Hasuwa	Isamu Kakeno	

Managing Executive Officers

Teruo Kobayashi	Yuichi Kashima	Katsuji Fukumoto	Hikaru Ueno
Yoshiharu Nakamura	Atsuteru Kiriya	Yukihiro Aizawa	Takashi Shiokawa
Mikio Takatsuki	Chiaki Kobayashi	Mamoru Hikida	Makoto Hidetaka
Toshihiko Murata	Naoki Kajita	Sompong Chintawongvanich	Takehito Sato
Kazuo Okayama	Jiro Otsuka	Koji Murakami	

Executive Officers

Nobuyuki Asada	Masatsugu Higashitani	Moriyuki Hanawa	Katsuyoshi Okawa
Takashi Takeuchi	Yoshimi Sekoguchi	Hitoshi Tomoto	Hirokazu Onozaki
Mitsuru Kawasaki	Shuji Kurokawa	Atsushi Sasagawa	Nozomu Taoda
Shin Matsumoto	Yuichi Yamamoto	Susumu Kawaguchi	Toshiro Kiyomi
Koji Kunieda	Masahiro Saito	Akinobu Nohira	Kazunari Nomura
Hitoshi Hasegawa	Eisuke Yamamoto	Nobuyuki Wakuni	

CORPORATE INFORMATION / STOCK INFORMATION

Corporate Profile

Company Name : OBAYASHI CORPORATION
 Founded : January 1892
 Established : December 1936
 President : Toru Shiraishi
 Head Office : Shinagawa Intercity Tower B,
 2-15-2, Konan, Minato-ku, Tokyo, Japan
 Capital : 57,752 million yen
 Employees : 8,402 (as of March 31, 2016)
 Construction: Government Permit (Toku/Han-26) 3000
 Business
 Permission
 Real Estate : Government License (13) 791
 Business
 License
 Business : Construction work in and outside Japan, regional
 Activities development, urban development, and other
 construction-related businesses, including
 contracted engineering, management,
 consulting services, real estate development, etc.

Major Business Offices:

Head Office: 2-15-2, Konan, Minato-ku, Tokyo
 Sapporo Branch, Tohoku Branch (Sendai City), Tokyo Main Office,
 Yokohama Branch, Hokuriku Branch (Niigata City), Nagoya Branch,
 Kyoto Branch, Osaka Main Office, Kobe Branch, Hiroshima Branch,
 Shikoku Branch (Takamatsu City), Kyushu Branch (Fukuoka City),
 Overseas Business Division (Tokyo)

Research Institute:

Technical Research Institute (Tokyo)

Overseas Offices:

London, San Francisco, Auckland, Sydney, Guam, Taipei, Jakarta,
 Hanoi, Singapore, Kuala Lumpur, Bangkok, Yangon, Dubai

Major Group Companies:

Obayashi Road Corporation (Tokyo)
 Naigai Technos Corporation (Tokyo)
 Obayashi Facilities Corporation (Tokyo)
 Oak Setsubi Corporation (Tokyo)
 Obayashi-Shinseiwa Real Estate Corporation (Tokyo)
 OC Finance Corporation (Tokyo)
 Obayashi USA, LLC (San Francisco, U.S.)
 Obayashi Canada Holdings Ltd. (Vancouver, Canada)
 PT. JAYA OBAYASHI (Jakarta, Indonesia)
 Thai Obayashi Corporation Limited (Bangkok, Thailand)
 Taiwan Obayashi Corporation (Taipei, Taiwan)
 Obayashi Singapore Private Limited (Singapore)



Stock Information (As of March 31, 2016)

Number of Shares: 1,224,335,000 shares
 Authorized : (No change from the end of the previous
 fiscal year)
 Total Number of : 721,509,646 shares
 Shares Issued : (No change from the end of the previous
 and Outstanding fiscal year)
 Number of : 40,923
 Shareholders
 Transfer Agent : Mitsubishi UFJ Trust and Banking Corporation
 1-4-5, Marunouchi, Chiyoda-ku, Tokyo, Japan
 Ordinary General : June
 Meeting of
 Shareholders
 Stock Listings : Tokyo and Fukuoka

Major Shareholders (As of March 31, 2016)

	Shareholdings	
	Shares Held (Thousands)	Shareholding Ratio (%)
Japan Trustee Services Bank, Ltd. (Trust Account)	61,684	8.59
The Master Trust Bank of Japan, Ltd. (Trust Account)	46,632	6.49
Nippon Life Insurance Company	20,905	2.91
Takeo Obayashi	16,894	2.35
NORTHERN TRUST CO. (AVFC) RE U.S. TAX EXEMPTED PENSION FUNDS	12,095	1.68
STATE STREET BANK WEST CLIENT – TREATY 505234	10,175	1.42
Japan Trustee Services Bank, Ltd. (Trust Account 9)	10,061	1.40
Obayashi Employee Shareholding Association	9,659	1.35
Sumitomo Realty & Development Co., Ltd.	9,159	1.28
Trust & Custody Services Bank, Ltd. (Investment Trust Account)	9,031	1.26

Note: Shareholding ratios exclude treasury stock (3,437,698 shares).

OBAYASHI CORPORATION

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2-15-2, Konan, Minato-ku, Tokyo 108-8502, Japan
TEL +81-3-5769-1324 (Corporate Social Responsibility Dept.)

<http://www.obayashi.co.jp/english/>

Shaping the Times with Care



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- It uses environmentally sensitive plant-based ink.
- The printing method is water-free and involves no discharge of harmful effluents.

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