

# OBAYASHI CORPORATION

## CONSOLIDATED FINANCIAL STATEMENTS 2005

 **ERNST & YOUNG SHINNIHON**

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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, 2005 and 2004, and the related consolidated statements of income, shareholders' equity 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, 2005 and 2004, 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.

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the years ended March 31, 2005 and 2004 are presented solely for convenience. Our audits also included the translation of yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 3 to the consolidated financial statements.

ERNST & YOUNG SHINNIHON

June 30, 2005

*Ernst & Young ShinNihon*

# Consolidated Balance Sheets

OBUYASHI CORPORATION  
March 31, 2005 and 2004

## ASSETS

	Japanese Yen (million)		U.S. Dollars (thousand)	
	FY 2005	FY 2004	FY 2005	FY 2004
<b>CURRENT ASSETS:</b>				
Cash and deposits (Notes 6 and 10).....	¥ 111,586	¥ 104,969	\$ 1,039,071	\$ 977,460
Notes and accounts receivable, trade (Note 6) .....	313,259	282,302	2,917,026	2,628,757
Marketable securities (Note 4).....	8,031	21	74,784	195
Inventories (Notes 5 and 6).....	470,572	466,421	4,381,898	4,343,241
Deferred tax assets(Note 9).....	39,211	37,578	365,130	349,920
Other current assets (Note 7).....	131,042	139,545	1,220,241	1,299,427
Allowance for doubtful receivables	(1,184)	(1,240)	(11,028)	(11,550)
Total current assets.....	1,072,517	1,029,596	9,987,122	9,587,450
<b>PROPERTY AND EQUIPMENT:</b>				
Land (Note 7).....	250,334	251,986	2,331,078	2,346,458
Buildings and structures (Notes 6 and 7).....	216,746	218,787	2,018,301	2,037,312
Machinery, equipment and vehicles (Note 6).....	71,313	70,314	664,060	654,755
Construction in progress (Note 6).....	3,583	1,227	33,366	11,430
Accumulated depreciation.....	(171,215)	(168,488)	(1,594,335)	(1,568,939)
Net property and equipment.....	370,761	373,826	3,452,470	3,481,016
<b>INVESTMENTS AND OTHER ASSETS:</b>				
Investment securities (Note 4).....	337,066	343,224	3,138,713	3,196,056
Investments in affiliates.....	2,246	2,175	20,914	20,254
Long-term loans receivable (Note 7).....	25,278	31,891	235,388	296,960
Deferred tax assets (Note 9).....	4,561	6,966	42,471	64,867
Other.....	34,678	39,776	322,920	370,384
Allowance for doubtful receivables.....	(4,845)	(5,570)	(45,123)	(51,873)
Total investments and other assets.....	398,984	418,462	3,715,283	3,896,648
<b>TOTAL ASSETS</b> .....	<b>¥ 1,842,262</b>	<b>¥ 1,821,884</b>	<b>\$ 17,154,875</b>	<b>\$ 16,965,114</b>

## LIABILITIES AND SHAREHOLDERS' EQUITY

	Japanese Yen (million)		U.S. Dollars (thousand)	
	FY 2005	FY 2004	FY 2005	FY 2004
<b>CURRENT LIABILITIES:</b>				
Short-term borrowings (Note 6).....	¥ 130,977	¥ 184,198	\$ 1,219,636	\$ 1,715,220
Current portion of long-term debt (Notes 6 and 7).....	32,083	53,783	298,751	500,819
Current portion of PFI project finance loan (Note 6).....	827	430	7,697	4,008
Notes and accounts payable, trade.....	504,997	441,920	4,702,455	4,115,092
Income taxes payable.....	15,462	8,042	143,984	74,886
Advances received on uncompleted construction contracts, real estate and other.....	328,406	348,894	3,058,071	3,248,850
Accrued expenses.....	17,063	16,009	158,886	149,077
Other current liabilities.....	134,617	134,243	1,253,538	1,250,049
Total current liabilities.....	<b>1,164,432</b>	1,187,519	<b>10,843,018</b>	11,058,001
<b>LONG-TERM LIABILITIES:</b>				
Long-term debt (Notes 6 and 7).....	141,373	126,169	1,316,446	1,174,865
PFI project finance loan (Note 6).....	21,988	12,323	204,750	114,754
Deferred tax liabilities (Note 9).....	9,970	12,132	92,841	112,970
Deferred income taxes on reserve for land revaluation (Note 9).....	24,716	23,650	230,153	220,224
Reserve for retirement benefits (Note 8).....	69,413	65,907	646,367	613,712
Other long-term liabilities.....	26,610	31,191	247,784	290,449
Total long-term liabilities.....	<b>294,070</b>	271,372	<b>2,738,341</b>	2,526,974
<b>MINORITY INTERESTS</b> .....	<b>19,459</b>	18,720	<b>181,197</b>	174,315
<b>SHAREHOLDERS' EQUITY (Notes 11 and 16):</b>				
Common stock :				
Authorized; 1,224,335,000 shares				
Issued; 721,509,646 shares.....	57,753	57,753	537,784	537,784
Capital surplus.....	41,705	41,705	388,354	388,354
Retained earnings.....	125,872	108,221	1,172,101	1,007,740
Reserve for land revaluation.....	35,085	34,143	326,709	317,936
Unrealized holding gains on securities.....	105,370	103,866	981,188	967,187
Foreign exchange translation adjustments.....	(980)	(1,096)	(9,122)	(10,202)
Treasury stock at cost:				
1,285,378 shares in 2005 and 976,546 shares in 2004.....	(504)	(319)	(4,695)	(2,975)
Total shareholders' equity.....	<b>364,301</b>	344,273	<b>3,392,319</b>	3,205,824
<b>CONTINGENT LIABILITIES (Note 15)</b>				
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b> .....	<b>¥ 1,842,262</b>	¥ 1,821,884	<b>\$ 17,154,875</b>	\$ 16,965,114

The accompanying notes to the consolidated financial statements are an integral part of these statements.  
U.S. Dollar amounts are translated from yen, for convenience only, at the rate of US\$1=¥107.39.

