

OBAYASHI CORPORATION

NON-CONSOLIDATED FINANCIAL STATEMENTS 2002



Certified Public Accountants
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The Board of Directors
OBAYASHI CORPORATION

We have audited the non-consolidated balance sheets of OBAYASHI CORPORATION as of March 31, 2002 and 2001, and the related non-consolidated statements of operations, shareholders' equity, and cash flows for the years then ended. Our audits were made in accordance with auditing standards, procedures and practices generally accepted and applied in Japan and, accordingly, included such tests of the accounting records and other auditing procedures as we considered necessary in the circumstances.

In our opinion, the non-consolidated financial statements referred to above present fairly the financial position of OBAYASHI CORPORATION at March 31, 2002 and 2001, and the results of its operations and its cash flows for the years then ended, in conformity with accounting principles and practices generally accepted in Japan consistently applied during the period except for the change, with which we concur, in the method of accounting for recognition of revenues and related costs as described in Note 2(a) to the non-consolidated financial statements.

The U.S. dollar amounts in the accompanying non-consolidated financial statements with respect to the year ended March 31, 2002 are presented solely for convenience. Our audit also included the translation of yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 3 to the non-consolidated financial statements.

Tokyo, Japan
June 27, 2002

Shin Nihon & Co.

See Note 1 to the non-consolidated financial statements which explains the basis of presentation of the non-consolidated financial statements of OBAYASHI CORPORATION under Japanese accounting principles and practices.

Non-Consolidated Balance Sheets

OBAYASHI CORPORATION March 31, 2002 and 2001

ASSETS

	Japanese Yen (million)		U.S. Dollars (thousand)	
	FY 2002	FY 2001	FY 2002	FY 2001
CURRENT ASSETS:				
Cash and deposits (Notes 2 and 9).....	¥ 73,755	¥ 83,621	\$ 553,506	\$ 627,548
Trade receivables:				
Notes.....	52,567	74,356	394,502	558,019
Accounts.....	259,278	218,402	1,945,802	1,639,042
Allowance for doubtful receivables (Note 2).....	(1,350)	(1,516)	(10,131)	(11,377)
Marketable securities (Note 2).....	1	5,001	10	37,531
Inventories (Notes 2 and 5).....	598,141	663,919	4,488,860	4,982,503
Other current assets (Notes 2 and 8).....	130,307	127,043	977,915	953,422
Total current assets.....	1,112,699	1,170,826	8,350,464	8,786,688
PROPERTY AND EQUIPMENT(Notes 2 and 7):				
Land.....	201,848	241,537	1,514,806	1,812,658
Buildings.....	111,119	121,758	833,917	913,754
Machinery and equipment.....	56,358	60,143	422,952	451,354
Construction in progress.....	2,541	1,111	19,070	8,335
Accumulated depreciation.....	(102,873)	(99,342)	(772,035)	(745,527)
Net property and equipment.....	268,993	325,207	2,018,710	2,440,574
INVESTMENTS AND OTHER ASSETS:				
Investment securities (Note 2).....	285,457	347,055	2,142,265	2,604,542
Investments in subsidiaries and affiliates (Notes 2 and 4).....	7,879	8,533	59,130	64,036
Long-term loans receivable (Note 7).....	34,934	36,655	262,171	275,086
Long-term loans receivable from subsidiaries and affiliates....	11,117	10,953	83,433	82,201
Other (Notes 2 and 8)	87,938	70,567	659,939	529,584
Allowance for doubtful receivables (Note 2).....	(35,367)	(27,847)	(265,421)	(208,983)
Total investments and other assets.....	391,958	445,916	2,941,517	3,346,466
TOTAL ASSETS.....	¥ 1,773,650	¥ 1,941,949	\$ 13,310,691	\$ 14,573,728

