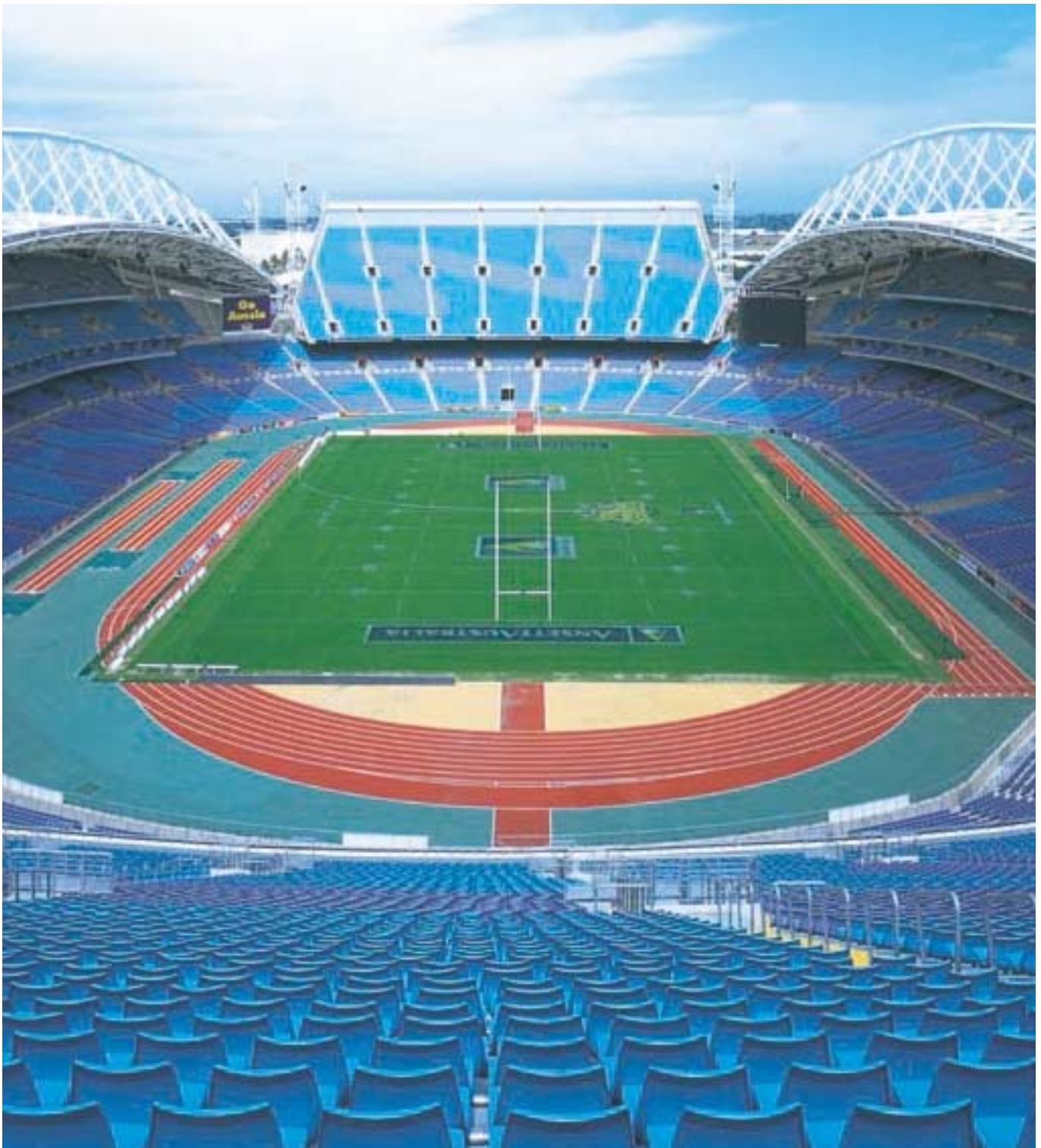




**OBAYASHI
CORPORATION
ANNUAL
REPORT
2000**



Stadium Australia

CORPORATE PROFILE

Obayashi Corporation numbers among the world's leading general contractors and among the top five in Japan. Obayashi is equipped to implement every phase of any construction project and can act as consultant, systems designer, engineer, or architect. It can conduct feasibility studies, research, and analysis; build virtually any structure; plan and implement civil engineering and heavy construction; plan and execute building renewal projects; and provide post-construction maintenance.

Obayashi has a head office, a main office, nine branches and 71 business offices, a technical research institute, two machinery works, and 28 subsidiaries in Japan. It has 20 offices and 17 subsidiaries overseas.

As of March 31, 2000, Obayashi had 11,261 employees, comprising 820 architects, 3,377 construction engineers, 1,923 civil engineers, 217 research scientists and technicians, 51 computer system engineers, 1,596 other technicians, and 3,277 support staff.

Obayashi business:

1. Contracting for construction work
2. Regional, urban, oceanic, and environmental development; other business relating to construction
3. Engineering and managing related to the preceding two items, including research, planning, designing, and supervising
4. Housing business
5. Sale, purchase, exchange, lease, brokering, ownership, caretaking and utilization of real estate
6. Planning, construction, maintenance, and management of roads, harbors, waterworks and drainage, government office buildings, educational and cultural facilities, waste disposal facilities, medical facilities, and other public facilities
7. Business related to environmental pollution restoration, such as purification of soils, river, lake, and marsh beds, and collection, shipment, and treatment of general and industrial waste
8. Power generation, and supply of electricity and heat
9. Manufacture, supply, sale, and lease of construction machinery and equipment, and materials and equipment for temporary work
10. Manufacture and sale of concrete products for construction, fire-proof or nonflammable building materials, materials for construction, materials for the interior and exterior of buildings, furniture and wooden products for buildings, and sale of civil engineering and building materials
11. Maintenance and care of buildings and related facilities; security and guard services
12. Acquisition, development, licensing for use, and sale of software industrial properties and providing know-how related to the utilization of computers
13. Information processing services; providing information and supply of telecommunication circuits
14. Sale, lease, and maintenance of electronic office machinery and equipment, including computers
15. Management of health, medical, athletic and leisure facilities, hotels and restaurants, and travel agencies
16. Operation of insurance agencies under the Automobile Accident Compensation Security Act and of non-life insurance agencies
17. Landscaping, gardening, and horticulture
18. Loans, guarantees, and other financial activities
19. Consulting related to any of the preceding items
20. Activities related to any of the preceding items

CORPORATE STANCE

Our primary *raison d'être* is to improve global standards of living while contributing to the advancement of society and development of the world. In order to do this, we must:

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

Management Stance

First, empathize with your customers. Second, strive to be ahead of the times, to discover and develop new demands. Third, become a vigorous, powerful group. Fourth, make a contribution to society.

Personnel Stance

1. Improve yourself.
2. Meet every challenge.
3. Think with flexibility.
4. Make the most of your creativity and individuality.
5. Be a good citizen — of the country and of the world.

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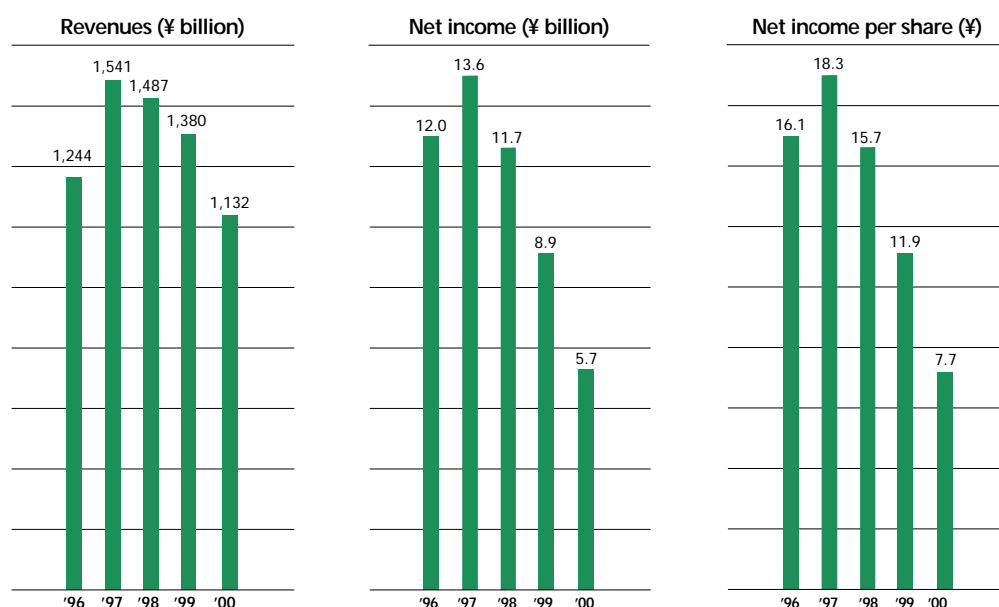
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FINANCIAL HIGHLIGHTS

	2000	1999	1998	2000
	(millions)			(thousands)
Total revenues	¥ 1,132,028	¥ 1,379,840	¥ 1,487,495	\$10,679,509
Net income	5,711	8,893	11,723	53,877
Orders received	1,271,722	1,244,829	1,335,399	11,997,377
Backlog at year end*	2,063,706	1,930,250	2,066,214	19,468,925
At year end				
Total assets	2,060,935	2,070,469	2,267,861	19,442,783
Long-term debt	260,609	252,049	208,312	2,458,575
Shareholders' equity	329,431	309,670	307,009	3,107,840
Per share data				
				(unit=1)
Net Income per share	¥ 7.66	¥ 11.93	¥ 15.73	\$ 0.07
Cash dividend per share	8.00	8.00	8.00	0.08
Shareholders' equity per share	442.09	415.57	412.00	4.17
Number of common shares outstanding	745,173,544	745,173,544	745,173,544	

Obayashi Corporation and consolidated subsidiaries, years ended March 31, 1998 to 2000. All figures have been translated into US\$, at the rate of ¥106/\$1.00, solely for the convenience of the reader. For details, see the Notes to the Financial Statements. The Obayashi Corporation fiscal year runs from April 1 through March 31. The fiscal year ending March 31, 2000, is referred to as FY2000.

*Non-consolidated figure.



TO THE SHAREHOLDERS

We would again like to express our gratitude for the continued support of our shareholders and to report on business operations during fiscal year 2000, which ended March 31, 2000.

The past year saw record unemployment in Japan and was characterized by anxiety over the direction of the country's economy. Against that backdrop, consumer spending remained sluggish and indications of economic recovery were few, although corporate capital investment picked up slightly in information technology-related fields. Generally speaking, economic activity was lackluster.

In the construction industry, orders from the private sector leveled off and public works orders decreased. This created an extremely severe business environment and hampered our efforts to win new contracts. Through strenuous efforts to secure new work in these adverse circumstances, Obayashi ended the fiscal year with ¥1.271 trillion (US\$11,997 million) in orders received, up 2.1% from the previous term.

Our revenues for the year totaled approximately ¥1.132 trillion (US\$10,679 million), an 18.0% decrease from FY1999. In terms of profits, operating profit was approximately ¥27.3 billion (US\$258 million), up 23.8% over the previous year due to the increased profit ratio we achieved by cutting construction and administrative costs.

Corporations are presently urged to value assets at their current market value. Therefore, the book value of our real estate was adjusted during the fiscal year to reflect current market prices, re-

sulting in an extraordinary loss of approximately ¥13.2 billion (US\$125 million) for property reappraisal. As a result, net income was about ¥5.7 billion (US\$53.8 million), marking a 35.8% drop from the previous fiscal year. We also applied the Law Pertaining to Revaluation of Land to the revalued fixed assets.