# Consolidated Statements of Income

OBUYASHI CORPORATION  
For the years ended March 31, 2005 and 2004

	Japanese Yen (million)		U.S. Dollars (thousand)	
	FY 2005	FY 2004	FY 2005	FY 2004
<b>REVENUES</b> (Note 12).....	<b>¥ 1,404,640</b>	¥ 1,346,298	<b>\$ 13,079,805</b>	\$ 12,536,529
<b>COST OF REVENUES</b> .....	<b>1,285,377</b>	1,227,666	<b>11,969,242</b>	11,431,848
Gross profit.....	<b>119,263</b>	118,632	<b>1,110,563</b>	1,104,681
<b>SELLING, GENERAL AND ADMINISTRATIVE EXPENSES</b> .....	<b>75,907</b>	80,657	<b>706,838</b>	751,067
Operating profit.....	<b>43,356</b>	37,975	<b>403,725</b>	353,614
<b>OTHER INCOME(EXPENSES):</b>				
Interest and dividend income.....	<b>5,046</b>	4,391	<b>46,986</b>	40,890
Exchange gains (losses), net.....	<b>299</b>	(1,597)	<b>2,788</b>	(14,871)
Interest expense.....	<b>(3,439)</b>	(4,232)	<b>(32,019)</b>	(39,408)
Gain on sales of investment securities.....	<b>10,324</b>	7,344	<b>96,134</b>	68,390
Loss on write-down of investments in securities.....	<b>(768)</b>	(842)	<b>(7,156)</b>	(7,844)
Impairment loss on fixed assets.....	<b>-</b>	(5,299)	<b>-</b>	(49,343)
Loss on write-down of real estate for sale.....	<b>(9,108)</b>	(1,441)	<b>(84,810)</b>	(13,414)
Other, net.....	<b>(1,662)</b>	1,958	<b>(15,478)</b>	18,233
Total.....	<b>692</b>	282	<b>6,445</b>	2,633
<b>INCOME BEFORE INCOME TAXES</b> .....	<b>44,048</b>	38,257	<b>410,170</b>	356,247
<b>INCOME TAXES</b> (Note 9) :				
Current.....	<b>19,314</b>	8,735	<b>179,843</b>	81,343
Deferred.....	<b>(1,364)</b>	8,311	<b>(12,698)</b>	77,395
Total.....	<b>17,950</b>	17,046	<b>167,145</b>	158,738
<b>MINORITY INTERESTS</b> .....	<b>(1,021)</b>	(17)	<b>(9,515)</b>	(157)
<b>NET INCOME</b> .....	<b>¥ 25,077</b>	¥ 21,194	<b>\$ 233,510</b>	\$ 197,352
<b>PER SHARE DATA</b> (Note 16):				
Net income:				
Basic.....	<b>¥ 34.81</b>	¥ 29.42	<b>\$ 0.32</b>	\$ 0.27
Diluted.....	<b>-</b>	29.37	<b>-</b>	0.27

The accompanying notes to the consolidated financial statements are an integral part of these statements.  
U.S. Dollar amounts are translated from yen, for convenience only, at the rate of US\$1=¥107.39.

# Consolidated Statements of Shareholders' Equity

OBAYASHI CORPORATION

For the years ended March 31, 2005 and 2004

	Japanese Yen (million)		U.S. Dollars (thousand)	
	FY 2005	FY 2004	FY 2005	FY 2004
<b>COMMON STOCK</b> (Note 11):				
Balance at beginning of year.....	¥ 57,753	¥ 57,753	\$ 537,784	\$ 537,784
Balance at end of year.....	¥ 57,753	¥ 57,753	\$ 537,784	\$ 537,784
<b>CAPITAL SURPLUS</b> (Note 11):				
Balance at beginning of year.....	¥ 41,705	¥ 41,695	\$ 388,354	\$ 388,252
Gains on sales of treasury stock.....	-	10	-	102
Balance at end of year.....	¥ 41,705	¥ 41,705	\$ 388,354	\$ 388,354
<b>RETAINED EARNINGS</b> (Note 11):				
Balance at beginning of year.....	¥108,221	¥ 92,225	\$ 1,007,740	\$ 858,794
Net income for the year.....	25,077	21,194	233,510	197,352
Cash dividends paid.....	(6,482)	(4,318)	(60,361)	(40,211)
Bonuses to directors and corporate auditors.....	(2)	(23)	(15)	(218)
Reversal of reserve for land revaluation.....	(942)	(857)	(8,773)	(7,977)
Balance at end of year.....	¥125,872	¥ 108,221	\$ 1,172,101	\$ 1,007,740
<b>RESERVE FOR LAND REVALUATION:</b>				
Balance at beginning of year.....	¥ 34,143	¥ 33,332	\$ 317,936	\$ 310,378
Reversal of reserve for land revaluation.....	942	857	8,773	7,977
Effect of change in the statutory tax rate.....	-	(46)	-	(419)
Balance at end of year.....	¥ 35,085	¥ 34,143	\$ 326,709	\$ 317,936
<b>UNREALIZED HOLDING GAINS ON SECURITIES:</b>				
Balance at beginning of year.....	¥103,866	¥ 37,116	\$ 967,187	\$ 345,622
Increase.....	1,504	66,750	14,001	621,565
Balance at end of year.....	¥105,370	¥ 103,866	\$ 981,188	\$ 967,187
<b>FOREIGN EXCHANGE TRANSLATION ADJUSTMENTS:</b>				
Balance at beginning of year.....	¥ (1,096)	¥ (1,314)	\$ (10,202)	\$ (12,240)
Increase.....	116	218	1,080	2,038
Balance at end of year.....	¥ (980)	¥ (1,096)	\$ (9,122)	\$ (10,202)
<b>TREASURY STOCK:</b>				
Balance at beginning of year.....	¥ (319)	¥ (447)	\$ (2,975)	\$ (4,160)
Purchases of treasury stock.....	(185)	(73)	(1,719)	(684)
Sales of treasury stock.....	-	201	-	1,869
Other.....	(0)	-	(1)	-
Balance at end of year.....	¥ (504)	¥ (319)	\$ (4,695)	\$ (2,975)

The accompanying notes to the consolidated financial statements are an integral part of these statements.  
U.S. Dollar amounts are translated from yen, for convenience only, at the rate of US\$1=¥107.39.