LIABILITIES AND SHAREHOLDERS' EQUITY

	Japanese Yen (million)		U.S. Dollars (thousand)	
	FY 2002	FY 2001	FY 2002	FY 2001
CURRENT LIABILITIES:				
Short-term borrowings (Note 6)	¥ 139,590	¥ 158,927	\$ 1,047,583	\$ 1,192,700
Current portion of long-term debt (Notes 6 and 7).....	32,131	28,374	241,132	212,940
Trade payables:				
Notes.....	157,202	170,983	1,179,753	1,283,173
Accounts.....	306,078	298,626	2,297,017	2,241,097
Accrued income taxes.....	2,437	8,334	18,291	62,540
Advances received on construction projects in progress.....	458,997	493,733	3,444,631	3,705,317
Advances received on real estate for sale.....	2,918	2,332	21,899	17,500
Accrued expenses.....	35,081	17,477	263,269	131,162
Employees' savings deposits.....	31,518	31,549	236,536	236,765
Other current liabilities.....	111,274	88,854	835,077	666,820
Total current liabilities.....	1,277,226	1,299,189	9,585,188	9,750,014
LONG-TERM LIABILITIES:				
Long-term debt (Notes 6 and 7)	97,512	123,669	731,797	928,096
Reserve for retirement benefits (Note 2).....	63,652	67,846	477,687	509,162
Other (Notes 2 and 8).....	51,147	54,766	383,842	411,004
Total long-term liabilities.....	212,311	246,281	1,593,326	1,848,262
COMMITMENTS AND CONTINGENT LIABILITIES (Note 12)				
SHAREHOLDERS' EQUITY:				
Common stock (Note 10):				
Authorized; 1,224,335,000 Shares				
Issued; 727,813,544 Shares (2001).....	-	57,752	-	433,412
721,509,646 Shares (2002).....	57,753	-	433,416	-
Additional paid-in capital (Note 10).....	41,695	41,694	312,903	312,900
Legal reserve (Note 10).....	14,438	14,438	108,353	108,353
Reserve for land revaluation (Note 2).....	8,937	4,793	67,072	35,973
Retained earnings (Notes 2 and 10)	95,876	180,268	719,522	1,352,855
Unrealized holding gains on securities (Note 2).....	65,445	97,534	491,144	731,959
Treasury stock (Note 2)	(31)	-	(233)	-
Total shareholders' equity.....	284,113	396,479	2,132,177	2,975,452
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY.....	¥ 1,773,650	¥ 1,941,949	\$ 13,310,691	\$ 14,573,728

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

Non-Consolidated Statements of Operations

OBAYASHI CORPORATION For the years ended March 31, 2002 and 2001

	Japanese Yen (million)		U.S. Dollars (thousand)	
	FY 2002	FY 2001	FY 2002	FY 2001
REVENUES (Notes 2 and 11):				
Construction.....	¥ 1,255,205	¥ 1,216,176	\$ 9,419,927	\$ 9,127,022
Real estate and other.....	31,339	31,722	235,188	238,066
	1,286,544	1,247,898	9,655,115	9,365,088
COST OF SALES (Notes 2 and 11):				
Construction.....	1,170,532	1,107,375	8,784,478	8,310,510
Real estate and other.....	28,090	25,634	210,808	192,370
	1,198,622	1,133,009	8,995,286	8,502,880
Gross profit.....	87,922	114,889	659,829	862,208
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES (Note 2).....	73,995	83,877	555,312	629,473
Operating income.....	13,927	31,012	104,517	232,735
OTHER INCOME (EXPENSES):				
Interest and dividend income.....	5,223	5,716	39,194	42,894
Interest expenses.....	(3,923)	(5,293)	(29,443)	(39,719)
Loss on revaluation of real estate business and other (Note 2)	(138,591)	-	(1,040,082)	-
Amortization of transition difference arising from initial adoption of the new accounting standard for retirement benefits (Note 2).....	-	(37,071)	-	(278,205)
Other, net.....	3,097	(17,671)	23,245	(132,614)
Total.....	(134,194)	(54,319)	(1,007,086)	(407,644)
LOSS BEFORE INCOME TAXES	(120,267)	(23,307)	(902,569)	(174,909)
INCOME TAXES (Notes 2 and 8) :				
Current.....	6,653	13,088	49,929	98,221
Deferred.....	(55,619)	(21,313)	(417,408)	(159,944)
Total.....	(48,966)	(8,225)	(367,479)	(61,723)
NET LOSS	¥ (71,301)	¥ (15,082)	\$ (535,090)	\$ (113,186)
PER SHARE DATA (Note 10):				
Net loss :				
Assuming no dilution.....	¥ (98.47)	¥ (20.48)	\$ (0.74)	\$ (0.15)
Assuming full dilution.....	(98.47)	(20.48)	(0.74)	(0.15)
Cash dividends.....	8.01	8.03	0.06	0.06