We have always considered it a top priority to return a dividend to shareholders. Our principle is to share profits with our shareholders according to our business results, while bolstering the financial strength of our company, funding future technological development, and ensuring ample reserves for capital investment. Consequently, the Board of Directors declared a second semester dividend of ¥4.0 (US\$0.04) per share of common stock, bringing the year's total dividend to ¥8.0 (US\$0.08) per share.

To meet the many challenges we face, Obayashi set a goal of enhancing our value as an enterprise by strengthening our corporate management from a long-term perspective and by reinforcing our earning power. Attaining this goal should revitalize our management so they can meet the expectations of our shareholders.

Looking to future trends in the Japanese economy, we expect corporate capital outlays for new plant and equipment to gradually increase, primarily in IT-related fields. Similarly, we anticipate a moderate recovery in consumer spending. However, certain factors continue to cause concern, such as diminishing public works investment — which has been the foundation of today's economic activities — and trends in interest and

exchange rates. Such factors make forecasting Japan's economic prospects very difficult indeed.

In the construction industry, we cannot expect an early recovery in private sector construction work. Likewise, we forecast a decrease in public works orders. Therefore, severe competition for new orders among construction companies will continue.

The most important issue in this harsh business environment will be securing sufficient orders to maintain our current business scale. To this end, we will strengthen price competitiveness by promoting cost reduction through technological development and by initiating even more efficient and systematic operations. We must also boost our total planning capabilities, including promoting the innovative use of software.

To meet ever-diversifying market needs, we will strengthen our competitiveness in areas showing growth potential, such as renovation, medical care, and environment-related fields. We will also forge new business initiatives, including our private finance initiative (PFI) and construction management, and promote additional fee-based business based on technology Obayashi has in hand.

We are making strenuous companywide efforts to slash costs by improving construction efficiency, cutting sales controllers' expenses, strengthening the company's financial structure, and rationalizing operations by maximizing the use of information technology. Our medium-term targets are to achieve new orders worth ¥1.3 trillion (US\$12,264 million) and to generate operating profits of over ¥20.0

billion (US\$188 million), based on current construction investment trends. We will work to establish a solid managerial foundation to ensure profits even under intense competition for new orders.

As part of our strategy to develop a more effective management and control system, we established groups to handle the civil engineering and building construction businesses. Our aim is to clarify the responsibility of individual business groups while improving business efficiency.

Furthermore, in order to make our business operations better understood, we are promoting greater transparency in our management. We accomplish this through the disclosure of details on our company at regular press conferences, and by delivering timely information via our home page on the Internet.

From a wider perspective, we place environmental issues high on our agenda. In this respect, we actively promote the recycling of industrial waste generated from construction, and have already instituted complete recycling of waste at certain model construction sites. We also develop and implement numerous environmental technologies, including energy saving and soil purification techniques. We aim to make meaningful contributions to preserving the environment for future generations.

We appeal for your understanding on these matters, and look forward to your continued support.


Yoshiro Obayashi, Chairman & CEO


Shinji Mukasa, President



The Board of Directors

CHAIRMAN & CHIEF EXECUTIVE OFFICER

Yoshiro Obayashi

VICE CHAIRMAN

Takeo Ohbayashi

PRESIDENT

Shinji Mukasa

EXECUTIVE VICE PRESIDENTS

Masatoshi Inoue
 Toshiteru Arakawa
 Kenichi Yamashita

SENIOR MANAGING DIRECTORS

Wakao Oba
 Yoshihisa Obayashi
 Tadashi Uehara
 Norio Wakimura
 Yoshisato Kurata
 Soichiro Abe
 Shoji Kuwahara
 Hiroyuki Sugino
 Masao Ishihara
 Eiji Noma
 Yoshihiko Tamiya
 Norio Iguchi

MANAGING DIRECTORS

Yoshiaki Sugita
 Masatoshi Fujinawa
 Keiji Koizumi
 Yoshio Yamaguchi
 Masaaki Yamamoto
 Tetsuya Mizoguchi
 Takekazu Mizumaki
 Shiro Takagi
 Sumikichi Ito
 Jumpei Morimoto
 Toshikatsu Nishino
 Masazumi Suekane
 Tomoyuki Masuda
 Takashi Hasegawa
 Tsuneo Mitsuta

DIRECTORS

Nobuyuki Saito
 Shudo Nomura
 Shotaro Ito
 Chikafusa Sato
 Akira Nakatani
 Kotaro Hioki
 Reizo Yamaoka
 Kunio Matsumoto
 Shigeru Kumagai
 Yoshitaka Hara
 Yutaro Omote
 Haruo Tsukagoshi
 Hirofumi Inagaki

CORPORATE AUDITORS

Tadashi Nishimura
 Kazuaki Naito
 Hiroaki Kuzuwa
 Teizo Tsuda
 Harumichi Hanashima

NEWS BOX

Orders Won for Taiwan High-Speed Railway Construction

Obayashi Corporation was awarded the contracts for two segments comprising 52 km of the 340-km Taiwan North-South High Speed Rail Project, which will link Taipei and Kaohsiung.



We won the contract after the authorities very highly evaluated Obayashi's experience and technology.

Namba Redevelopment A-1 Segment Project Contract Awarded

Obayashi won the contract for the Namba Redevelopment A-1 Segment Project, to be built on a 3.7 ha site that was once the Osaka Stadium, where professional baseball teams played many great games. There, we will build the "future town" Naniwa New Central Area, consisting of two ultra-high-rise buildings and commercial facilities.



Namba Redevelopment A-1 Segment Project

Groundbreaking ceremony of Taiwan North-South High Speed Rail Project



Building A of Roppongi 6-Chome Redevelopment Project

Order Received for Building A of Roppongi 6-Chome Redevelopment Project

Obayashi obtained an order for Office Building A in the extensive Roppongi 6-Chome Redevelopment Project. This is one of the largest redevelopment projects in Tokyo, and the building — 54 stories, with six basements, and a total floor area about 380,000m² — will be one of the largest office buildings in Japan.

Rated No.1 Construction Firm in Japan for Corporate Activities Disclosure

Last September the Security Analysts Association of Japan rated Obayashi top in the construction industry in the "Disclosure Excellent Company Section." This award aims at improving and enhancing disclosure of corporate information.

Obayashi Tokyo Head Office Wins "1999 Good Design Award"



Obayashi Tokyo Head Office — a collaboration of architecture and the arts — won the 1999 Facilities Category of the Good Design Awards given by the Japan Industrial Design Promotion Organization. This award is for high-quality design, function, attributes, and new ideas for people's lifestyles.



Stadium Australia and Sydney Super Dome

When the Sydney Olympic Games are held this September, the opening and final ceremonies will be held in the Stadium Australia and the Sydney Super Dome, both constructed by Obayashi.

The world largest centrifugal experimental device in the Dynamics Research Center



Technical Research Institute's Dynamics Research Center Start Operations

Obayashi established the Dynamics Research Center in our Technical Research Institute to further improve R&D capabilities in the foundations and anti-seismic engineering fields. The new facilities include the world largest centrifugal experimental device, which can reproduce seismic vibrations that exceed those of the 1995 Great Hanshin-Awaji Earthquake.

Zero-Emission Site Programs

Obayashi actively promotes "zero-emission construction site" programs, aiming to reuse and recycle construction waste at large-scale building construction projects with the owners' cooperation. Photos below from left show the Dentsu New Head Office Building and the Marunouchi Building (provisional name) projects.



Dentsu New Head Office Building Marunouchi Building



Stadium Australia and Sydney Super Dome

DOMESTIC PROJECTS

Obayashi Corporation is a leader in Japan's construction industry for both civil engineering and building construction. The many successful projects we have completed in these fields are highly evaluated in Japan and overseas. "Construction is a message for the future," is the Obayashi view.

NEC Tamagawa Renaissance City (I)



Keio University, Faculty of Science and Technology, Yagami New Building



Akabane Station (elevated railway)

From top:
 - Kagawa Prefecture Government Office Building
 - Hassoh Tunnel
 - Tokyo Metropolitan Subway No.12 Loop Line, Gaien-Yoyogi Segment

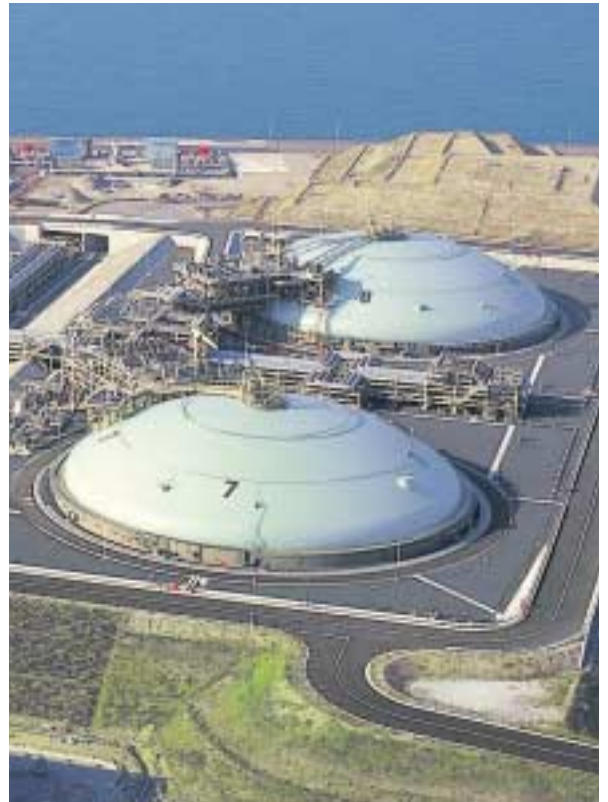
Awaji Yumebutai International Conference Center



Toshima Incineration Plant



Kotani Dam



*Tokyo Electric Power Company,
Futsu Thermal Power Station,
LNG In-ground Storage Tank,
No.7, 8 Unit*

OVERSEAS PROJECTS



PWC Building (Singapore)



From top:
- NEC Computer Storage Philippines, Inc. (Philippines)
- School Facilities in Gaza Strip (Palestine)
- Sunset Corporate Campus PHASE II (U.S.A.)
- Yakult Building (Thailand)

Obayashi has been involved in overseas construction projects in Asia since the 1960s, expanding to North America in the 1970s, then Europe and Australia in the 1980s. Today, we are active in over 20 countries.

The trust clients place in construction companies is crucial to their success, and this is especially so in the global market. While trust can be earned by having advanced technologies and a sound financial foundation, it is always reinforced by completely trustworthy performance.

For example, we completed the Sydney Super Dome in 1999. Then the Singapore government singled out the PWC Building that we designed and constructed, employing the innovative Big Canopy system, for the Best Buildable Design Award. In addition, we subsequently won a major order for the Taiwan North-South High Speed Rail Project. All these successes stem directly from our sterling reputation for reliability.

Our commitment can also be seen in Asia. Although the Asian economic crisis of 1997 slashed construction investment across the region, Obayashi refused to withdraw from any of the countries. Instead, we made all-out efforts to support Asia's recovery and development. We have firmly maintained this policy for nearly four decades in our business abroad. Again, it's a question of trust and sincerity.

Obayashi remains committed in the 21st century to furthering development in even more nations through reliable, high-quality construction, based on more than a century of tradition, our wide-ranging experience — and our well-earned credibility in global communities.