# Consolidated Statements of Cash Flows

OBAYASHI CORPORATION

For the years ended March 31, 2005 and 2004

	Japanese Yen (million)		U.S. Dollars (thousand)	
	FY 2005	FY 2004	FY 2005	FY 2004
<b>OPERATING ACTIVITIES:</b>				
Income before income taxes.....	¥ 44,048	¥ 38,257	\$ 410,170	\$ 356,247
Adjustments to reconcile income before income taxes to net cash provided by operating activities:				
Depreciation and amortization.....	11,789	11,421	109,776	106,353
Allowance for doubtful receivables.....	(733)	(890)	(6,821)	(8,283)
Reserve for retirement benefits.....	3,348	(2,198)	31,174	(20,466)
Net gain on sales and disposal of property and equipment and marketable and investment securities.....	(9,784)	(7,842)	(91,106)	(73,026)
Loss on write-down of marketable and investment securities.....	768	842	7,156	7,844
Loss on write-down of real estate for sale.....	9,108	1,441	84,810	13,414
Impairment loss on fixed assets.....	-	5,299	-	49,343
Undistributed earnings of affiliate.....	(37)	(107)	(348)	(998)
Changes in assets and liabilities				
Trade receivables.....	(30,427)	64,410	(283,328)	599,772
Inventories.....	(2,556)	86,603	(23,803)	806,431
Other current assets.....	(3,603)	33,030	(33,551)	307,567
Trade payables.....	63,041	(64,120)	587,030	(597,074)
Advances received on uncompleted construction contracts, real estate and other.....	(20,472)	(78,583)	(190,636)	(731,752)
Accrued expenses.....	1,053	453	9,809	4,216
Other current liabilities.....	(5,367)	(27,494)	(49,980)	(256,018)
Other.....	2,054	(21,243)	19,125	(197,812)
Sub total.....	62,230	39,279	579,477	365,758
Interest and dividend received.....	5,200	4,625	48,418	43,068
Interest paid.....	(3,472)	(4,185)	(32,335)	(38,969)
Income taxes paid.....	(11,908)	(1,127)	(110,884)	(10,498)
Net cash provided by operating activities.....	52,050	38,592	484,676	359,359
<b>INVESTING ACTIVITIES:</b>				
Purchases of marketable and investment securities and investments in affiliates.....	(4,750)	(3,366)	(44,228)	(31,348)
Proceeds from sales of marketable and investment securities and investments in affiliates.....	16,550	31,187	154,111	290,408
Proceeds from sales of property and equipment.....	2,766	6,566	25,755	61,145
Purchases of property and equipment.....	(22,159)	(11,183)	(206,345)	(104,131)
Proceeds from collection of loans.....	21,032	3,171	195,849	29,528
Loans receivables made.....	(3,367)	(3,916)	(31,349)	(36,469)
Net proceeds from (payments for) acquisition of subsidiaries.....	491	(492)	4,569	(4,585)
Other.....	609	(220)	5,674	(2,045)
Net cash provided by investing activities.....	11,172	21,747	104,036	202,503
<b>FINANCING ACTIVITIES:</b>				
Short-term borrowings.....	(52,475)	(24,542)	(488,643)	(228,531)
Commercial paper.....	-	(10,000)	-	(93,119)
Proceeds from long-term debt.....	17,020	33,410	158,493	311,109
Repayment of long-term debt.....	(33,943)	(73,551)	(316,073)	(684,901)
Proceeds from issue of bonds.....	30,000	30,000	279,356	279,356
Redemption of bonds.....	(20,000)	(20,969)	(186,237)	(195,260)
Proceeds from PFI project finance loan debt.....	10,641	2,047	99,091	19,068
Repayment of PFI project finance loan debt.....	(580)	(376)	(5,406)	(3,500)
Cash dividends.....	(6,482)	(4,318)	(60,361)	(40,211)
Other.....	(352)	444	(3,281)	4,135
Net cash used in financing activities.....	(56,171)	(67,855)	(523,061)	(631,854)
Effect of exchange rate changes on cash and cash equivalents.....	187	(511)	1,748	(4,755)
Net increase (decrease) in cash and cash equivalents.....	7,238	(8,027)	67,399	(74,747)
Cash and cash equivalents at beginning of the year.....	103,544	107,424	964,182	1,000,314
Increase due to inclusion of new subsidiaries in consolidation.....	-	4,147	-	38,615
Cash and cash equivalents at end of the year (Note 10).....	¥ 110,782	¥ 103,544	\$ 1,031,581	\$ 964,182

The accompanying notes to the consolidated financial statements are an integral part of these statements.  
U.S. Dollar amounts are translated from yen, for convenience only, at the rate of US\$1=¥107.39.

# Notes to Consolidated Financial Statements

OBAYASHI CORPORATION

For the years ended March 31, 2005 and 2004

## 1. Basis of presenting consolidated financial statements

- (a) The accompanying consolidated financial statements of OBAYASHI CORPORATION (the "Parent Company" or the "Company") and subsidiaries are prepared on the basis of 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 Securities and Exchange Law of Japan. For the purposes of this report, certain reclassifications have been made to present the accompanying consolidated financial statements in a format which is familiar to readers outside Japan. In addition, certain amounts in the prior years' financial statements have been reclassified to conform to the current years' presentation. The Parent company has prepared the consolidated statements of shareholders' equity and certain additional financial information for the purpose of inclusion in this report although such statements and information are not customarily prepared in Japan.
- (b) The Parent Company had 62 subsidiaries as of March 31, 2005 (66 as of March 31, 2004). The consolidated financial statements as of and for the years ended March 31, 2005 and 2004 included the accounts of the Parent Company and all subsidiaries (together "the Companies"). All significant intercompany accounts and transactions have been eliminated. Investments in all affiliates (20 companies for 2005, and 21 companies for 2004) are accounted for by the equity method of accounting. Differences between the cost and underlying net equity of investments in consolidated subsidiaries and other companies accounted for by the equity method are charged or credited to income as they occur.

