



# OBAYASHI CORPORATION ANNUAL REPORT 2011

Year Ended March 31, 2011

# OUR HISTORY

## The Timeless and Enduring Obayashi Spirit

Centered around Obayashi Corporation, one of Japan's largest general contractors, the Obayashi Group has 86 subsidiaries and 26 affiliated companies. Since its founding in 1892 in Osaka, the group has participated in numerous major projects in its 120-year history. As of the publication of this report, Obayashi is constructing the world's tallest self-supporting tower, the Tokyo Sky Tree®. Obayashi also has an established record outside of Japan, dating back to 1962 when the Company became the first Japanese general contractor to take on an overseas construction project. The Company later moved into the United States, and in 1979 was the first Japanese construction company to win a public civil engineering contract on the U.S. mainland. In addition to the United States, Obayashi has been involved in a number of projects around the world, from the main stadium for the Sydney Olympics to Taiwan's high-speed railway, making it a truly global business.



**1914**  
Tokyo Central Station



**1931**  
The Main Tower of Osaka Castle



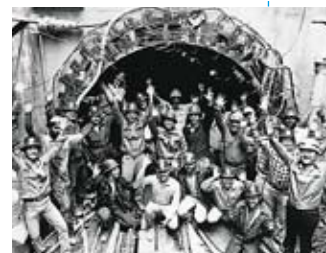
**1964**  
Yoyogi National Stadium 2nd  
Gymnasium



**1970**  
Japan World Exposition



**1937**  
Tokyo National Museum



**1982**  
San Francisco Sewer  
U.S.A.

### OUR HISTORY SINCE 1892

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



**1994**  
Kansai International Airport



**1997**  
Tokyo Bay Aqua-Line



**1999**  
Stadium Australia  
Australia



**2003**  
Roppongi Hills Mori Tower



**2006**  
Taiwan High Speed Rail  
Taiwan



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



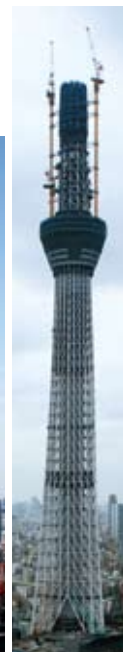
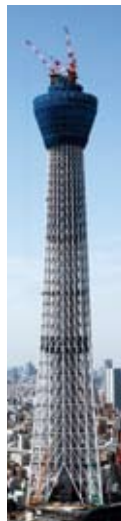
**2008**  
akasaka Sacas

2011

## Tokyo Sky Tree® Reaches Highest Point of 634 meters—Marshalling Obayashi's Experience and Technologies

On March 18, 2011, the Tokyo Sky Tree, under construction in Sumida-ku, Tokyo, reached its highest point of 634 meters to become the world's tallest self-supporting tower. Together with the many parties who joined forces in rising to the challenge since construction began in July 2008, Obayashi has left a significant mark on construction history with this achievement. The Tokyo Sky Tree draws on Obayashi's many years of experience and technological development. Going forward, the Group will leverage the capabilities it gained from the construction of the Tokyo Sky Tree to drive further growth.

Proprietor:  
TOBU RAILWAY CO., LTD. & TOBU  
TOWER SKY TREE CO., LTD.



# CONSOLIDATED FINANCIAL SUMMARY

## Obayashi Group: Consolidated Financial Results

Fiscal years ended March 31	2001	2002	2003	2004
Net sales	1,313,347	1,403,671	1,341,003	1,346,297
Cost of sales	1,189,235	1,303,801	1,232,114	1,227,666
Gross profit	124,112	99,869	108,889	118,631
Gross margin (%)	9.5	7.1	8.1	8.8
Selling, general and administrative expenses	88,799	82,247	80,397	80,657
Operating income (loss)	35,313	17,622	28,491	37,974
Operating margin (%)	2.7	1.3	2.1	2.8
Ordinary income (loss)	33,448	25,676	29,908	41,940
Net income (loss)	(6,466)	(74,078)	3,124	21,193
Net income (loss) per share (yen/U.S. dollars)	(8.78)	(102.43)	4.27	29.42
<b>Total assets</b>	<b>2,197,080</b>	<b>2,044,654</b>	<b>1,948,578</b>	<b>1,821,883</b>
<b>Net assets</b>	<b>405,321</b>	<b>290,360</b>	<b>260,359</b>	<b>344,273</b>
<b>Net assets per share (yen/U.S. dollars)</b>	<b>556.91</b>	<b>403.44</b>	<b>361.47</b>	<b>477.80</b>
Cash flow from operating activities*1	69,484	33,677	17,072	38,591
Cash flow from investing activities*1	21,364	19,212	32,151	21,746
Cash flow from financing activities*1	(97,460)	(58,008)	(29,917)	(67,854)
Cash and cash equivalents at end of period	90,853	86,884	107,423	103,543
Return on equity (%)*2	—	—	1.1	7.0
Dividends per share (yen/U.S. dollars)*3	8	8	6	8

\*1 In statements of cash flows, figures in ( ) represent the corresponding decrease in cash and cash equivalents.

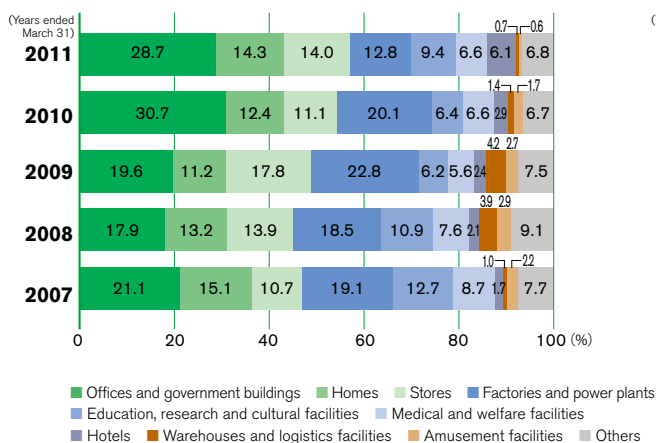
\*2 Return on equity for the years ended March 31, 2001, 2002 and 2010 is not included due to net losses posted during those years.

\*3 Dividends of ¥12 for the years ended March 31, 2006 and 2007 include special dividends of ¥4 per share.

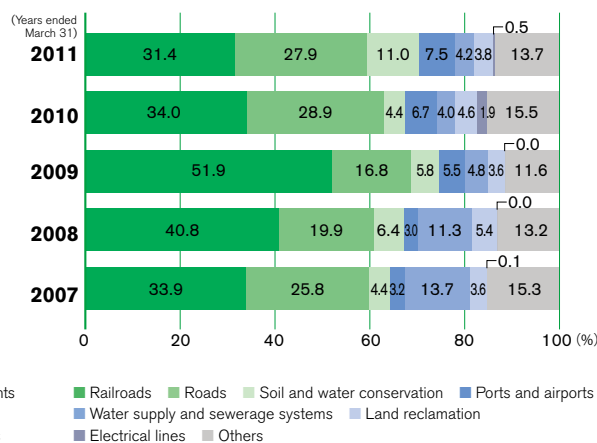
\*4 US dollar amounts are provided solely for the convenience of the reader, translated on the basis of ¥ 83.15 to US\$1, the prevailing rate of exchange at March 31, 2011.

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

#### BUILDING CONSTRUCTION



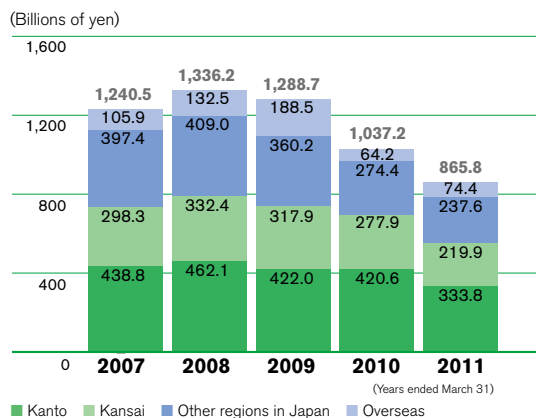
#### CIVIL ENGINEERING



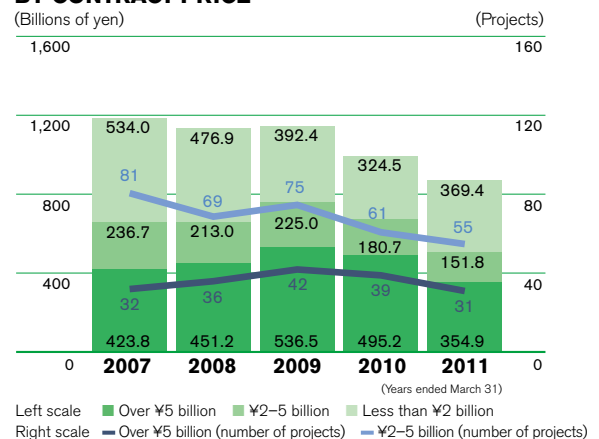
						(Millions of yen)	(Thousands of U.S. dollars)**
2005	2006	2007	2008	2009	2010	2011	2011
1,404,640	1,476,424	1,567,960	1,691,635	1,682,462	1,341,456	1,131,864	13,612,322
1,285,376	1,354,715	1,446,523	1,584,679	1,575,580	1,326,887	1,032,147	12,413,080
119,263	121,708	121,436	106,956	106,881	14,569	99,716	1,199,241
8.5	8.2	7.7	6.3	6.4	1.1	8.8	-
75,907	75,050	73,897	78,289	79,518	77,103	76,542	920,529
43,356	46,658	47,538	28,667	27,363	(62,534)	23,174	278,712
3.1	3.1	3.0	1.7	1.6	(4.7)	2.0	-
52,576	50,859	53,320	32,312	31,829	(59,608)	22,207	267,079
25,076	34,489	40,652	18,595	10,966	(53,354)	15,423	185,488
34.81	47.89	56.46	25.83	15.24	(74.21)	21.46	0.25
1,842,262	1,977,295	2,066,984	1,854,071	1,725,645	1,590,667	1,505,697	18,108,213
364,301	486,017	565,456	477,504	395,809	367,618	351,287	4,224,745
505.81	674.94	753.78	625.06	516.06	476.12	453.52	5.45
52,049	17,793	20,565	(47,631)	(39,610)	16,156	1,096	13,189
11,172	25,437	53,036	(18,924)	1,699	(12,746)	(33,134)	(398,489)
(56,171)	(53,996)	(38,325)	54,804	62,427	(15,733)	10,611	127,621
110,781	101,527	139,942	128,537	143,821	132,425	108,999	1,310,872
7.1	8.1	7.9	3.7	2.7	-	4.6	-
8	12	12	8	8	8	8	-

## Non-Consolidated Net Sales by Region/Orders Received by Contract Price

### NET SALES BY REGION



### BREAKDOWN OF ORDERS RECEIVED BY CONTRACT PRICE

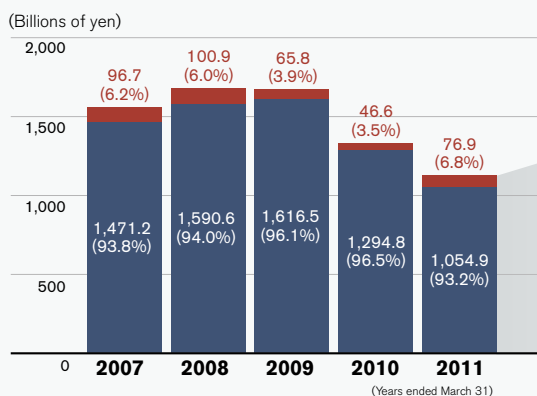


## REVIEW OF OPERATIONS

### OBAYASHI GROUP (CONSOLIDATED)

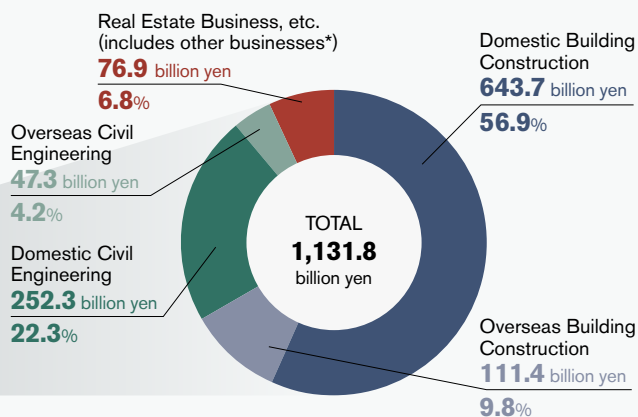
The construction business provided 93.2% of consolidated net sales in the fiscal year ended March 2011, with the remaining 6.8% provided by the real estate and other businesses. In geographic terms, domestic sales activities accounted for 85.8% of total net sales, while 14.2% was generated overseas.

#### CONSOLIDATED NET SALES BY BUSINESS



■ CONSTRUCTION BUSINESS  
■ REAL ESTATE BUSINESS, ETC. (includes other businesses\*)  
\* Other businesses: PFI business, financial business, etc.  
(Figures in parentheses are the composition breakdown)

#### BREAKDOWN OF CONSOLIDATED NET SALES BY BUSINESS

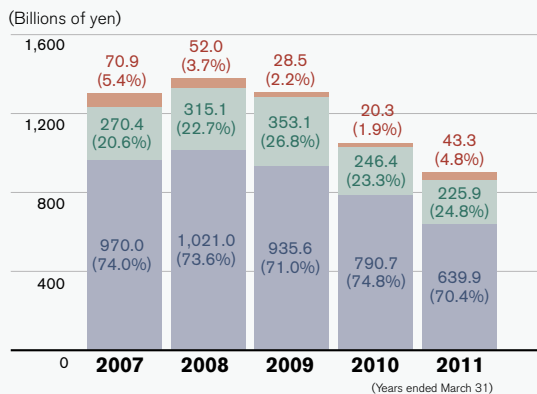


\* Other businesses: PFI business, financial business, etc.

### OBAYASHI CORPORATION (NON-CONSOLIDATED)

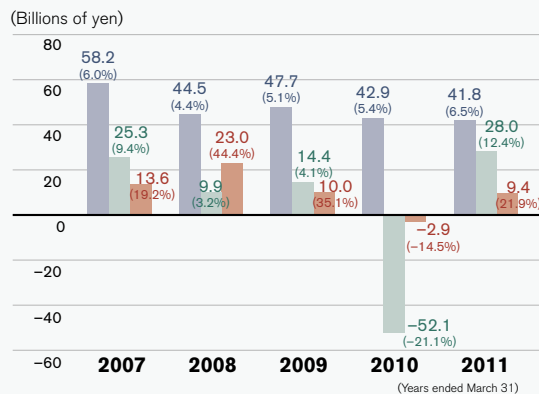
The construction business provided 95.2% of Obayashi Corporation's net sales (70.4% building construction, 24.8% civil engineering) on a non-consolidated basis in the fiscal year ended March 2011. The remaining 4.8% was provided by the real estate and other businesses. In terms of domestic sales, construction for the private sector accounted for 68.9% of total net sales, while 18.1% was generated by construction for the public sector.

#### NET SALES BY BUSINESS



■ BUILDING CONSTRUCTION BUSINESS  
■ CIVIL ENGINEERING BUSINESS  
■ REAL ESTATE BUSINESS, ETC. (includes other businesses\*)  
\* Other businesses: PFI business, financial business, etc.  
(Figures in parentheses are the composition breakdown)

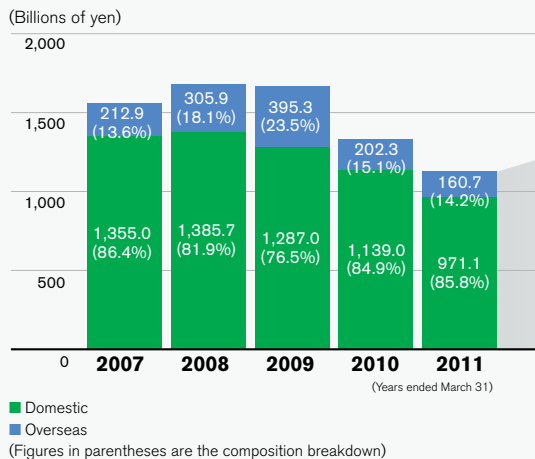
#### GROSS PROFIT (LOSS) AND GROSS MARGIN BY BUSINESS



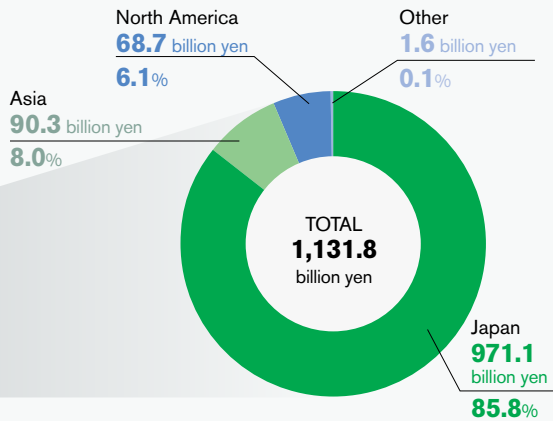
■ BUILDING CONSTRUCTION BUSINESS  
■ CIVIL ENGINEERING BUSINESS  
■ REAL ESTATE BUSINESS, ETC. (includes other businesses\*)  
\* Other businesses: PFI business, financial business, etc.  
(Figures in parentheses are the gross margin)

Among the Group's major domestic consolidated subsidiaries are Obayashi Road Corporation, Naigai Technos Corporation, Obayashi Facilities Corporation, and Oak Setsubi Corporation. These companies are engaged primarily in the construction business. Meanwhile, Obayashi Real Estate Corporation and other entities are engaged in real estate and other businesses. The major overseas subsidiaries, including Obayashi USA, LLC and Thai Obayashi Corporation Limited, are engaged in construction businesses mainly in North America and Asia.

### CONSOLIDATED NET SALES BY REGION



### BREAKDOWN OF CONSOLIDATED NET SALES BY REGION



### Strategy

Construction Business	Building Construction Business	Obayashi will strengthen proposal capabilities and further differentiate itself with environmental technologies, while steadily winning orders in the fields of production facility and office building construction where it excels. At the same time, it will aim to win orders in renovations for energy conservation, anti-seismic reinforcement, and other renovations that meet customer needs. In addition, the Company will strive to enhance profitability by reducing construction periods and costs through enhanced productivity.
	Civil Engineering Business	Although domestic public works spending is expected to continue to decline, Obayashi is looking to focus on its specialties in the fields of shields and tunnels and secure orders through the comprehensive evaluation bidding method, and to leverage its urban civil engineering technologies and expertise on social infrastructure renewal. Overseas, the Company will improve its comprehensive structures for managing risk in the various countries where it does business, and focus on projects where it can differentiate itself through technology.
Real Estate Business, Etc. (includes other businesses)		Amid the need to emphasize both profitability and stability in our investment decisions, Obayashi will strive to build a real estate business that is based both on stable revenues from property leasing and new real estate developments based on clear exit strategies and extensive risk analysis.

## A MESSAGE TO OUR STAKEHOLDERS

### Toward a Brighter Future

Since its founding in 1892, Obayashi Corporation has drawn on its technology and integrity to provide customers with high-quality construction services and earn their trust. Our goal is to carry on this legacy and to become a leading Earth-friendly company. We at Obayashi will not only contribute to our customers' business, but also respond to social needs such as safety, peace of mind, and environment-consciousness, by providing high-function and high-added-value construction services.

We would like to take this opportunity to extend our condolences to those who lost loved ones in the Great East Japan Earthquake and express our sympathies to people who were affected by the disaster in other ways.

#### Formulation of a Statement of Obayashi's Vision, Values, and Commitments

In 2011, we released a statement of Obayashi's Vision, Values and Commitments as we marked our 120th anniversary in business. This statement revises our existing corporate philosophy to reflect the importance placed on corporate social responsibility (CSR) these days. (See page 36.) In accordance with this statement, we will strive to provide safety, peace of mind and comfort for all mankind. We also aim to be a leading Earth-friendly company that can contribute to the creation of a sustainable society. In addition, the Vision, Values and Commitments outline Obayashi's approach to CSR and set forth five Action Commitments for promoting corporate ethics. There is also a creed of five fundamental values for all employees of the Obayashi Group to practice. Obayashi's Vision, Values and Commitments form the touchstone for all of us in the Company as we strive to overcome a rapidly changing business environment. By putting these Vision, Values and Commitments into practice we aim to raise the brand value of Obayashi.

#### Recovery and Reconstruction After the Great East Japan Earthquake

Immediately following the Great East Japan Earthquake, we began working to help restore business activities to normal by surveying and making emergency repairs to railways and other public infrastructure, public facilities, hospitals and private-sector buildings and facilities (such as factories, commercial property and office buildings) damaged in the disaster. We also responded to requests for assistance from affected municipal governments and various other entities.



Going forward, reconstruction in the disaster-hit areas, particularly the Tohoku region, will move into full swing. As a general contractor that contributes to society by developing social infrastructure, we believe our mission is to build safe, disaster-proof communities with small environmental footprints, leveraging the Group's comprehensive strengths to the fullest.

As a company with a public mission to provide safety and peace of mind in society, we will do everything within our power to develop technologies and provide services for protecting people's daily lives and ensuring the continuation of business, to help Japan recover from the disaster.