Wakao Oba
Senior Managing Director

The Project for Rehabilitation of the National Roads, Route 6 and 7 (Cambodia)



The Project for Reconstruction of Small and Medium Bridges on Dhaka-Chittagong Highway (Bangladesh)



Metropolitan Rapid Transit Authority [MRTA], Initial System Project, Underground Structures — North (Thailand)



Singapore MRT North-East Line Contract 707 (Singapore)

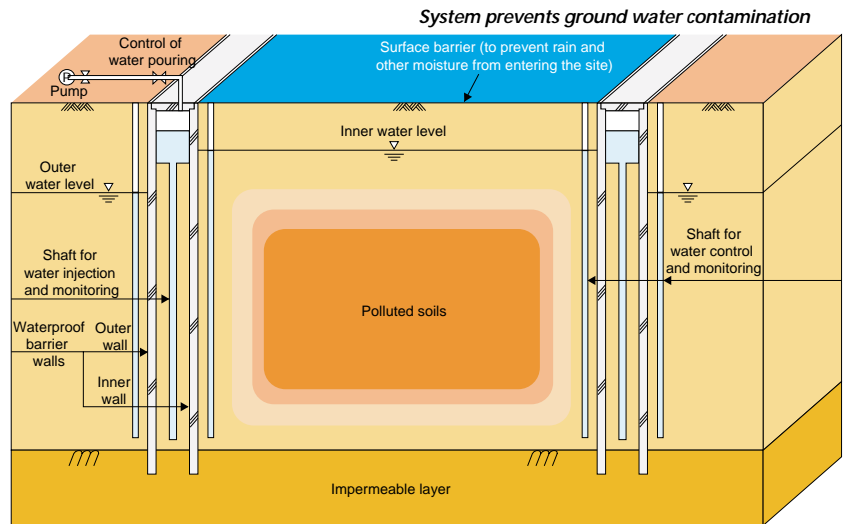


MetroWest Water Supply Tunnel, Contract CP-1 (U.S.A.)

TECHNOLOGY

System Efficiently Prevents Ground Water Contamination

Obayashi developed a system to prevent contaminated water from waste disposal sites and other similar locations from entering the ground water supply. Dual concrete walls are first constructed around the polluted area. Pure water is pumped into the space between the walls to a higher pressure than inside the disposal area. This creates a difference in the water pressures, and controls the contaminated water.

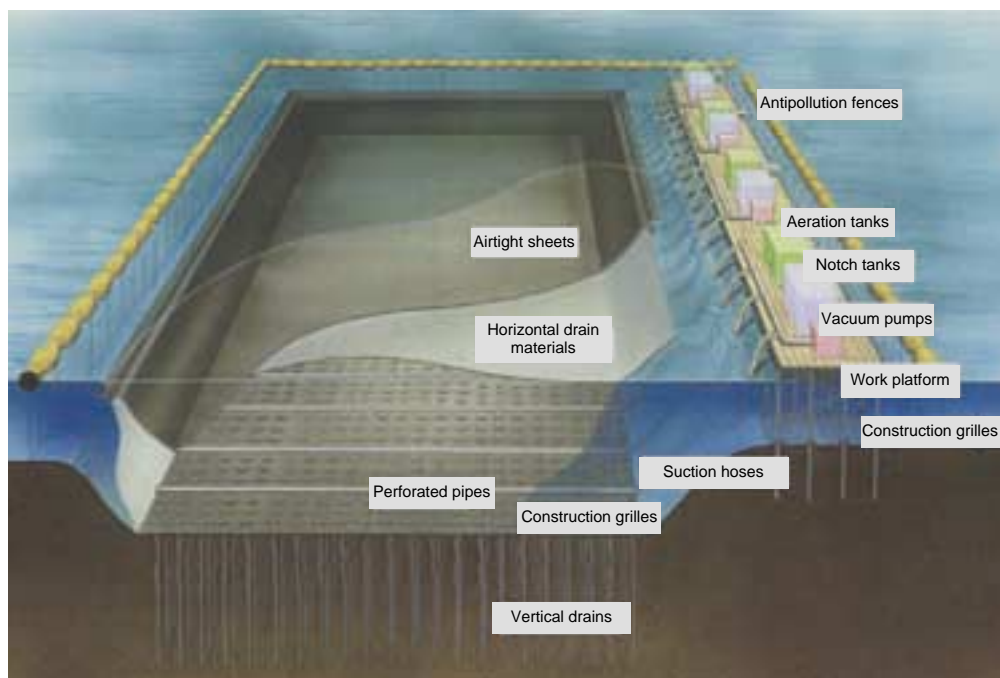
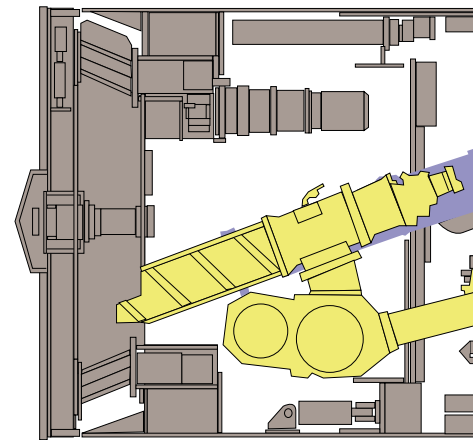


Riverbed Treatment Method Cuts Costs, Avoids Disruption

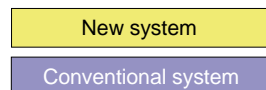
Obayashi developed and launched its "Submarine Atmospheric Pressure Compression" system. This uses atmospheric pressure to compress the sludge at the bottom of rivers, lakes, and marshes. By avoiding the need to dredge, the surrounding environment is not adversely affected and costs can be cut by about 20%.

Compact System Removes Spoil from Tunneling Shield Machine

Obayashi developed a new spoil removal system for its earth-pressure-balanced shield machines. The system fully integrates the screw conveyor that previously protruded some distance from the rear of the machine. The new machine's compact size improves efficiency and work safety without reducing effectiveness.

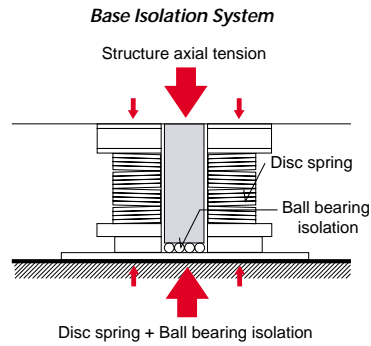


Riverbed Treatment Method



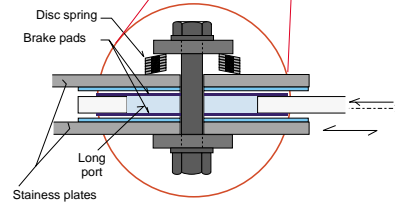
Base-Isolation System Perfected for Lightweight Buildings

Working in cooperation with another company, Obayashi developed a high-quality base-isolation system for lightweight buildings, such as houses, shops with built-in residences, and hospitals. The system's ball-bearing isolator, which moves smoothly horizontally on a flat plate, reduces the effect of seismic shock by one-fourth to one-third.



Innovative Friction Slip Damper Employed

Obayashi innovated a new friction slip damper to reduce by about two-thirds the various vibrations in buildings, such as those caused by



earthquakes and wind sway. The cost is about 25% that of hydraulic dampers, and the new device can be used to reinforce existing buildings as well as in the construction of new ones.

Soft Fire Guard



Steady Growth of "Soft Fire Guard" Sales Seen

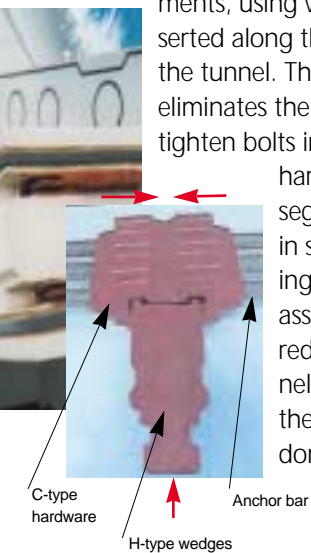
The "Soft Fire Guard," a curtain-type silica-based screen that prevents fires from spreading, makes it easier to evacuate burning buildings. It also enables greater flexibility in designing buildings. Given its advantages, sales of Soft Fire Guard have grown steadily. It is now widely used in schools, hospitals, and underground shopping malls.

"New Svetho System" Cuts Construction Time

Obayashi used the "New Svetho System," a slip form construction method, to successfully complete a 200-meter ultra-high chimney. The system reduces construction time for tower-like high-rise structures with upper and lower parts of dif-

RC Segments Assemble with Wedges Inserted Along Tunnel Axis

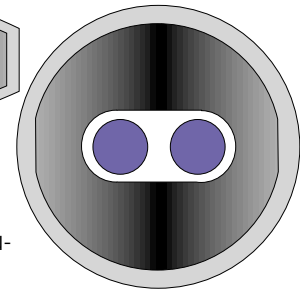
Obayashi co-developed a new method of assembling RC segments, using wedges inserted along the length of the tunnel. This approach eliminates the need to tighten bolts in coupling hardware in the segments used in shield tunneling, simplifies assembly, and reduces the tunnel bore. And the work can be done faster.



200-meter ultra-high chimney constructed by New Svetho System



Upper part of cross section



Lower part of cross section

ferent cross sections. Highly accurate construction control also allows this system to be used for structures that require complicated changes in their shapes in cross section.

NETWORK OF COMPANIES



DOMESTIC OFFICES

■ TOKYO HEAD OFFICE

Shinagawa Intercity Tower B
2-15, 2-chome, Konan, Minato-ku,
Tokyo 108-8502, Japan
TEL: 81-3-5769-1111
FAX: 81-3-5769-1910
E-mail: webmaster@obayashi.co.jp
URL: <http://www.obayashi.co.jp/>

OSAKA MAIN OFFICE

33, 4-chome, Kitahamagishi,
Chuo-ku, Osaka 540-8584, Japan
TEL: 81-6-6946-4400
FAX: 81-6-6946-4755

BRANCHES

NAGOYA • KYUSHU • TOHOKU •
YOKOHAMA • SAPPORO • HIROSHIMA
• SHIKOKU • KOBE • HOKURIKU

TECHNICAL RESEARCH INSTITUTE

640, 4-chome, Shimokiyoto,
Kiyose-shi, Tokyo 204-8558, Japan
TEL: 81-424-95-1111
FAX: 81-424-95-0901

DOMESTIC SUBSIDIARIES, AND

CONSTRUCTION

OBAYASHI ROAD CORPORATION
NAIGAI TECHNOS CORPORATION
NAIGAI KENZAI CORPORATION
SCHOKBETON-JAPAN CO., LTD.

REAL ESTATE

OBAYASHI REAL ESTATE CORPORATION
OBAYASHI KAWANISHI DEVELOPMENT, LTD.
HAKUSEI REAL ESTATE, LTD.

BUILDING MAINTENANCE

TOYO BUILDING SERVICE CORPORATION
OAK BUILDING SERVICE CORPORATION



OVERSEAS OFFICES, SUBSIDIARIES, AND AFFILIATES

THAILAND

1 BANGKOK

● THAILAND OFFICE

16th Floor, Nantawan Building,
Rajdamri, 161 Rajdamri Road,
Bangkok 10330, Thailand
TEL:66-2-252-5200
FAX:66-2-252-5381
E-mail:thaioba1@loxinfo.co.th

● THAI OBAYASHI CORPORATION LTD.

* Refer to Thailand Office.

Thai Obayashi, in which we hold a 49% share, was founded in 1974 as a joint venture with local companies. Thanks to growth in public and private sectors, the company has become one of Thailand's premier construction firms. Thai Obayashi completed its own office building, the Nantawan Building, in 1991.