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

Non-Consolidated Statements of Shareholders' Equity

OBAYASHI CORPORATION For the years ended March 31, 2002 and 2001

	Japanese Yen (million)		U.S. Dollars (thousand)	
	FY 2002	FY 2001	FY 2002	FY 2001
COMMON STOCK (Note 10):				
Balance at beginning of year.....	¥ 57,752	¥ 57,752	\$ 433,412	\$ 433,412
Conversion of convertible bonds.....	1	-	4	-
Balance at end of year.....	¥ 57,753	¥ 57,752	\$ 433,416	\$ 433,412
ADDITIONAL PAID-IN CAPITAL (Note 10):				
Balance at beginning of year.....	¥ 41,694	¥ 41,694	\$ 312,900	\$ 312,900
Conversion of convertible bonds.....	1	-	3	-
Balance at end of year.....	¥ 41,695	¥ 41,694	\$ 312,903	\$ 312,900
LEGAL RESERVE (Note 10):				
Balance at beginning of year.....	¥ 14,438	¥ 14,438	\$ 108,353	\$ 108,353
Balance at end of year.....	¥ 14,438	¥ 14,438	\$ 108,353	\$ 108,353
RESERVE FOR LAND REVALUATION (Note 2):				
Balance at beginning of year.....	¥ 4,793	¥ 4,472	\$ 35,973	\$ 33,561
Reversal of reserve for land revaluation.....	4,144	321	31,099	2,412
Balance at end of year.....	¥ 8,937	¥ 4,793	\$ 67,072	\$ 35,973
RETAINED EARNINGS (Notes 2 and 10):				
Balance at beginning of year.....	¥ 180,268	¥ 209,291	\$ 1,352,855	\$ 1,570,664
Net loss for the year.....	(71,301)	(15,082)	(535,090)	(113,186)
Cash dividends paid.....	(5,797)	(5,911)	(43,506)	(44,358)
Bonuses to directors.....	(160)	(180)	(1,200)	(1,351)
Reversal of reserve for land revaluation.....	(4,144)	(321)	(31,099)	(2,412)
Retirement of treasury stock.....	(2,990)	(7,529)	(22,438)	(56,502)
Balance at end of year.....	¥ 95,876	¥ 180,268	\$ 719,522	\$ 1,352,855
UNREALIZED HOLDING GAINS ON SECURITIES (Note 2):				
Balance at beginning of year.....	¥ 97,534	¥ -	\$ 731,959	\$ -
(Decrease)Increase.....	(32,089)	97,534	(240,815)	731,959
Balance at end of year.....	¥ 65,445	¥ 97,534	\$ 491,144	\$ 731,959
TREASURY STOCK (Note 2):				
Balance at beginning of year.....	¥ -	¥ -	\$ -	\$ -
Transfer from other current assets.....	(2)	-	(17)	-
Purchase of treasury stock.....	(3,060)	-	(22,961)	-
Retirement.....	2,990	-	22,438	-
Sales of treasury stock.....	41	-	307	-
Balance at end of year.....	¥ (31)	¥ -	\$ (233)	\$ -
(thousand of shares)				
NUMBER OF SHARES:				
Balance at beginning of year.....	727,814	745,174		
Conversion of convertible bonds.....	1	-		
Retirement of treasury stock.....	(6,305)	(17,360)		
Treasury stock.....	(73)	-		
Balance at end of year.....	721,437	727,814		