## Progress and Results

During the year ended March 31, 2011, in the Japanese economy, corporate profitability continued to improve, and private-sector capital expenditures showed signs of picking up. However, the Great East Japan Earthquake in March 2011 not only caused direct damage but also indirect damage as it lowered production activity. As a result, there are concerns about the future direction of the Japanese economy.

In the domestic construction market, private-sector construction orders remained lackluster, and public works orders remained at a low level, continuing to make the environment for winning orders a challenging one. Amid this environment, the Obayashi Group saw consolidated net sales decline by 15.6% year on year to ¥1,131.8 billion owing mainly to a decline in construction business sales at the Company. On the earnings front, operating income increased by ¥85.7 billion year on year to ¥23.1 billion due primarily to a recovery in profits in the construction and real estate businesses. Accordingly, ordinary income increased by ¥81.8 billion year on year to ¥22.2 billion, and net income rose by ¥68.7 billion year on year to ¥15.4 billion.

(Billions of yen)			
Years ended March 31	2009	2010	2011
Net sales	¥1,682.4	¥1,341.4	<b>¥1,131.8</b>
Operating income (loss)	27.3	(62.5)	<b>23.1</b>
Ordinary income (loss)	31.8	(59.6)	<b>22.2</b>
Net income (loss)	10.9	(53.3)	<b>15.4</b>

## Future Growth Strategy

The Obayashi Group will further strengthen its capabilities as the wellspring of its competitive advantage. We will further reinforce three strengths in particular: development and application of technology, planning and proposal capabilities in sales activities, and on-site productivity enhancement. This will be vital to enhancing the earnings power of our building construction, civil engineering and real estate businesses.

In the building construction business, we will continue developing and proposing market-oriented technologies that accurately address changes in the market and customer needs. As capital investment in the private sector enters a full-fledged recovery phase, this will enable us to steadily win orders in the fields of production facility and office building construction in which we excel. We will also



concentrate on environment-related and building renovation businesses, where demand is expected to grow in step with the rising need to reduce environmental impact and prolong the life of buildings. In addition, we will apply the wealth of experience we have gained overseas to assist manufacturing and other industries in their expansion overseas and to cultivate new foreign customers.

In the civil engineering business, demand for the upkeep and replacement of infrastructure is expected to expand going forward. Retrofitting roads, railways, bridges and other structures in use requires sophisticated technologies. As such, this is a field in which the technological capabilities of our group can be brought to bear. We plan to hone our technologies and competitive edge in this field as we actively make business proposals. Overseas, we plan to further strengthen our business in North America, which was boosted by the acquisition of the Canadian general contracting company, Kenaidan Group Ltd. in March 2011. At the same time, we will strive to participate in infrastructure projects all across Asia, the Middle East and Oceania, while strictly controlling risk.

In the real estate business, we will continue to enhance the stable revenue platform in our property leasing operations. At the same time, we will apply our expertise in the building construction business to engage in projects developing new property, provided that the exit strategies and risks have been extensively analyzed and examined beforehand.

The Obayashi Group seeks to earn society's trust as a corporate group capable of bringing a brighter future to the world. We also aim to improve corporate value by generating adequate profit in order to live up to the expectations of all our stakeholders, even in these challenging economic times. We thank you for your continued support and understanding in this endeavor.

President  
Toru Shiraishi

# FOR A SAFE, SECURE AND SUSTAINABLE SOCIETY

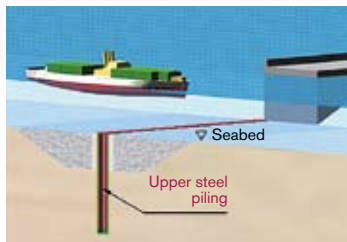
The Great East Japan Earthquake wrought severe damage over a wide area of eastern Japan.

We at the Obayashi Group have the technology and expertise to protect people's daily lives and business environments against earthquakes, tsunamis and other natural disasters while reducing environmental footprints and contributing to a sustainable society. We believe that it is our public mission to provide the building blocks for a safe and secure society through our construction and construction-related business activities.

## Vertical Telescopic Breakwater\*

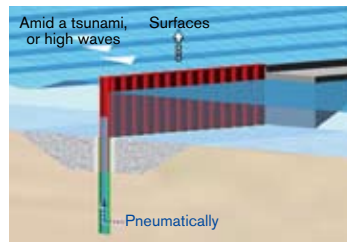
With this moving breakwater, upper steel piles rise to the surface from the seabed during times of disaster such as a tsunami or high waves. Because it is normally housed on the seabed, it doesn't hamper the passage of ships. However, in emergency situations the breakwater is designed to surface reliably in a very short amount of time to protect harbors and communities from damage.

### ■ UNDER NORMAL CIRCUMSTANCES



Upper steel piling housed on the seabed

### ■ IN AN EMERGENCY



Pneumatic pressure is applied to surface the upper steel piling

\* Developed under a joint consortium comprised of Port and Airport Research Institute, Obayashi Corporation, Nippon Steel Engineering Co., Ltd., TOA Corporation and Mitsubishi Heavy Industries Bridge & Steel Structures Engineering Co., Ltd.

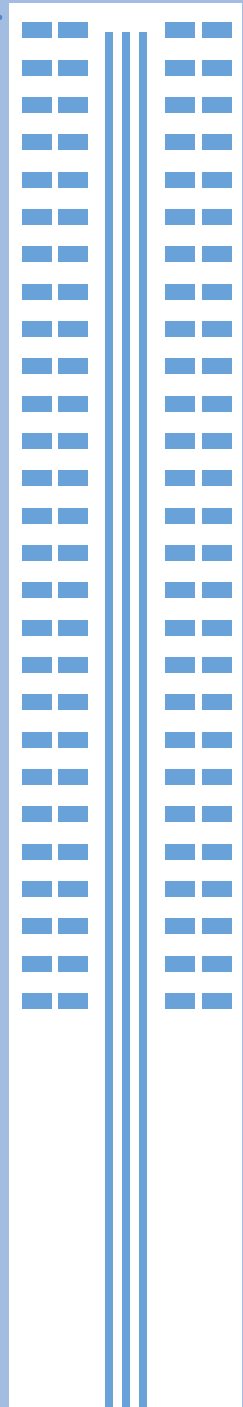
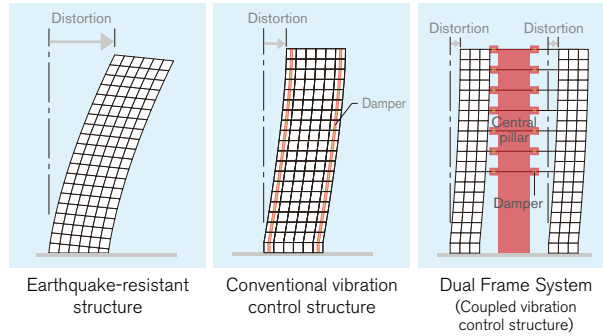
## Seawater Concrete

Seawater concrete is dense and high-quality concrete using seawater as the mixer and sea sand as the fine aggregate. The application of this concrete eliminates the need to transport large amounts of fresh water and inland sand, or for building and operating desalination plants. This allows for the construction of extremely durable structures while reducing the environmental impact. Seawater concrete can be applied to the construction of both conventional infrastructure and treatment plants for radioactive waste.



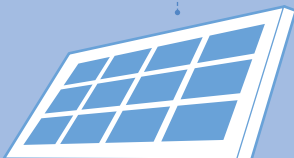
### Dual Frame System

The Dual Frame System is a vibration control system that links two independent structures, a central pillar and a super high-rise condominium, with earthquake-absorbing dampers. By connecting a central pillar and flexible high-rise condominium with dampers, counteractive sways are held to a minimum. This technology is a theoretical adaptation of the independently anchored central pillar and flexible exoskeleton found in a traditional, five-story Japanese pagoda.



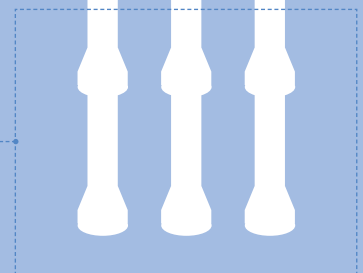
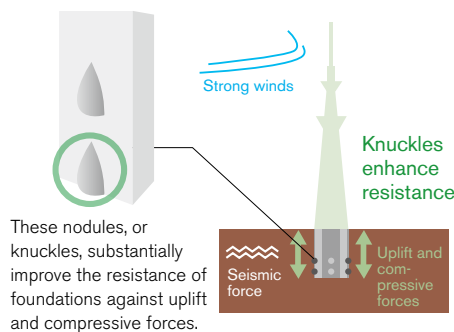
### Wind and Mega-Solar Power Generation Farms

The construction of wind, solar and other renewable energy farms for generating electric power requires expertise and technology in large-scale land development and structural design. Obayashi has the skill set and experience for these types of power generation projects and will actively pursue them.



### Knuckle Piles/Knuckle Walls

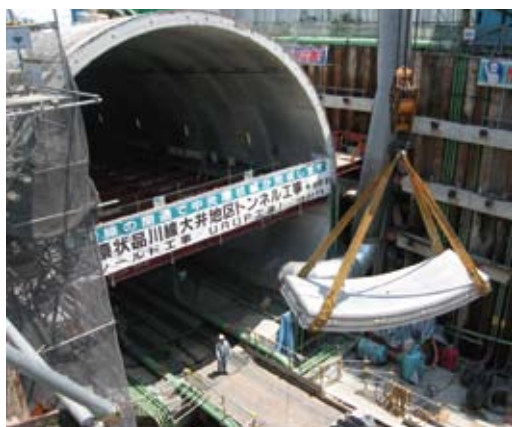
The foundation of a super high-rise building must withstand strong uplift and compressive forces of winds and earthquakes. Piles with nodules, or knuckles, can achieve much higher resistance against such forces at shorter lengths in comparison with conventional piles. Knuckle Walls are applied to the foundation of the Tokyo Sky Tree®.



# OBAYASHI'S TECHNICAL AND ON-SITE CAPABILITIES

## Central Circular Shinagawa Route Oi Area Tunnel Construction Project

The URUP (Ultra-Rapid Underpass) method that Obayashi developed is the world's first tunneling technology that launches a shield machine at ground level, to begin and finish boring an arced tunnel from entrance through to exit. The method has already been applied successfully at four sites. In May 2011, a shield machine that had been boring the Oi underpass resurfaced, having completed 14 months of tunnel construction. Compared to conventional construction methods, the URUP method eliminates the need for open-cut excavation and vertical shafts, shortening the construction period. It also substantially alleviates traffic congestion and noise associated with construction work, while reducing CO<sub>2</sub> emissions.



Tunnel segments are constructed in synchronization with the advance of the shield machine

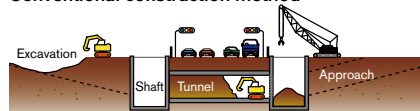


**URUP Oi JV Construction Project Office**  
Project Manager  
Yoshimori Tashiro

The tunneling for this underpass construction has attracted a lot of industry attention from Japan and overseas for the shield machine having been launched and also completing its task at ground level. Not only was this one of our first orders to tunnel using the URUP method, it was also a project that required extremely refined blueprints and execution. We had to operate the shield machine precisely to avoid contact with various underground facilities nearby, while also taking hydraulic pressure from the groundwater into account. Starting with this site, we hope to build on our achievements a step at a time to develop this technology further.

### Comparison with conventional construction method

#### Conventional construction method



#### URUP Method



A depiction of the work in progress. The construction site was a narrow strip of land sandwiched in between two heavily traveled roads.



The slurry-type shield machine, measuring 13.6 meters in outer diameter and weighing 1,500 tons, as it resurfaces at the exit-end



The shield machine being launched at ground level

## Renovation of JR Osaka Station and Construction of the North Gate Building



A scene from a meeting for coordinating construction schedules. Meetings were held to minutely adjust an intricate and overlapping schedule to simultaneously renovate the station and construct the North Gate Building. We repeatedly went over more than 15 pages of A1-size construction flow charts for ways to proceed with the construction safely and smoothly. Every employee assigned to the project cooperated and locked horns at times to lead the project successfully to completion. Each was a key player in keeping the coordination of manpower and schedules among construction sites and yards flexible.

OSAKA STATION CITY, which opened in May 2011, was developed to enhance the comfort and convenience of JR Osaka Station as a thriving railway terminal. It also serves as a gateway connecting an urban redevelopment zone to the north (Osaka Station North District) with a built-up business and shopping area to the south.

Obayashi was responsible for renovating JR Osaka Station, which some 850,000 passengers use daily. The Company built a suspended station concourse building above the train platforms, applying a construction method in which the steel cross beams were fed out from overhead. It also built an enormous domed roof—spanning about 180 meters east to west and about 100 meters north to south—sliding the sections into place. Moreover, barrier-free improvements were retrofitted throughout the station. In addition, Obayashi was in charge of constructing the new North Gate Building connected directly with the station and housing offices, a sports club, cinemas, restaurants and a department store.

Non-stop construction day and night while an enormous railway terminal remained in operation was one mind-boggling challenge after another. All told, every technological capability of Obayashi and the manpower of 2 million man days were devoted in a project that we hope will contribute to the revitalization of Osaka and the Kansai region.

**MARCH 2008**



**JUNE 2009**



**NOVEMBER 2009**



**FEBRUARY 2010**



**MAY 2011**



Work on the suspended station concourse building and the domed roof primarily took place as the train platforms and tracks below were operating. The work had to be coordinated with work on the North Gate Building and executed safely at the same time as securing construction space. Superstructures for the suspended concourse building were fed out above the train platforms from the North Gate Building under construction. The domed roof was built by sliding the sections out from the center while also making use of the North Gate Building's rooftop.



**Osaka Station  
Project Headquarters**  
Senior Project Manager  
Takao Kyotani

The suspended station concourse building and domed roof were built under extremely trying conditions. We had to place priority above all on the safety of passengers coming in and out of western Japan's busiest railway terminal without hindering the movement of trains. All the employees seconded to this JV project and from the subcontractors were on the same page, and thanks also to a great deal of understanding from the client, we were able to overcome the challenges. When at long last our work under exceedingly tough conditions was complete and we saw the grand opening of OSAKA STATION CITY, I was strongly reminded that the starting point for all construction work is one person cooperating with another.

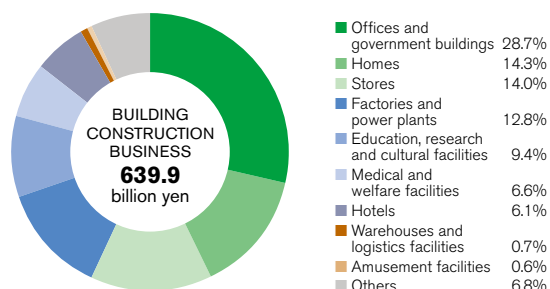


## BUILDING CONSTRUCTION BUSINESS

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

### NON-CONSOLIDATED NET SALES OF COMPLETED CONSTRUCTION CONTRACTS BY TYPE

(Year ended March 31, 2011)



A three-dimensional model generated using BIM



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

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

### Loop Road (Kanjo) No. 2, Shimbashi-Toranomon Ward Project Block III

An urban redevelopment project to extend the Loop Road (Kanjo) No. 2 in Tokyo from Toranomon to Shimbashi, an extension planned for ages and known colloquially as the "MacArthur Highway," is moving forward. Redevelopment of Block III in the Toranomon district will see the construction of a 247-meter super high-rise building with the Loop Road No. 2 running underneath it through a tunnel. Mori Building Co., Ltd., the specified builder of the project, named Obayashi as the contractor of the project on which construction has already begun. Once complete, the super high-rise, the centerpiece of the project, will be the second-tallest building in Tokyo and house hotels, residences, offices and shops. Obayashi will devote its full efforts to this major project, which will also see the Loop Road No. 2 run under the building. Construction is scheduled for completion in 2014.





**YUITO (Nihombashi Muromachi Nomura Building)** ('10)

Location: Chuo-ku, Tokyo



**Sumitomo Fudosan Shibuya First Tower** ('10)

Location: Shibuya-ku, Tokyo



**Sumitomo Fudosan Iidabashi First Tower** ('10)

Location: Bunkyo-ku, Tokyo



**Heiwajima Tosei Building** ('10)

Location: Shinagawa-ku, Tokyo



**Hokuyo O-dori Center Building** ('10)

Location: Chuo-ku, Sapporo



**NEC Tamagawa Solution Center** ('10)

Location: Nakahara-ku, Kawasaki



**Yaesu Ryumeikan Building** ('09)

Location: Chuo-ku, Tokyo



**Shinsaibashi SI Building** (10)  
Location: Chuo-ku, Osaka



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



**Uehonmachi YUFURA** (10)  
Location: Tennoji-ku, Osaka



**Kyozome Kaikan** (10)  
Location: Nakagyo-ku, Kyoto



**Home Center Joyful Honda Chiyoda** (10)  
Location: Oura-gun, Gunma



**Home Center Kohnan Toyonakashimae** (10)  
Location: Toyonaka, Osaka



**East-core Hikifune/Ito Yokado Hikifune** (10)  
Location: Sumida-ku, Tokyo





**Southern Sky Tower Hachioji** ('10)

Location: Hachioji, Tokyo



**Namba Grand Masters Tower** ('10)

Location: Naniwa-ku, Osaka



**Kokura D.C. Tower** ('10)

Location: Kokurakita-ku, Kitakyushu



**Kachidoki View Tower** ('10)

Location: Chuo-ku, Tokyo



**Japanese Red Cross Medical Center** ('10)

Location: Shibuya-ku, Tokyo



**National Center for Global Health and Medicine New Central Building** ('10)

Location: Shinjuku-ku, Tokyo



**National Hospital Organisation Yokohama Medical Center** ('10)

Location: Totsuka-ku, Yokohama



**Kobe Kaisei Hospital/Comfort Hills Rokko** ('09)

Location: Nada-ku, Kobe



**Joyful Sunadabashi Nursing Home** ('10)

Location: Higashi-ku, Nagoya



**Taisho University Building No. 7** ('10)  
Location: Toshima-ku, Tokyo



**Wako University New Building** ('10)  
Location: Machida, Tokyo



**Shukutoku Junior and Senior High School** ('10)  
Location: Itabashi-ku, Tokyo



**Doshisha Junior and Senior High School** ('10)  
Location: Sakyo-ku, Kyoto



**Osaka Electro-Communication University Neyagawa Campus** ('10)  
Location: Neyagawa, Osaka



**University of Tokyo Food Science Building** ('10)  
Location: Bunkyo-ku, Tokyo



**RIKEN Advanced Institute for Computational Science (The K computer facility)** ('10)  
Location: Chuo-ku, Kobe



**Komatsu Way Global Institute** ('10)  
Location: Komatsu, Ishikawa



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



**Arkray Kyoto Research Center** ('10)  
Location: Kamigyo-ku, Kyoto



**Asahi Kasei New Research Complex** ('09)  
Location: Fuji, Shizuoka



**NEC Fuchu Factory** ('09)  
Location: Fuchu, Tokyo



**Nagasaki Canon New Factory** ('10)  
Location: Higashisonogi-gun, Nagasaki



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



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



**Mitsubishi Electric Corporation Air Conditioning and Refrigeration System Factory No. 7** ('10)  
Location: Wakayama, Wakayama



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



**Kaneka Solartech Factory No. 2** ('09)  
Location: Toyooka, Hyogo



**Shibuya Kogyo EB System Morimoto Factory** ('10)

Location: Kanazawa, Ishikawa



**Corning New Plant Project** ('10)

Location: Kakegawa, Shizuoka



**AOI ELECTRONICS CO., LTD.  
Takamatsu Factory** ('10)

Location: Takamatsu, Kagawa



**DISCO Corporation New Building  
at the Kuwabata Plant** ('10)

Location: Kure, Hiroshima



**Honda Motor S-1 Factory** ('10)

Location: Naka-ku, Hamamatsu



**Toyota Boshoku Tohoku Miyagi Factory** ('10)

Location: Kurokawa-gun, Miyagi



**Central Motor Co., Ltd. New Factory** ('10)

Location: Kurokawa-gun, Miyagi



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

Location: Toyama, Toyama



**Bathclin Shizuoka Factory** ('10)

Location: Fujieda, Shizuoka

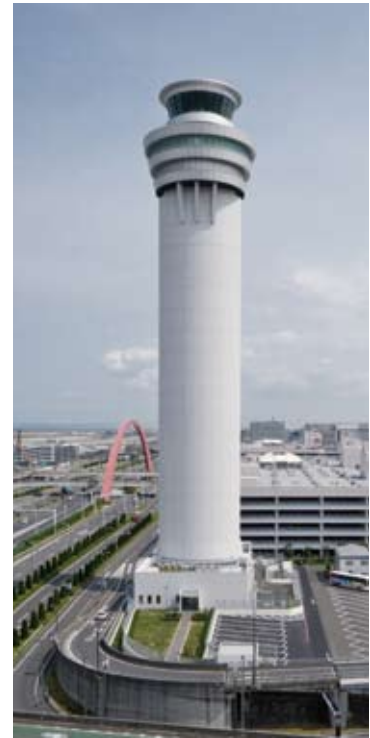


**Hogy Medical Tsukuba  
Sterilization Center** ('10)

Location: Ushiku, Ibaraki



**Hoki Museum** ('10)  
Location: Midori-ku, Chiba



**Tokyo International Airport  
New Control Tower** ('09)  
Location: Ota-ku, Tokyo



**Todaiji Museum** ('10)  
Location: Nara, Nara



**Tokyu Harvest Club Arima Rokusai** ('10)  
Location: Kita-ku, Kobe



**Shimanto City Hall** ('10)  
Location: Shimanto, Kochi



**Kansai Electric Power Maizuru  
Power Station Coal Silo** ('09)  
Location: Maizuru, Kyoto



**Kyushu Shinkansen Kumamoto Station** ('10)  
Location: Kumamoto, Kumamoto





**BU Landmark Complex (Bangkok University) ('09)\***  
Location: Pratumnanee, Thailand



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



**Ocean Financial Center ('10)**  
Location: Singapore



**Anantara Timeshare Samui ('10)\***  
Location: Surat Thani, Thailand



**Paterson Hill Condominium ('10)**  
Location: Singapore

\* Projects carried out by Obayashi's subsidiaries



**Radium Kagaya ('10)\***  
Location: Taipei, Taiwan



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



**Taipei City Hall Bus Station Building ('10)**  
Location: Taipei, Taiwan



**Pocari Sweat Surabaya New Factory & Extension Warehouse ('10)\***  
Location: East Java, Indonesia



**Siam Toyota Manufacturing Engine Plant No. 2 ('09)\***  
Location: Chonburi, Thailand



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

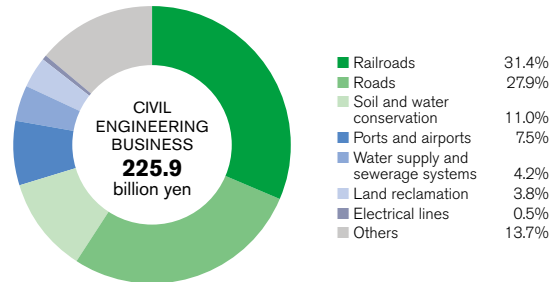
\* Projects carried out by Obayashi's subsidiaries

## CIVIL ENGINEERING BUSINESS

Obayashi applies its technological prowess to a wide variety of civil engineering projects including tunnels, bridges, dams, river works, urban infrastructure and railroads.