INDONESIA

2 JAKARTA

● INDONESIA OFFICE

JL.Pancoran Timur II No.3, Pancoran,
Jakarta 12780, Indonesia
TEL:62-21-7982223,7944142
FAX:62-21-7973672,7973673
E-mail: obayashi@rad.net.id

● P.T.JAYA OBAYASHI

*Refer to Indonesia Office.

Founded in 1972 as a joint venture with a local Indonesian company, P.T. Jaya Obayashi was our first overseas subsidiary. Over the past quarter century, the firm, 49% owned by Obayashi, has earned an excellent reputation in projects ranging from factories to high-rise office buildings and high-profile infrastructure construction. Lately, it has also worked on industrial parks and golf courses.

SINGAPORE

3 SINGAPORE

● SINGAPORE OFFICE

8 Cross Street #07-01, PWC Building
Singapore 048424
TEL:65-220-3122
FAX:65-224-8425
E-mail:s.asai@obayashi-sin.com.sg

● OBAYASHI SINGAPORE PTE.LTD.

* Refer to Singapore Office.

Obayashi operated in Singapore directly for several decades. The wholly owned subsidiary Obayashi Singapore was established in 1990 to strengthen ties with the local community.

MALAYSIA

4 KUALA LUMPUR

● MALAYSIA OFFICE

Peti #5, Wisma Selangor Dredging,
Tingkat 7, East Block, 142-B Jalan
Ampang, 50450 Kuala Lumpur,
Malaysia

TEL:60-3-2164-2702

FAX:60-3-2164-2762

E-mail: obayashikl@ppp.nasionet.net

● OBAYASHI CONSTRUCTION (MALAYSIA) SDN. BHD.

* Refer to Malaysia Office.

This wholly owned subsidiary was established in Kuala Lumpur in 1992.

PHILIPPINES

5 MANILA

● PHILIPPINES OFFICE

7th Floor, Corinthian Plaza, 121 Paseo
De Roxas, Legaspi Village, Makati City,
Philippines

TEL:63-2-811-3044,3045

FAX:63-2-811-3198

E-mail:nagai@obayashi-phils.com

● Offices

● Affiliates and subsidiaries

AFFILIATES

GOLF CLUB & RESTAURANT

SANYO GREEN CO., LTD.
MUTSUZAWA GREEN CO., LTD.
MIYAGI GREEN CO., LTD.
OAK ENTERPRISE CO., LTD.

OTHERS

OAK SYSTEM CORPORATION
ATELIER G&B CORPORATION
OC FINANCE CORPORATION

● **OBAYASHI PHILIPPINES CORPORATION**

* Refer to Philippines Office.

In 1990, Obayashi established this joint venture with a local company. We hold a 40% interest in the firm, which concentrates on office buildings and factories for Japanese companies moving into the Philippines.

VIETNAM

6 **HANOI**

● **HANOI OFFICE**

Room B226, Binh Minh Hotel, 27 Ly Thai To Street, Hoam Kiem District, Hanoi, Vietnam
TEL:84-8-8258475, 8258476
FAX:84-8-8258673
E-mail:oc.hanoi@hn.vnn.vn

7 **HO CHI MINH**

● **HO CHI MINH OFFICE**

Saigon Tower - Suite 908, 29 Le Duan Boulevard, District 1, Ho Chi Minh City, Vietnam
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FAX:84-8-8236201,8236202
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CHINA

8 **SHANGHAI**

● **CHINA OFFICE**

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FAX:86-21-6219-2555
E-mail:obayashi@psh.com.cn

9 **BEIJING**

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FAX:86-10-6590-8545
E-mail:euonix@public.bta.net.cn

10 **DALIAN**

● **DALIAN OFFICE**

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FAX:86-411-3603076
E-mail:dalian@pub.dl.lnpta.net.cn

TAIWAN

11 **TAIPEI**

● **TAIWAN OFFICE**

6F-2, 57, Fu-Hsing N. Road, Taipei, Taiwan, Republic of China
TEL:886-2-2781-4678
FAX:886-2-2771-5368
E-mail:tobayash@ms24.hinet.net

● **TAIWAN OBAYASHI CORPORATION**

* Refer to Taiwan Office.

Obayashi founded this wholly owned subsidiary to handle projects in Taiwan, especially the mass transit project in Taipei.

INDIA

12 **NEW DELHI**

● **NEW DELHI OFFICE**

C/O N.K.Jain Associates, J-36 Lajpat Nagar-II, New Delhi-110024, India
TEL:91-11-6830413
FAX:91-11-6830413

● **OBAYASHI INDIA PRIVATE LTD.**

* Refer to New Delhi Office.

Obayashi founded this wholly owned subsidiary to handle projects in India.

AUSTRALIA

13 **SYDNEY**

● **AUSTRALIA OFFICE**

Level 31, AAP Centre, 259 George Street, Sydney, NSW 2000, Australia
TEL:61-2-9247-7911
FAX:61-2-9247-7966
E-mail:ocsydss@ozemail.com.au

U.S.A.

14 **NEW YORK**

● **U.S. EASTERN REGIONAL OFFICE**

592 Fifth, Avenue, 7th Floor, New York, NY 10036, U.S.A.
TEL:1-212-930-1020
FAX:1-212-704-9880
E-mail:mail18607@pop.net

● **E.W.HOWELL CO.,INC.**

* Refer to U.S. Eastern Regional Office.

Obayashi acquired E.W. Howell from its Norwegian parent company in 1989. A wholly owned subsidiary, Howell concentrates on construction projects in the northern and midwestern areas of the United States, where it has built commercial and industrial parks, shopping centers, and health-related facilities.

15 **LOS ANGELES**

● **U.S.WESTERN REGIONAL OFFICE**

420 East Third Street, Suite 600, Los Angeles, California 90013, U.S.A.
TEL:1-213-687-0500
FAX:1-213-687-3700
E-mail:mis@ocac.com

● **OC AMERICA CONSTRUCTION, INC.**

* Refer to U.S. Western Regional Office for address.

TEL:1-213-687-8700
FAX:1-213-687-4317
E-mail:marketing@ocac.com

Obayashi organized this wholly owned subsidiary in Los Angeles in 1993 to oversee projects on the U. S. West Coast.

● **OC REAL ESTATE MANAGEMENT, LLC**

* Refer to U.S. Western Regional Office for address.

TEL:1-213-687-9700
FAX:1-213-687-0335
E-mail:marketing@ocac.com

This Los Angeles-based company was set up in 1993 as a wholly owned subsidiary managing development and real estate projects.

16 ATLANTA

● CITADEL CORPORATION

6525 The Corners Parkway, Suite 400,
Norcross, Georgia 30092, U.S.A.
TEL:1-678-533-4433
FAX:1-678-533-4450

A wholly owned subsidiary founded in 1984. Citadel supervises projects in the southern and southwestern areas of the United States, and offers a complete range of construction services for commercial and industrial projects.

17 SAN FRANCISCO

● SAN FRANCISCO OFFICE

345 Allerton Avenue, South
San Francisco, California 94080
TEL:1-650-952-4910
FAX:1-650-589-8384

● JAMES E. ROBERTS-OBAYASHI CORPORATION

20 Oak Court, Danville, California
94526, U.S.A.
TEL:1-925-820-0600
FAX:1-925-820-1993

Founded in 1978 in California with local capital, this joint venture — 50% owned by Obayashi — focuses on housing-related public and private projects in the San Francisco area.

18 HONOLULU

● U.S. HAWAII OFFICE

725 Kapiolani Blvd., 4th Floor,
Honolulu, Hawaii 96813, U.S.A.
TEL:1-808-593-0000
FAX:1-808-593-0777
E-mail:tiwamoto@obayashihawaii.com

● OBAYASHI HAWAII CORPORATION

* Refer to U.S. Hawaii Office.

Obayashi Hawaii was our second overseas subsidiary, established the same year as P.T. Jaya Obayashi in Indonesia. Obayashi Hawaii is a wholly owned subsidiary that concentrates on residential and resort development, including condominiums, vacation homes, and general housing.

MEXICO

19 MEXICO CITY

● OBAYASHI DE MEXICO S. A. de C. V.

* Refer to U.S. Western Regional Office.

Obayashi founded this wholly owned subsidiary to handle projects in Mexico in 1999.

U.K.

20 LONDON

● EUROPE OFFICE

2nd Floor, 25/28 Old Burlington Street,
London W1X 1LB, United Kingdom
TEL:44-207-434-9595
FAX:44-207-494-3249
E-mail:mitskw@ma.kaw.net

GERMANY

21 BERLIN

● OBAYASHI PROJEKTBAU GmbH

* Refer to Europe Office.

Obayashi founded this wholly owned subsidiary to handle projects in Germany in 1991.

POLAND

22 WARSZAWA

● OBAYASHI POLAND Spolka z o.o.

* Refer to Europe Office.

Obayashi founded this wholly owned subsidiary to handle projects in Poland in 2000.

HUNGARY

23 BUDAPEST

● OBAYASHI HUNGARY CONSTRUCTION Kft.

* Refer to Europe Office.

Obayashi founded this wholly owned subsidiary to handle projects in Hungary in 2000.

NETHERLANDS

24 AMSTERDAM

● AMSTERDAM OFFICE

2nd Floor, Bldg. 4, Holland Office
Center, Kruisweg 815A, 2132 NG
Hoofddorp, Netherlands
TEL:31-23-5620220
FAX:31-23-5620602
E-mail:obayashi@obayashi.nl

● OBAYASHI FINANCE INTERNATIONAL (NETHERLANDS) B.V.

* Refer to Amsterdam Office.

This wholly owned subsidiary was established in Amsterdam in 1989. It manages overseas funding, financing, and bonds; invests in securities and other instruments; handles real estate-related transactions; and acquires and markets technology, know-how, and other intangible assets.

FRANCE

25 PARIS

● PARIS OFFICE

Roissypole Le Dome, 1 Rue De La Haye,
BP10932 Tremblay En France,
95732 Roissy CDG Cedex, France
TEL:33-1-48168868
FAX:33-1-48168872
E-mail:oc.masa@club.ntt.fr

OBAYASHI HISTORY

Since the beginning, Obayashi has demonstrated creativity and technological capability. Here, Obayashi's history shows a record of reliability and achievement.

1892-1912 Creating the Foundations of Japan's Construction Industry

In 1892, the first president, Yoshigoro Ohbayashi, founded the company in Osaka. He made an outstanding success of his first major contract, to construct the grounds and buildings for the Fifth National Industry Fair, as well as with work at Osaka Port, thus publicizing the Obayashi name.

In 1904, the company opened an office in Tokyo. Furthermore, Obayashi became a limited partnership in 1909, and was the first incorporated construction company

Yoshigoro Ohbayashi



in Japan. During this time, such major projects as the Tokyo Station and the 3,388-meter Ikoma Tunnel showcased our high-level technologies throughout Japan.

1912-1945 Building on Previous Successes

In 1918, Obayashi became a limited stock company. We went on to handle the construction of major landmarks that ushered in the era of modern buildings in Japan.

Many of these still stand to this day, including the Mainichi Newspaper office in Osaka and Osaka Shochikuza, as well as the Osaka Shosen Kobe Branch building (now the Mitsui O.S.K. Lines Building, which was undamaged by the Great Hanshin-Awaji Earthquake of 1995).

Moreover, Obayashi participated in two major construction projects — the Meiji Jingu Gaien Stadium and Koshien Stadium — in East and West Japan, respectively. Obayashi built the Tokyo Station and The Industrial Bank of Japan building, both of which were unscathed by the Great Kanto Earthquake of 1923, earning Obayashi an even higher reputation for the quality and durability of our work.