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

Non-Consolidated Statements of Cash Flows

OBAYASHI CORPORATION For the years ended March 31, 2002 and 2001

	Japanese Yen (million)		U.S. Dollars (thousand)	
	FY 2002	FY 2001	FY 2002	FY 2001
OPERATING ACTIVITIES:				
Net loss.....	¥ (71,301)	¥ (15,082)	\$ (535,090)	\$ (113,186)
Adjustments to reconcile net loss to net cash provided by operating activities:				
Depreciation and amortization.....	9,332	10,246	70,036	76,894
Allowance for doubtful receivables.....	(237)	3,466	(1,775)	26,013
Reserve for retirement benefits.....	(4,194)	31,016	(31,476)	232,768
(Gain) Loss on sales and disposal of property, equipment and investment securities.....	(3,411)	2,081	(25,601)	15,619
Write down of marketable, investment and subsidiaries and affiliates securities.....	4,360	1,912	32,723	14,351
Loss on revaluation of investments in and receivables from subsidiaries and affiliated companies.....	-	9,043	-	67,868
Loss on revaluation of golf club membership.....	-	2,404	-	18,040
Liquidation loss of subsidiaries and affiliated companies....	-	3,773	-	28,312
Loss on revaluation of non-current assets.....	138,591	-	1,040,082	-
Deferred income taxes.....	(55,620)	(21,313)	(417,408)	(159,945)
Changes in assets and liabilities:				
Trade receivables.....	(16,879)	(60,865)	(126,670)	(456,769)
Inventories.....	24,798	45,722	186,104	343,131
Other current assets.....	11,073	(19,015)	83,096	(142,704)
Trade payables.....	(6,329)	111,839	(47,500)	839,316
Accrued income taxes.....	(5,896)	(4,338)	(44,246)	(32,556)
Advances received on construction projects in progress.....	(34,736)	(56,336)	(260,686)	(422,784)
Advances received on real estate for sale.....	586	(887)	4,399	(6,654)
Accrued expenses.....	(2,022)	797	(15,171)	5,978
Other current liabilities.....	45,927	17,343	344,670	130,147
Other, net.....	(2,599)	2,166	(19,515)	16,250
Total adjustments.....	102,744	79,054	771,062	593,275
Net cash provided by operating activities.....	31,443	63,972	235,972	480,089
INVESTING ACTIVITIES:				
Purchases of marketable, investment and subsidiaries and affiliates securities.....	(5,471)	(1,771)	(41,058)	(13,292)
Proceeds from sales of marketable, investment and subsidiaries and affiliates securities.....	19,344	15,003	145,167	112,590
Proceeds from sales of property and equipment.....	1,361	658	10,210	4,940
Purchases of property and equipment.....	(5,687)	(10,882)	(42,677)	(81,661)
Proceeds from repayment of loans.....	3,542	4,122	26,585	30,934
Payment for loans receivables.....	(4,357)	(8,026)	(32,699)	(60,236)
Other.....	2	-	15	-
Net cash provided by (used in) investing activities.....	8,734	(896)	65,543	(6,725)
FINANCING ACTIVITIES:				
Proceeds from short-term and long-term debt.....	19,666	4,544	147,587	34,100
Repayment of short-term and long-term debt.....	(50,044)	(50,848)	(375,566)	(381,602)
Redemption of bonds.....	(11,442)	(9,969)	(85,869)	(74,814)
Cash dividends.....	(5,797)	(5,911)	(43,507)	(44,358)
Purchase of treasury stock for retirement.....	(2,990)	(7,529)	(22,438)	(56,502)
Other.....	(29)	(1)	(217)	(1)
Net cash used in financing activities.....	(50,636)	(69,714)	(380,010)	(523,177)
Net decrease in cash and cash equivalents.....	(10,459)	(6,638)	(78,495)	(49,813)
Cash and cash equivalents at beginning of the year.....	83,471	90,109	626,423	676,236
Cash and cash equivalents at end of the year (Notes 2 and 9).....	¥ 73,012	¥ 83,471	\$ 547,928	\$ 626,423
SUPPLEMENTAL INFORMATION OF CASH FLOWS:				
Cash paid during the year for:				
Interest.....	¥ 4,026	¥ 5,113	\$ 30,217	\$ 38,370
Income taxes.....	12,549	17,431	94,174	130,811

Notes to Non-Consolidated Financial Statements

OBAYASHI CORPORATION For the years ended March 31, 2002 and 2001

1. Basis of presenting non-consolidated financial statements

OBAYASHI CORPORATION (the "Company") maintains its accounting records and prepares its financial statements in accordance with accounting principles and practices generally accepted in Japan. The accompanying non-consolidated financial statements have been compiled from the financial statements filed with the Financial Services Agency as required by the Securities and Exchange Law of Japan and include certain additional financial information for the convenience of readers outside Japan. Accordingly, the accompanying financial statements may differ in some material respects in presenting the financial position, results of operations and cash flows in accordance with accounting principles and practices generally accepted in countries and jurisdictions other than Japan. For the purposes of this document, certain reclassifications have been made to present the accompanying non-consolidated financial statements in a format which is familiar to readers outside Japan. The Company has prepared the non-consolidated statements of shareholders' equity and cash flows for the purpose of inclusion in this report, although such statements are not customarily prepared in Japan.

2. Summary of significant accounting policies

(a) Recognition of revenues and related costs

Revenues from construction contracts and the related costs are recorded on a completed-contract basis, except for those related to large-scale contracts with long-term construction periods of more than 2 years and contracted amounts in excess of ¥5 billion which are recognized by the percentage-of-completion method.