## 2. Summary of significant accounting policies

- (a) Recognition of revenues and related costs  
Revenues from construction contracts and the related costs are recorded on a completed-contract basis, except for those related to large-scale contracts with long-term construction periods of 2 years or more and contracted amounts of ¥5 billion or more which are recognized by the percentage-of-completion method.
- (b) Foreign currency translation  
The balance sheet accounts of the foreign consolidated subsidiaries are translated into yen at the rates of exchange in effect at the balance sheet date, except for the components of shareholders' equity 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.
- (c) Cash equivalents  
All highly liquid investments, generally with a maturity of three months or less when purchased, which are readily convertible into known amounts of cash and are so near maturity that they represent only an insignificant risk of any change in value attributable to changes in interest rates, are considered cash equivalents.
- (d) Marketable securities and investment securities  
Securities are classified into two categories: held-to-maturity 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 shareholders' equity.  
Non-marketable securities classified as other securities are carried at cost. Cost of securities sold is determined by the moving average method.
- (e) Inventories  
Inventories other than materials and supplies are stated at cost as determined on a specific project basis. Materials and supplies are stated at cost as determined by the first-in first-out method.
- (f) Property and equipment  
Property and equipment are stated principally at cost. Depreciation is computed principally by the declining-balance method over the estimated useful lives of the respective assets as follows:  
Buildings and structures : 3 - 50 years  
Machinery, equipment and vehicles : 3 - 15 years
- (g) Reserve for retirement benefits  
Reserve for retirement benefits for employees is provided mainly at an amount calculated based on the retirement benefit obligation and the fair value of the pension plan assets, as adjusted for unrecognized actuarial gain and loss and unrecognized prior service cost. Actuarial gain and loss are amortized in the year following the year in which the gain or loss is recognized primarily by the straight-line method over periods (5 years or 10 years) which are shorter than the average remaining years of service of the employees. Prior service cost ("PSC") is being amortized by the straight-line method over 10 years which is shorter than the average remaining years of service of the employees, while PSC of certain subsidiaries is expensed as incurred.
- (h) Income taxes  
The Company and its consolidated subsidiaries 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.
- (i) Appropriations of retained earnings  
Appropriations of retained earnings are accounted for and reflected in the accompanying consolidated financial statements when approved by the shareholders.
- (j) Allowance for doubtful receivables  
The allowance for doubtful receivables has been provided based on the Company's and its subsidiaries' historical experience with respect to write-offs and based on an estimate of the amount of specific uncollectible accounts.
- (k) Lease  
Finance leases other than those which are deemed to transfer the ownership of leased property to lessees are accounted for in the same manner as operating leases.
- (l) Land revaluation  
Pursuant to the "Law Concerning the Revaluation of Land," land used for the business operations was revalued on March 31, 2000. The excess of the revalued carrying amount over the book value before revaluation has been included in shareholders' equity as reserve for land revaluation, 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.  
The excess of the revalued carrying amount over the market value at March 31, 2005, was ¥28,809 million (\$268,266 thousand).

(m) Derivative financial instruments

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

Receivables and payables hedged by qualified forward foreign exchange contracts are translated at the corresponding foreign exchange contract rates.

As for interest rate swaps, if principal terms of the interest rate swaps such as notional amount, index of interest rates, date and interval of interest payments, contract period are essentially the same as those of the hedged liability, such interest rate swaps may not be measured at fair value, but the related interests may be adjusted to the interests on the hedged liabilities on an accrual basis.

3. United States dollar amounts

The United States dollar amounts included herein are presented solely for convenience. The translations should not be construed as representations that Japanese yen have been, could have been or could in the future be converted into United States dollars. Such dollar amounts have been translated from yen at the exchange rate of ¥107.39=\$1, the approximate exchange rate prevailing on March 31, 2005.

4. Securities

(a) Information regarding marketable securities classified as held-to-maturity debt securities and other securities as of March 31, 2005 and 2004 is as follows:

Marketable held-to-maturity debt securities

Year ended March 31, 2005	Japanese Yen (million)			U.S. Dollars (thousand)		
	Carrying value	Estimated fair value	Unrealized gain (loss)	Carrying value	Estimated fair value	Unrealized gain (loss)
Securities of which fair value exceeds their carrying value:						
Government bonds, Municipal bonds.....	¥ 80	¥ 81	¥ 1	\$ 748	\$ 756	\$ 8
Subtotal.....	¥ 80	¥ 81	¥ 1	\$ 748	\$ 756	\$ 8
Securities of which fair value does not exceed their carrying value:						
Government bonds, Municipal bonds.....	¥ -	¥ -	¥ -	\$ -	\$ -	\$ -
Subtotal.....	¥ -	¥ -	¥ -	\$ -	\$ -	\$ -
Total.....	¥ 80	¥ 81	¥ 1	\$ 748	\$ 756	\$ 8

Year ended March 31, 2004

Year ended March 31, 2004	Japanese Yen (million)			U.S. Dollars (thousand)		
	Carrying value	Estimated fair value	Unrealized gain (loss)	Carrying value	Estimated fair value	Unrealized gain (loss)
Securities of which fair value exceeds their carrying value:						
Government bonds, Municipal bonds.....	¥ 20	¥ 20	¥ 0	\$ 187	\$ 187	\$ 0
Subtotal.....	¥ 20	¥ 20	¥ 0	\$ 187	\$ 187	\$ 0
Securities of which fair value does not exceed their carrying value:						
Government bonds, Municipal bonds.....	¥ 65	¥ 65	¥ (0)	\$ 607	\$ 606	\$ (1)
Subtotal.....	¥ 65	¥ 65	¥ (0)	\$ 607	\$ 606	\$ (1)
Total.....	¥ 85	¥ 85	¥ (0)	\$ 794	\$ 793	\$ (1)

Marketable other securities

Year ended March 31, 2005

Year ended March 31, 2005	Japanese Yen (million)			U.S. Dollars (thousand)		
	Acquisition cost	Carrying value	Difference	Acquisition cost	Carrying value	Difference
Securities of which carrying value exceeds their acquisition cost:						
Stock.....	¥ 130,504	¥ 309,258	¥ 178,754	\$ 1,215,232	\$ 2,879,769	\$ 1,664,537
Other.....	84	112	28	787	1,046	259
Subtotal.....	¥ 130,588	¥ 309,370	¥ 178,782	\$ 1,216,019	\$ 2,880,815	\$ 1,664,796
Securities of which carrying value does not exceed their acquisition cost :						
Stock.....	¥ 5,586	¥ 4,444	¥ (1,142)	\$ 52,015	\$ 41,379	\$ (10,636)
Other.....	248	241	(7)	2,310	2,241	(69)
Subtotal.....	¥ 5,834	¥ 4,685	¥ (1,149)	\$ 54,325	\$ 43,620	\$ (10,705)
Total.....	¥ 136,422	¥ 314,055	¥ 177,633	\$ 1,270,344	\$ 2,924,435	\$ 1,654,091

The Companies recognized losses on write-down of ¥285 million (\$2,657 thousand) on its marketable other securities for the year ended March 31, 2005.