In the 1920s and 1930s, when steel-framed reinforced concrete buildings moved into the mainstream, Obayashi grew rapidly. During this period, Obayashi's construction projects included the first subway in Osaka (from Yodoyabashi to Kita-Kyutaro), the National Science Museum, and the United States Embassy Building in Tokyo.

1946-1998 Strong Expansion in Japan and Overseas

During Japan's postwar reconstruction, Obayashi completed the Yakuwa Dam in Yamagata, which followed the Nukabira Dam project in Hokkaido — the first hydroelectric power plant development project in Japan.

*Osaka Shosen
Kobe Branch building*



Nukabira Dam



Reflecting the high pace of the Japanese economy during these years, we constructed the National Gymnasium Annex for the Tokyo Olympics and the Hotel Empire, the first real high-rise building in Japan. Obayashi exhibited at Osaka's Expo '70, as well as doing



Osaka's Expo '70

much of the civil engineering and pavilion construction work there. In 1964, we opened a representative office in Bangkok, Thailand. From that start, our operations expanded on to Singapore, Indonesia, Malaysia, and other countries overseas.

In 1970, we designated our Tokyo Head Office to run the company under a single management policy via headquarters in Tokyo and Osaka. The Obayashi Main Office in Osaka was completed in 1973, making it the first ultra-high-rise building in western Japan. In the wake of the first oil crisis in 1971, we were especially concerned with energy-saving technologies in the building. In fact, one special feature is its super-efficient air-conditioning system, which was designed to take

Tokyo Station



U.S. Embassy Building

maximum advantage all heating energy taken into the building. The Obayashi Technical Research Institute building was completed several years later, the most energy-efficient building in the world at the time. It gained a reputation for Obayashi as a company concerned early on with environmental issues.

In 1976, we completed both the U.S. Embassy Office Building



U.S. Embassy Office Building



U.S.S.R. Embassy Building

and U.S.S.R. Embassy Building in Tokyo. In public works, Obayashi played important roles in the construction of the Seikan Tunnel, which connected Aomori on the island of Honshu with Hakodate on the island of Hokkaido, and the North and South Bisan-Seto Bridges, which joined Honshu with Shikoku and completed the land links between the four major Japanese islands.

Overseas, we won bids for such large projects as the North Shore Outfalls Consolidation Contract in San Francisco, California, in 1979



— the first time a Japanese construction company was contracted for a public works project in the United States — and the Air Traffic Control Tower for Southeast Asia's largest airport, the Changi International Airport in Singapore in 1980. During these years, Obayashi set up several overseas subsidiaries in America, Asia, and Europe.

Toward the 21st Century

Obayashi celebrated its 100th anniversary in 1991. Not content to rest on our laurels, we went on to participate in prominent projects in Japan, such as the Kansai International Airport, the Tokyo International Forum Glass Hall, the Tokyo



Tokyo Wan Aqua-Line

Wan Aqua-Line, the Osaka Dome, and the Kyoto Station Building.

Overseas, we have greatly expanded our business in Southeast Asia, Europe, and the United States, constructing the San Antonio River Tunnel in the United States and the Stadium Australia and Sydney Super Dome for the Sydney Olympic Games.

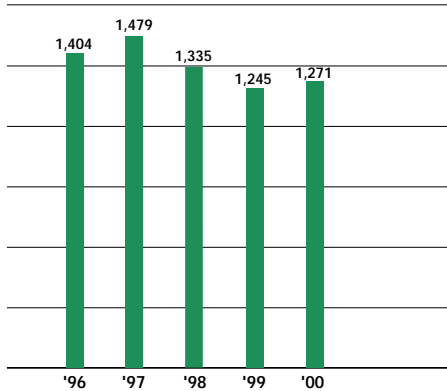
In 1999, we moved the Tokyo Head Office to Shinagawa Intercity, a complex of intelligent buildings located near the east exit of Shinagawa Station. We aim to use this new Obayashi operations central to continue contributing to the advancement of society and development around the world as we progress into the 21st century.



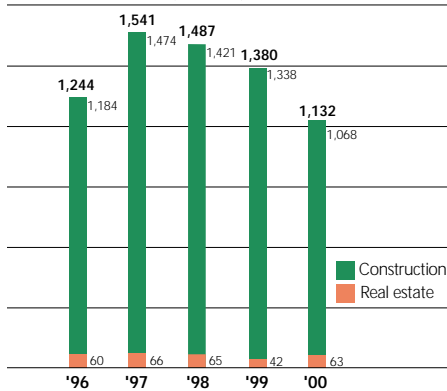
*From top:
- Changi International Airport, Air Traffic Control Tower
- Tokyo International Forum Glass Hall
- Osaka Dome
- Shinagawa Intercity*

REVIEW OF OPERATIONS

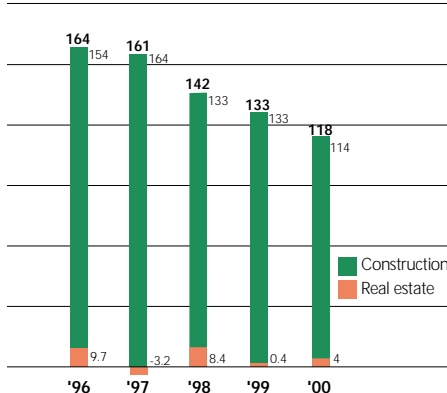
5-year orders received
(¥ billion)



5-year revenues breakdown
(¥ billion)



5-year gross profit breakdown
(¥ billion)



Results for the Year

Japan's economy drifted in the doldrums during the year. Consumer spending remained sluggish, reflecting anxieties over the worsening employment situation and future economic uncertainty. Private investment showed little sign of recovery, although prospects in the information technology-related field brightened.

In the construction industry, private sector capital investment bottomed out and public works orders decreased. Overall, the severe business environment mirrored that of last year, again preventing any increase in new orders.

Under such unfavorable conditions, consolidated revenues for the year totaled ¥1.132 trillion (US\$10,679 million), a decline of 18% from the previous year. Of this figure, construction projects accounted for 94.4%, or ¥1.068 trillion (US\$10,081 million), and real estate transactions and other business made up 5.6%, or ¥63.4 billion (US\$598 million).

For profit and loss, although the operating profit stood at ¥27.3 billion (US\$258 million), a 23.8% jump over the previous year, book values in real estate were adjusted to reflect the current market values, resulting in a special loss of ¥13.2 billion (US\$125 million). Net income was ¥5.7 billion (US\$53.8 million), 35.8% lower than the previous year. At the same time, the Law Pertaining to Revaluation of Land was applied to the revalued fixed assets.

Implementing measures such as selling property and boosting construction income by collecting receivables led to positive consolidated cash flow generated by operating activities of ¥76.0 billion (US\$717 million). In addition, the positive cash flow from investment-related activities, such as sales of securities and

collection of debts, was ¥4.1 billion (US\$38.7 million). By using these sums to repay loans, the total amount of interest-bearing debt at the end of the fiscal year decreased by ¥75.3 billion (US\$711 million) compared with the same period of the previous year.

For non-consolidated results, new orders reached ¥1.208 trillion (US\$11,397 million), a 1.6% decline from the previous year. Of this figure, construction projects accounted for 97.7% and real estate 2.3%. Of the construction projects, 27.1% were civil engineering and 72.9% building construction, with overseas projects accounting for 5.2% of all construction projects.

Non-consolidated revenues stood at ¥1.074 trillion (US\$10,138 million), a 21.2% drop from the year before. Of this figure, construction projects accounted for 96.8% and real estate 3.2%. Of the construction projects, 29.0% were civil engineering and 71.0% building construction. Overseas projects comprised 4.6% of all construction projects.

Regarding profit, operating profit amounted to ¥24.3 billion (US\$229 million), a 19.2% rise over the previous year, thanks to an increased profit ratio achieved by reducing construction costs and cutting sales and administrative costs. However, when the ¥12.9 billion (US\$122 million) was added as a special loss for property reappraisal, net income for the year was ¥4.9 billion (US\$46.6 million), down 39.1% from the previous year.

Major orders received

- Dentsu New Head Office
- Namba Redevelopment A-I Segment, Main Building Project (Phase I)
- Roppongi 6-Chome Redevelopment Project

- Taiwan North-South High Speed Rail Project
- The Taiyo Mutual Life Insurance Company Headquarters Building

Major projects completed

- Sydney Super Dome
- Tokyo Metropolitan Subway No. 12 Loop Line Gaien-Yoyogi Segment Project
- NEC Tamagawa Renaissance City (I)
- Oita Canon Material Plant
- Tokyo Electric Power Company, Futsu Thermal Power Station, LNG In-ground Storage Tank, No. 7, 8 Unit

Outlook for FY2001

In the future, private investment — mainly in the IT sector — is expected to pick up gradually, and consumer spending is likewise forecast

to rise somewhat. However, public investment, artificially low interest rates, and the favorable exchange rates that have so far supported the economy while it bottomed out, are still uncertain factors. As a result, it would be premature at this stage to predict any future surge for Japan's economy.

In the construction industry, while rapid recovery in private sector projects cannot be expected, we anticipate a continued decrease in new public works orders. In this light, we expect severe competition for new orders to continue. Obayashi Corporation thus places the utmost emphasis on garnering sufficient new orders to maintain our present business scale.

We set a target of ¥1.280 trillion (US\$12,075 million) for revenues and ¥30 billion (US\$283 mil-

lion) for operating profit on a consolidated basis for FY2001. For profit and loss, we will add ¥37.5 billion (US\$353 million) for retirement payments as a special loss, by amortizing the shortfall in retirement funds arising under revised accounting standards. Thus we predict an ¥8 billion (US\$75 million) net loss for the next fiscal year.

We anticipate non-consolidated orders received to amount to ¥1.280 trillion (US\$12,075 million), including ¥30 billion (US\$283 million) from real estate, revenues to be ¥1.210 trillion (US\$11,415 million), including ¥30 billion (US\$283 million from real estate), and operating profit to stand at ¥28 billion (US\$264 million), with a net loss of ¥13 billion (US\$122 million).

SIX-YEAR FINANCIAL SUMMARY

Obayashi Corporation and Consolidated Subsidiaries Years Ended March 31, 2000 to 1995.

	2000	1999	1998	1997	1996	1995	2000
Operating results:	(millions)						(thousands)
Revenues							
Construction	¥1,068,579	¥1,338,243	¥1,421,531	¥1,474,970	¥1,184,199	¥1,347,170	\$10,080,934
Real estate	63,449	41,597	65,964	66,515	60,082	74,808	598,575
Total	1,132,028	1,379,840	1,487,495	1,541,485	1,244,281	1,421,978	10,679,509
Cost of sales	1,013,774	1,246,493	1,345,920	1,379,891	1,079,598	1,249,599	9,563,905
Gross profit	118,254	133,347	141,575	161,594	164,683	172,379	1,115,604
Selling, general and administrative expenses	89,452	97,626	101,779	117,759	122,769	116,305	843,887
Operating income	28,802	35,721	39,796	43,835	41,914	56,074	271,717
Interest expenses	(8,013)	(8,028)	(8,619)	(10,681)	(14,900)	(23,657)	(75,594)
Net income	5,711	8,893	11,723	13,622	12,013	7,316	53,877
Financial position:							
Total assets	¥2,060,935	¥2,070,469	¥2,267,861	¥2,430,025	¥2,468,883	¥2,326,812	\$19,442,783
Total liabilities	1,731,504	1,760,799	1,960,852	2,128,467	2,174,698	2,038,419	16,334,943
Shareholders' equity	329,431	309,670	307,009	301,558	294,185	288,393	3,107,840
Per share amounts:							(unit=1)
Net income	¥7.66	¥11.93	¥15.73	¥18.28	¥16.12	¥9.82	\$0.07
Dividends	8.00	8.00	8.00	8.00	8.00	8.00	0.08
Shareholders' equity	442.09	415.57	412.00	404.68	394.80	387.03	4.17
Number of employees	11,261	11,584	11,721	12,014	12,204	12,518	

Notes: 1. Dollar amounts represent translations at ¥106=US\$1, the rate prevailing on March 31, 2000.