The Company formerly applied the percentage-of-completion method in accounting for construction contracts with a construction period of more than 2 years and a contract amount in excess of ¥15 billion. Effective the year ended March 31, 2002, the Company has applied the percentage-of-completion method in accounting for new construction contracts with a construction period of more than 2 years and a contract amount in excess of ¥5 billion. This change in method of accounting was made because the size of the construction contracts has recently tended to be smaller and the Company believed that this revision would reflect periodic performance more accurately. This change had no impact on the non-consolidated financial statements for the year ended March 31, 2002.

(b) Foreign currency translation

All foreign currency denominated receivables and payables are translated at the rate of exchange in effect at the balance sheet date.

(c) Cash and 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.

(d) Marketable securities and investment securities

Securities are classified into two categories: held-to-maturity or 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 shareholders' equity. Non-marketable securities classified as other securities are carried at cost.

Cost of securities sold is determined by the moving average method.

(e) Investments in subsidiaries and affiliates

Investments in subsidiaries and affiliates are stated at cost determined based on the moving average method. The Company had 53 subsidiaries and 16 affiliates as of March 31, 2002.

(f) Inventories

Inventories other than materials and supplies are stated at cost as determined on a specific project basis. Materials and supplies are stated at cost as determined on the first-in first-out method.

(g) Property and equipment

Property and equipment is stated principally at cost. Depreciation is computed principally by the declining-balance method over the estimated useful lives of the respective assets as follows:

Buildings: 3 - 50 years

Machinery and equipment: 3 - 15 years

(h) Reserve for retirement benefits

Reserve for retirement benefits for employees is provided mainly at an amount calculated based on the retirement benefit obligation and the fair value of the pension plan assets, as adjusted for unrecognized actuarial gain or loss.

The retirement benefit obligation at transition was expensed upon transition. Actuarial gain or loss is attributed to each period by the straight-line method over 10 years.

(i) Income taxes

The Company applies 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 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.

(j) Appropriations of retained earnings

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

(k) Allowance for doubtful receivables

The allowance for doubtful receivables has been provided based on the Company's historical experience with respect to write-offs and based on an estimate of the amount of specific uncollectible accounts.

(l) Lease

Finance leases other than those which are deemed to transfer the ownership of leased property to lessees are accounted for in the same manner as operating leases.

(m) Land revaluation

Pursuant to the "Law Concerning the Revaluation of Land", land used for the business operations was revalued on March 31, 2000. The excess of the revalued carrying amount over the book value before revaluation has been included in shareholders' equity as reserve for land revaluation.

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.

The excess of the revalued carrying amount over the market value at March 31, 2002, was ¥9,151million (\$68,682 thousand).

(n) Derivative financial instruments

The Company has entered into various derivative transactions in order to manage certain risks arising from adverse fluctuations in foreign currency exchange rates and interest rates.

Derivative financial instruments are carried at fair value with changes in unrealized gain or loss charged or credited to operations, except for those which meet the criteria for deferral hedge accounting under which unrealized gain or loss is deferred as an asset or a liability. Receivables and payables hedged by qualified forward foreign exchange contracts are translated at the corresponding foreign exchange contract rates. As for interest rate swaps, used for converting receipts or payments of interest on an asset or a liability, if principal terms of the interest rate swaps such as notional amount, index of interest rates, date and interval of interest payments, contract period are essentially the same as those of the hedged asset or liability, such interest rate swaps may not be measured at fair value, but the related interests may be adjusted to the interests on the hedged asset or liability on an accrual basis.

(o) Presentation of treasury stock

Treasury stock of ¥2 million(\$17 thousand), which was included in other current assets for the year ended March 31, 2001, have been presented as a component of shareholders' equity in the non-consolidated financial statements for the year ended March 31, 2002 in accordance with a change in Regulations Concerning the Terminology, Forms and Preparation Methods of the Financial Statements.

(p) Reserve for losses on real estate business

Reserve for losses on real estate business is provided for the estimated losses to be incurred in liquidating the real estate for sale and restructuring the real estate-related business.

(q) Loss on revaluation of real estate business and other

The components of loss on revaluation of real estate business and other for the year ended March 31, 2002 are as follows:

Loss on revaluation of non-current assets	¥72,811million (\$546,430 thousand)
Loss on revaluation of real estate for sale	¥42,454million (\$318,607 thousand)
Loss on revaluation of investments in and receivables from subsidiaries and affiliated companies	¥23,324million (\$175,046 thousand)

These losses include provision for losses on real estate business and other of ¥32,721million (\$245,563 thousand).