Year ended March 31, 2004	Japanese Yen (million)			U.S. Dollars (thousand)		
	Acquisition cost	Carrying value	Difference	Acquisition cost	Carrying value	Difference
Securities of which carrying value exceeds their acquisition cost:						
Stock	¥131,298	¥308,072	¥176,774	\$1,222,629	\$2,868,720	\$1,646,091
Other	607	659	52	5,652	6,137	485
Subtotal	¥131,905	¥308,731	¥176,826	\$1,228,281	\$2,874,857	\$1,646,576
Securities of which carrying value does not exceed their acquisition cost:						
Stock	¥6,336	¥4,658	¥(1,678)	\$58,996	\$43,378	\$(15,618)
Other	61	60	(1)	568	562	(6)
Subtotal	¥6,397	¥4,718	¥(1,679)	\$59,564	\$43,940	\$(15,624)
Total	¥138,302	¥313,449	¥175,147	\$1,287,845	\$2,918,797	\$1,630,952

**(b) Sales of held-to-maturity debt securities**

Year ended March 31, 2005	Japanese Yen (million)			U.S. Dollars (thousand)		
	Acquisition cost	Sales amount	Gain or loss	Acquisition cost	Sales amount	Gain or loss
Government bonds	¥5	¥5	¥0	\$47	\$47	\$0

**(c) Sales of securities classified as other securities**

	Japanese Yen (million)		U.S. Dollars (thousand)	
	FY 2005	FY 2004	FY 2005	FY 2004
Sales amount	¥15,273	¥20,771	\$142,220	\$193,417
Aggregate gain	¥10,324	¥7,582	\$96,134	\$70,598
Aggregate loss	¥12	¥244	\$112	\$2,268

**(d) In addition to the securities above, the Companies held investment securities with no available market value at March 31, 2005 and 2004 as follows:**

Year ended March 31, 2005	Japanese Yen (million)		U.S. Dollars (thousand)	
	Carrying value		Carrying value	
Held-to-maturity securities				
Non-listed foreign bonds	¥9,336		\$86,936	
Other securities				
Non-listed stocks	13,223		123,131	
Non-listed preferred equity securities	7,000		65,183	
Other	1,403		13,065	

  

Year ended March 31, 2004	Japanese Yen (million)		U.S. Dollars (thousand)	
	Carrying value		Carrying value	
Held-to-maturity securities				
Non-listed foreign bonds	¥8,814		\$82,074	
Other securities				
Non-listed stocks	13,398		124,757	
Non-listed preferred equity securities	7,500		69,839	

**(e) The redemption schedule for other securities with maturity dates and held-to-maturity debt securities as of March 31, 2005 and 2004 is summarized as follows:**

Year ended March 31, 2005	Japanese Yen (million)				U.S. Dollars (thousand)			
	Due in one year or less	Due after one year through five years	Due after five years through ten years	Due after ten years	Due in one year or less	Due after one year through five years	Due after five years through ten years	Due after ten years
Government bonds	¥31	¥96	¥-	¥30	\$289	\$893	\$-	\$279
Other	8,000	1,335	-	-	74,495	12,431	-	-
Total	¥8,031	¥1,431	¥-	¥30	\$74,784	\$13,324	\$-	\$279

  

Year ended March 31, 2004	Japanese Yen (million)				U.S. Dollars (thousand)			
	Due in one year or less	Due after one year through five years	Due after five years through ten years	Due after ten years	Due in one year or less	Due after one year through five years	Due after five years through ten years	Due after ten years
Government bonds	¥21	¥99	¥-	¥30	\$195	\$921	\$-	\$279
Other	-	8,801	-	-	-	81,954	-	-
Total	¥21	¥8,900	¥-	¥30	\$195	\$82,875	\$-	\$279

## 5. Inventories

Inventories comprised the following:

	Japanese Yen (million)		U.S. Dollars (thousand)	
	FY 2005	FY 2004	FY 2005	FY 2004
Construction projects in progress.....	¥ 388,242	¥ 384,474	\$ 3,615,255	\$ 3,580,164
Real estate for sale.....	52,103	52,001	485,178	484,222
Development projects in progress.....	18,717	26,146	174,287	243,471
PFI projects.....	9,165	1,285	85,341	11,964
Materials and supplies.....	2,345	2,515	21,837	23,420
Total.....	¥ 470,572	¥ 466,421	\$ 4,381,898	\$ 4,343,241

## 6. Short-term borrowings and long-term debt

Short-term bank loans are represented generally by 180-day or 365-day notes issued by the Companies to banks and overdrafts with banks and bore interest at the average annual rate of 0.56 per cent. at March 31, 2005 (0.69 per cent. at March 31, 2004).

Long-term loans bore interest at the average annual rate of 1.33 per cent. at March 31, 2005 (1.28 per cent. at March 31, 2004).

### (a) Short-term borrowings comprised the following:

	Japanese Yen (million)		U.S. Dollars (thousand)	
	FY 2005	FY 2004	FY 2005	FY 2004
Short-term borrowings from banks.....	¥ 130,977	¥ 184,198	\$ 1,219,636	\$ 1,715,220
Total.....	¥ 130,977	¥ 184,198	\$ 1,219,636	\$ 1,715,220

### (b) Long-term debt comprised the following:

	Japanese Yen (million)		U.S. Dollars (thousand)	
	FY 2005	FY 2004	FY 2005	FY 2004
1.6 per cent. bond due August, 2004.....	¥ –	¥ 20,000	\$ –	\$ 186,236
2.03 per cent. bond due August, 2006.....	10,000	10,000	93,119	93,119
0.9 per cent. bond due July, 2007.....	10,000	10,000	93,119	93,119
0.49 per cent. bond due June, 2008.....	10,000	10,000	93,119	93,119
1.07 per cent. bond due June, 2013.....	10,000	10,000	93,119	93,119
1.48 per cent. bond due November, 2010.....	10,000	10,000	93,119	93,119
0.85 per cent. bond due June, 2009.....	10,000	–	93,119	–
0.89 per cent. bond due October, 2009.....	10,000	–	93,119	–
1.34 per cent. bond due October, 2011.....	10,000	–	93,119	–
1.65 per cent. bond due September, 2005.....	5,000	5,000	46,559	46,559
Loans from Japanese banks.....	37,664	61,295	350,720	570,769
Loans from Japanese insurance companies.....	48,215	37,183	448,969	346,242
Loans from other financial institutions.....	2,577	6,474	23,997	60,283
	173,456	179,952	1,615,197	1,675,684
Less: Current portion of long-term debt .....	(32,083)	(53,783)	(298,751)	(500,819)
	¥ 141,373	¥ 126,169	\$ 1,316,446	\$ 1,174,865

The aggregate annual maturities of long-term debt (including current portion) subsequent to March 31, 2005 were as follows:

Year ended March 31,	Japanese Yen (million)	U.S. Dollars (thousand)
2006.....	¥ 32,083	\$ 298,751
2007.....	37,739	351,419
2008.....	27,496	256,041
2009.....	19,485	181,438
2010 and thereafter.....	56,653	527,548
Total.....	¥173,456	\$ 1,615,197

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

### (c) PFI project finance loan

	Japanese Yen (million)		U.S. Dollars (thousand)	
	FY 2005	FY 2004	FY 2005	FY 2004
PFI project finance loan.....	¥ 22,815	¥ 12,753	\$ 212,447	\$ 118,762
	22,815	12,753	212,447	118,762
Less: current portion.....	(827)	(430)	(7,697)	(4,008)
	¥ 21,988	¥ 12,323	\$ 204,750	\$ 114,754

The PFI project finance loan is a non-recourse loan payable to financial institutions, which consolidated special purpose company issued backed by the related PFI business as collateral.