2. Net income and shareholders' equity per share are computed based on the average number of shares outstanding during the period, appropriately adjusted for free stock distributions.

CONSOLIDATED FINANCIAL STATEMENTS FOR FISCAL 2000

Consolidated Balance Sheets

OBUYASHI CORPORATION March 31, 2000 and 1999

	ASSETS			
	Japanese Yen (million)		U.S.Dollars (thousand)	
	FY 2000	FY 1999	FY 2000	FY 1999
CURRENT ASSETS:				
Cash and deposits	¥ 97,198	¥ 95,376	\$ 916,962	\$ 899,774
Notes and accounts receivable, trade	243,162	266,975	2,293,981	2,518,632
Allowance for doubtful receivables (Note 2)	(1,360)	(1,417)	(12,830)	(13,368)
Marketable securities (Notes 2 and 4)	157,176	153,641	1,482,792	1,449,443
Inventories (Notes 2 and 5)	727,207	796,388	6,860,443	7,513,094
Sums due from affiliates	1,979	8,135	18,670	76,745
Other current assets (Notes 2 and 9)	128,109	133,154	1,208,576	1,256,171
Total current assets	¥ 1,353,471	¥ 1,452,252	\$ 12,768,594	\$ 13,700,491
PROPERTY AND EQUIPMENT (Notes 2 and 7):				
Land	290,432	218,445	2,739,925	2,060,802
Buildings	243,181	210,280	2,294,160	1,983,774
Machinery and equipment	69,234	66,815	653,151	630,330
Construction in progress	17,188	8,223	162,151	77,575
Accumulated depreciation	(135,635)	(119,028)	(1,279,575)	(1,122,906)
Total property and equipment	¥ 484,400	¥ 384,735	\$ 4,569,812	\$ 3,629,575
INVESTMENT AND OTHER ASSETS:				
Investment securities (Notes 2 and 4)	108,350	114,895	1,022,170	1,083,915
Investments in affiliates (Notes 1 and 4)	14,711	20,584	138,783	194,189
Long-term loans receivable (Note 7)	37,561	44,724	354,349	421,925
Long-term loans receivable from affiliates	2,964	3,982	27,962	37,566
Others (Notes 2 and 9)	78,298	73,504	738,660	693,434
Allowance for doubtful receivables (Note 2)	(22,106)	(24,207)	(208,547)	(228,369)
Total investments and other assets	¥ 219,778	¥ 233,482	\$ 2,073,377	\$ 2,202,660
FOREIGN EXCHANGE TRANSLATION ADJUSTMENTS (Note 2)	3,286	-	31,000	-
	¥ 2,060,935	¥ 2,070,469	\$ 19,442,783	\$ 19,532,726

LIABILITY AND SHAREHOLDERS' EQUITY

	Japanese Yen (million)		U.S.Dollars (thousand)	
	FY 2000	FY 1999	FY 2000	FY 1999
CURRENT LIABILITIES:				
Short-term borrowings (Note 6)	¥ 275,722	¥ 343,484	\$ 2,601,151	\$ 3,240,415
Current portion of long-term debt (Notes 6 and 7)	53,064	32,451	500,604	306,142
Notes and accounts payable, trade	358,452	388,560	3,381,623	3,665,660
Accrued income taxes	13,318	8,860	125,642	83,585
Advances received on construction projects in progress	551,087	540,885	5,198,934	5,102,689
Advances received on real estate for sale	3,536	1,798	33,358	16,962
Accrued expenses	17,910	19,767	168,962	186,481
Sums due from affiliates	10,639	-	100,368	-
Other current liabilities	104,729	95,132	988,009	897,472
Total current liabilities	¥ 1,388,457	¥ 1,430,937	\$ 13,098,651	\$ 13,499,406
LONG-TERM LIABILITIES:				
Long-term debt (Notes 6 and 7)	260,609	252,049	2,458,575	2,377,821
Accrued severance indemnities (Notes 2 and 8)	37,281	37,856	351,708	357,132
Sums due from affiliates	252	-	2,377	-
Other long-term liabilities (Note 2)	44,806	39,022	422,698	368,132
Total long-term liabilities	¥ 342,948	¥ 328,927	\$ 3,235,358	\$ 3,103,085
FOREIGN EXCHANGE TRANSLATION ADJUSTMENT (Note 2)				
	¥ -	¥ 935	\$ -	\$ 8,821
MINORITY INTERESTS				
	¥ 99	¥ -	\$ 934	\$ -
CONTINGENT LIABILITIES (Note 14)				
SHAREHOLDERS' EQUITY:				
Common stock, par value ¥50 per share (Note 11):				
Authorized; 1,248,000,000 shares				
Issued; 745,173,544 shares (1999)	-	57,752	-	544,830
745,173,544 shares (2000)	57,752	-	544,830	-
Additional paid-in capital (Note 11)	41,694	41,694	393,340	393,340
Reserve for land revaluation (Note 2)	4,270	-	40,283	-
Retained earnings (Notes 2 and 11)	225,717	210,228	2,129,406	1,983,283
Treasury stock	(2)	(4)	(19)	(39)
Total shareholders' equity	¥ 329,431	¥ 309,670	\$ 3,107,840	\$ 2,921,414
	¥ 2,060,935	¥ 2,070,469	\$ 19,442,783	\$ 19,532,726

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

Consolidated Statements of Income

OBAYASHI CORPORATION For the years ended March 31, 2000 and 1999

	Japanese Yen (million)		U.S.Dollars (thousand)	
	FY 2000	FY 1999	FY 2000	FY 1999
REVENUES (Notes 2 and 12):				
Completed construction	¥ 1,068,579	¥ 1,338,243	\$10,080,934	\$ 12,624,934
Real estate and other	63,449	41,597	598,575	392,424
	1,132,028	1,379,840	10,679,509	13,017,358
COST OF SALES (Note 2):				
Completed construction	954,520	1,205,332	9,004,905	11,371,056
Real estate and other	59,254	41,161	559,000	388,311
	1,013,774	1,246,493	9,563,905	11,759,367
Gross profit	118,254	133,347	1,115,604	1,257,991
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES (Note 2)	89,452	97,626	843,887	921,000
Operating income	28,802	35,721	271,717	336,991
OTHER INCOME (EXPENSES):				
Interest and dividend income	5,281	6,311	49,821	59,538
Interest expenses	(8,013)	(8,028)	(75,594)	(75,736)
Equity in earnings of affiliates	483	82	4,557	774
Other, net	(13,817)	(13,389)	(130,350)	(126,312)
Total	(16,066)	(15,024)	(151,566)	(141,736)
INCOME BEFORE INCOME TAXES	12,736	20,697	120,151	195,255
INCOME TAXES (Notes 2 and 9):				
Current	15,818	11,587	149,227	109,312
Deferred	(8,793)	217	(82,953)	2,047
Total	7,025	11,804	66,274	111,359
MINORITY INTERESTS	0	-	0	-
NET INCOME	¥ 5,711	¥ 8,893	\$ 53,877	\$ 83,896
PER SHARE DATA (Note 11):	Japanese Yen		U.S.Dollars	
Net income:				
Assuming no dilution	¥ 7.66	¥ 11.93	\$ 0.07	\$ 0.11
Assuming full dilution	7.66	11.93	0.07	0.11
Cash dividends	8.00	8.00	0.08	0.08

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

Consolidated Statements of Shareholders' Equity

OBAYASHI CORPORATION For the years ended March 31, 2000 and 1999

	Japanese Yen (million)		U.S.Dollars (thousand)	
	FY 2000	FY 1999	FY 2000	FY 1999
COMMON STOCK (Note 11):				
Balance at beginning of year	¥ 57,752	¥ 57,752	\$ 544,830	\$ 544,830
Balance at end of year	¥ 57,752	¥ 57,752	\$ 544,830	\$ 544,830
ADDITIONAL PAID-IN CAPITAL (Note 11):				
Balance at beginning of year	¥ 41,694	¥ 41,694	\$ 393,340	\$ 393,340
Balance at end of year	¥ 41,694	¥ 41,694	\$ 393,340	\$ 393,340
RESERVE FOR LAND REVALUATION (Note 2):				
Balance at beginning of year	¥ -	¥ -	\$ -	\$ -
Provision	4,270	-	40,283	-
Balance at end of year	¥ 4,270	¥ -	\$ 40,283	\$ -
RETAINED EARNINGS (Notes 2 and 11):				
Balance at beginning of year	¥ 210,228	¥ 207,567	\$ 1,983,283	1,958,180
Cumulative effect of initial adoption of tax-effect accounting	16,888	-	159,321	-
Adjustment of newly consolidated subsidiaries and application of equity method	(894)	-	(8,434)	-
Net income for the year	5,711	8,893	53,877	83,896
Cash dividends paid	(5,961)	(5,961)	(56,235)	(56,236)
Bonuses to directors and corporate auditors	(255)	(271)	(2,406)	(2,557)
Balance at end of year	¥ 225,717	¥ 210,228	\$ 2,129,406	\$ 1,983,283
TREASURY STOCK:				
Balance at beginning of year	(4)	(4)	(39)	(39)
Purchased	(114)	(61)	(1,075)	(575)
Sold	116	61	1,095	575
Balance at end of year	(2)	(4)	(19)	(39)
NUMBER OF SHARES:				
	(thousands)			
Balance at beginning of year	745,173	745,173		
Balance at end of year	745,173	745,173		