3. United States dollar amounts

The United States dollar amounts included herein are presented solely for convenience. The translations should not be construed as representations that Japanese yen have been, could have been or could in the future be converted into United States dollars. Such dollar amounts have been translated from yen at the exchange rate of ¥133.25=\$1, the approximate exchange rate prevailing on March 31, 2002.

4. Marketable securities and investment securities

Certain investments in subsidiary companies are marketable equity securities, which have carrying value of ¥2,004 million(\$15,041thousand) at March 31, 2002, with corresponding quoted market value of ¥3,580 million(\$26,871 thousand).

5. Inventories

Inventories comprised the following:

	Japanese Yen (million)		U.S. Dollars (thousand)	
	March 31		March 31	
	FY 2002	FY 2001	FY 2002	FY 2001
Construction projects in progress.....	¥ 510,679	¥ 534,632	\$ 3,832,484	\$ 4,012,249
Real estate for sale.....	66,134	95,657	496,318	717,874
Development projects in progress.....	19,104	31,496	143,371	236,365
Materials and supplies.....	2,224	2,134	16,687	16,015
	¥ 598,141	¥ 663,919	\$ 4,488,860	\$ 4,982,503

6. Short-term borrowings and long-term debt

Short-term bank loans are represented generally by 180-day or 365-day notes issued by the Companies to banks and overdrafts with banks and bore interest at the average annual rate of 0.6615 per cent. at March 31, 2002 (0.9364 per cent. at March 31, 2001).

Long-term loans bore interest at the average annual rate of 1.8975 per cent. at March 31, 2002. (1.9506 per cent. at March 31, 2001).

(a) Short-term borrowings comprised the following:

	Japanese Yen (million)		U.S. Dollars (thousand)	
	March 31		March 31	
	FY 2002	FY 2001	FY 2002	FY 2001
Short-term loans from banks.....	¥ 138,490	¥ 158,927	\$ 1,039,328	\$ 1,192,700
Short-term loans from insurance companies.....	1,100	—	8,255	—
	¥ 139,590	¥ 158,927	\$ 1,047,583	\$ 1,192,700

(b) Long-term debt comprised the following:

	Japanese Yen (million)		U.S. Dollars (thousand)	
	March 31		March 31	
	FY 2002	FY 2001	FY 2002	FY 2001
2.55 per cent. bonds due September, 2001.....	¥ -	¥ 10,000	\$ -	\$ 75,047
2.9 per cent. bonds due September, 2002.....	10,000	10,000	75,047	75,047
1.6 per cent. bonds due August, 2004.....	20,000	20,000	150,094	150,094
2.03 per cent. bonds due August, 2006.....	10,000	10,000	75,047	75,047
2.1 per cent. convertible bonds due March, 2002...	-	1,443	-	10,829
1.6 per cent. convertible bonds due March, 2004...	9,969	9,969	74,814	74,814
Loans from Japanese banks.....	44,114	54,755	331,062	410,920
Loans from Japanese insurance companies.....	33,970	34,122	254,933	256,075
Loans from other financial institutions.....	1,590	1,754	11,932	13,163
	¥ 129,643	¥ 152,043	\$ 972,929	\$ 1,141,036
Less: Current portion of long-term debt.....	32,131	28,374	241,132	212,940
	¥ 97,512	¥ 123,669	\$ 731,797	\$ 928,096

The 1.6 per cent. convertible bonds in the amount of ¥10,000 million due March 31, 2004, which were issued in Japan on March 31, 1989, are convertible into common stock at the option of the holders during the period from May 1, 1989 to March 30, 2004 at ¥1,865.7 (\$14.002) per share, subject to adjustment in certain circumstances.

The aggregate annual maturities of long-term debt (including current portion) subsequent to March 31, 2002 were as follows:

Year ended March 31,	Japanese Yen (million)	U.S. Dollars (thousand)
2003.....	¥ 32,131	\$ 241,132
2004.....	46,661	350,176
2005.....	33,568	251,917
2006.....	2,835	21,276
2007 and thereafter.....	14,448	108,428
	¥ 129,643	\$ 972,929

As is customary in Japan, long-term and short-term bank loans are made under general agreements, which provide that additional security and guarantees for present and future indebtedness will be given under certain circumstances at the request of banks and that any collateral so furnished will be applicable to all indebtedness due to banks. In addition, the agreements provide that banks has the right to offset cash deposited against any long-term and short-term debt that becomes due and, in case of default and certain other specified events, against all other debts payable to banks. Such rights have never been exercised by banks against the company.