Assets as collateral for the PFI project finance loan were as follows:

	Japanese Yen (million)		U.S. Dollars (thousand)	
	FY 2005	FY 2004	FY 2005	FY 2004
Cash and deposits	¥ 2,049	¥ –	\$ 19,079	\$ –
Notes and accounts receivable, trade	10,713	10,860	99,760	101,123
Inventories	9,165	1,285	85,341	11,964
Buildings and structures	1,608	–	14,971	–
Machinery, equipment and vehicles	102	–	955	–
Construction in progress	2,796	1,060	26,036	9,874
Total	¥ 26,433	¥ 13,205	\$ 246,142	\$ 122,961

The aggregate annual maturities of PFI project finance loan subsequent to March 31, 2005 were as follows:

Year ended March 31,	Japanese Yen (million)	U.S. Dollars (thousand)
2006	¥ 827	\$ 7,697
2007	952	8,867
2008	1,260	11,734
2009	1,449	13,495
2010 and thereafter	18,327	170,654
Total	¥ 22,815	\$ 212,447

## 7. Pledged assets

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

	Japanese Yen (million)		U.S. Dollars (thousand)	
	FY 2005	FY 2004	FY 2005	FY 2004
<b>ASSETS PLEDGED AS COLLATERAL:</b>				
Land*	¥ 1,188	¥ 6,336	\$ 11,062	\$ 58,996
Buildings and structures	1,765	2,935	16,434	27,334
Short-term loans receivable (Real estate convertible loan)	293	293	2,728	2,728
Long-term loans receivable (Real estate convertible loan)	24,254	24,547	225,849	228,577
Total	¥ 27,500	¥ 34,111	\$ 256,073	\$ 317,635
<b>LIABILITIES SECURED THEREBY:</b>				
Current portion of long-term debt	¥ 572	¥ 549	\$ 5,325	\$ 5,112
Long-term debt	6,078	6,733	56,596	62,694
Long-term debt of Sanyu Building Corporation*	44	91	416	849
Total	¥ 6,694	¥ 7,373	\$ 62,337	\$ 68,655

\* Obayashi Real Estate, Ltd. pledged its land in the amount of ¥499 million (\$4,645 thousand) to secure the long-term debt of Sanyu Building Corporation.

## 8. 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 plans 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" have been introduced effective April 1, 2004.

The following table sets forth the funded and accrued status of the plans, and the amounts recognized in the consolidated balance sheets as of March 31, 2005 and 2004 for the Company's and the subsidiaries' defined benefit plans:

	Japanese Yen (million)		U.S. Dollars (thousand)	
	FY 2005	FY 2004	FY 2005	FY 2004
Retirement benefit obligation	¥ (162,646)	¥ (162,122)	\$ (1,514,538)	\$ (1,509,652)
Plan assets at fair value	76,761	73,380	714,791	683,301
Unfunded retirement benefit obligation	(85,885)	(88,742)	(799,747)	(826,351)
Unrecognized actuarial gain or loss	16,797	23,604	156,411	219,800
Unrecognized prior service cost	(325)	(769)	(3,031)	(7,161)
Net retirement benefit obligation	(69,413)	(65,907)	(646,367)	(613,712)
Prepaid pension cost	–	–	–	–

The components of retirement benefit expenses for the year ended March 31, 2005 and 2004 are outlined as follows:

	Japanese Yen (million)		U.S. Dollars (thousand)	
	FY 2005	FY 2004	FY 2005	FY 2004
Service cost.....	¥ 5,372	¥ 5,786	\$ 50,020	\$ 53,877
Interest cost.....	3,932	3,998	36,616	37,229
Expected return on plan assets.....	(1,810)	(1,582)	(16,855)	(14,731)
Amortization of actuarial gain or loss.....	2,341	3,190	21,796	29,707
Amortization of prior service cost.....	(46)	(179)	(425)	(1,667)
Special retirement and severance benefits.....	678	962	6,320	8,960
Total.....	¥ 10,467	¥ 12,175	\$ 97,472	\$ 113,375

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

	FY 2005	FY 2004
Discount rates.....	1.8% or 2.5%	2.5%
Expected return on assets.....	1.8% or 2.5%	2.5%

## 9. Income taxes

Income taxes applicable to the Company comprised corporation tax, inhabitants' taxes and enterprise tax which, in the aggregate, resulted in a statutory tax rate of approximately 40.5% in 2005 and 41.9% in 2004.

On March 31, 2003, new legislation of enterprise tax was enacted, which resulted in an decrease in the statutory tax rate used to determine deferred income taxes on temporary differences to be reversed on or after April 1, 2004, from 41.9% to 40.5%.

Reconciliation between the statutory tax rate and the effective tax rate for the years ended March 31, 2005 and 2004 is summarized as follows:

	March 31
	FY 2004
Statutory tax rate.....	41.9 %
Reconciliation:	
Permanent non-deductible items.....	4.2
Permanent non-taxable items.....	(1.3)
Effect of unrecognised deferred taxes on subsidiaries - losses.....	1.0
Other.....	(1.2)
Effective tax rate.....	44.6 %

Since the difference between the statutory tax rate and the Company's effective tax rate for the year ended March 31, 2005 was immaterial, the information for 2005 was not shown.

The major components of deferred tax assets and liabilities as of March 31, 2005 and 2004 are summarized as follows:

	Japanese Yen (million)		U.S. Dollars (thousand)	
	FY 2004	FY 2003	FY 2004	FY 2003
Deferred tax assets:				
Impairment loss on fixed assets.....	¥ 38,529	¥ 41,635	\$ 358,776	\$ 387,701
Loss on revaluation of real estate for sale.....	20,366	18,844	189,646	175,472
Reserve for retirement benefits.....	26,036	22,561	242,443	210,084
Tax loss carryforwards.....	4,858	3,019	45,241	28,115
Other.....	26,892	25,818	250,410	240,412
	116,681	111,877	1,086,516	1,041,784
Valuation allowance.....	(10,237)	(7,786)	(95,327)	(72,505)
Total deferred tax assets.....	106,444	104,091	991,189	969,279
Deferred tax liabilities:				
Unrealized holding gains on securities.....	(71,821)	(70,791)	(668,788)	(659,197)
Other.....	(821)	(888)	(7,641)	(8,265)
Total deferred tax liabilities.....	(72,642)	(71,679)	(676,429)	(667,462)
Net deferred tax assets.....	¥ 33,802	¥ 32,412	\$ 314,760	\$ 301,817

In addition to the above, the Companies recognized a deferred tax liability of ¥24,716 million (\$230,153 thousand) and ¥23,650 million (\$220,224 thousand) related to reserve for land revaluation at March 31, 2005 and 2004, respectively.