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, 2000 and 1999

	Japanese Yen (million)		U.S. Dollars (thousand)	
	FY 2000	FY 1999	FY 2000	FY 1999
OPERATING ACTIVITIES:				
Net income	¥ 5,711	¥ 8,893	\$ 53,877	\$ 83,896
Adjustments to reconcile net income to net cash provided by operating activities:				
Depreciation and amortization	14,858	13,220	140,170	124,717
Allowance for doubtful receivables	(631)	1,629	(5,953)	15,368
Provision for severance indemnities	7,528	7,427	71,019	70,066
Loss (gain) on sales and disposals of property, equipment and marketable and investment securities	(4,765)	2,201	(44,953)	20,764
Severance indemnities paid	(8,278)	(7,043)	(78,094)	(66,443)
Write down of marketable securities	4,768	8,158	44,981	76,962
Loss on revaluation of real estate for sale	13,285	-	125,330	-
Deferred income taxes	(8,793)	217	(82,953)	2,047
Undistributed earnings of affiliates	(736)	2	(6,943)	19
Changes in assets and liabilities:				
Trade receivables	35,114	33,198	331,264	313,189
Inventories	8,565	144,750	80,802	1,365,566
Other current assets	22,536	(3,415)	212,604	(32,217)
Trade payables	(30,166)	(19,789)	(284,585)	(186,689)
Accrued income taxes	4,122	(567)	38,887	(5,349)
Advances received on construction projects in progress	13,663	(151,647)	128,896	(1,430,632)
Advances received on real estate for sale	1,848	(2,933)	17,434	(27,670)
Accrued expenses	(2,581)	(1,471)	(24,349)	(13,877)
Other current liabilities	1,289	(2,825)	12,160	(26,651)
Other, net	(1,336)	2,337	(12,604)	22,047
Total adjustments	70,290	23,449	663,113	221,217
Net cash provided by operating activities	76,001	32,342	716,990	305,113
INVESTING ACTIVITIES:				
Purchase of marketable and investment securities	(9,619)	(13,039)	(90,745)	(123,009)
Proceeds from sale of marketable and investment securities	11,453	13,595	108,047	128,255
Proceeds from sale of property and equipment	576	2,542	5,434	23,981
Purchases of property and equipment	(13,577)	(16,826)	(128,085)	(158,736)
Proceeds from repayments of loans	18,235	27,131	172,028	255,953
Payment for loans receivable	(2,966)	(10,781)	(27,981)	(101,708)
Others	-	1,083	-	10,217
Net cash provided by investing activities	4,102	3,705	38,698	34,953
FINANCING ACTIVITIES:				
Proceeds from short-term and long-term debt	45,818	427,181	432,245	4,030,009
Repayment of short-term and long-term debt	(152,308)	(443,190)	(1,436,868)	(4,181,038)
Proceeds from issuance of bonds	31,112	3,470	293,509	32,736
Redemption of bonds	-	(10,616)	-	(100,151)
Cash dividends and bonuses to directors and corporate auditors	(6,217)	(6,234)	(58,651)	(58,811)
Others	2	-	19	-
Net cash provided by (used in) financing activities	(81,593)	(29,389)	(769,746)	(277,255)
Cash and cash equivalents increased by initial consolidation of subsidiaries	4,547	-	42,897	-
Net increase in cash and deposits	3,057	6,658	28,839	62,811
Cash and deposits at beginning of the year	95,376	88,718	899,774	836,963
Decrease resulting from change in the definition of cash equivalents	(1,689)	-	(15,934)	-
Cash and cash equivalents at end of the year (Notes 2 and 10)	¥ 96,744	¥ 95,376	\$ 912,679	\$ 899,774
SUPPLEMENTAL INFORMATION OF CASH FLOWS:				
Cash paid during the year for:				
Interest	¥ 6,795	¥ 11,317	\$ 64,104	\$ 106,764
Income taxes	15,835	12,154	149,387	114,660

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, 2000 and 1999

1. Basis of presenting consolidated financial statements

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

In March 1998, the Business Accounting Deliberation Council (the "BADC") of Japan issued a new accounting standard for statements of cash flows, which is effective the year ended March 31, 2000. Prior to the issuance of this standard, there existed no accounting standard for the preparation of statements of cash flows in Japan and, accordingly, the Company and its subsidiaries had prepared their statements of cash flows in a format similar to that required under accounting standards generally accepted in the United States.

The Company and its subsidiaries adopted the new accounting standard effective the year ended March 31, 2000. However, the accompanying consolidated statement of cash flows for the year ended March 31, 2000 has not been prepared under the exact format in accordance with the new standard because the Group considers that it is critical to maintain consistency with those prepared in prior years and the concept and format are almost same as those under the new standard.

(b) In accordance with the accounting standards for consolidation issued by the BADC, effective April 1, 1999, the accompanying consolidated financial statements include the accounts of the Company and all its subsidiaries over which substantial control is exerted through either majority ownership of voting stock and/or by other means. As a result, 46 subsidiaries (new ones of 37) were included in the consolidated financial statements.

In addition, effective April 1, 1999, the scope of affiliates who should be accounted for by the equity method has been expanded to include companies (other than subsidiaries as defined above) whose decision-making control over their operations is significantly affected by the consolidated group in various ways even if they are owned less than 20%. As a result, the investments in all 15 affiliates have been accounted for by the equity method.

All significant inter-company balances, transactions and unrealized profits have been eliminated on consolidation. All assets and liabilities of subsidiaries are revalued on acquisition, if applicable, and the significant differences between the costs and their underlying net equities at their respective dates of acquisition are charged to income when incurred.

The year end of the Company and all its consolidated subsidiaries except for 23 foreign consolidated subsidiaries whose year end is December 31 ends on March 31. All significant adjustments considered necessary during the period from December 31 and March 31 have been made on consolidation.

2. Summary of significant accounting policies

(a) Recognition of revenues and related costs

Revenues from construction contracts of the Company and the related costs are recorded on a completed-contract basis, except for those related to large-scale contracts under which construction commenced subsequent to March 31, 1998 and with long-term construction periods of more than 2 years and contracted amounts in excess of ¥15 billion which are recognized by the percentage-of-completion method.

(b) Foreign currency translation

Current monetary assets and liabilities denominated in foreign currencies are translated into Japanese yen at the exchange rates prevailing at the balance sheet date, and all other assets and liabilities denominated in foreign currencies are translated into yen at the historical exchange rates except for the assets and liabilities having forward exchange contract. Accounts hedged by forward exchange contracts are translated into yen at the contracted rates. All revenues and expenses associated with foreign currencies are translated at the exchange rate prevailing when such transactions are made. The resulting exchange losses and gains are included in income or expense.

The financial statements of foreign subsidiaries are translated into yen at the rate of exchange in effect at the balance sheet date except for the components of shareholder's equity, which are translated at historical rates. Differences arising from translation are shown as "Foreign exchange translation adjustments" in the balance sheet.

(c) Cash and cash equivalents

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

The BADC issued a new accounting standard for statements of cash flows in March 1998. This standard became effective for fiscal years beginning on or after April 1, 1999. Accordingly, certain short-term investments in money trusts and other which had previously been classified under "marketable securities" are now considered cash equivalents. The reclassifications were not made to the consolidated balance sheet as of March 31, 1999 in order to conform the prior year's presentation to the current year's presentation.

(d) Marketable securities and investment securities

Marketable securities and listed investment securities, other than investment in affiliated company, are predominantly valued at the lower of cost or market value, cost being determined principally 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 on the first-in first-out method.

(f) Property and equipment

Property and equipment is stated principally at cost. Depreciation is computed principally by the declining-balance method in accordance with the Corporation Tax Law of Japan. Depreciation of buildings, excluding structures, acquired on or after April 1, 1998, is calculated by the straight-line method.

(g) Accrued severance indemnities and pension plan

Employees who terminate their service with the Parent company and its consolidated domestic subsidiaries are generally entitled to lump-sum severance indemnities determined by reference to current basic rate of pay and length of service. Indemnities awarded in cases of voluntary termination are less than those awarded in cases of involuntary termination or retirement.

The Parent company and its consolidated domestic subsidiaries provide for this liability at 40 per cent. of the amount which would be required to be paid if all employees voluntarily terminated their service at the balance sheet date.

In addition to lump-sum severance indemnities, the Parent company, Naigai Technos Corporation and Obayashi Real Estate, Ltd. have a non-contributory pension plan, respectively, entrusting the pension fund to private life insurance companies and trust banks. These funds cover 50 per cent., 70 per cent. and 90 per cent., respectively, of the amount to be paid if employees with over 20 years' service leave the Parent company, Naigai Technos Corporation and Obayashi Real Estate, Ltd. by retiring at the mandatory retirement age.

The Parent company and its consolidated subsidiaries adopt the accrual basis of accounting for retirement benefits to directors and corporate auditors. The liability for directors' and corporate auditors' retirement benefits is provided at 100% of the amounts based upon their internally established criteria.

(h) Income taxes

Effective the year ended March 31, 2000, the Company and its consolidated subsidiaries fully adopted deferred tax accounting for income taxes in accordance with a new accounting standard issued by the BADC. This standard requires recognition of income taxes by liability method. Under the liability method, deferred tax assets and liabilities are determined based on the difference between financial reporting and the tax basis of the assets and liabilities and are measured using the enacted tax rates and laws which will be in effect when the differences are expected to reverse. The effect of this change on deferred income tax assets amounted to ¥25,523 (\$240,783 thousand; ¥15,369 million as other current assets in CURRENT ASSETS and ¥10,154 million as others in INVESTMENTS AND OTHER ASSETS) as of March 31, 2000. In addition, the effect of this change was to increase net income by ¥8,944 million (\$84,377 thousand) for the year ended March 31, 2000 and to increase retained earnings by ¥25,832 million (\$243,698 thousand) as of March 31, 2000, from the amounts which would have been recorded by the method applied in the previous year.

(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 is provided at an estimated amount of probable bad debts based on the actual write-off experiences in prior years under the Corporation Tax Law of Japan plus an estimated amount based on a review of collectibility of individual receivables.

(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" (the "Law"), land used for the business operations was revalued on March 31, 2000. The excess of the revalued carrying amount of ¥227,495 million (\$2,146,179 thousand) over the book value of ¥220,699 million (\$2,082,066 thousand) before revaluation has been included in shareholders' equity as reserve for land revaluation at an amount net of the related tax effect at March 31, 2000. The corresponding income taxes are included in other long-term liabilities at March 31, 2000 as deferred income taxes on land revaluation.

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

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 ¥106=\$1, the approximate exchange rate prevailing on March 31, 2000.

4. Marketable securities and investment securities

The aggregate market value of marketable and investment securities for which market prices are available exceeded their aggregate stated value by the following amounts:

	Japanese Yen (million) March 31		U.S. Dollars (thousand) March 31	
	FY 2000	FY 1999	FY 2000	FY 1999
Marketable securities	¥ 54,224	¥ 45,734	\$ 511,547	\$ 431,452
Investment securities	146,099	121,436	1,378,293	1,145,623
	¥ 200,323	¥ 167,170	\$ 1,889,840	\$ 1,577,075

5. Inventories

Inventories comprised the following:

	Japanese Yen (million) March 31		U.S. Dollars (thousand) March 31	
	FY 2000	FY 1999	FY 2000	FY 1999
Construction projects in progress	¥ 576,380	¥ 572,765	\$ 5,437,547	\$ 5,403,443
Real estate for sale	68,342	104,190	644,736	982,924
Development projects in progress	79,211	116,309	747,274	1,097,255
Materials and supplies	3,274	3,124	30,886	29,472
	¥ 727,207	¥ 796,388	\$ 6,860,443	\$ 7,513,094

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 0.77 per cent. at March 31, 2000 (1.06 per cent. at March 31, 1999).

Commercial paper bore interest at the average annual rate of 0.4659 per cent. at March 31, 1999.

Long-term loans bore interest at the average annual rate of 2.06 per cent. at March 31, 2000.

(a) Short-term borrowings comprised the following:

	Japanese Yen (million) March 31		U.S. Dollars (thousand) March 31	
	FY 2000	FY 1999	FY 2000	FY 1999
Short-term bank loans	¥ 275,722	¥ 283,484	\$ 2,601,151	\$ 2,674,377
Commercial paper	-	60,000	-	566,038
	¥ 275,722	¥ 343,484	\$ 2,601,151	\$ 3,240,415

(b) Long-term debt comprised the following:

	Japanese Yen (million) March 31		U.S. Dollars (thousand) March 31	
	FY 2000	FY 1999	FY 2000	FY 1999
2.55 per cent. bonds due September, 2001	¥ 10,000	¥ 10,000	\$ 94,340	\$ 94,340
2.9 per cent. bonds due September, 2002	10,000	10,000	94,340	94,340
1.6 per cent. bonds due August, 2004	20,000	-	188,679	-
2.03 per cent. bonds due August, 2006	10,000	-	94,340	-
2.1 per cent. convertible bonds due March, 2002	1,443	1,443	13,613	13,613
1.6 per cent. convertible bonds due March, 2001	9,969	9,969	94,047	94,047
1.6 per cent. convertible bonds due March, 2004	9,969	9,969	94,047	94,047
Bonds, due 2000-2005	53,911	52,800	508,594	498,113
Loans from Japanese banks	111,652	74,242	1,053,321	700,397
Loans from Japanese insurance companies	72,243	88,812	681,538	837,849
Loans from other financial institutions	4,486	27,265	42,320	257,217
	¥ 313,673	¥ 284,500	\$ 2,959,179	\$ 2,683,963
Less: Current portion of long-term debt	53,064	32,451	500,604	306,142
	¥ 260,609	¥ 252,049	\$ 2,458,575	\$ 2,377,821

The 2.1 per cent. convertible bonds in the amount of ¥20,000 million due March 29, 2002, which were issued in Japan on December 24, 1986, are convertible into common stock at the option of the holders during the period from February 2, 1987 to March 28, 2002 at ¥906.7(\$8.554) per share, subject to adjustment in certain circumstances. The company has been restricted from paying dividends as stipulated in the debt covenant agreement until these convertible bonds are fully redeemed.