The Group is also aggressively involved in environment-related fields and has proven track records in construction of environment-friendly closed-type waste disposal facilities and soil remediation projects, among other project types. Obayashi satisfies customers' exact needs through solution-based technical marketing in which sales, technology, construction, and research and development departments work together to achieve maximum efficiency.

### NON-CONSOLIDATED NET SALES OF COMPLETED CONSTRUCTION CONTRACTS BY TYPE (Year ended March 31, 2011)



### Hii River Discharge Channel Bifurcation Weir —New Waterways for Protecting Land from Flooding

The Hii River running through the Izumo region has long nourished this land of ancient myths. It is also prone to flooding when it rains heavily, as the riverbed is higher than the neighboring plains. Moreover, Lake Shinji, at the mouth of the Hii River, is surrounded by lowlands vulnerable to flooding over a wide area, and for a long period of time.

Obayashi is currently constructing a bifurcation weir to divert part of the Hii River to a discharge channel to protect this fertile yet disaster-prone land. Once complete, the bifurcation weir will divert part of the river's flow safely to a newly constructed discharge channel, reducing the flow volume of the Hii River and of the inflow to Lake Shinji to prevent flooding. Obayashi will continue to plan and build infrastructure in harmony with nature to provide safety and peace of mind to local communities.



The bifurcation weir diverts part of the river to the floodway while slowing the flow from upstream (upstream is to the right)



A signing ceremony with Kenaidan was held at Obayashi's Head Office in May 2011

### Acquisition of Kenaidan Group Ltd. in Canada —Full-fledged Expansion in the Canadian Construction Market

In March 2011, the Obayashi Group acquired Kenaidan Group Ltd., a general contracting company headquartered in Ontario, Canada, making it a consolidated subsidiary.

Kenaidan's extensive local knowledge and technological expertise, combined with Obayashi's credibility, technical capabilities and ability to manage large-scale projects will have a synergetic effect. The Obayashi Group aims to leverage these synergies to expand business in North America, including Canada.





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

Source: The Osaka Kensei Kogyo Shimban



**D Runway of the Tokyo International Airport** ('10)  
Location: Ota-ku, Tokyo

Source: Haneda Airport Runway D Extension JV



**Restoration of Tomei Expressway in Makinohara** ('10)  
Location: Shimada and Makinohara, Shizuoka



**Hokkaido Oudan Expressway Oyubari Tunnel West** ('10)  
Location: Yubari, Hokkaido



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



**Hanshin Expressway Inariyama tunnel** ('09)  
Location: Kyoto

Source: SS Osaka



**Mizushima LNG Tank** ('10)  
Location: Kurashiki, Okayama



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



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



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



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



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



**Odakyu Electric Railway Tamagawa Bridge** ('10)

Location: Komae, Tokyo and Tama-ku, Kawasaki



**New Tomei Expressway Miyagashima Viaduct** ('10)

Location: Kakegawa, Shizuoka



**Minase Headwork\*** ('09)

Location: Yokote, Akita

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



**Processing Plant of Secondary Slag in Tsurunouchi** ('10)

Location: Hyuga, Miyazaki



**Fujinami Dam** ('10)

Location: Ukiha, Fukuoka



**Dubai Metro Green Line (11)**

Location: Dubai, United Arab Emirates



Health Care City Station



**Dubai Metro Red Line (10)**

Location: Dubai, United Arab Emirates



Mall of the Emirates Station



Khalid Bin Al Waleed Station



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



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



**Colorado River Bridge at Hoover Dam** ('10)  
Location: Nevada and Arizona, U.S.A.



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



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



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



**Ciputat Flyover** ('08)  
Location: Tangerang, Indonesia

## REAL ESTATE BUSINESS

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

### New Development Business

Obayashi combines its sophisticated construction and environmental technologies with its accumulated experience in urban development methods in planning and operating development projects, leveraging its network for securing premium tenants at an early stage and experience in dealing with public authorities and landowners to the fullest.

#### Makishi-Asato District Urban Redevelopment Project

Makishi-Asato, with the Asato River winding through it, neighbors Kokusai Dori, a thoroughfare and major tourist attraction of Naha, Okinawa. In the past, Makishi-Asato was crippled frequently by the river flooding whenever it rained heavily, hurting economic activity and the livelihood of Naha residents. Against this backdrop, the Makishi-Asato Urban Redevelopment Project was planned to disaster-proof the community by taming the river and clearing time-worn houses to build a modern condominium tower. The project, which received enthusiastic support from the city government and local residents, also involved the development of a plaza in front of the local monorail station, new roads and a multi-functional mall.

As the general contractor, Obayashi coordinated the entire project, including the civil engineering work for making improvements to the river and building construction. In addition, we actively participated in promoting the project by managing the administrative office as one of the redevelopment cooperative's specified agents.



Location: Naha, Okinawa  
 Site area: North approx. 5,780 m<sup>2</sup>  
 South approx. 2,870 m<sup>2</sup> (district area of about 2.3 ha)  
 Floor area: North wing approx. 23,000 m<sup>2</sup>  
 South wing approx. 23,000 m<sup>2</sup>  
 Purpose: North wing: Shops, hotel, public facilities and parking  
 South wing: housing and parking  
 Structure/Scale: North wing steel construction, 12 stories above ground,  
 1 below ground  
 South wing reinforced concrete, 25 stories above ground  
 Construction completion: North wing March 2011  
 South wing December 2010

#### Urban Redevelopment Project in the Baba Dori West District of Utsunomiya City

The west district of Baba Dori is home to the Futa-arayama Shrine around which the city of Utsunomiya originated. It is a neighborhood long familiar to Utsunomiya residents, yet one that was also beginning to show signs of losing its vitality.

Along with the adjacent Utsunomiya Omotesando Square building Obayashi helped design and construct, this project to renew the west-end of Baba Dori was developed to build a new and thriving landmark, attractive as a base for reviving downtown Utsunomiya. Obayashi was selected as the specified agent to apply its extensive construction and development expertise and technology in guiding the project forward smoothly and steadily, in addition to constructing the project's urban housing, commercial service facilities and central plaza.



Location: Utsunomiya, Tochigi  
 Left Urban Redevelopment Project in the Baba Dori West District of Utsunomiya City  
 Site area: Approx. 2,270 m<sup>2</sup>  
 Floor area: Approx. 22,330 m<sup>2</sup>  
 Purpose: Housing, shops and parking  
 Structure/Scale: Reinforced concrete, 24 stories above ground,  
 1 below ground  
 Construction completed: December 2010  
 Right Utsunomiya Omotesando Square  
 Site area: Approx. 3,860 m<sup>2</sup>  
 Floor area: Approx. 24,600 m<sup>2</sup>  
 Purpose: Shops, offices, public facilities and parking  
 Structure/Scale: Steel construction, 8 stories above ground  
 Construction completed: July 2007

## Leasing Business

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

### Riverside Sumida

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



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

### Shinagawa Intercity

Centered on three super high-rise office towers and comprising commercial facilities and a hall, Shinagawa Intercity is among the largest multi-faceted development projects in Tokyo. Green and expansive public spaces provide a comfortable backdrop to the office towers that have become a major business hub in Tokyo because of their excellent location and landmark quality.

\* Shinagawa Intercity is a joint development project in collaboration with other companies.



Location: Minato-ku, Tokyo  
 Site area: 35,564 m<sup>2</sup>  
 Floor area: 337,119 m<sup>2</sup>  
 Structure/Scale: Steel Structure (partly steel-reinforced concrete)  
 Tower A 32 stories above ground, 2 below ground  
 Tower B 31 stories above ground, 3 below ground  
 Tower C 31 stories above ground, 3 below ground  
 Building D 5 stories above ground, 3 below ground



Oak Kanda Building  
 (Chiyoda-ku, Tokyo)



Oak Ikebukuro Building  
 (Toshima-ku, Tokyo)



Mito North Front Building  
 (Mito, Ibaraki)

## PRIVATE FINANCE INITIATIVE (PFI) BUSINESS

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

A Private Finance Initiative (PFI) is a method for building, managing and maintaining public facilities using the capital, technology and expertise of the private sector to achieve higher efficiency and improved quality in public services. Obayashi was among the first to participate in overseas PFI projects, such as the Stadium Australia, even before PFI were popularized in Japan. This experience has enabled the Company to amass a broad range of expertise in the business, and Obayashi has already received 36 orders for PFI projects in Japan. Obayashi and its subsidiaries are playing a leading role in 33 out of the 36 projects, and are taking the initiative in maximizing Value For Money (VFM).

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

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



#### **Kanagawa Cancer Center Construction and Operation Project BTO (Build-Transfer-Operate) Scheme**

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



#### **Shimane Asahi Rehabilitation Program Center Construction and Operation Project BOT (Build-Operate-Transfer) Scheme**

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



#### **Nagaoka Prefectural Indoor Pool Construction and Operation Project BTO (Build-Transfer-Operate) Scheme**

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



## RENOVATION (BUILDING CONSTRUCTION)

### Creating new property value from the perspective of life cycle management

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

#### Yaesu Shopping Mall ('09)

The Yaesu Shopping Mall, located below ground next to Tokyo Station, was designated an Energy Management Factory under the Energy Conservation Law of Japan in 2003. Obayashi formulated a plan based on its BEMS (Building Energy Management System) and other technologies for the mall to optimize and conserve energy. The mall's walkways, shops and HVAC (heating ventilation and air conditioning) equipment and facilities were replaced and renovated with the aim of improving energy efficiency. As a result, the plan succeeded in reducing the energy consumed to air condition Yaesu Shopping Mall by 34%.



After renovation

For this, Obayashi received the Chairman's Award at the Japan Association of Refrigeration and Air-Conditioning Contractors' 29th Awards for Excellence in Energy Saving HVAC Facilities.

#### Dokkyo Medical University Hospital ('09)

As a Designated Advanced Treatment Hospital, the Dokkyo Medical University Hospital is a core institution in community medicine that examines more than 2,300 outpatients a day. The main reason for the recent renovation was to enhance the hospital's clinical capabilities and patient services. To this end, Obayashi renovated and rebuilt the outpatient clinic and medical supply sections, replaced obsolete medical facilities and equipment, and improved the anti-seismic structural performance of the hospital. Meticulous care was taken to hold down vibrations and noise as the renovation work took place while the hospital remained in use.



Operating room  
(before renovation)



Operating room (after renovation)



Outpatient waiting room  
(after renovation)

#### Hanshin Koshien Stadium ('10)

In 1924, Obayashi built Hanshin Koshien Stadium, Japan's first iconic baseball stadium. Begun in 2007, this was the first major structural repair to the ballpark and took three years to complete. In order to create a stadium where spectators can enjoy watching games safely, we built new aisles, replaced the famous "Silver Umbrella" roof that protects the grandstands, and performed seismic reinforcements and repairs of all sorts, breathing new life into the historic stadium.



#### The 3Q-Wall and 3Q-Brace Seismic Reinforcement Methods

These are technologies for retrofitting buildings with seismic reinforcements while they remain in use. The three Qs in 3Q stand for the minimization of noise and vibration during construction (Quiet), short completion time (Quick) and high-quality anti-seismic reinforcement (Quality). Obayashi has a strong track record of providing solutions that match the needs of our customers, whether it's the construction of a seismically reinforced wall using compact, impact-resistant blocks with 3Q-Wall, or the welding-free installation of braces with 3Q-Brace.

3Q-Wall (wind-permeable  
FRP\* block type)

\* Fiber reinforced plastic



3Q-Brace

## RENOVATION (CIVIL ENGINEERING)

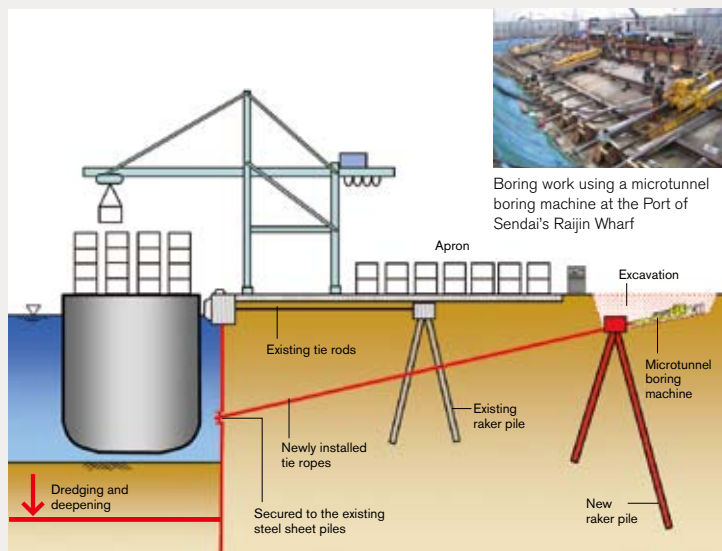
### Contributing to the maintenance and repair of social infrastructure through extensive civil engineering technologies

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

#### Seismic Retrofit and Deepening of the Port of Sendai's Raijin Wharf (\*10)

The Port of Sendai is one of Japan's specially designated major ports and a main logistics and distribution hub for the Tohoku region. The Dual Anchored Sheet Pile Wall Method\* was applied at Raijin Wharf to deepen the port and make seismic retrofits while keeping the port in service. With this method, raker piles are driven right behind the wharf's apron. Following that, the tie ropes to the second tier are secured to the front steel sheet piles of the existing quay. In this way, we succeeded in deepening the existing wharf at the same time as seismically reinforcing it, without having to interfere with the berthing and lading of ships on the quay. Furthermore, the newly developed renovation method reduced both time and cost compared to other conventional civil engineering procedures for dredging and building a wharf.

\* Jointly developed with Tohoku Regional Bureau of Ministry of Land, Infrastructure and Transport, Port and Airport Research Institute, Japan Port Consultants, Ltd., and Obayashi Corporation.



Dual Anchored Sheet Pile Wall Method

## ENGINEERING

### Meeting increasingly sophisticated and complex customer needs

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



#### TOA Pharmaceuticals Nishihongo Plant Production Building No. 2 (\*09)

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

\*1 MES (Manufacturing Execution System): An information system used in manufacturing industries to efficiently manage production progress and instructions such as changes in specifications.

\*2 GMP (Good Manufacturing Practice): Standards for manufacturing and quality control of pharmaceuticals and quasi-drugs.



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

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

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

## TECHNOLOGICAL DEVELOPMENT

### R&D of construction technology to meet market trends

Obayashi develops a wide range of construction technology with the aim of meeting the needs of society and its customers.

#### Main Building of Obayashi Technical Research Institute to Reduce CO<sub>2</sub> Emissions by 55%

The new main building of the Obayashi Technical Research Institute, Techno-station, was completed in September 2010, concentrating all of the Company's environmental technologies. CO<sub>2</sub> emissions will be reduced by 55% through aggressive use of natural energy and utilization of next-generation facilities. Moreover, Obayashi will use some of the money saved in lighting and heating costs due to energy conservation to purchase carbon credits equivalent to the remaining 45%, thereby effectively offsetting total CO<sub>2</sub> emissions. The Techno-station will be the first Japanese research facility to achieve this carbon-neutral status.



Techno-station, Obayashi's main technical research building

#### Facilities for Research and Experiments Matching Wide-Ranging Needs

A new multipurpose laboratory was also completed along with Techno-station. This new laboratory is equipped with multipurpose laboratory spaces for conducting a wide range of experiments, as well as a large-scale shaking table capable of replicating the dynamic ground movement in an earthquake that causes such phenomenon as ground liquefaction.

At the same time, Obayashi converted the former main building of its research institute into a materials and chemical engineering laboratory. The building is now being used for research and development of land and water purification technologies for protecting and regenerating the environment, and developing safe and high-quality construction methods optimizing the characteristics of various building materials.



The new multipurpose laboratory facility



Materials and chemical engineering laboratory

Since its founding in 1965, the Obayashi Technical Research Institute has been home to many cutting-edge facilities, including one of the largest tri-axial shaking tables in Japan, a world-class geotechnical centrifuge system, and Japan's most advanced fire protection engineering laboratory. The institution not only promotes research and development of technologies for improving safety and peace of mind but also technologies for reducing the environmental impact and completion time of construction.



Tri-axial shaking table for developing anti-seismic technologies



Geotechnical centrifuge system



Fire protection engineering laboratory



Multipurpose wind tunnel

# CORPORATE GOVERNANCE

## Principles of Corporate Governance

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

## Management Structure

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

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

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

### Directors and Executive Officers

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

and corporate auditors, Obayashi has established a Recommendation Committee and a Remuneration Committee.

### Strengthened Auditing Function

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

Obayashi appoints as outside corporate auditors specialists in accounting and other fields, and appoints corporate auditors who have performed the Company's accounting work for many years and have a considerable degree of knowledge concerning finance and accounting. As a means of strengthening the function of the Audit Committee and the corporate auditors, the Company has established the Compliance Office under the direction and orders of the Audit Committee and corporate auditors. As an organization that assists with the duties of the Audit Committee and corporate auditors, the Compliance Office mainly monitors legal compliance status and serves as a point of contact for the internal reporting system. The Company assigns a full-time staff to the Compliance Office.

## Management of Risk of Losses

### Defining Decision-Making Authority

The Company defines decision-making authority concerning important decision-making matters in the Board of Directors Regulations and Management Meeting Regulations and conducts decision-making at Board of Directors and Management Meetings after rigorously judging risks.

### Development and Implementation of Regulations Concerning Risk Management Measures

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

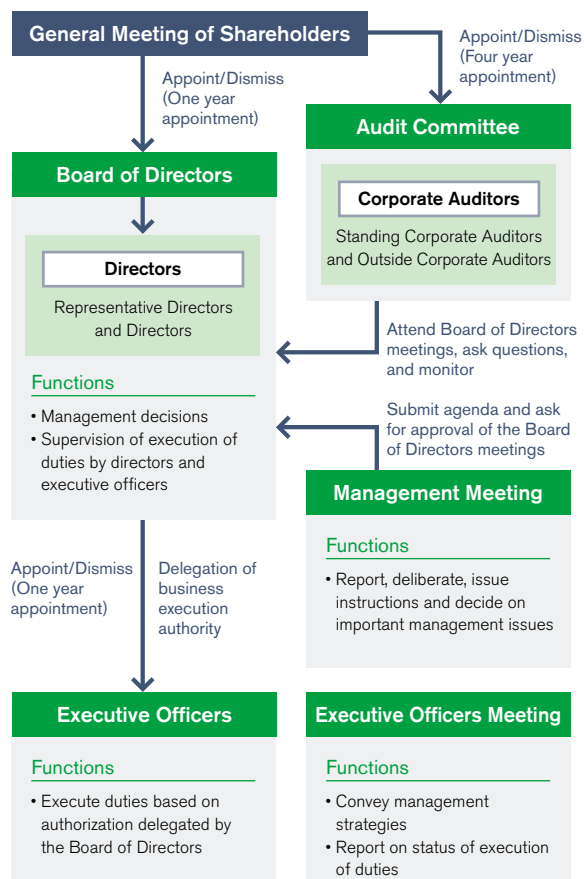
### Formulation of a Business Continuity Plan (BCP) in the Event of an Earthquake

The Company has formulated a plan for the continuation of its business activities in the event of a major earthquake occurring, in accordance with its Disaster Countermeasure Provisions and other rules.