## 10. Supplementary cash flow information

The following table represents a reconciliation of cash and deposits to cash and cash equivalents as of March 31, 2005 and 2004:

	Japanese Yen (million)		U.S. Dollars (thousand)	
	FY 2005	FY 2004	FY 2005	FY 2004
Cash and deposits.....	¥ 111,586	¥ 104,969	\$ 1,039,071	\$ 977,460
Time deposits with a maturity of more than three months.....	(804)	(1,425)	(7,490)	(13,278)
Cash and cash equivalents.....	¥ 110,782	¥ 103,544	\$ 1,031,581	\$ 964,182

## 11. Shareholders' equity

Retained earnings include a legal reserve provided in accordance with the Japanese Commercial Code (the "JCC"). The JCC requires that an amount equal to at least 10% of cash dividends and other distributions, including directors' and statutory auditors' bonuses, from retained earnings paid by the Company be appropriated as a legal reserve to the extent that the total amount of additional paid-in capital and the legal reserve equals 25% of the common stock.

The legal reserve amounted to ¥14,438 million (\$134,445 thousand) at March 31, 2005. The JCC provides that neither capital surplus nor the legal reserve is available for dividends, but both may be used to reduce or eliminate a deficit by resolution of shareholders or may be transferred to common stock by resolution of the Board of Directors.

The JCC also provides that to the extent that the sum of the additional paid-in capital and the legal reserve exceed 25% of the common stock, the amount of the excess, if any, is available for appropriations by the resolution of the shareholders prescribed by the JCC.

## 12. Segment information

### (a) Business Segments

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

Construction Building construction, civil engineering, etc.  
 Real estate Resale and rental of land, houses and buildings  
 Other Golf club related business, financing lease and PFI\*, etc

\*The Private Finance Initiative ("PFI") business is the new business model under which private companies build, maintain and operate public facilities with their own capital, know-how and technical skills.

Year ended March 31, 2005	Japanese Yen (million)					
	Construction	Real estate	Others	Total	Adjustments and Eliminations	Consolidated
Revenues:						
From outside customers.....	¥ 1,349,384	¥ 45,979	¥ 9,277	¥ 1,404,640	¥ -	¥ 1,404,640
Intersegment.....	12,552	3,385	8,057	23,994	(23,994)	-
Total.....	1,361,936	49,364	17,334	1,428,634	(23,994)	1,404,640
Operating expenses.....	1,324,474	43,237	16,810	1,384,521	(23,237)	1,361,284
Operating profit.....	¥ 37,462	¥ 6,127	¥ 524	¥ 44,113	¥ (757)	¥ 43,356
Total Assets.....	¥ 1,495,155	¥ 300,004	¥ 118,425	¥ 1,913,584	¥ (71,322)	¥ 1,842,262
Depreciation.....	6,603	4,430	638	11,671	(51)	11,620
Capital expenditures.....	14,453	4,160	3,020	21,633	(1,556)	20,077

Year ended March 31, 2004	Japanese Yen (million)					
	Construction	Real estate	Others	Total	Adjustments and Eliminations	Consolidated
Revenues:						
From outside customers.....	¥ 1,296,121	¥ 45,058	¥ 5,119	¥ 1,346,298	¥ -	¥ 1,346,298
Intersegment.....	7,715	975	7,854	16,544	(16,544)	-
Total.....	1,303,836	46,033	12,973	1,362,842	(16,544)	1,346,298
Operating expenses.....	1,271,236	41,153	12,237	1,324,626	(16,303)	1,308,323
Operating profit.....	¥ 32,600	¥ 4,880	¥ 736	¥ 38,216	¥ (241)	¥ 37,975
Total Assets.....	¥ 1,476,038	¥ 301,476	¥ 99,033	¥ 1,876,547	¥ (54,663)	¥ 1,821,884
Depreciation.....	5,611	5,564	455	11,630	(35)	11,595
Impairment loss on fixed assets.....	-	2,381	2,918	5,299	-	5,299
Capital expenditures.....	8,434	3,688	3,166	15,288	(285)	15,003

Year ended March 31, 2005	U.S. Dollars (thousand)					
	Construction	Real estate	Others	Total	Adjustments and Eliminations	Consolidated
Revenues:						
From outside customers.....	\$ 12,565,271	\$ 428,153	\$ 86,381	\$ 13,079,805	\$ -	\$ 13,079,805
Intersegment.....	116,880	31,513	75,034	223,427	(223,427)	-
Total.....	12,682,151	459,666	161,415	13,303,232	(223,427)	13,079,805
Operating expenses.....	12,333,314	402,612	156,539	12,892,465	(216,385)	12,676,080
Operating profit.....	\$ 348,837	\$ 57,054	\$ 4,876	\$ 410,767	\$ (7,042)	\$ 403,725
Total Assets.....	\$ 13,922,666	\$ 2,793,596	\$ 1,102,755	\$ 17,819,017	\$ (664,142)	\$ 17,154,875
Depreciation.....	61,487	41,247	5,947	108,681	(480)	108,201
Capital expenditures.....	134,586	38,740	28,119	201,445	(14,494)	186,951

Year ended March 31, 2004	U.S. Dollars (thousand)					
	Construction	Real estate	Others	Total	Adjustments and Eliminations	Consolidated
Revenues:						
From outside customers	\$12,069,285	\$ 419,572	\$ 47,672	\$12,536,529	\$ -	\$12,536,529
Intersegment	71,847	9,084	73,127	154,058	(154,058)	-
Total	12,141,132	428,656	120,799	12,690,587	(154,058)	12,536,529
Operating expenses	11,837,561	383,217	113,943	12,334,721	(151,806)	12,182,915
Operating profit	\$ 303,571	\$ 45,439	\$ 6,856	\$ 355,866	\$ (2,252)	\$ 353,614
Total Assets	\$13,744,647	\$2,807,297	\$ 922,183	\$17,474,127	\$ (509,013)	\$16,965,114
Depreciation	52,253	51,811	4,231	108,295	(325)	107,970
Impairment loss on fixed assets	-	22,172	27,171	49,343	-	49,343
Capital expenditures	78,535	34,341	29,483	142,359	(2,653)	139,706

**(b) Geographic segments**

Information by geographic segments is not presented as domestic revenues and assets exceeded 90 percent of all segments for the years ended March 31, 2005 and 2004.