7. Pledged assets

Assets pledged as collateral for short-term borrowings and long-term debt were as follows:

	Japanese Yen (million)		U.S. Dollars (thousand)	
	March 31		March 31	
	FY 2002	FY 2001	FY 2002	FY 2001
ASSETS PLEDGED AS COLLATERAL:				
Land*.....	¥ 10,350	¥ 17,572	\$ 77,674	\$ 131,871
Buildings.....	1,193	1,264	8,955	9,490
Long-term loans receivable (Real estate convertible loan).....	25,426	25,719	190,814	193,013
	¥ 36,969	¥ 44,555	\$ 277,443	\$ 334,374
LIABILITIES SECURED THEREBY:				
Current portion of long-term debt.....	¥ 549	¥ 549	\$ 4,120	\$ 4,120
Long-term debt.....	¥ 5,696	¥ 6,245	\$ 42,747	\$ 46,867
Long-term debt of Obayashi Real Estate, Ltd. (the Company's subsidiary)*.....	¥ 9,467	¥ 10,088	\$ 71,050	\$ 75,706

* The Company pledged its land in the amount of ¥5,160 million (\$38,726 thousand) to secure the long-term debt of Obayashi Real Estate, Ltd.

8. Income taxes

Income taxes applicable to the Company and its domestic subsidiaries comprised corporation tax, inhabitants' taxes and enterprise tax which, in the aggregate, resulted in a statutory tax rate of approximately 41.9%. Income taxes of the foreign subsidiaries are based generally on the tax rates applicable in their countries of incorporation.

The major components of deferred tax assets and liabilities as of March 31, 2002 and 2001 are summarized as follows:

	Japanese Yen (million)		U.S. Dollars (thousand)	
	March 31		March 31	
	FY 2002	FY 2001	FY 2002	FY 2001
Deferred tax assets:				
Loss on revaluation of non-current asset.....	¥ 39,316	¥ –	\$ 295,055	\$ –
Loss on revaluation of real estate for sale.....	21,357	3,841	160,275	28,824
Reserve for retirement benefits.....	17,242	18,091	129,396	135,767
Allowance for doubtful receivables.....	9,178	6,913	68,878	51,880
Reserve for employees' bonuses.....	3,730	3,163	27,992	23,737
Loss on revaluation of investments in and receivables from subsidiaries and affiliated companies.....	3,660	2,770	27,467	20,788
Loss on revaluation of golf club membership.....	–	800	–	6,004
Accrued enterprise tax.....	–	685	–	5,141
Other.....	12,082	11,777	90,676	88,384
Total deferred tax assets.....	¥ 106,565	¥ 48,040	\$ 799,739	\$ 360,525
Deferred tax liabilities:				
Unrealized holding gains on securities.....	¥ (47,197)	¥ (70,338)	\$ (354,199)	\$ (527,867)
Reserve for land revaluation.....	(6,445)	(3,457)	(48,370)	(25,943)
Deferred gain with respect to property for tax purposes.....	(153)	(161)	(1,149)	(1,206)
Other.....	(517)	(592)	(3,879)	(4,443)
Total deferred tax liabilities.....	¥ (54,312)	¥ (74,548)	\$ (407,597)	\$ (559,459)
Net deferred tax assets (liabilities).....	¥ 52,253	¥ (26,508)	\$ 392,142	\$ (198,934)

Reconciliation between the statutory tax rate and the effective tax rate for the year ended March 31, 2002 and 2001 is not presented, as permitted, since the Company incurred a loss before income taxes for the years then ended.

9. Supplementary Cash Flow Information

The following table represents a reconciliation of cash and cash equivalents as of March 31:

	Japanese Yen (million)		U.S. Dollars (thousand)	
	March 31		March 31	
	FY 2002	FY 2001	FY 2002	FY 2001
Cash and deposits.....	¥ 73,755	¥ 83,621	\$ 553,506	\$ 627,548
Time deposits with a maturity of more than three months.....	(743)	(150)	(5,578)	(1,125)
Cash and cash equivalents.....	¥ 73,012	¥ 83,471	\$ 547,928	\$ 626,423

10. Shareholders' equity and per share data

On October 1, 2001, an amendment (the "Amendment") to the Japanese Commercial Code (the "JCC") became effective. The Amendment eliminates the stated par value of the Company's outstanding shares which results in all outstanding shares having no par value as of October 1, 2001. Before the Amendment, the Company's shares had a par value of ¥50 per share.