### Development of Internal Controls Concerning Financial Reporting

The Company has developed internal controls concerning its financial reporting as a means both for the prevention of risks inherent in its business processes and to secure the credibility of its financial reporting.

## Corporate Management Structure



## Directors



Chairman  
Representative Director  
Takeo Obayashi

President  
Representative Director  
Toru Shiraishi

Representative Director  
Tadahiko Noguchi

Representative Director  
Makoto Kanai

Representative Director  
Shozo Harada

(From front left) Takeo Obayashi, Toru Shiraishi  
(From back left) Makoto Kanai, Tadahiko Noguchi, Shozo Harada



Makoto Kishida



Akihisa Miwa



Kenichi Shibata



Nao Sugiyama

## Corporate Auditors



Corporate Auditor  
Shunroku Yasui



Corporate Auditor  
Tamio Akiyama



Outside Corporate Auditor  
Tatsunosuke Kagaya



Outside Corporate Auditor  
Yasutaka Kakiuchi



Outside Corporate Auditor  
Tadatsuna Koda

## Executive Officers

### President

Toru Shiraishi

### Executive Vice Presidents

Tadahiko Noguchi  
Makoto Kanai

### Senior Managing Officers

Shozo Harada  
Makoto Kishida  
Akihisa Miwa  
Kenichi Shibata  
Nao Sugiyama  
Hiroshi Hasegawa  
Yasuji Tomohiro

### Managing Officers

Hitoshi Tobuchi  
Mitsuyasu Kaihara  
Shigehisa Kage  
Masahito Hayashi  
Kazuo Yagi  
Teruo Kobayashi  
Munenori Nakamura  
Shuji Nakamoto  
Takafumi Hanai  
Hirotohi Yamamoto  
Shingo Ura  
Yuichi Kashima  
Hiroshi Tadokoro  
Nobuo Tsuruta  
Katsuji Fukumoto  
Masaru Mizuno  
Kozaburo Tsuchiya  
Shuji Yamane  
Kunio Isozaki  
Yoshio Ishizuka

### Executive Officers

Yuji Inoue  
Hiroki Umehara  
Takashi Nishiyama  
Yukihiro Aizawa  
Tatsuro Ishimaru  
Hideo Kawamura  
Takashi Shiokawa  
Hitoshi Hasegawa  
Takashi Matsuda  
Isamu Kakeno  
Haruki Kasuga  
Mikio Takatsuki  
Nobuyuki Asada  
Shoji Oi  
Koichi Tajitsu  
Hikaru Ueno  
Yasuo Kotera  
Yoshiharu Nakamura  
Kenji Hasuwa  
Atsuteru Kiriya  
Chiaki Kobayashi  
Takehito Sato  
Sompong Cintawongvanich  
Kotaro Nonaka  
Masatsugu Higashitani

(As of June 28, 2011)

# CORPORATE SOCIAL RESPONSIBILITY

## Basic Policies

Obayashi considers it its social responsibility to provide safety and security to customers and society at large and contribute to the sustainable progress and development of society through construction and related businesses. In 2011 the Company celebrated the 120th anniversary of its founding, and took this opportunity to establish Obayashi's Vision, Values, and Commitments, which prescribe a new systemized philosophy.

## Obayashi's Vision, Values, and Commitments

### VISION: Who We Want To Be

The people of Obayashi want to be a part of one of the world's most successful, environmentally responsible enterprises. Inspired by the principle of sustainability, we pledge to:

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

### SOCIAL RESPONSIBILITY: Our Unique Approach

At Obayashi, we think of fulfilling our corporate responsibilities as the best way to bring smiles to people. This is the goal of all of our business activities. As a good corporate citizen, Obayashi strives to meet the expectations and respond to the needs of all stakeholders. The word for "smiles" in Japanese is *egao*. We use the four letters of this word to remind us of our responsibilities to society.

#### E—Engagement with customers

Our goal is to be the best partner for every customer. To accomplish this, we continually strive to develop state-of-the-art technology, to provide high-quality buildings and structures that fully satisfy customers, and to deliver solutions for customers' challenges.

#### G—Global perspective

We offer solutions to environmental and social challenges and actively engage in social contribution activities to help build a sustainable world.

#### A—Amenity and associates

We create amenable work environments where every one of our associates can work safely and with peace of mind while realizing his or her full potential. We also strive to build trust with all business partners to ensure mutual success.

#### O—Open communication with stakeholders

We work hard to maintain our reputation as a trustworthy company by pursuing management transparency, communicating broadly with stakeholders, and constantly enhancing our information disclosure.

### VALUES: What We Believe In

Obayashi people strive to practice five fundamental values in everything we do. These are the core values that help us become "who we want to be."

- Ambition** We pursue personal growth and continuously reach for our dreams.
- Innovation** We are proactive in our quest for constant improvement and innovation.
- Speed** We think creatively and act quickly.
- Teamwork** We combine our individual strengths to maximize our impact as a team.
- Integrity** We act with integrity as responsible citizens of the Earth and all the nations where we live.

### ACTION COMMITMENTS: How We Do Things

Everyone at Obayashi is committed to practicing good corporate ethics, with top management leading the way. We adhere to the following action commitments, which express our determination to ensure ethical conduct at all times.

- We comply with the law and conduct ourselves sensibly.
- We practice fair and free competition.
- We maintain sound relationships with all stakeholders.
- We completely avoid involvement with any organized criminal elements.
- We properly disclose information, always striving for complete transparency in our corporate activities.

Established January 25, 2011

In accordance with this philosophy, the Company focuses on the construction of social infrastructure and provides extensive assistance in the event of any disaster. It also works to develop construction techniques that reduce CO<sub>2</sub> emissions and the impact of business activities on the natural environment and ecosystems. The Company actively engages in various CSR activities, such as conducting tours of construction sites and giving support to academic research, to promote harmony with local communities and society and develop a construction culture.

### Activities Contributing to Local Communities



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

To foster public interest in and understanding of the construction business, Obayashi offers members of the public an opportunity to tour actual sites and see construction in progress.

We recently invited some junior high school students from a local community to participate in an event we named Operation Wildlife Movers. This event provided us an opportunity to work together with the students rescuing wildlife from a riverbank that had to be filled to build an expressway, as well as offer the students a learning experience in environmental studies.

### Support for Education and for Nurturing the Next Generation



#### Obayashi Pavilion at KidZania

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

### Supporting Academic Research



#### Supporting academic research on cities

Obayashi funds academic research on urban development through its support of the Obayashi Foundation. The foundation helps fund such research every year, while encouraging it by awarding the Obayashi Prize for outstanding contributions to resolving urban problems every two years.

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

[Web http://www.obayashi.co.jp/english/csr/](http://www.obayashi.co.jp/english/csr/)

# CORPORATE ETHICS

## Basic Philosophy

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

### Declaration of Commitment to Compliance in Articles of Incorporation

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

### Corporate Ethics Committee

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

### Corporate Ethics Program

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

### Workplace Corporate Ethics Training

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



### Internal Reporting System

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

### Monitoring by the Audit Committee

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

### Declaration of Compliance with the Antimonopoly Act

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

### Exclusion of Antisocial Forces

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

### Establishment of a Response Headquarters

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

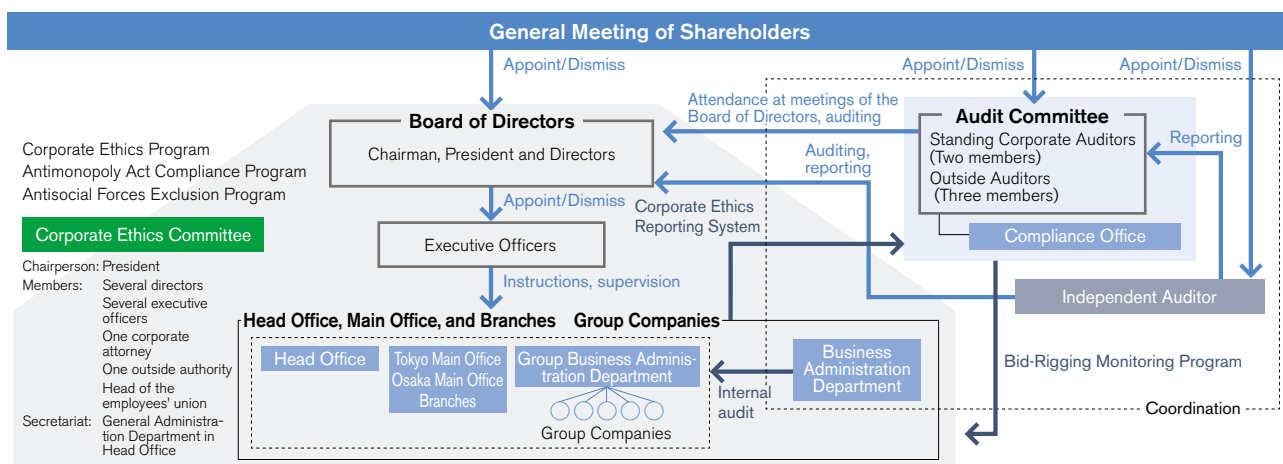
### Preparation of a Response Manual

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

### Training Activities

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

## Corporate Ethics Promotion Structure



# SUMMARY OF FINANCIAL POSITION AND BUSINESS PERFORMANCE

## Overview of the Year Ended March 31, 2011

During the year under review in the Japanese economy, corporate profitability continued to improve, and private-sector capital expenditures showed signs of picking up. However, the Great East Japan Earthquake in March 2011 not only caused direct damage but also indirect damage as it lowered production activity. As a result, there are concerns about future economic conditions. In the domestic construction market, orders for private facilities remained lackluster, and public works orders remained at a low level, continuing to make the environment for winning orders a challenging one.

### (1) Financial Position

As of the end of the year under review, total assets were down by approximately ¥84.9 billion (5.3%) year on year to approximately ¥1,505.6 billion. This decline was due mainly to a decrease in "Investment securities" resulting from mark-to-market valuation, and a decrease in "Costs on uncompleted construction contracts" caused by a decrease in projects on a completed construction basis, which outweighed an increase in "Land" and "Buildings and structures" resulting mainly from their purchase.

Total liabilities as of the end of the year under review were down by approximately ¥68.6 billion (5.6%) year on year to approximately ¥1,154.4 billion. This was mainly due to a decrease in "Advances received on uncompleted construction contracts" caused by a decrease in projects on a completed construction basis, and a decrease in "Notes payable, accounts payable for construction contracts and other" caused by a decrease in construction contracts completed. The balance of interest-bearing liabilities at the end of the year under review was up by approximately ¥18.2 billion (4.7%) year on year to approximately ¥409.2 billion.

Total net assets at the end of the year under review decreased by approximately ¥16.3 billion (4.4%) year on year to ¥351.2 billion. This was due to a decrease in "Valuation difference on available-for-sale securities" caused by mark-to-market valuation of investment securities, outweighing an increase in "Retained earnings" caused by the booking of net income. As a result, the equity ratio at the end of the fiscal year under review was up 0.1 points from the end of March 2010 at 21.6%.

For the fiscal year under review, consolidated net cash provided by operating activities was approximately ¥1.0 billion owing to outgoings paid in advance in the overseas construction business. Consolidated net cash used in investing activities was approximately ¥33.1 billion for, among other reasons, purchase of investment real estate properties. Financing activities provided net cash of approximately ¥10.6 billion primarily from the issuing of straight bonds. Consequently, consolidated cash and cash equivalents decreased by approximately ¥23.4 billion to approximately ¥108.9 billion compared with the previous fiscal year-end.

### (2) Business Performance

Compared to the previous fiscal year, net sales from the construction business for the fiscal year under review declined by approximately ¥239.8 billion (18.5%) to approximately ¥1,054.9 billion. Net sales from the real estate business increased by approximately ¥24.9 billion (109.8%) to approximately ¥47.6 billion, and net sales from other businesses rose by approximately ¥5.3 billion (22.3%) to approximately ¥29.2 billion. All in all, total net sales declined by approximately ¥209.5 billion (15.6%) year on year to approximately ¥1,131.8 billion.

On the earnings front, operating income was approximately ¥23.1 billion, an approximate ¥85.7 billion year-on-year improvement due mainly to a recovery in earnings in the construction and real estate businesses. Ordinary income similarly improved by approximately ¥81.8 billion from the previous year to approximately ¥22.2 billion. Furthermore, Obayashi recorded net income of approximately ¥15.4 billion, a year-on-year turnaround of approximately ¥68.7 billion from the previous fiscal year.

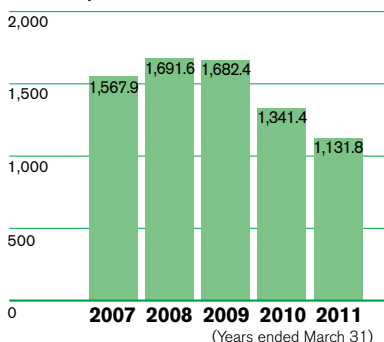
## Outlook for the Fiscal Year Ending March 31, 2012

Regarding consolidated performance for the full fiscal year ending March 31, 2012, management expects orders received to be ¥1,400 billion (of which the real estate business and other will contribute ¥75 billion), and to achieve net sales of ¥1,280 billion (of which the real estate business and other will contribute ¥78 billion). Management also forecasts operating income of ¥31 billion, ordinary income of ¥34 billion and net income of ¥20 billion.

Note: The forecasts listed above are based on information available as of March 31, 2011. Actual results may differ materially from forecasts due to various factors.

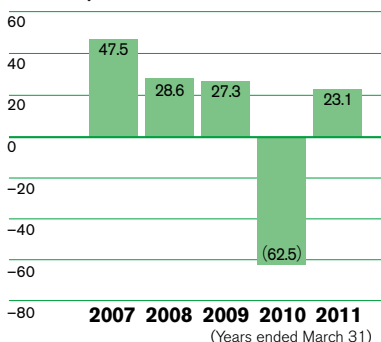
### NET SALES (CONSOLIDATED)

(Billions of yen)



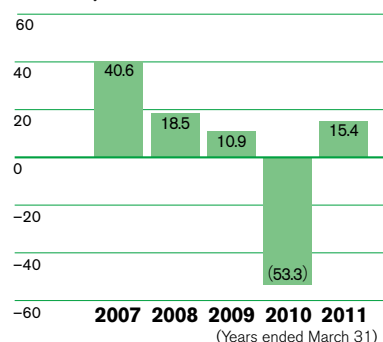
### OPERATING INCOME (LOSS) (CONSOLIDATED)

(Billions of yen)



### NET INCOME (LOSS) (CONSOLIDATED)

(Billions of yen)





## Basic Policy Regarding the Allocation of Profits and Dividend Payout Plan for the Fiscal Year Ending March 31, 2012

Obayashi's profit allocation policy is to sustain stable dividend payouts to its shareholders over the long term and provide shareholders with returns commensurate with the Company's performance, taking into account the need to enhance internal reserves so as to further strengthen its financial base, and develop technologies and make capital investments for the future.

In line with its commitment to stable dividend payouts to shareholders, Obayashi will endeavor to maintain a dividend payout ratio of 20% to 30% when it generates higher earnings.

For the fiscal year ended March 31, 2011, Obayashi paid a year-end dividend of ¥4 per share. Combined with the interim dividend of the same amount, the annual dividend applicable to the year ended March 31, 2011 was ¥8 per share. For the year ending March 31, 2012, the Company plans to pay interim and year-end dividends of ¥4 per share, for an annual dividend of ¥8 per share.

Note: The plan for dividends listed above is based on information available as of March 31, 2011. Actual results may differ materially due to various factors.

## Business Risks

Among the matters covered in this annual report, items that may have a material impact on the decisions of investors include those listed below.

The information related to future events as described herein is based on judgments made by the Obayashi Group at the end of the fiscal year under review.

### (1) Impact of the Great East Japan Earthquake

The Great East Japan Earthquake in March 2011 has negatively affected the economic situation throughout Japan. Should the construction market contract, or should there be a significant worsening of the shortfalls in the supply of electricity or construction materials, the Group's performance could be affected.

### (2) Trends in the Construction Market

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

### (3) Construction Defects

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

### (4) Accidents in the Course of Construction Activities

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

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

### (5) Credit Risk of Business Partners

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

### (6) Surge in Prices of Construction Materials, or Difficulties in Their Procurement

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

### (7) Risk Related to Overseas Operations

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

2) Obayashi, together with Kajima Corporation and Yapi Merkezi (Turkey), was awarded a contract from the Roads and Transport Authority (RTA) of the Government of Dubai, UAE, to undertake the construction portion of an urban transport system in Dubai. Subsequently, Obayashi decided to recognize a loss on this project in the year ended March 31, 2010, and although a final agreement with the RTA was reached on May 26, 2010 regarding the contract price and terms of payment, the following aspect of this project may have a significant impact on investors' decisions.

With regards to payment of the portion of the contract price based on the final agreement which was unpaid as of completion and handover, it was agreed that this would be paid in equal monthly installments over 84 months from October 2011, two months after completion and handover, to September 2018, with interest. With regards to this agreement, steps have been taken to protect these receivables, such as concluding a payment guarantee contract with the Government of Dubai, in order to avoid collection risk. However, if significant changes were to occur in Dubai's political or economic conditions, there could be an impact on the Obayashi Group's performance. The Company's "Accounts receivable from completed construction contracts" (installment amount) from RTA as of the end of September 2011 is expected to be approximately US\$567 million (corresponding to approximately ¥47.0 billion).

As described in Obayashi Corporation's Annual Report 2010, the Company had been requesting Kajima Corporation to pay its investment amount as stipulated in the joint venture agreement. In June 2011, the matter was resolved and settled under the International Commercial Mediation Rules of the Japan Commercial Arbitration Association. No new loss will occur as a result of this resolution.