**(c) Revenues by region**

Information of revenues by region is not presented as domestic revenues exceeded 90 percent of revenues for the year ended March 31, 2004, and that for the year ended March 31, 2005 was follows:

Year ended March 31, 2005	Japanese Yen (million)			
	Asia	North America	Other regions	Total
I Overseas revenues	¥ 91,289	¥ 49,071	¥ 2,527	¥ 142,887
II Consolidated revenues	-	-	-	1,404,640
III Overseas revenues as a percentage of consolidated revenues	6.5%	3.5%	0.2%	10.2%

Year ended March 31, 2005	U.S. Dollars (thousand)			
	Asia	North America	Other regions	Total
I Overseas revenues	\$ 850,069	\$ 456,941	\$ 23,529	\$ 1,330,539
II Consolidated revenues	-	-	-	13,079,805
III Overseas revenues as a percentage of consolidated revenues	6.5%	3.5%	0.2%	10.2%

1. Countries are classified by the geographical proximity.

2. The above region represents the following countries and regions.

Asia:	Singapore, Thailand, Taiwan
North America:	USA
Other regions:	Britain

3. Overseas revenues represent those in the countries and regions outside Japan by the Parent Company and its subsidiaries.

**13. Derivative financial instruments**

Because all derivative instruments held by the Company and its subsidiaries at March 31, 2005 and 2004 were for hedging purposes, the related information on their respective market is not presented.

**14. Lease transactions**

Lessee's accounting

The following pro forma amounts represent the acquisition costs, accumulated depreciation and net book value of the leased assets as of March 31, 2005 and 2004, which would have been reflected in the consolidated balance sheets if finance lease accounting had been applied to the finance leases currently accounted for as operating leases:

FY2005	Japanese Yen (million)			U.S. Dollars (thousand)		
	Acquisition costs	Accumulated depreciation	Net book value	Acquisition costs	Accumulated depreciation	Net book value
Buildings and structures	¥ 6	¥ 3	¥ 3	\$ 56	\$ 29	\$ 27
Machinery, equipment and vehicles	2,863	2,000	863	26,658	18,624	8,034
Other	665	297	368	6,194	2,765	3,429
Total	¥ 3,534	¥ 2,300	¥ 1,234	\$ 32,908	\$ 21,418	\$ 11,490

FY2004	Japanese Yen (million)			U.S. Dollars (thousand)		
	Acquisition costs	Accumulated depreciation	Net book value	Acquisition costs	Accumulated depreciation	Net book value
Buildings and structures	¥ 6	¥ 2	¥ 4	\$ 56	\$ 20	\$ 36
Machinery, equipment and vehicles	4,802	3,328	1,474	44,713	30,994	13,719
Other	599	394	205	5,583	3,670	1,913
Total	¥ 5,407	¥ 3,724	¥ 1,683	\$ 50,352	\$ 34,684	\$ 15,668

Future minimum lease payments subsequent to March 31, 2005 on noncancelable operating leases and finance leases accounted for as operating leases are summarized as follows:

Year ended March 31,	Japanese Yen (million)		U.S. Dollars (thousand)	
	Finance leases	Operating leases	Finance leases	Operating leases
2006.....	¥ 577	¥ 220	\$ 5,375	\$ 2,047
2007 and thereafter.....	660	696	6,149	6,485
Total.....	¥ 1,237	¥ 916	\$ 11,524	\$ 8,532

Lease payments relating to finance leases accounted for as operating leases in the accompanying consolidated financial statements amounted to 1,067 million (\$9,938 thousand) and ¥1,872 million (\$17,432 thousand) for the years ended March 31, 2005 and 2004, respectively. Depreciation of the leased assets computed by the straight-line method over the respective lease terms with no residual value and the interest portion included in lease payments amounted to ¥1,062 million (\$9,890 thousand) and ¥6 million (\$60 thousand), respectively, for the year ended March 31, 2005, ¥1,872 million (\$17,432 thousand) and ¥1 million (\$11 thousand), respectively, for the year ended March 31, 2004.

#### 15. Contingent liabilities

The Company and its subsidiaries are contingently liable for the following:

	Japanese Yen (million)		U.S. Dollars (thousand)	
	FY 2005	FY 2004	FY 2005	FY 2004
Trade notes receivable endorsed.....	¥ -	¥ 19	\$ -	\$ 177
Guarantees of long-term debt of customers, affiliates and employees.....	<b>5,269</b>	867	<b>49,064</b>	8,078

#### 16. Amounts per share

Basic net income per share has been computed based on the weighted average number of shares of common stock outstanding during the year. Diluted net income per share has been computed based on the weighted average number of shares of common stock outstanding during each year after giving effect to the dilutive potential of the shares of common stock to be issued upon the conversion of convertible bonds. Net assets per share have been computed based on the number of shares of common stock outstanding at the balance sheet date. Net income and net assets per share for the years ended March 31, 2005 and 2004 are as follows:

	Japanese Yen (million)		U.S. Dollars (thousand)	
	FY 2005	FY 2004	FY 2005	FY 2004
Net income per share of common stock				
Basic.....	¥ <b>34.81</b>	¥ 29.42	\$ <b>0.32</b>	\$ 0.27
Diluted.....	-	29.37	-	0.27
Net assets per share of common stock.....	<b>505.81</b>	477.80	<b>4.71</b>	4.45

The following table sets forth the computation of net income per share of common stock for the years ended March 31, 2005 and 2004:

	Year ended March 31, 2005		Year ended March 31, 2004	
	(Millions of yen, except share)	(Thousands of U.S. dollar, except share)	(Millions of yen, except share)	(Thousands of U.S. dollar, except share)
Net income available to shareholders of common stock (numerator)				
Net income.....	¥ <b>25,077</b>	\$ <b>233,510</b>	¥ 21,194	\$ 197,352
Less: appropriation of bonuses to directors and statutory auditors.....	(2)	(20)	(2)	(14)
	<b>¥ 25,075</b>	<b>\$ 233,490</b>	¥ 21,192	\$ 197,338
Weighted average shares of common stock outstanding (denominator).....	<b>720,404</b>		720,415	

#### 17. Subsequent event

On June 29, 2005, the following appropriations of retained earnings were approved at the shareholders' meeting of the Parent company.

	Japanese Yen (million)	U.S. Dollars (thousand)
Cash dividends	¥ <b>2,882</b>	\$ <b>26,832</b>



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