The Amendment requires that an amount equal to at least 10% of cash dividends and other distributions, including directors' bonuses, from retained earnings paid by the Company be appropriated as a legal reserve to the extent that the total amount of additional paid-in capital and the legal reserve equals 25% of the common stock while the JCC before the Amendment required to do so to the extent that the legal reserve equals 25% of the common stock. The Amendment also provides that to the extent that the sum of the additional paid-in capital and the legal reserve exceed 25% of the common stock, the amount of the excess, if any, is available for appropriations by the resolution of the shareholders prescribed by the JCC.

The computation of net loss per share assuming no dilution is based on the weighted average number of shares of common stock outstanding during each year. Effective the year ended March 31, 2002, the number of treasury stocks was deducted from the denominator of the computation of net income/loss per share.

Net loss per share assuming full dilution is computed assuming that all convertible bonds were converted at the beginning of the year with appropriate adjustment of the interest expenses, net of income taxes for such convertible bonds.

In accordance with the Commercial Code, proposed appropriations of retained earnings have not been reflected in the financial statements at the end of the fiscal year to which they apply. However, dividends per share shown in the statements of operations are the amount of dividends actually declared by the Company with respect to such fiscal year rather than the fiscal year in which the dividends are paid.

At the shareholders' meeting held on June 29, 2000, a clause was added to the Company's Article that the Board of Directors may decide to purchase treasury stocks up to 70,000,000 shares for retirement on and after June 30, 2000. Until June 27, 2002, 23,665,000 shares have been purchased for that purpose.

The number of shares used in computing net loss per share assuming no dilution and full dilution for the years ended March 31, 2002 and 2001 were as follows:

Year ended March 31,	FY 2002	FY 2001	(thousand)
Assuming no dilution.....	724,076	736,313	
Assuming full dilution.....	724,076	736,313	

11. Transactions with subsidiaries

Purchases from and sales to subsidiaries for the respective years were as follows:

	Japanese Yen (million)		U.S. Dollars (thousand)	
	FY 2002	FY 2001	FY 2002	FY 2001
Purchases.....	¥ 41,320	¥ 21,919	\$ 310,097	\$ 164,493
Sales.....	4,517	3,884	33,899	29,146

12. Commitments and contingent liabilities

(a) Contingent liabilities

The Company is contingently liable for the following:

	Japanese Yen (million)		U.S. Dollars (thousand)	
	March 31		March 31	
	FY 2002	FY 2001	FY 2002	FY 2001
Guarantees of long-term debt of customers, subsidiaries and affiliates.....	¥ 3,371	¥ 3,966	\$ 25,295	\$ 29,762
Commitments of guarantees for short-term and long-term debt of customers, subsidiaries and affiliates.....	163,277	175,678	1,225,341	1,318,410

(b) Commitments

Future minimum lease payments (including the interest portion thereon) subsequent to March 31, 2002 and 2001 for finance lease transactions accounted for as operating leases, except for lease agreements which stipulate the transfer of ownership of the leased property to the Company and non cancellable operating lease, are summarized as follows:

	Japanese Yen (million)		U.S. Dollars (thousand)	
	March 31		March 31	
	FY 2002	FY 2001	FY 2002	FY 2001
Finance lease with no ownership transaction:				
Due within one year.....	¥ 1,016	¥ 1,112	\$ 7,630	\$ 8,347
Due after one year.....	1,069	1,455	8,019	10,916
Total future payments.....	¥ 2,085	¥ 2,567	\$ 15,649	\$ 19,263
Operating lease:				
Due within one year.....	¥ 34	¥ 23	\$ 254	\$ 173
Due after one year.....	48	24	364	181
Total future payments.....	¥ 82	¥ 47	\$ 618	\$ 354

13. Subsequent event

On June 27, 2002, the following appropriations of retained earnings were approved at the shareholders' meeting of the company.

	Japanese Yen (million)	U.S. Dollars (thousand)
Cash dividends	¥ 2,886	\$ 21,657



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