# CONSOLIDATED BALANCE SHEETS

OBAYASHI CORPORATION  
At March 31, 2011 and 2010

	Millions of yen		Thousands of U.S. dollars (Note 2)	
	2011	2010	2011	2010
<b>Assets</b>				
<b>Current assets</b>				
Cash and deposits (Notes 5 and 10) . . . . .	¥ 109,031	¥ 136,969	\$ 1,311,257	\$ 1,647,260
Notes receivable, accounts receivable from completed construction contracts and other (Notes 5 and 10) . . . . .	416,361	433,512	5,007,356	5,213,618
Short-term investment securities (Notes 10 and 11) . . . . .	3,616	1,676	43,496	20,164
Real estate for sale (Note 5) . . . . .	24,791	54,912	298,151	660,400
Costs on uncompleted construction contracts (Note 5) . . . . .	52,822	82,844	635,273	996,324
Inventories for PFI and other projects (Note 5) . . . . .	64,928	59,613	780,860	716,940
Other inventories . . . . .	14,315	11,432	172,167	137,487
Deferred tax assets (Note 14) . . . . .	27,005	25,736	324,778	309,518
Accounts receivable—other (Note 10) . . . . .	97,720	89,368	1,175,230	1,074,789
Other . . . . .	10,928	12,493	131,430	150,258
Allowance for doubtful accounts . . . . .	(766)	(1,020)	(9,218)	(12,269)
<b>Total current assets . . . . .</b>	<b>820,755</b>	<b>907,540</b>	<b>9,870,783</b>	<b>10,914,494</b>
<b>Noncurrent assets</b>				
Property, plant and equipment, net (Note 5)				
Buildings and structures (Note 5) . . . . .	79,992	66,209	962,026	796,261
Machinery, vehicles, tools, furniture and fixtures (Note 5) . . . . .	10,007	9,383	120,354	112,846
Land (Note 5) . . . . .	266,960	240,765	3,210,590	2,895,553
Leased assets . . . . .	1,035	1,261	12,455	15,174
Construction in progress . . . . .	2,213	1,753	26,618	21,092
<b>Total property, plant and equipment, net . . . . .</b>	<b>360,209</b>	<b>319,373</b>	<b>4,332,045</b>	<b>3,840,928</b>
Intangible assets (Note 5) . . . . .	7,127	5,999	85,721	72,148
Investments and other assets				
Investment securities (Notes 5, 10 and 11) . . . . .	251,196	296,589	3,021,001	3,566,919
Long-term loans receivable . . . . .	1,035	1,194	12,447	14,366
Deferred tax assets (Note 14) . . . . .	45,774	36,994	550,501	444,918
Other . . . . .	24,456	27,028	294,125	325,059
Allowance for doubtful accounts . . . . .	(4,871)	(4,096)	(58,582)	(49,266)
<b>Total investments and other assets . . . . .</b>	<b>317,590</b>	<b>357,711</b>	<b>3,819,494</b>	<b>4,301,997</b>
<b>Total noncurrent assets . . . . .</b>	<b>684,928</b>	<b>683,083</b>	<b>8,237,261</b>	<b>8,215,074</b>
<b>Deferred assets . . . . .</b>	<b>14</b>	<b>44</b>	<b>168</b>	<b>531</b>
<b>Total assets . . . . .</b>	<b>¥1,505,697</b>	<b>¥1,590,667</b>	<b>\$18,108,213</b>	<b>\$19,130,099</b>

	Millions of yen		Thousands of U.S. dollars (Note 2)	
	2011	2010	2011	2010
<b>Liabilities</b>				
<b>Current liabilities</b>				
Notes payable, accounts payable for construction contracts and other (Note 10) . . . . .	¥ 429,365	¥ 453,076	\$ 5,163,745	\$ 5,448,909
Short-term loans payable (Notes 5, 10 and 21) . . . . .	97,111	70,012	1,167,910	841,997
Current portion of PFI and other project finance loans (Notes 5, 10 and 21) . . . . .	13,343	10,698	160,470	128,661
Commercial papers (Notes 10 and 21) . . . . .	40,000	50,000	481,058	601,322
Current portion of bonds (Notes 10 and 20) . . . . .	10,000	10,000	120,264	120,264
Lease obligations (Note 21) . . . . .	504	626	6,071	7,538
Income taxes payable . . . . .	1,634	2,293	19,656	27,581
Deferred tax liabilities . . . . .	831	—	10,005	—
Advances received on				
uncompleted construction contracts . . . . .	60,002	94,722	721,618	1,139,172
Deposits received (Note 10) . . . . .	64,327	72,308	773,635	869,611
Provision for warranties for completed construction . . . . .	1,982	1,657	23,838	19,938
Provision for loss on construction contracts (Note 5) . . . . .	9,093	25,723	109,363	309,360
Other . . . . .	59,713	54,065	718,144	650,217
Total current liabilities . . . . .	787,911	845,184	9,475,783	10,164,575
<b>Noncurrent liabilities</b>				
Bonds payable (Notes 10 and 20) . . . . .	50,000	20,000	601,322	240,529
Long-term loans payable (Notes 5, 10 and 21) . . . . .	124,263	159,694	1,494,447	1,920,562
PFI and other project finance loans (Notes 5, 10 and 21) . . . . .	74,542	70,645	896,479	849,609
Lease obligations (Note 21) . . . . .	481	705	5,788	8,480
Deferred tax liabilities for land revaluation (Note 14) . . . . .	34,808	33,810	418,623	406,620
Provision for retirement benefits (Note 13) . . . . .	64,983	66,132	781,518	795,338
Provision for environmental measures . . . . .	1,061	1,451	12,761	17,460
Other . . . . .	16,359	25,425	196,744	305,779
Total noncurrent liabilities . . . . .	366,498	377,865	4,407,684	4,544,379
Total liabilities . . . . .	1,154,410	1,223,049	13,883,468	14,708,955
<b>Net assets</b>				
<b>Shareholders' equity</b>				
Capital stock . . . . .	57,752	57,752	694,560	694,560
Capital surplus . . . . .	41,750	41,750	502,112	502,112
Retained earnings . . . . .	151,684	139,176	1,824,228	1,673,805
Treasury stock . . . . .	(1,379)	(1,340)	(16,586)	(16,119)
Total shareholders' equity . . . . .	249,808	237,339	3,004,315	2,854,358
<b>Accumulated other comprehensive income</b>				
Valuation difference on available-for-sale securities . . . . .	59,863	81,844	719,940	984,295
Deferred gains or losses on hedges . . . . .	82	(59)	994	(715)
Revaluation reserve for land (Note 5) . . . . .	20,446	26,233	245,893	315,497
Foreign currency translation adjustments . . . . .	(4,264)	(3,130)	(51,282)	(37,648)
Total accumulated other comprehensive income . . . . .	76,127	104,887	915,546	1,261,428
<b>Minority interests</b> . . . . .	25,351	25,390	304,883	305,356
Total net assets . . . . .	351,287	367,618	4,224,745	4,421,143
<b>Total liabilities and net assets</b> . . . . .	¥1,505,697	¥1,590,667	\$18,108,213	\$19,130,099

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

# CONSOLIDATED STATEMENTS OF OPERATIONS

OBAYASHI CORPORATION

For the years ended March 31, 2011 and 2010

	Millions of yen		Thousands of U.S. dollars (Note 2)	
	2011	2010	2011	2010
<b>Net sales:</b>				
Construction contracts (Note 4-(3)) . . . . .	¥1,054,945	¥1,294,816	\$12,687,260	\$15,572,055
Real estate business and other . . . . .	76,918	46,640	925,062	560,917
Total net sales . . . . .	1,131,864	1,341,456	13,612,322	16,132,973
<b>Cost of sales:</b>				
Construction contracts (Note 6) . . . . .	971,301	1,281,998	11,681,315	15,417,905
Real estate business and other (Note 6) . . . . .	60,846	44,888	731,765	539,852
Total cost of sales . . . . .	1,032,147	1,326,887	12,413,080	15,957,758
Gross profit:				
Construction contracts . . . . .	83,644	12,817	1,005,944	154,149
Real estate business and other . . . . .	16,072	1,751	193,297	21,064
Total gross profit . . . . .	99,716	14,569	1,199,241	175,214
<b>Selling, general and administrative expenses (Note 6) . . . . .</b>				
Operating income (loss) . . . . .	76,542	77,103	920,529	927,286
	23,174	(62,534)	278,712	(752,071)
<b>Other income/(expenses):</b>				
Interest and dividend income . . . . .	6,566	6,634	78,977	79,794
Foreign exchange losses, net . . . . .	(2,581)	(349)	(31,044)	(4,204)
Interest expense . . . . .	(3,799)	(3,984)	(45,700)	(47,915)
Provision of allowance for doubtful accounts . . . . .	(954)	–	(11,473)	–
Gain on sales of investment securities . . . . .	8,248	2,108	99,199	25,353
Gain on sales of noncurrent assets . . . . .	44	44	532	532
Loss on sales and disposal of noncurrent assets (Note 6) . . . . .	(586)	(1,145)	(7,048)	(13,779)
Impairment loss (Note 6) . . . . .	(3,521)	(8,573)	(42,352)	(103,108)
Loss on valuation of investment securities . . . . .	(4,620)	(887)	(55,572)	(10,675)
Cumulative effect on prior years of adopting the accounting standard for asset retirement obligations . . . . .	(1,282)	–	(15,428)	–
Compensation for tenants' removal and relocation costs . . . . .	–	(1,751)	–	(21,062)
Mediation settlement . . . . .	–	(1,759)	–	(21,155)
Other, net . . . . .	(644)	(1,201)	(7,752)	(14,447)
Total other income/(expenses) . . . . .	(3,131)	(10,865)	(37,664)	(130,668)
<b>Income (loss) before income taxes and minority interests</b>				
	20,043	(73,399)	241,048	(882,740)
<b>Income taxes (Note 14)</b>				
Income taxes—current . . . . .	1,705	3,813	20,510	45,863
Reversal of income taxes payable for prior periods . . . . .	–	(464)	–	(5,591)
Income taxes—deferred . . . . .	2,917	(25,099)	35,084	(301,863)
Total income taxes . . . . .	4,622	(21,751)	55,595	(261,591)
<b>Income (loss) before minority interests</b>				
	15,420	(51,648)	185,453	(621,149)
<b>Minority interests in (losses) earning of consolidated subsidiaries</b>				
	(2)	1,705	(35)	20,512
<b>Net income (loss)</b>				
	¥ 15,423	¥ (53,354)	\$ 185,488	\$ (641,661)

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

# CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

OBAYASHI CORPORATION  
For the years ended March 31, 2011 and 2010

	Millions of yen		Thousands of U.S. dollars (Note 2)	
	2011	2010	2011	2010
<b>Income (loss) before minority interests</b> .....	<b>¥ 15,420</b>	¥(51,648)	<b>\$ 185,453</b>	\$(621,149)
Other comprehensive income				
Valuation difference on available-for-sale securities .....	<b>(21,996)</b>	34,941	<b>(264,539)</b>	420,217
Deferred gains or losses on hedges .....	<b>35</b>	13	<b>431</b>	167
Revaluation reserve for land .....	<b>(2,969)</b>	(4,906)	<b>(35,717)</b>	(59,008)
Foreign currency translation adjustments .....	<b>(1,338)</b>	1,122	<b>(16,102)</b>	13,503
Share of other comprehensive income of affiliates accounted for by the equity method .....	<b>(7)</b>	(1)	<b>(89)</b>	(15)
Total other comprehensive income .....	<b>(26,276)</b>	31,170	<b>(316,017)</b>	374,864
<b>Comprehensive income</b> .....	<b>(10,856)</b>	(20,478)	<b>(130,563)</b>	(246,284)
Comprehensive income attributable to:				
Shareholders .....	<b>(10,531)</b>	(22,995)	<b>(126,657)</b>	(276,551)
Minority interests .....	<b>(324)</b>	2,516	<b>(3,906)</b>	30,267

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

# CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS

OBAYASHI CORPORATION

For the years ended March 31, 2011 and 2010

	Millions of yen		Thousands of U.S. dollars (Note 2)	
	2011	2010	2011	2010
<b>Shareholders' equity</b>				
Capital stock				
Balance at the end of previous period	¥ 57,752	¥ 57,752	\$ 694,560	\$ 694,560
Balance at the end of current period	57,752	57,752	694,560	694,560
Capital surplus				
Balance at the end of previous period	41,750	41,750	502,112	502,112
Balance at the end of current period	41,750	41,750	502,112	502,112
Retained earnings				
Balance at the end of previous period	139,176	202,941	1,673,805	2,440,672
Dividends from surplus	(5,750)	(5,752)	(69,153)	(69,178)
Net income (loss)	15,423	(53,354)	185,488	(641,661)
Reversal of revaluation reserve for land	2,817	(4,658)	33,885	(56,026)
Effect of change in fiscal year-end of consolidated subsidiaries	16	-	203	-
Balance at the end of current period	151,684	139,176	1,824,228	1,673,805
Treasury stock				
Balance at the end of previous period	(1,340)	(1,246)	(16,119)	(14,988)
Purchase of treasury stock	(38)	(94)	(466)	(1,131)
Balance at the end of current period	(1,379)	(1,340)	(16,586)	(16,119)
Total shareholders' equity	249,808	237,339	3,004,315	2,854,358
<b>Accumulated other comprehensive income</b>				
Valuation difference on available-for-sale securities				
Balance at the end of previous period	81,844	46,901	984,295	564,062
Net changes during the period	(21,981)	34,942	(264,354)	420,232
Balance at the end of current period	59,863	81,844	719,940	984,295
Deferred gains or losses on hedges				
Balance at the end of previous period	(59)	(65)	(715)	(782)
Net changes during the period	142	5	1,709	67
Balance at the end of current period	82	(59)	994	(715)
Revaluation reserve for land				
Balance at the end of previous period	26,233	26,481	315,497	318,482
Net changes during the period	(5,787)	(248)	(69,604)	(2,985)
Balance at the end of current period	20,446	26,233	245,893	315,497
Foreign currency translation adjustments				
Balance at the end of previous period	(3,130)	(3,448)	(37,648)	(41,467)
Net changes during the period	(1,133)	317	(13,633)	3,818
Balance at the end of current period	(4,264)	(3,130)	(51,282)	(37,648)
Total accumulated other comprehensive income	76,127	104,887	915,546	1,261,428
<b>Minority interests</b>				
Balance at the end of previous period	25,390	24,739	305,356	297,528
Net changes during the period	(39)	650	(472)	7,827
Balance at the end of current period	25,351	25,390	304,883	305,356
<b>Total net assets</b>	<b>¥351,287</b>	<b>¥367,618</b>	<b>\$4,224,745</b>	<b>\$4,421,143</b>

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

# CONSOLIDATED STATEMENTS OF CASH FLOWS

OBAYASHI CORPORATION  
For the years ended March 31, 2011 and 2010

	Millions of yen		Thousands of U.S. dollars (Note 2)	
	2011	2010	2011	2010
<b>Net cash provided by (used in) operating activities</b>				
Income (loss) before income taxes and minority interests	¥ 20,043	¥ (73,399)	\$ 241,048	\$ (882,740)
Depreciation and amortization	11,394	10,534	137,039	126,692
Impairment loss	3,521	8,573	42,352	103,108
Increase (decrease) in allowance for doubtful accounts	533	1,486	6,419	17,876
Increase (decrease) in provision for loss on construction contracts	(16,622)	7,109	(199,914)	85,497
Increase (decrease) in provision for retirement benefits	(1,152)	(790)	(13,864)	(9,501)
Loss (gain) on valuation of short-term and long-term investment securities	4,620	887	55,572	10,675
Interest and dividend income	(6,566)	(6,634)	(78,977)	(79,794)
Interest expense	3,799	3,984	45,700	47,915
Loss (gain) on sales of short-term and long-term investment securities	(8,238)	(1,876)	(99,085)	(22,570)
Decrease (increase) in notes and accounts receivable-trade	20,409	64,090	245,458	770,785
Decrease (increase) in costs on uncompleted construction contracts	30,034	124,773	361,213	1,500,577
Decrease (increase) in inventories	18,877	5,562	227,025	66,895
Decrease (increase) in inventories for PFI and other projects	(5,314)	2,682	(63,919)	32,262
Decrease (increase) in other assets	(3,425)	(25,867)	(41,195)	(311,094)
Increase (decrease) in notes and accounts payable-trade	(26,005)	(41,343)	(312,759)	(497,215)
Increase (decrease) in advances received on uncompleted construction contracts	(35,991)	(68,262)	(432,850)	(820,953)
Increase (decrease) in other liabilities	(10,099)	2,964	(121,457)	35,652
Other, net	1,843	2,891	22,165	34,773
Subtotal	1,660	17,365	19,968	208,842
Interest and dividend received	6,443	6,945	77,489	83,529
Interest paid	(3,770)	(3,995)	(45,346)	(48,048)
Income taxes (paid) refunded	(3,236)	(4,158)	(38,922)	(50,017)
Net cash provided by (used in) operating activities	1,096	16,156	13,189	194,305
<b>Net cash provided by (used in) investing activities</b>				
Payments into time deposits	(5,492)	(6,441)	(66,053)	(77,472)
Proceeds from withdrawal of time deposits	9,909	2,764	119,170	33,244
Purchase of property, plant and equipment and intangible assets	(48,072)	(11,270)	(578,143)	(135,542)
Proceeds from sales of property, plant and equipment and intangible assets	969	215	11,659	2,594
Purchase of short-term and long-term investment securities	(3,232)	(1,612)	(38,876)	(19,392)
Proceeds from sales and redemption of short-term and long-term investment securities	14,480	3,439	174,154	41,370
Payments of loans receivable	(79)	(70)	(957)	(849)
Collection of loans receivable	172	228	2,076	2,749
Purchase of subsidiaries' shares resulting in change in scope of consolidation	(1,805)	-	(21,713)	-
Other, net	16	(0)	192	(0)
Net cash provided by (used in) investing activities	(33,134)	(12,746)	(398,489)	(153,299)
<b>Net cash provided by (used in) financing activities</b>				
Net increase (decrease) in short-term loans payable	(4,913)	(27,357)	(59,093)	(329,013)
Net increase (decrease) in commercial papers	(10,000)	(16,000)	(120,264)	(192,423)
Repayments of lease obligations	(765)	(853)	(9,208)	(10,262)
Proceeds from long-term loans payable	9,700	81,100	116,656	975,345
Repayment of long-term loans payable	(13,161)	(22,358)	(158,284)	(268,890)
Proceeds from PFI and other project finance loans payable	19,459	3,502	234,027	42,128
Payment of PFI and other project finance loans payable	(12,917)	(6,809)	(155,347)	(81,893)
Proceeds from issuance of bonds	40,000	-	481,058	-
Redemption of bonds	(10,000)	(20,000)	(120,264)	(240,529)
Cash dividends paid	(5,750)	(5,752)	(69,153)	(69,178)
Cash dividends paid to minority shareholders	(998)	(1,158)	(12,013)	(13,934)
Other, net	(40)	(47)	(490)	(566)
Net cash provided by (used in) financing activities	10,611	(15,733)	127,621	(189,218)
<b>Effect of exchange rate changes on cash and cash equivalents</b>	(2,000)	927	(24,053)	11,152
<b>Net increase (decrease) in cash and cash equivalents</b>	(23,426)	(11,396)	(281,732)	(137,059)
<b>Cash and cash equivalents at beginning of period</b>	132,425	143,821	1,592,604	1,729,664
<b>Cash and cash equivalents at end of period (Note 8)</b>	¥108,999	¥132,425	\$1,310,872	\$1,592,604

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

# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

OBAYASHI CORPORATION

For the years ended March 31, 2011 and 2010

## 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 ¥83.15 to US\$1, the rate of exchange prevailing at March 31, 2011, 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 86 subsidiaries at March 31, 2011 (81 at March 31, 2010). The consolidated financial statements as of and for the years ended March 31, 2011 and 2010 included the accounts of the Company and all subsidiaries.

All significant intercompany accounts and transactions are eliminated. Investments in all affiliates (26 companies for 2011, and 24 companies for 2010) are accounted for by the equity method.

See Note 4-(2)

(2) Business year for consolidated subsidiaries

Certain foreign consolidated subsidiaries (29 companies) and a domestic consolidated subsidiary (1 company) have a fiscal year that ends on December 31. Certain foreign consolidated subsidiaries (6 companies) have a fiscal year that ends on November 30. The consolidated financial statements were prepared based on the financial statements as of the same date or provisional settlement based on the latest quarterly financial statements. 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. Consolidated subsidiaries other than those referred to above have the same business year as the Company, which ends on March 31.

As H.R.Osaka inc. changed its fiscal year end from December 31 to March 31, the consolidated financial statements included 15 months period.

(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 minority interests which are translated at their historical exchange rates. Revenue and expense accounts are translated at the rates of exchange in effect at the balance sheet date. Differences arising from the translation are presented as foreign currency translation adjustments and minority interests in the consolidated financial statements.



(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, inventories for PFI and other projects and costs on real estate business and other are all stated at cost determined by the specific identification method. Raw materials and supplies are stated at cost determined by the first-in first-out method. The net book value of inventories in the balance sheet is written down if the net realizable value declines.

(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 retirement benefits

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

See Note 4-(5)

(15) Provision for environmental measures

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

(16) Derivatives and hedge accounting

(a) Method of hedge accounting

Hedging instruments are valued at fair value and accounted for using the deferral method of accounting.

The monetary assets and liabilities denominated in foreign currencies, for which foreign exchange forward contracts or currency options are used to hedge the foreign currency fluctuations, are translated at the contracted rate if the foreign exchange forward contracts or currency options qualify for hedge accounting.

The interest rate swaps, which qualify for hedge accounting and meet specific matching criteria, are not remeasured at market value, but the differential paid or received under the swap agreements is charged to income (short-cut method).

(b) Hedging instruments and hedged items

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

(c) Hedging policy

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

(d) Assessment of hedge effectiveness

Hedge effectiveness is not assessed when substantial terms and conditions of the hedging instruments and the hedged transactions are the same.

The evaluation of hedge effectiveness is omitted for interest rate swaps as they meet certain criteria under the short-cut method.

(17) Recognizing revenues and costs of construction contracts

Revenues and costs of construction contracts of which the percentage of completion can be reliably estimated are recognized by the percentage-of-completion method. The percentage of completion is calculated at the cost incurred as a percentage of the estimated total cost. The completed-contract method continues to be applied for contracts for which the percentage of completion cannot be reliably estimated.

Revenues from construction contracts and the related costs of the overseas subsidiaries are mainly recorded on the percentage-of-completion method.

Revenues from construction contracts recognized by the percentage-of-completion method for the fiscal year ended March 31, 2011 were ¥860,410 million (US\$10,347,694 thousand).

See Note 4-(4)

(18) Revenues and expenses associated with finance lease transactions

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

(19) Consumption taxes

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

(20) Income taxes

The Companies apply deferred tax accounting for income taxes which requires recognition of income taxes by the asset/liability method.

Under the asset/liability method, deferred tax assets and liabilities are determined based on the difference between financial reporting basis and the tax basis of the assets and liabilities and are measured using the enacted tax rates and laws which will be in effect when the differences are expected to reverse.

## 4. Changes in Significant Accounting Policies

### (1) Application of the "Accounting Standard for Asset Retirement Obligations"

Effective the year ended March 31, 2011, the Companies have adopted "Accounting Standard for Asset Retirement Obligations" (ASBJ Statement No. 18, issued on March 31, 2008) and "Guidance on the Application of Accounting Standard for Asset Retirement Obligations" (ASBJ Guidance No. 21, issued on March 31, 2008). As a result, operating income for the year ended March 31, 2011 decreased by ¥125 million (US\$1,510 thousand) and income before income taxes and minority interests for the year ended March 31, 2011 decreased by ¥1,408 million (US\$16,939 thousand).

### (2) Application of "Accounting Standard for Equity Method of Accounting for Investments"

Effective the year ended March 31, 2011, the Companies have adopted "Accounting Standard for Equity Method of Accounting for investments" (ASBJ Statement No. 16, issued on March 19, 2008) and "Practical Solution on Unification of Accounting Policies Applied to Associates Accounted for Using the Equity Method" (PITF No. 24, issued on March 10, 2008).

It has no effect on operating income and income before income taxes and minority interests for the year ended March 31, 2011.

### (3) Application of the "Accounting Standard for Presentation of Comprehensive Income"

Effective the year ended March 31, 2011, the Companies have adopted "Accounting Standard for Presentation of Comprehensive Income" (ASBJ Statement No. 25, issued on June 30, 2010).

The amount of "Valuation and translation adjustments" and "Total valuation and translation adjustments" of the last fiscal year were shown as those of "Accumulated other comprehensive income" and "Total accumulated other comprehensive income."

### (4) Change in recognizing revenues and costs of construction contracts

Effective the year ended March 31, 2010, the Company and its domestic subsidiaries have adopted the "Accounting Standard for Construction Contracts" (ASBJ Statement No. 15, issued on December 27, 2007) and "Guidance on the Application of Accounting Standard for Construction Contracts" (ASBJ Guidance No. 18, issued on December 27, 2007). Under the new accounting standard and guidance, revenues and costs of construction contracts that commenced on or after April 1, 2009, of which the percentage of completion can be reliably estimated, are recognized by the percentage-of-completion method. The percentage of completion is calculated at the cost incurred as a percentage of the estimated total cost. The completed-contract method continues to be applied for contracts for which the percentage of completion cannot be reliably estimated. As a result of this change, net sales for the year ended March 31, 2010 increased by ¥24,379 million (US\$293,197 thousand), and operating loss and loss before income taxes and minority interests for the year ended March 31, 2010 each decreased by ¥2,190 million (US\$26,344 thousand) compared with the corresponding amounts that would have been recorded under the previous method.

The effect of the change to segment information is disclosed in Note 17 "Segment Information."

### (5) Application of the "Partial Amendments to Accounting Standard for Retirement Benefits (Part 3)"

Effective the year ended March 31, 2010, the Companies have adopted the "Partial Amendments to Accounting Standard for Retirement Benefits (Part 3)" (ASBJ Statement No. 19, issued on July 31, 2008).

This change had no effect on operating loss and loss before income taxes and minority interests for the year ended March 31, 2010.

## 5. Notes to Consolidated Balance Sheets

### (1) Accumulated depreciation of property, plant and equipment

At March 31	Millions of yen		Thousands of U.S. dollars	
	2011	2010	2011	2010
	¥163,864	¥156,573	\$1,970,706	\$1,883,023

### (2) Investments in affiliates

At March 31	Millions of yen		Thousands of U.S. dollars	
	2011	2010	2011	2010
	¥2,948	¥2,979	\$35,462	\$35,837

### (3) Revaluation reserve for land

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

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

### (4) Pledged assets

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

At March 31	Millions of yen		Thousands of U.S. dollars	
	2011	2010	2011	2010
Assets pledged as collateral:				
Buildings and structures .....	¥13,140	¥13,018	\$158,037	\$156,560
Machinery, vehicles, tools, furniture and fixtures .....	199	195	2,397	2,353
Land .....	10,624	10,411	127,774	125,215
Investment securities .....	1,513	1,916	18,202	23,049
Total .....	¥25,478	¥25,542	\$306,411	\$307,180
Liabilities secured thereby:				
Current portion of long-term loans payable .....	¥ 2,200	¥ 1,575	\$ 26,458	\$ 18,950
Long-term loans payable .....	9,395	11,546	112,991	138,857
Total .....	¥11,595	¥13,121	\$139,449	\$157,807

### (5) Contingent liabilities

The Companies were contingently liable for the following:

At March 31	Millions of yen		Thousands of U.S. dollars	
	2011	2010	2011	2010
Guarantees of long-term debt of customers, affiliates and employees .....				
	¥1,424	¥1,839	\$17,135	\$22,120
Repurchase obligation for notes receivable sold .....				
	1,344	4,318	16,175	51,930

### (6) Estimated loss on uncompleted construction contracts

An estimated loss on uncompleted construction was recognized and included in the inventory account but was not offset against the amount on the balance sheet. It was recorded as a provision for loss on construction.

At March 31	Millions of yen		Thousands of U.S. dollars	
	2011	2010	2011	2010
	¥866	¥1,696	\$10,421	\$20,406

### (7) Real estate held for sale reclassified as noncurrent assets

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

At March 31	Millions of yen		Thousands of U.S. dollars	
	2011	2010	2011	2010
Buildings and structures .....	¥3,508	¥-	\$ 42,194	\$-
Machinery, vehicles, tools, furniture and fixtures .....	39	-	472	-
Land .....	5,184	-	62,347	-
Intangible assets .....	350	-	4,213	-
Total .....	¥9,082	¥-	\$109,227	\$-

**(8) Directly-deducted advanced depreciation**

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

	Millions of yen		Thousands of U.S. dollars	
	2011	2010	2011	2010
Buildings and structures .....	¥40	¥127	\$491	\$1,528
Machinery, vehicles, tools, furniture and fixtures .....	29	26	359	317
Total .....	¥70	¥153	\$850	\$1,845

**(9) PFI and other project finance loans**

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

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

	Millions of yen		Thousands of U.S. dollars	
	2011	2010	2011	2010
At March 31				
Cash and deposits .....	¥ 7,683	¥ 6,564	\$ 92,410	\$ 78,950
Notes receivable, accounts receivable from completed construction contracts and other .....	11,443	11,872	137,625	142,781
Inventories for PFI and other projects .....	64,928	59,613	780,860	716,940
Buildings and structures .....	5,559	5,805	66,859	69,817
Machinery, vehicles, tools, furniture and fixtures .....	330	473	3,973	5,692
Land .....	19	19	234	234
Total .....	¥89,965	¥84,348	\$1,081,963	\$1,014,417

**(10) Commitment lines**

The Company has a commitment line agreement with syndicated financial institutions to ensure timely access to funds in case of emergency. At March 31, 2011 and 2010, there were no outstanding balances under the agreement.

This commitment line agreement includes financial covenants on net assets, ordinary income (loss) and the credit rating of the Company.

The total commitment lines available were as follows:

	Millions of yen		Thousands of U.S. dollars	
	2011	2010	2011	2010
At March 31				
	¥50,000	¥50,000	\$601,322	\$601,322

**(11) Covenants on syndicate loan**

The Company has entered into a syndicated loan agreement that includes certain financial covenants on net assets and the credit rating of the Company. The outstanding balance payable was ¥23,500 million (US\$282,621 thousand) at March 31, 2011 and 2010 under long-term loans payable.

**6. Notes to Consolidated Statements of Operations****(1) Provision for loss on construction contracts included in cost of sales of construction contracts**

	Millions of yen		Thousands of U.S. dollars	
	2011	2010	2011	2010
For the years ended March 31				
	¥3,025	¥17,528	\$36,389	\$210,800

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

	Millions of yen		Thousands of U.S. dollars	
	2011	2010	2011	2010
For the years ended March 31				
	¥ -	¥8,893	\$ -	\$106,956

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

For the years ended March 31	Millions of yen		Thousands of U.S. dollars	
	2011	2010	2011	2010
Employees' salaries and allowances.....	¥31,480	¥30,811	\$378,603	\$370,554
Retirement benefit expenses.....	2,809	3,089	33,788	37,156
Research study expenses.....	8,561	8,018	102,967	96,439
Provision of allowance for doubtful accounts.....	-	1,879	-	22,598

**(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	
	2011	2010	2011	2010
	¥8,561	¥8,018	\$102,967	\$96,439

**(5) Loss on sales and disposal of noncurrent assets was from the sale of land and buildings and the disposal of structures.****(6) The major components of "Other, net" included in "Other income/(expenses)"**

For the years ended March 31	Millions of yen		Thousands of U.S. dollars	
	2011	2010	2011	2010
Other income				
Gain on bad debts recovered.....	¥296	¥ -	\$3,567	\$ -
Reversal of allowance for doubtful accounts.....	267	-	3,221	-
Other expenses				
Provision for environmental measures.....	-	(1,004)	-	(12,084)

**(7) Impairment loss**

The following table summarizes the impairment losses recognized for the fiscal years ended March 31, 2011 and 2010.

Classification by purpose

Use	Type of assets	Location	2011
			Number of assets
Real estate for lease.....	Land, buildings and others	Kanagawa and others	7
Real estate reclassified as "held for sale"...	Land, buildings and others	Fukuoka and others	5
Underutilized real estate.....	Land, buildings and others	Tokyo and others	2

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

Breakdown by account

	Millions of yen		Thousands of U.S. dollars	
	2011	2010	2011	2010
Buildings.....	¥ 482	¥2,454	\$ 5,797	\$ 29,513
Structures.....	7	171	95	2,065
Machinery.....	-	75	-	908
Tools, furniture and fixtures.....	0	2	2	31
Land.....	3,031	5,621	36,456	67,611
Intangible assets.....	-	247	-	2,978
Total.....	¥3,521	¥8,573	\$42,352	\$103,108

Valuation method

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

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

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

## 7. Notes to Consolidated Statements of Changes in Net Assets

### (1) Type and number of outstanding shares

#### For the year ended March 31, 2011

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.....	2,723,032	102,312	-	2,825,344

Note: Treasury stock increased by 102,312 shares due to the repurchase of shares less than one unit.

#### For the year ended March 31, 2010

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.....	2,465,726	257,306	-	2,723,032

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

### (2) Dividends

#### (a) Dividends paid to shareholders

#### For the year ended March 31, 2011

Resolution approved by	Type of shares	Amount		Amount per 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 25, 2010)	Common stock	¥2,875	\$34,577	¥4	\$0.04	March 31, 2010	June 28, 2010
Board of Directors (November 9, 2010)	Common stock	¥2,874	\$34,575	¥4	\$0.04	September 30, 2010	December 10, 2010

#### For the year ended March 31, 2010

Resolution approved by	Type of shares	Amount		Amount per 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 25, 2009)	Common stock	¥2,876	\$34,590	¥4	\$0.04	March 31, 2009	June 26, 2009
Board of Directors (November 12, 2009)	Common stock	¥2,876	\$34,588	¥4	\$0.04	September 30, 2009	December 10, 2009

(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, 2011**

Resolution approved by	Type of shares	Amount		Paid from	Amount per 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 28, 2011)	<b>Common stock</b>	<b>¥2,874</b>	<b>\$34,572</b>	<b>Retained earnings</b>	<b>¥4</b>	<b>\$0.04</b>	<b>March 31, 2011</b>	<b>June 29, 2011</b>

**For the year ended March 31, 2010**

Resolution approved by	Type of shares	Amount		Paid from	Amount per 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 25, 2010)	Common stock	¥2,875	\$34,577	Retained earnings	¥4	\$0.04	March 31, 2010	June 28, 2010

**(3) Shareholders' equity**

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

## 8. Notes to Consolidated Statements of Cash Flows

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

At March 31	Millions of yen		Thousands of U.S. dollars	
	2011	2010	2011	2010
Cash and deposits .....	<b>¥109,031</b>	¥136,969	<b>\$1,311,257</b>	\$1,647,260
Time deposits with a maturity of more than three months ..	<b>(32)</b>	(4,544)	<b>(384)</b>	(54,655)
Cash and cash equivalents at end of period .....	<b>¥108,999</b>	¥132,425	<b>\$1,310,872</b>	\$1,592,604

## 9. Lease Transactions

**Operating leases**

(a) Lessee's accounting

Future minimum payments under non-cancelable lease contracts at March 31, 2011 and 2010, were as follows:

At March 31	Millions of yen		Thousands of U.S. dollars	
	2011	2010	2011	2010
Within 1 year .....	<b>¥ 861</b>	¥2,864	<b>\$10,362</b>	\$34,444
Over 1 year .....	<b>938</b>	1,698	<b>11,287</b>	20,428
Total .....	<b>¥1,800</b>	¥4,562	<b>\$21,650</b>	\$54,873

(b) Lessor's accounting

Future minimum receivables under non-cancelable lease contracts at March 31, 2011 and 2010, were as follows:

At March 31	Millions of yen		Thousands of U.S. dollars	
	2011	2010	2011	2010
Within 1 year .....	<b>¥ 2,172</b>	¥ 3,779	<b>\$ 26,132</b>	\$ 45,458
Over 1 year .....	<b>9,124</b>	16,719	<b>109,734</b>	201,071
Total .....	<b>¥11,297</b>	¥20,498	<b>\$135,867</b>	\$246,530



## 10. Financial instruments

### (1) Overview

#### (a) Policy for financial instruments

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

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

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

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

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

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

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

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

#### (c) Supplementary explanation of fair values of financial instruments

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

**(2) Fair value of financial instruments**

The following table shows the carrying values and fair values of financial instruments as of March 31, 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, 2011	Millions of yen			Thousands of U.S. dollars		
	Carrying value	Fair value	Difference	Carrying value	Fair value	Difference
<b>Assets</b>						
Cash and deposits.....	¥109,031	¥109,031	¥ -	\$ 1,311,257	\$ 1,311,257	\$ -
Notes receivable, accounts receivable from completed construction contracts and other..	416,361	416,632	270	5,007,356	5,010,610	3,254
Short-term investment securities and investment securities.....	231,631	231,630	(0)	2,785,703	2,785,698	(4)
Accounts receivable—other.....	97,720	97,720	-	1,175,230	1,175,230	-
Subtotal .....	854,744	855,014	270	10,279,547	10,282,796	3,249
<b>Liabilities</b>						
Notes payable, accounts payable for construction contracts and other.....	429,365	429,365	-	5,163,745	5,163,745	-
Short-term loans payable .....	97,111	97,111	-	1,167,910	1,167,910	-
Current portion of PFI and other project finance loans.....	13,343	13,343	-	160,470	160,470	-
Commercial papers.....	40,000	40,000	-	481,058	481,058	-
Current portion of bonds.....	10,000	10,000	-	120,264	120,264	-
Deposits received .....	64,327	64,327	-	773,635	773,635	-
Bonds payable .....	50,000	49,725	(274)	601,322	598,020	(3,301)
Long-term loans payable.....	124,263	125,811	1,547	1,494,447	1,513,061	18,613
PFI and other project finance loans .....	74,542	77,508	2,966	896,479	932,152	35,673
Subtotal .....	902,953	907,193	4,239	10,859,334	10,910,320	50,985
Derivative transactions <sup>(*)</sup> .....	79	79	-	957	957	-

At March 31, 2010	Millions of yen			Thousands of U.S. dollars		
	Carrying value	Fair value	Difference	Carrying value	Fair value	Difference
<b>Assets</b>						
Cash and deposits.....	¥136,969	¥136,969	¥ -	\$ 1,647,260	\$ 1,647,260	\$ -
Notes receivable, accounts receivable from completed construction contracts and other..	433,512	433,744	231	5,213,618	5,216,405	2,786
Short-term investment securities and investment securities.....	275,698	275,695	(2)	3,315,672	3,315,637	(34)
Accounts receivable—other.....	89,368	89,368	-	1,074,789	1,074,789	-
Subtotal .....	935,548	935,777	228	11,251,340	11,254,092	2,751
<b>Liabilities</b>						
Notes payable, accounts payable for construction contracts and other.....	453,076	453,076	-	5,448,909	5,448,909	-
Short-term loans payable .....	70,012	70,012	-	841,997	841,997	-
Current portion of PFI and other project finance loans.....	10,698	10,698	-	128,661	128,661	-
Commercial papers.....	50,000	50,000	-	601,322	601,322	-
Current portion of bonds.....	10,000	10,000	-	120,264	120,264	-
Deposits received .....	72,308	72,308	-	869,611	869,611	-
Bonds payable .....	20,000	20,100	100	240,529	241,738	1,208
Long-term loans payable.....	159,694	161,358	1,663	1,920,562	1,940,572	20,009
PFI and other project finance loans .....	70,645	72,891	2,246	849,609	876,620	27,011
Subtotal .....	916,435	920,445	4,010	11,021,469	11,069,699	48,230
Derivative transactions <sup>(*)</sup> .....	(48)	(48)	-	(581)	(581)	-

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

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

Assets

Cash and deposits

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

Notes receivable, accounts receivable from completed construction contracts and other

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

Short-term investment securities and investment securities

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

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

Accounts receivable—other

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

Liabilities

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

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

Bonds payable

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

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

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

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

Derivatives

See Note 12 "Derivative Transactions."

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

	Millions of yen		Thousands of U.S. dollars	
	2011	2010	2011	2010
Non-listed stocks . . . . .	<b>¥18,718</b>	¥18,847	<b>\$225,119</b>	\$226,674
Non-listed preferred equity securities . . . . .	<b>740</b>	740	<b>8,899</b>	8,899
Investments in silent partnership . . . . .	<b>774</b>	—	<b>9,313</b>	—
Stocks of affiliates . . . . .	<b>2,910</b>	2,877	<b>35,007</b>	34,601
Investments in capital of affiliates . . . . .	<b>37</b>	102	<b>454</b>	1,236
Total . . . . .	<b>¥23,181</b>	¥22,567	<b>\$278,795</b>	\$271,412

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

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

	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
<b>At March 31, 2011</b>				
Cash and deposits				
Deposits	¥108,807	¥ -	¥ -	¥ -
Notes receivable, accounts receivable from completed construction contracts and other	356,954	39,901	15,039	4,466
Short-term investment securities and investment securities				
Held-to-maturity securities				
Government bonds and municipal bonds	49	-	289	-
Corporate bonds	762	35	12	-
Accounts receivable—other	97,720	-	-	-
<b>Total</b>	<b>¥564,294</b>	<b>¥39,936</b>	<b>¥15,341</b>	<b>¥4,466</b>

	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
<b>At March 31, 2011</b>				
Cash and deposits				
Deposits	\$1,308,573	\$ -	\$ -	\$ -
Notes receivable, accounts receivable from completed construction contracts and other	4,292,893	479,871	180,873	53,717
Short-term investment securities and investment securities				
Held-to-maturity securities				
Government bonds and municipal bonds	600	-	3,479	-
Corporate bonds	9,167	420	150	-
Accounts receivable—other	1,175,230	-	-	-
<b>Total</b>	<b>\$6,786,465</b>	<b>\$480,292</b>	<b>\$184,503</b>	<b>\$53,717</b>

	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, 2010				
Cash and deposits				
Deposits	¥136,674	¥ -	¥ -	¥ -
Notes receivable, accounts receivable from completed construction contracts and other	402,499	24,330	1,846	4,835
Short-term investment securities and investment securities				
Held-to-maturity securities				
Government bonds and municipal bonds	-	49	150	-
Corporate bonds	6	797	18	-
Accounts receivable—other	89,368	-	-	-
<b>Total</b>	<b>¥628,549</b>	<b>¥25,177</b>	<b>¥2,015</b>	<b>¥4,835</b>

	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, 2010				
Cash and deposits				
Deposits	\$1,643,713	\$ -	\$ -	\$ -
Notes receivable, accounts receivable from completed construction contracts and other	4,840,645	292,603	22,212	58,156
Short-term investment securities and investment securities				
Held-to-maturity securities				
Government bonds and municipal bonds	-	600	1,806	-
Corporate bonds	75	9,594	225	-
Accounts receivable—other	1,074,789	-	-	-
<b>Total</b>	<b>\$7,559,223</b>	<b>\$302,798</b>	<b>\$24,245</b>	<b>\$58,156</b>

## Note 4. Redemption schedule for bonds, long-term loans payable, lease obligations and other interest bearing debts at March 31, 2011

See Note 20 "Corporate bonds" and Note 21 "Loans."

(Additional information)

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

## 11. Securities

### (a) Held-to-maturity debt securities

	Millions of yen			Thousands of U.S. dollars		
	Carrying value	Estimated fair value	Unrealized gain/(loss)	Carrying value	Estimated fair value	Unrealized gain/(loss)
<b>At March 31, 2011</b>						
Securities whose fair value exceeds their carrying value:						
Government bonds and municipal bonds.....	¥ 171	¥ 172	¥ 0	\$ 2,063	\$ 2,074	\$ 11
Securities whose carrying value exceeds their fair value:						
Government bonds and municipal bonds.....	167	166	(1)	2,017	2,001	(16)
Corporate bonds.....	809	809	-	9,738	9,738	-
Subtotal.....	977	976	(1)	11,755	11,739	(16)
Total.....	¥1,149	¥1,148	¥(0)	\$13,818	\$13,814	\$ (4)

	Millions of yen			Thousands of U.S. dollars		
	Carrying value	Estimated fair value	Unrealized gain/(loss)	Carrying value	Estimated fair value	Unrealized gain/(loss)
At March 31, 2010						
Securities whose fair value exceeds their carrying value:						
Government bonds and municipal bonds.....	¥ 49	¥ 49	¥ 0	\$ 600	\$ 601	\$ 1
Securities whose carrying value exceeds their fair value:						
Government bonds and municipal bonds.....	150	147	(2)	1,806	1,770	(35)
Corporate bonds.....	822	822	-	9,895	9,895	-
Subtotal.....	973	970	(2)	11,702	11,666	(35)
Total.....	¥1,022	¥1,020	¥(2)	\$12,302	\$12,267	\$(34)

### (b) Other securities

	Millions of yen			Thousands of U.S. dollars		
	Carrying value	Acquisition cost	Unrealized gain/(loss)	Carrying value	Acquisition cost	Unrealized gain/(loss)
<b>At March 31, 2011</b>						
Securities whose carrying value exceeds their acquisition cost:						
Stock.....	¥201,415	¥ 92,445	¥108,969	\$2,422,309	\$1,111,792	\$1,310,517
Other.....	179	174	4	2,152	2,093	58
Subtotal.....	201,594	92,619	108,974	2,424,462	1,113,886	1,310,576
Securities whose acquisition cost exceeds their carrying value:						
Stock.....	26,209	34,141	(7,932)	315,207	410,602	(95,395)
Other.....	2,678	2,697	(19)	32,214	32,446	(232)
Subtotal.....	28,888	36,839	(7,951)	347,421	443,049	(95,627)
Total.....	¥230,482	¥129,459	¥101,023	\$2,771,884	\$1,556,935	\$1,214,949

It is extremely difficult to determine the fair values for non-listed stocks and non-listed preferred equity securities (carrying value ¥20,233 million (US\$243,332 thousand)), since they have no quoted market prices available. Thus, they are not included in "Other securities" above.

At March 31, 2010	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 value exceeds their acquisition cost:						
Stock.....	¥247,187	¥102,816	¥144,371	\$2,972,792	\$1,236,516	\$1,736,275
Securities whose acquisition cost exceeds their carrying value:						
Stock.....	25,745	32,172	(6,426)	309,627	386,917	(77,290)
Other.....	1,741	1,754	(12)	20,949	21,096	(146)
Subtotal.....	27,487	33,926	(6,438)	330,577	408,014	(77,436)
Total.....	¥274,675	¥136,742	¥137,932	\$3,303,369	\$1,644,531	\$1,658,838

It is extremely difficult to determine the fair values for non-listed stocks and non-listed preferred equity securities (carrying value ¥19,587 million (US\$235,574 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, 2011	Millions of yen			Thousands of U.S. dollars		
	Sales proceeds	Aggregate gain	Aggregate loss	Sales proceeds	Aggregate gain	Aggregate loss
Stock.....	¥12,358	¥8,244	¥8	\$148,634	\$99,146	\$ 98
Other.....	393	4	1	4,729	58	15
Total.....	¥12,752	¥8,248	¥9	\$153,363	\$99,205	\$114

Non-listed stocks, for which fair value was extremely difficult to determine, are included in "Stock" above. (Sales proceeds: ¥61 million (US\$736 thousand), aggregate gain: ¥0 million (US\$4 thousand) and aggregate loss: ¥0 million (US\$4 thousand))

For the year ended March 31, 2010	Millions of yen			Thousands of U.S. dollars		
	Sales proceeds	Aggregate gain	Aggregate loss	Sales proceeds	Aggregate gain	Aggregate loss
Stock.....	¥3,056	¥2,108	¥221	\$36,761	\$25,353	\$2,661
Other.....	3	-	10	47	-	121
Total.....	¥3,060	¥2,108	¥231	\$36,808	\$25,353	\$2,783

Non-listed stocks, for which fair value was extremely difficult to determine, are included in "Stock" above. (Sales proceeds: ¥1 million (US\$15 thousand), aggregate gain: ¥0 million (US\$3 thousand) and aggregate loss: ¥6 million (US\$83 thousand))

(d) Write down of securities

For the year ended March 31	Millions of yen		Thousands of U.S. dollars	
	2011	2010	2011	2010
Other stocks.....	¥4,620	¥887	\$55,572	\$10,675
Non-listed stocks included in "Other stocks" above.....	¥ 53	¥876	\$ 649	\$10,540

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

## 12. Derivative Transactions

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

Compound financial instruments

	Millions of yen				Thousands of U.S. dollars			
	Contract amount	Contract amount of more than 1 year	Estimated fair value	Unrealized loss	Contract amount	Contract amount of more than 1 year	Estimated fair value	Unrealized loss
<b>At March 31, 2011</b>								
Derivative-embedded deposits :								
(Special policy of cancellation before expiry date/ Condition fulfillment type deposits). . . . .	¥300	¥300	¥(54)	¥(54)	\$3,607	\$3,607	\$(652)	\$(652)

	Millions of yen				Thousands of U.S. dollars			
	Contract amount	Contract amount of more than 1 year	Estimated fair value	Unrealized loss	Contract amount	Contract amount of more than 1 year	Estimated fair value	Unrealized loss
At March 31, 2010								
Derivative-embedded deposits :								
(Special policy of cancellation before expiry date/ Condition fulfillment type deposits). . . . .	¥300	¥300	¥(53)	¥(53)	\$3,607	\$3,607	\$(638)	\$(638)

Notes: 1. Estimated fair value was provided by the counterparty financial institution.

2. Estimated fair value of derivative-embedded deposits was computed based on the value of the embedded derivatives included in compound financial instruments.

3. Contract amounts are notional amounts of the interest-rate swaps and do not show market risk of all derivative instruments.

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

Currency-related transactions

	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
<b>At March 31, 2011</b>							
Benchmark method :							
Foreign exchange forward contract (Buy US\$)	Accounts payable for construction contracts . . . . .	¥4,755	¥-	¥231	\$ 57,185	\$-	\$2,781
Translated at the contracted rate :							
Foreign exchange forward contract (Buy US\$)	Short-term loans payable . . .	4,007	-	[*]	48,191	-	[*]
Total . . . . .		¥8,762	¥-	¥231	\$105,377	\$-	\$2,781

At March 31, 2010	Hedged item	Millions of yen			Thousands of U.S. dollars		
		Contract amount	Contract amount of more than 1 year	Estimated fair value	Contract amount	Contract amount of more than 1 year	Estimated fair value
Benchmark method :							
Foreign exchange forward contract (Buy US\$)	Imports of materials (Forecasted transaction) . . . . .	¥ 48	¥-	¥1	\$ 585	\$-	\$15
Non-deliverable foreign exchange forward contract (Buy Korean Won)	Imports of materials (Forecasted transaction) . . . . .	152	-	5	1,832	-	71
Translated at the contracted rate :							
Foreign exchange forward contract (Buy US\$)	Short-term loans payable . . .	4,008	-	[*]	48,204	-	[*]
<b>Total</b> . . . . .		<b>¥4,209</b>	<b>¥-</b>	<b>¥7</b>	<b>\$50,622</b>	<b>\$-</b>	<b>\$86</b>

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

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

#### Interest-related transactions

At March 31, 2011	Hedged item	Millions of yen			Thousands of U.S. dollars		
		Contract amount	Contract amount of more than 1 year	Estimated fair value	Contract amount	Contract amount of more than 1 year	Estimated fair value
Benchmark method:							
Interest rate swaps: Payment fixed/Receive floating	PFI and other project finance loans (Forecasted transaction) . . . . .	<b>¥11,490</b>	<b>¥11,490</b>	<b>¥(97)</b>	<b>\$138,184</b>	<b>\$138,184</b>	<b>\$(1,171)</b>
Short-cut method:							
Interest rate swaps: Payment fixed/Receive floating	Long-term loans payable . . . . .	<b>42,111</b>	<b>38,721</b>	<b>[*1]</b>	<b>506,446</b>	<b>465,676</b>	<b>[*1]</b>
	PFI and other project finance loans . . . . .	<b>5,599</b>	<b>3,995</b>	<b>[*1]</b>	<b>67,337</b>	<b>48,052</b>	<b>[*1]</b>
	PFI and other project finance loans as of affiliate company's <sup>[*2]</sup> . . . . .	<b>4,057</b>	<b>3,531</b>	<b>(69)</b>	<b>48,795</b>	<b>42,465</b>	<b>(835)</b>
Interest rate swaps: Payment floating/Receive fixed	PFI and other project finance loans as of affiliate company's <sup>[*2]</sup> . . . . .	<b>4,057</b>	<b>3,531</b>	<b>76</b>	<b>48,795</b>	<b>42,465</b>	<b>917</b>
<b>Total</b> . . . . .		<b>¥67,314</b>	<b>¥61,268</b>	<b>¥(90)</b>	<b>\$809,558</b>	<b>\$736,843</b>	<b>\$(1,089)</b>



At March 31, 2010	Hedged item	Millions of yen			Thousands of U.S. dollars		
		Contract amount	Contract amount of more than 1 year	Estimated fair value	Contract amount	Contract amount of more than 1 year	Estimated fair value
Benchmark method:							
Interest rate swaps:	PFI and other project finance loans						
Payment fixed/Receive floating	(Forecasted transaction) . . . . .	¥ 230	¥ 230	¥ (2)	\$ 2,766	\$ 2,766	\$ (29)
Short-cut method:							
Interest rate swaps:	Long-term loans payable . . . . .	44,732	42,111	[*1]	537,967	506,446	[*1]
Payment fixed/Receive floating	PFI and other project finance loans . . . . .	9,963	5,395	[*1]	119,825	64,887	[*1]
	PFI and other project finance loans as of affiliate company's <sup>[*2]</sup> . . . . .	43,640	4,057	(254)	524,834	48,795	(3,062)
Interest rate swaps:	PFI and other project finance loans as of affiliate company's <sup>[*2]</sup> . . . . .	43,640	4,057	269	524,834	48,795	3,245
Total . . . . .		¥142,205	¥55,851	¥ 12	\$1,710,228	\$671,690	\$ 154

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

[\*1] Since these interest rate swaps, which are not remeasured at market value but the differential paid or received under the swap agreements is charged to income, are treated with long-term loans payable or PFI and other project finance loans payable, the fair values of the contracts are included in the fair value of long-term loans payable or PFI and other project finance loans payable presented in Note 10 "Financial Instruments (2) Fair values of financial instruments."

[\*2] Since these interest rate swaps, which are not remeasured at market value but the differential paid or received under the swap agreements is charged to income, and borrowings held by affiliates are not accounted for in the consolidated balance sheets, the fair values of the contracts are not included in the fair value of derivative transactions presented in Note 10 "Financial Instruments (2) Fair values of financial instruments."

### 13. Retirement Benefit Plans

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

The following tables show the funded and accrued status of the plans and the amounts recognized in the consolidated balance sheets at March 31, 2011 and 2010 of the Company and its domestic subsidiaries.

At March 31	Millions of yen		Thousands of U.S. dollars	
	2011	2010	2011	2010
Projected benefit obligations . . . . .	¥(141,660)	¥(147,549)	\$(1,703,674)	\$(1,774,492)
Plan assets at fair value . . . . .	67,566	69,440	812,582	835,127
Unfunded projected benefit obligations . . . . .	(74,094)	(78,108)	(891,092)	(939,365)
Unrecognized actuarial loss . . . . .	9,162	12,092	110,193	145,427
Unrecognized prior service cost . . . . .	(51)	(97)	(619)	(1,168)
Amount reported on the consolidated balance sheet . . . . .	(64,983)	(66,113)	(781,518)	(795,106)
Prepaid pension costs . . . . .	-	19	-	231
Provision for retirement benefits . . . . .	¥ (64,983)	¥ (66,132)	\$ (781,518)	\$ (795,338)

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

The components of retirement benefit expenses for the years ended March 31, 2011 and 2010 are outlined as follows:

For the years ended March 31	Millions of yen		Thousands of U.S. dollars	
	2011	2010	2011	2010
Service cost.....	¥ 4,868	¥ 4,996	\$ 58,546	\$ 60,095
Interest cost.....	3,640	3,784	43,785	45,508
Expected return on plan assets.....	(1,723)	(1,638)	(20,729)	(19,706)
Amortization of actuarial differences.....	3,255	3,616	39,154	43,495
Amortization of prior service cost.....	(45)	(45)	(549)	(549)
Total.....	¥ 9,995	¥10,713	\$120,207	\$128,844

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

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

At March 31	2011	2010
Method of attributing the projected benefit obligations to periods of service.....	<b>Straight-line basis</b>	Straight-line basis
Discount rate.....	<b>1.8% or 2.5%</b>	1.8% or 2.5%
Expected rate of return on plan assets.....	<b>1.8% or 2.5%</b>	1.8% or 2.5%
Amortization period for prior service cost.....	<b>10 years</b> <b>(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.)</b>	10 years (Prior service cost (PSC) is amortized by the straight-line method over a period of 10 years, which is shorter than the average remaining years of service of the employees, while PSC of certain subsidiaries is expensed as incurred.)
Amortization period for actuarial differences..	<b>5 to 10 years</b> <b>(Actuarial differences are amortized commencing in the year or in the following year after the difference is recognized primarily by the straight-line method over periods (5 years to 10 years) which are shorter than the average remaining years of service of the employees.)</b>	5 to 10 years (Actuarial differences are amortized commencing in the year or in the following year after the difference is recognized primarily by the straight-line method over periods (5 years to 10 years) which are shorter than the average remaining years of service of the employees.)

## 14. Deferred Tax Accounting

The major components of deferred tax assets and liabilities at March 31, 2011 and 2010 are summarized as follows:

At March 31	Millions of yen		Thousands of U.S. dollars	
	2011	2010	2011	2010
Deferred tax assets:				
Tax loss carryforwards.....	¥ 54,975	¥ 61,935	\$ 661,159	\$ 744,868
Provision for retirement benefits.....	26,322	26,773	316,570	321,991
Impairment loss.....	15,935	15,787	191,649	189,869
Provision for loss on construction contracts.....	3,653	10,395	43,939	125,021
Loss on valuation of real estate for sale.....	3,051	5,685	36,698	68,374
Unrealized profit on inventories.....	1,213	1,464	14,594	17,608
Other.....	25,224	16,704	303,359	200,896
	130,376	138,746	1,567,971	1,668,629
Valuation allowance.....	(14,346)	(18,484)	(172,538)	(222,297)
Total deferred tax assets.....	116,030	120,262	1,395,432	1,446,332
Deferred tax liabilities:				
Valuation difference on available-for-sale securities....	(40,781)	(55,754)	(490,461)	(670,527)
Reserve for advanced depreciation of noncurrent assets.....	(1,827)	(1,110)	(21,973)	(13,356)
Other.....	(1,473)	(666)	(17,722)	(8,011)
Total deferred tax liabilities.....	(44,082)	(57,531)	(530,157)	(691,895)
Net deferred tax assets.....	¥ 71,947	¥ 62,731	\$ 865,274	\$ 754,437

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	
	2011	2010	2011	2010
Current assets—Deferred tax assets .....	¥27,005	¥25,736	\$324,778	\$309,518
Noncurrent assets—Deferred tax assets .....	45,774	36,994	550,501	444,918
Current liabilities—Deferred tax liabilities .....	(831)	—	(10,005)	—

In addition to the above, the Companies recognized deferred tax liabilities of ¥34,808 million (US\$418,623 thousand) and ¥33,810 million (US\$406,620 thousand) related to reserve for land revaluation at March 31, 2011 and 2010, respectively.

A reconciliation between the statutory tax rates and the effective tax rates for the years ended March 31, 2011 and 2010 are summarized as follows:

For the years ended March 31	2011	2010
Statutory tax rates .....	40.5%	40.5%
Reconciliation:		
Effect of unrecognized deferred taxes on subsidiaries—losses .....	5.7	—
Permanent non-deductible items .....	6.9	—
Permanent non-taxable items .....	(6.1)	—
Per-capita inhabitant tax .....	2.0	—
Decrease in valuation allowance .....	(23.3)	—
Other .....	(2.6)	—
Effective tax rates .....	23.1	—%

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

## 15. Asset Retirement Obligations

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

Estimated total uncollectible deposits and periods of use of the rental properties are as follows.

### (1) Estimated total uncollectible deposit

¥4,107 million (US\$49,395 thousand)

### (2) Estimated period of use

7–38 years from the initial day of the contract

## 16. Investment and Rental Properties

### (1) For the year ended March 31, 2011

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, 2011 were ¥7,045 million (US\$84,735 thousand) and ¥2,771 million (US\$33,335 thousand) respectively. Sales and costs on real estate are recorded as “Net sales on real estate business and other” and “Cost of sales on real estate business and other” respectively. Impairment loss is included in “Other income/(expenses).”

Carrying value in the consolidated balance sheets and fair value of those real estate properties are as follows:

	Millions of yen	Thousands of U.S. dollars
	2011	2011
Carrying value		
At the end of previous period.....	¥183,477	\$2,206,581
Increase (decrease)—net.....	37,473	450,673
At the end of current period.....	220,950	2,657,254
Fair value at the end of current period.....	241,976	2,910,116

1. The carrying value represents the acquisition cost less the accumulated depreciation.
2. "Increase (decrease)—net" mainly consists of purchase of office buildings (including land) for rent and other in the amount of ¥31,963 million (US\$384,402 thousand) and impairment loss in the amount of ¥2,771 million (US\$33,335 thousand).
3. Fair value at March 31, 2011 was estimated in accordance with the "Real estate evaluation standards," and was adjusted using official indices.

## (2) For the year ended March 31, 2010

The Company and certain of its subsidiaries hold office buildings (including land), lands for redevelopment projects, etc., mainly in Tokyo and Osaka. Profit and impairment loss from these real estate properties for the year ended March 31, 2010 were ¥6,596 million (US\$79,332 thousand) and ¥6,551 million (US\$78,793 thousand) respectively. Sales and costs on real estate are recorded as "Net sales on real estate business and other" and "Cost of sales on real estate business and other" respectively. Impairment loss is included in "Other income/(expenses)."

Carrying value in the consolidated balance sheets and fair value of those real estate properties are as follows:

	Millions of yen	Thousands of U.S. dollars
	2010	2010
Carrying value		
At the end of previous period.....	¥187,206	\$2,251,429
Increase (decrease)—net.....	(3,729)	(44,848)
At the end of current period.....	183,477	2,206,581
Fair value at the end of current period.....	214,914	2,584,660

1. The carrying value represents the acquisition cost less the accumulated depreciation.
2. "Increase (decrease)—net" mainly consists of purchase of office buildings (including land) for rent and other in the amount of ¥1,816 million (US\$21,847 thousand) and impairment loss in the amount of ¥6,551 million (US\$78,793 thousand).
3. Fair value at March 31, 2010 was estimated in accordance with the "Real estate evaluation standards," and was adjusted using official indices.

(Additional information)

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

## 17. 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 Civil Engineering, Building Construction and Real Estate Development divisions at the Company are responsible for strategic planning and business development of the civil engineering, building construction and real estate development businesses respectively. Business operations of the civil engineering and building construction 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 civil engineering and building construction businesses are segmented based on domestic and overseas areas.

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

The overview of each reportable segment is as follows:

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
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
Real estate development:	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))

For the year ended March 31, 2011	Reporting segment							Millions of yen	
	Domestic civil engineering	Overseas civil engineering	Domestic building construction	Overseas building construction	Real estate development	Subtotal	Others (Note 1)	Total	
	Net sales:								
Sales to third parties.....	¥252,392	¥47,319	¥643,752	¥111,481	¥47,647	¥1,102,593	¥29,271	¥1,131,864	
Inter-segment sales and transfers.....	10,500	-	27,628	19	1,878	40,027	8,202	48,230	
Segment sales.....	262,892	47,319	671,381	111,500	49,525	1,142,620	37,474	1,180,094	
Operating income (loss):									
Operating income (loss) from sales to third parties (Note 2) ..	6,730	4,330	2,604	977	8,564	23,206	(31)	23,174	
Inter-segment operating income and transfers.....	(254)	(3)	1,191	-	(20)	913	(20)	892	
Segment income.....	¥ 6,476	¥ 4,326	¥ 3,795	¥ 977	¥ 8,544	¥ 24,119	¥ (52)	¥ 24,067	

For the year ended March 31, 2011	Reporting segment							Thousands of U.S. dollars	
	Domestic civil engineering	Overseas civil engineering	Domestic building construction	Overseas building construction	Real estate development	Subtotal	Others (Note 1)	Total	
	Net sales:								
Sales to third parties.....	\$3,035,384	\$569,090	\$7,742,062	\$1,340,722	\$573,028	\$13,260,288	\$352,033	\$13,612,322	
Inter-segment sales and transfers.....	126,282	-	332,277	237	22,590	481,389	98,649	580,038	
Segment sales.....	3,161,667	569,090	8,074,340	1,340,960	595,619	13,741,678	450,682	14,192,360	
Operating income (loss):									
Operating income (loss) from sales to third parties (Note 2) ..	80,939	52,077	31,317	11,756	103,004	279,095	(382)	278,712	
Inter-segment operating income and transfers.....	(3,055)	(46)	14,325	-	(241)	10,981	(251)	10,729	
Segment income.....	\$ 77,883	\$ 52,031	\$ 45,643	\$ 11,756	\$102,762	\$ 290,076	\$ (634)	\$ 289,441	

Notes: 1. Businesses that cannot be classified into the reportable segments are shown as "Others."

This includes PFI (Private Finance Initiative), 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." The total "Operating income (loss) from sales to third parties" equals to "Operating income (loss)" 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.

For the year ended March 31, 2010	Reporting segment							Millions of yen	
	Domestic civil engineering	Overseas civil engineering	Domestic building construction	Overseas building construction	Real estate development	Subtotal	Others (Note 1)	Total	
	Net sales:								
Sales to third parties .....	¥277,763	¥ 46,980	¥810,637	¥153,570	¥21,947	¥1,310,898	¥30,558	¥1,341,456	
Inter-segment sales and transfers .....	10,465	-	19,615	54	1,057	31,192	8,124	39,316	
Segment sales .....	288,228	46,980	830,252	153,624	23,004	1,342,090	38,683	1,380,773	
Operating income (loss):									
Operating income (loss) from sales to third parties (Note 2) ..	9,925	(75,518)	6,876	967	(4,745)	(62,495)	(39)	(62,534)	
Inter-segment operating income and transfers .....	(287)	(10)	(353)	-	302	(349)	(125)	(475)	
Segment income .....	¥ 9,637	¥(75,528)	¥ 6,522	¥ 967	¥(4,443)	¥ (62,844)	¥ (165)	¥ (63,010)	

For the year ended March 31, 2010	Reporting segment							Thousands of U.S. dollars	
	Domestic civil engineering	Overseas civil engineering	Domestic building construction	Overseas building construction	Real estate development	Subtotal	Others (Note 1)	Total	
	Net sales:								
Sales to third parties .....	\$3,340,510	\$ 565,010	\$9,749,092	\$1,846,903	\$263,947	\$15,765,463	\$367,509	\$16,132,973	
Inter-segment sales and transfers .....	125,857	-	235,899	660	12,712	375,130	97,712	472,842	
Segment sales .....	3,466,367	565,010	9,984,992	1,847,563	276,659	16,140,593	465,221	16,605,815	
Operating income (loss):									
Operating income (loss) from sales to third parties (Note 2) ..	119,362	(908,215)	82,696	11,634	(57,074)	(751,596)	(475)	(752,071)	
Inter-segment operating income and transfers .....	(3,462)	(125)	(4,252)	-	3,638	(4,202)	(1,514)	(5,716)	
Segment income .....	\$ 115,900	\$(908,341)	\$ 78,444	\$ 11,634	\$(53,436)	\$(755,798)	\$(1,989)	\$(757,788)	

Notes: 1. Businesses that cannot be classified into the reportable segments are shown as "Others."

This includes PFI (Private Finance Initiative), 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." The total "Operating income (loss) from sales to third parties" equals to "Operating income (loss)" 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 (loss) and operating income (loss) as shown in the consolidated statements of operations

	Millions of yen	Thousands of U.S. dollars
<b>For the year ended March 31, 2011</b>		
Income (loss)		
Total reportable segment .....	<b>¥24,119</b>	<b>\$290,076</b>
Loss on "Others" .....	<b>(52)</b>	<b>(634)</b>
Elimination of inter-segment transactions .....	<b>(892)</b>	<b>(10,729)</b>
Operating income in the statements of operations .....	<b>¥23,174</b>	<b>\$278,712</b>

	Millions of yen	Thousands of U.S. dollars
For the year ended March 31, 2010		
Income (loss)		
Total reportable segment .....	¥(62,844)	\$(755,798)
Loss on "Others" .....	(165)	(1,989)
Elimination of inter-segment transactions .....	475	5,716
Operating loss in the statements of operations .....	¥(62,534)	\$(752,071)

(Additional information)

Effective the year ended March 31, 2011, the Companies have adopted the "Accounting Standard for Disclosures about Segments of an Enterprise and Related Information" (ASBJ Statement No. 17, issued on March 27, 2009) and the "Guidance on Accounting Standard for Disclosures about Segments of an Enterprise and Related Information" (ASBJ Guidance No. 20, issued on March 21, 2008).

**(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, 2011**

Millions of yen					Thousands of U.S. dollars				
Japan	North America	Asia	Others	Total	Japan	North America	Asia	Others	Total
¥971,138	¥68,745	¥90,362	¥1,617	¥1,131,864	\$11,679,359	\$826,767	\$1,086,744	\$19,451	\$13,612,322

Tangible assets by region

As Japan-based tangible assets account for over 90% of total tangible assets at March 31, 2011, 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 year ended March 31, 2011.

**(3) Impairment loss of noncurrent assets by reportable segment**

							Millions of yen	
	Domestic civil engineering	Overseas civil engineering	Domestic building construction	Overseas building construction	Real estate development	Others (Note)	Total	
<b>For the year ended March 31, 2011</b>		¥7	¥-	¥-	¥-	¥2,580	¥934	¥3,521

							Thousands of U.S. dollars	
	Domestic civil engineering	Overseas civil engineering	Domestic building construction	Overseas building construction	Real estate development	Others (Note)	Total	
<b>For the year ended March 31, 2011</b>		\$85	\$-	\$-	\$-	\$31,031	\$11,235	\$42,352

Note: Impairment loss of underutilized real estate and others in the amount of ¥713 million (US\$8,580 thousand), which is not divided by reporting segment, is included in Others.

**(4) Amortization and balance of goodwill by reportable segment**

							Millions of yen	
	Domestic civil engineering	Overseas civil engineering	Domestic building construction	Overseas building construction	Real estate development	Others	Total	
<b>For the year ended March 31, 2011</b>								
Amortization amount.....	¥0	¥-	¥-	¥449	¥-	¥-	¥450	
Balance.....	-	1,527	-	674	-	-	2,201	

							Thousands of U.S. dollars	
	Domestic civil engineering	Overseas civil engineering	Domestic building construction	Overseas building construction	Real estate development	Others	Total	
<b>For the year ended March 31, 2011</b>								
Amortization amount.....	\$9	\$-	\$-	\$5,405	\$-	\$-	\$5,414	
Balance.....	-	18,369	-	8,108	-	-	26,477	

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

None.

**(6) Segment information for the year ended March 31, 2010 under the previous accounting standard**

## (a) Business segments

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

For the year ended March 31, 2010	Thousands of U.S. dollars					
	Construction business	Real estate business	Other businesses	Total	Eliminations or Corporate	Consolidated
Net sales:						
From outside customers ..	\$15,572,055	\$ 273,107	\$ 287,810	\$16,132,973	\$ -	\$16,132,973
Intersegment or transfer ..	72,040	12,851	93,873	178,765	(178,765)	-
Total .....	15,644,096	285,958	381,683	16,311,738	(178,765)	16,132,973
Operating expenses .....	16,339,915	345,180	374,641	17,059,737	(174,692)	16,885,045
Operating income .....	(695,819)	(59,221)	7,042	(747,998)	(4,073)	(752,071)
Total assets .....	14,336,128	3,630,846	1,955,352	19,922,328	(792,228)	19,130,099
Depreciation and amortization .....	85,770	20,730	22,693	129,195	(2,503)	126,692
Impairment loss .....	6,405	81,693	15,010	103,108	-	103,108
Capital expenditures .....	79,915	126,236	16,933	223,085	(104,302)	118,782

## 1. Classification of businesses

The Company categorizes its businesses based on the type, similarity in nature, etc.

## 2. The Company and its subsidiaries are engaged in the following industry segments:

Construction business: Civil engineering, building construction, and all other construction related businesses

Real estate business: Purchase and sale, rent, and brokerage of real estate

Other businesses: PFI (Private Finance Initiative), finance, operation of golf courses, and other businesses

## 3. Change in recognizing revenues and costs of construction contracts

"Accounting Standard for Construction Contracts" was adopted effective the year ended March 31, 2010.

As a result, sales from "Construction Business" for the year ended March 31, 2010, increased by ¥24,379 million (US\$293,197 thousand) and operating loss from "Construction Business" for the year ended March 31, 2010, decreased by ¥2,190 million (US\$26,344 thousand) compared with the corresponding amounts that would have been recorded under the previous method.



## (b) Geographic segments

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

For the year ended March 31, 2010							Thousands of U.S. dollars	
	Japan	North America	Asia	Other Regions	Total	Eliminations or Corporate	Consolidated	
Net sales:								
From outside customers .....	\$14,493,203	\$1,344,543	\$295,181	\$ 44	\$16,132,973	\$ -	\$16,132,973	
Intersegment or transfer.....	902	79	5,298	9	6,289	(6,289)	-	
Total.....	14,494,105	1,344,623	300,480	53	16,139,263	(6,289)	16,132,973	
Operating expenses ..	15,256,544	1,352,773	282,047	360	16,891,726	(6,681)	16,885,045	
Operating income.....	(762,439)	(8,150)	18,432	(306)	(752,463)	391	(752,071)	
Total assets .....	18,353,074	504,948	300,052	11,651	19,169,728	(39,629)	19,130,099	

- Countries and areas are classified by the geographical proximity.
- Regions shown above (except Japan) include, but are not limited to, the following countries and areas:  
North America: United States of America  
Asia: Thailand, Vietnam and Indonesia  
Other Regions: The Netherlands
- Change in recognizing revenues and costs of construction contracts  
"Accounting Standard for Construction Contracts" was adopted effective the year ended March 31, 2010.  
As a result, sales from "Japan" for the year ended March 31, 2010, increased by ¥24,379 million (US\$293,197 thousand) and operating loss from "Japan" for the year ended March 31, 2010, decreased by ¥2,190 million (US\$26,344 thousand) compared with the corresponding amounts that would have been recorded under the previous method.

## (c) Overseas net sales

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

For the year ended March 31, 2010	Thousands of U.S. dollars			
	North America	Asia	Other Regions	Total
I Overseas net sales	\$1,436,662	\$975,562	\$21,475	\$ 2,433,700
II Consolidated net sales				16,132,973
III Overseas net sales as a percentage of consolidated net sales	8.9%	6.1%	0.1%	15.1%

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

## 18. Related Party Transactions

Details of transactions with related parties and the respective balances as of and for the years ended March 31, 2011 and 2010 were as follows:

### For the year ended March 31, 2011

Classification	Related party	Address	Capital		% of voting rights held (held by others)	Relationship	Nature of transaction	Amount of transaction <sup>(*)</sup>			Balance at the end of the year	
			Millions of yen	Type of business				Millions of yen	Thousands of U.S. dollars	Accounts	Millions of yen	Thousands of U.S. dollars
Companies in which the majority of voting rights are owned by a director's close relative	Naniwabashi Law Office <sup>(*)2</sup>	Kita-ku, Osaka	-	Law Office	-	The Company agreed to retain the services of the law office	Request legal advisory services <sup>(*)3</sup>	¥26	\$320	-	-	-

\*1 Consumption taxes have not been included in the transaction amounts.

\*2 The law office is managed by Mr. Naohiro Tsuda, a statutory auditor of the Company, and a close relative of him.

\*3 The fees for legal services were determined in consideration of the fees typically paid for the performance of such work.

### For the year ended March 31, 2010

Classification	Related party	Address	Capital		% of voting rights held (held by others)	Relationship	Nature of transaction	Amount of transaction <sup>(*)</sup>			Balance at the end of the year	
			Millions of yen	Type of business				Millions of yen	Thousands of U.S. dollars	Accounts	Millions of yen	Thousands of U.S. dollars
Companies in which the majority of voting rights are owned by a director's close relative	Naniwabashi Law Office <sup>(*)2</sup>	Kita-ku, Osaka	-	Law Office	-	The Company agreed to retain the services of the law office	Request legal advisory services <sup>(*)3</sup>	¥36	\$440	-	-	-

\*1 Consumption taxes have not been included in the transaction amounts.

\*2 The law office is managed by a close relative of Mr. Naohiro Tsuda, a statutory auditor of the Company.

\*3 The fees for legal services were determined in consideration of the fees typically paid for the performance of such work.

## 19. Amounts per Share

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

Diluted net income per share was not presented for the years ended March 31, 2011 and 2010 because the Company had no potentially dilutive shares outstanding as of these balance sheet dates.

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

Net assets and net income (loss) per share for the years ended March 31, 2011 and 2010 were as follows:

For the years ended March 31	Yen		U.S. dollars	
	2011	2010	2011	2010
Net assets per share.....	¥453.52	¥476.12	\$5.45	\$5.72
Basic net income (loss) per share.....	21.46	(74.21)	0.25	(0.89)

### 1. Net assets per share

At March 31	Millions of yen		Thousands of U.S. dollars	
	2011	2010	2011	2010
Net assets .....	¥351,287	¥367,618	\$4,224,745	\$4,421,143
Amounts deducted from net assets (Minority interests)...	25,351	25,390	304,883	305,356
Net assets applicable to shareholders of common stock..	325,936	342,227	3,919,861	4,115,787
Number of shares of common stock at the year end (thousands of shares).....	718,684	718,786	718,684	718,786

## 2. Basic net income per share

For the years ended March 31	Millions of yen		Thousands of U.S. dollars	
	2011	2010	2011	2010
Net income (loss) .....	<b>¥15,423</b>	¥(53,354)	<b>\$185,488</b>	\$(641,661)
Net income (loss) not attributable to shareholders of common stock .....	-	-	-	-
Net income (loss) attributable to shareholders of common stock .....	<b>15,423</b>	(53,354)	<b>185,488</b>	(641,661)
Average number of shares issued and outstanding during the period (thousands of shares) .....	<b>718,735</b>	718,971	<b>718,735</b>	718,971

## 20. Corporate Bonds

Issued by	Issue type	Issue date	Millions of yen		Thousands of U.S. dollars		Interest rate (%)	Collateral	Maturity
			2011	2010	2011	2010			
Obayashi Corp.	9th unsecured straight bond	Jun. 3, 2003	<b>¥ 10,000</b>	¥10,000	<b>\$ 120,264</b>	\$ 120,264	1.07	None	Jun. 3, 2013
Obayashi Corp.	10th unsecured straight bond	Nov. 17, 2003	-	10,000	-	120,264	1.48	None	Nov. 17, 2010
Obayashi Corp.	13th unsecured straight bond	Oct. 27, 2004	<b>10,000</b> <b>(10,000)</b>	10,000	<b>120,264</b> <b>(120,264)</b>	120,264	1.34	None	Oct. 27, 2011
Obayashi Corp.	14th unsecured straight bond	Aug. 30, 2010	<b>15,000</b>	-	<b>180,396</b>	-	0.85	None	Aug. 28, 2015
Obayashi Corp.	15th unsecured straight bond	Oct. 26, 2010	<b>10,000</b>	-	<b>120,264</b>	-	0.68	None	Oct. 23, 2015
Obayashi Corp.	16th unsecured straight bond	Oct. 26, 2010	<b>15,000</b>	-	<b>180,396</b>	-	0.96	None	Oct. 26, 2017
Total			<b>¥ 60,000</b> <b>(10,000)</b>	¥30,000	<b>\$ 721,587</b> <b>(120,264)</b>	\$360,793			

1. The amounts in parentheses are due within 1 year.

2. The annual repayment schedule of corporate bonds subsequent to March 31, 2011 is as follows:

	Millions of yen	Thousands of U.S. dollars
Less than 1 year .....	<b>¥10,000</b>	<b>\$120,264</b>
Over 1 year less than 2 years .....	-	-
Over 2 years less than 3 years .....	<b>10,000</b>	<b>120,264</b>
Over 3 years less than 4 years .....	-	-
Over 4 years less than 5 years .....	<b>25,000</b>	<b>300,661</b>

## 21. Loans

At March 31	Millions of yen		Thousands of U.S. dollars		Average interest rate (%)	Maturity
	2011	2010	2011	2010		
Short-term loans payable ..	<b>¥ 55,232</b>	¥ 57,454	<b>\$ 664,254</b>	\$ 690,972	0.76	-
Current portion of long-term loans payable ..	<b>55,222</b>	23,255	<b>664,127</b>	279,685	1.54	-
Current portion of lease obligations .....	<b>504</b>	626	<b>6,071</b>	7,538	-	-
Long-term loans payable (excluding current portion) .....	<b>198,805</b>	230,339	<b>2,390,926</b>	2,770,172	1.77	2012-2037
Lease obligations (excluding current portion) .....	<b>481</b>	705	<b>5,788</b>	8,480	-	2011-2017
Commercial paper .....	<b>40,000</b>	50,000	<b>481,058</b>	601,322	0.13	-
Total .....	<b>¥350,246</b>	¥362,382	<b>\$4,212,226</b>	\$4,358,172		

1. The "Average interest rate" is the weighted average interest rate for the average balance of loans during the given fiscal year.
2. The annual repayment schedule of long-term loans payable and lease obligations subsequent to March 31, 2011 is as follows:

	Millions of yen	Thousands of U.S. dollars
Long-term loans payable		
Over 1 year less than 2 years .....	¥50,623	\$608,818
Over 2 years less than 3 years .....	34,164	410,878
Over 3 years less than 4 years .....	52,894	636,137
Over 4 years less than 5 years .....	9,192	110,557
Lease obligations		
Over 1 year less than 2 years .....	¥ 308	\$ 3,713
Over 2 years less than 3 years .....	102	1,230
Over 3 years less than 4 years .....	44	535
Over 4 years less than 5 years .....	22	273

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

## 22. Subsequent Event

The Company resolved to sell a portion of its investment securities at a meeting of the Board of Directors held on May 13, 2011. Consequently, a gain on sales of investment securities has been recognized as follows:

### (1) Date of recognition of the gain on sales of the investment securities

May 13, 2011 (date of sales and purchase agreement)

### (2) About the investment securities sold

- (a) Name and number of shares: 300,000 shares of Nomura Land and Building Co., Ltd. (unlisted)
- (b) Amount of gain: ¥14.1 billion (US\$169 million)
- (c) Sold to: Nomura Holdings, Inc. (headquartered in Tokyo, Japan)
- (d) Transfer date: May 24, 2011

### (3) Reason for selling the investment securities

As a part of restructuring of its assets, Obayashi negotiated with Nomura Holdings, Inc. about the sale of shares of Nomura Land and Building Co., Ltd. and both parties agreed.

### (4) Impact on Obayashi's consolidated performance

As described in (2)(b).

# REPORT OF INDEPENDENT AUDITORS



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## Report of Independent Auditors

The Board of Directors  
OBAYASHI CORPORATION

We have audited the accompanying consolidated balance sheets of OBAYASHI CORPORATION and consolidated subsidiaries as of March 31, 2011 and 2010, and the related consolidated statements of operations, comprehensive income, changes in net assets, and cash flows for the years then ended, all expressed in yen. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of OBAYASHI CORPORATION and consolidated subsidiaries at March 31, 2011 and 2010, and the consolidated results of their operations and their cash flows for the years then ended in conformity with accounting principles generally accepted in Japan.

### *Supplemental Information*

As discussed in Note 4(1) to the consolidated financial statements, effective the year ended March 31, 2011, the "Accounting Standard for Asset Retirement Obligations" has been adopted.

As discussed in Note 22 to the consolidated financial statements, the Company concluded an agreement for sale of shares of Nomura Land and Building Co, Ltd. on May 13, 2011.

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

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the years ended March 31, 2011 and 2010 are presented solely for convenience. Our audit also included the translation of yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 2.

June 29, 2011

*Ernst & Young ShinNihon LLC*

A member firm of Ernst & Young Global Limited

# CORPORATE PROFILE/STOCK INFORMATION

## Corporate Profile (As of March 31, 2011)

<b>Founded:</b>	January 1892
<b>Company Established:</b>	December 1936
<b>Paid-in Capital:</b>	¥57,752,671,801
<b>Number of Shares Authorized:</b>	1,224,335,000 shares
<b>Total Number of Shares Issued and Outstanding:</b>	721,509,646 shares
<b>Number of Shareholders:</b>	51,346
<b>Number of Employees:</b>	14,639 (consolidated) 9,246 (non-consolidated)

## Scope of Business

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

## Stock Information

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

**General Meeting of Shareholders:** June

**Stock Listings:** Tokyo, Osaka and Fukuoka

## Major Shareholders

	As of March 31, 2011	
	Shareholdings	
	Shares held (Thousands)	Percentage of total shares held (%)
Japan Trustee Services Bank, Ltd. (Trust Account)	58,617	8.16
The Master Trust Bank of Japan, Ltd. (Trust Account)	43,705	6.08
Japan Trustee Services Bank, Ltd. (Trust Account 9)	26,421	3.68
Nippon Life Insurance Company	26,131	3.64
Takeo Obayashi	24,764	3.45
SSBT OD05 OMNIBUS ACCOUNT - TREATY CLIENTS	13,403	1.87
Obayashi Employee Share-holding Association	11,443	1.59
BBH Boston Custodian for Vanguard International Value Fund	10,468	1.46
State Street Bank and Trust Company 505103	10,276	1.43
Trust & Custody Services Bank, Ltd. (Investment Trust Account)	9,774	1.36

(Note) Shareholding ratios exclude treasury stock (2,825,344 shares)

# NETWORK OF COMPANIES

## Domestic Offices

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## Domestic Subsidiaries

OBAYASHI ROAD CORPORATION  
NAIGAI TECHNOS CORPORATION  
OBAYASHI FACILITIES CORPORATION  
OAK SETSUBI CORPORATION  
OBAYASHI REAL ESTATE CORPORATION  
SEIWA REAL ESTATE CO., LTD.  
OC FINANCE CORPORATION

## Overseas Offices, Subsidiaries, and Affiliates

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■ WEBCOR, LP  
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■ JAMES E. ROBERTS-OBAYASHI CORPORATION  
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■ OC REAL ESTATE MANAGEMENT, LLC  
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■ SAN FRANCISCO OFFICE  
\*Refer to NORTH AMERICAN REGIONAL HEADQUARTERS

### CANADA

■ OBAYASHI CANADA HOLDINGS LTD.  
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■ OBAYASHI CANADA LTD.  
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