The 1.6 per cent. convertible bonds in the amount of ¥10,000 million due March 31, 2001, which were issued in Japan on March 31, 1989, are convertible into common stock at the option of the holders during the period from May 1, 1989 to March 29, 2001 at ¥1,865.7 (\$17.601) per share, subject to adjustment in certain circumstances.

The 1.6 per cent. convertible bonds in the amount of ¥10,000 million due March 31, 2004, which were issued in Japan on March 31, 1989, are convertible into common stock at the option of the holders during the period from May 1, 1989 to March 30, 2004 at ¥1,865.7 (\$17.601) per share, subject to adjustment in certain circumstances.

The overseas-consolidated subsidiary issued bonds, due 2000-2005, partly at a fixed interest rate, partly at an interest rate linked to the actual London inter-bank offered rate.

The aggregate annual maturities of long-term debt (including current portion) subsequent to March 31, 2000 were as follows:

Year ended March 31,	Japanese Yen (million)	U.S. Dollars (thousand)
2001	¥ 53,064	\$ 500,604
2002	46,628	439,887
2003	67,951	641,047
2004	70,514	665,226
2005 and thereafter	75,516	712,415
	¥ 313,673	\$ 2,959,179

As is customary in Japan, long-term and short-term bank loans are made under general agreements, which provide that additional security and guarantees for present and future indebtedness will be given under certain circumstances at the request of banks and that any collateral so furnished will be applicable to all indebtedness due to banks.

In addition, the agreements provide that banks has the right to offset cash deposited against any long-term and short-term debt that becomes due and, in case of default and certain other specified events, against all other debts payable to banks. Such rights have never been exercised by banks against the Parent company or its consolidated subsidiaries.

7. Pledged assets

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

	Japanese Yen (million) March 31		U.S. Dollars (thousand) March 31	
	FY 2000	FY 1999	FY 2000	FY 1999
ASSETS PLEDGED AS COLLATERAL:				
Land*	¥ 18,071	¥ 16,216	\$ 170,481	\$ 152,981
Buildings	41,216	42,990	388,830	405,566
Machinery and equipment	1,434	1,520	13,529	14,340
Long-term loans receivable (Real estate convertible loan)	26,012	26,305	245,396	248,160
	¥ 86,733	¥ 87,031	\$ 818,236	\$ 821,047
LIABILITIES SECURED THEREBY:				
Current portion of long-term debt	¥ 1,169	¥ 1,169	\$ 11,028	\$ 11,028
Long-term debt	¥ 16,727	¥ 17,896	\$ 157,802	\$ 168,830
Long-term debt of Sanyu Building Corporation	¥ 277	¥ 320	\$ 2,613	\$ 3,019

* Obayashi Real Estate, Ltd. pledged its land in the amount of ¥277 million (\$2,613 thousand) to secure the long-term debt of Sanyu Building Corporation.

8. Accrued severance indemnities and pension expenses

Provision for severance indemnities and pension expenses for the respective years were as follows:

	Japanese Yen (million) March 31		U.S. Dollars (thousand) March 31	
	FY 2000	FY 1999	FY 2000	FY 1999
Employees	¥ 14,018	¥ 12,872	\$ 132,245	\$ 121,434
Directors and corporate auditors	356	404	3,358	3,811

9. Income taxes

Income taxes applicable to the Company and its domestic subsidiaries comprised corporation tax, inhabitants' taxes and enterprise tax which, in the aggregate, resulted in statutory tax rates of approximately 41% and 46% for 2000 and 1999, respectively. Income taxes of the foreign subsidiaries are based generally on the tax rates applicable in their countries of incorporation.

The major components of deferred tax assets and liabilities as of March 31, 2000 are summarized as follows:

	Japanese Yen (million)	U.S. Dollars (thousand)
Deferred tax assets:		
Allowance for doubtful receivables	¥ 6,476	\$ 61,094
Loss on revaluation of real estate for sale	5,566	52,509
Accrued severance indemnities	3,514	33,151
Intercompany unrealized profits on sale of property and equipment	1,937	18,274
Allowances for employees' bonuses	2,185	20,613
Intercompany unrealized profits on inventories	1,604	15,132
Reserve for land revaluation	1,350	12,736
Accrued enterprise tax	1,183	11,160
Other	7,987	75,350
	¥ 31,802	\$ 300,019
Valuation allowance	(677)	(6,387)
Total deferred tax assets	¥ 31,125	\$ 293,632
Deferred tax liabilities:		
Reserve for land revaluation	¥ (4,200)	\$ (39,622)
Deferred gain with respect to property	(169)	(1,594)
Other	(101)	(954)
Total deferred tax liabilities	¥ (4,470)	\$ (42,170)
Net deferred tax assets	¥ 26,655	\$ 251,462

Reconciliation between the statutory tax rate and the effective tax rate as a percentage of income before income taxes for the year ended March 31, 2000 is summarized as follows:

Statutory income tax rate	41.9%
Reconciliation:	
Permanent non-deductible items	16.7
Permanent non-recognized income	(8.3)
Inhabitants' per capital taxes and other	2.8
Other	2.0
Effective income tax rate	55.1%

10. Supplementary Cash Flow Information

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

Year ended March 31,	Japanese Yen (million)		U.S. Dollars (thousand)	
	FY2000		FY2000	
Cash and bank deposits	¥ 97,198		\$ 916,962	
Time deposits with a maturity of more than three months	(454)		(4,283)	
Cash and cash equivalents	96,744		912,679	

11. Shareholders' equity and per share data

The Japanese Commercial Code provides that an amount equivalent to at least 10 per cent. of all appropriation of retained earnings, including dividends and bonuses to directors and corporate auditors, paid with respect to each fiscal year, be appropriated to a legal reserve until such reserve equals 25 per cent. of stated capital.

Semi-annual cash dividends are declared by the Board of Directors after the end of each interim six-month period. Such dividends are payable to shareholders of record at the end of the relevant interim six-month period.

The Japanese Commercial Code also provides that neither additional paid-in capital nor the legal reserve are available for each dividends, but may be used to reduce a capital deficit by a resolution of a shareholders' meeting or may be capitalized by a resolution of the Board of Directors.

The computation of net income per share assuming no dilution is based on the weighted average number of shares of common stock outstanding during each year.

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

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

The number of shares used in computing net income per share assuming no dilution and full dilution for the years ended March 31, 2000 and 1999 were as follows:

Year ended March 31,	FY2000	FY1999	(thousand)
Assuming no dilution	745,167	745,169	
Assuming full dilution	745,167	748,379	

12. Segment Information

(a) Business Segments

The Company and its consolidated subsidiaries are primarily engaged in the following three major industry segments:

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

Year ended March 31, 2000	Japanese Yen (million)					Consolidated
	Construction	Real estate	Others	Total	Adjustments and Eliminations	
Revenues:						
From outside customers	1,074,009	50,574	7,445	1,132,028	-	1,132,028
Intersegment	7,914	4,522	3,729	16,165	(16,165)	-
Total	1,081,923	55,096	11,174	1,148,193	(16,165)	1,132,028
Operating expenses	1,056,253	52,666	10,476	1,119,395	(16,169)	1,103,226
Operating income	25,670	2,430	698	28,798	4	28,802
Total Assets	1,472,366	478,563	133,180	2,084,109	(23,174)	2,060,935
Depreciation	8,459	6,161	275	14,895	-	14,895
Capital expenditures	5,232	8,209	33	13,474	-	13,474

Year ended March 31, 1999	Japanese Yen (million)				Consolidated
	Construction	Real estate and others	Total	Adjustments and Eliminations	
Revenues:					
From outside customers	1,338,206	41,634	1,379,840	-	1,379,840
Intersegment	6,590	4,660	11,250	(11,250)	-
Total	1,344,796	46,294	1,391,090	(11,250)	1,379,840
Operating expenses	1,282,649	50,984	1,333,633	10,486	1,344,119
Operating income (loss)	62,147	(4,690)	57,457	(21,736)	35,721
Total Assets	1,125,069	688,177	1,813,246	257,223	2,070,469
Depreciation	6,131	6,802	12,933	287	13,220
Capital expenditures	10,120	7,698	17,818	334	18,152

Year ended March 31, 2000	U.S. Dollars (thousand)					Consolidated
	Construction	Real estate	Others	Total	Adjustments and Eliminations	
Revenues:						
From outside customers	10,132,160	477,113	70,236	10,679,509	-	10,679,509
Intersegment	74,660	42,661	35,179	152,500	(152,500)	-
Total	10,206,820	519,774	105,415	10,832,009	(152,500)	10,679,509
Operating expenses	9,964,651	496,849	98,830	10,560,330	(152,538)	10,407,792
Operating income	242,169	22,925	6,585	271,679	38	271,717
Total Assets	13,890,246	4,514,745	1,256,415	19,661,406	(218,623)	19,442,783
Depreciation	79,802	58,123	2,594	140,519	-	140,519
Capital expenditures	49,359	77,443	311	127,113	-	127,113

Year ended March 31, 1999	U.S. Dollars (thousand)				
	Construction	Real estate and others	Total	Adjustments and Eliminations	Consolidated
Revenues:					
From outside customers	12,624,584	392,774	13,017,358	-	13,017,358
Intersegment	62,170	43,962	106,132	(106,132)	-
Total	12,686,754	436,736	13,123,490	(106,132)	13,017,358
Operating expenses	12,100,462	480,981	12,581,443	98,924	12,680,367
Operating income (loss)	586,292	(44,245)	542,047	(205,056)	336,991
Total Assets	10,613,858	6,492,236	17,106,094	2,426,632	19,532,726
Depreciation	57,839	64,170	122,009	2,708	124,717
Capital expenditures	95,472	72,622	168,094	3,151	171,245

Change in business segments

Change in the presentation of segments

In connection with the increase of consolidated subsidiaries resulting from a change of accounting standards for consolidation, the Company and its consolidated subsidiaries have changed the criteria of business segments to reflect more accurately their actual business by dividing the former real estate and other segment into the two segments: real estate segment and other segment whose components described above.

With reference to the real estate segment, the effect of this change decreased revenues by ¥9,978 million (\$94,132 thousand), operating expenses by ¥9,280 million (\$87,547 thousand), total assets by ¥117,496 million (\$1,108,453 thousand), depreciation by ¥257 million (\$2,594 thousand) and capital expenditures by ¥32 million (\$302 thousand), respectively for the year ended or as of March 31, 2000 from the amounts which would have been presented by the segments in the prior year.

Change in the method of allocation of operating expenses

Effective the year ended March 31, 2000, the Company and its consolidated subsidiaries have changed to allocate all operating expenses to each segment. In the previous year, certain portion of administrative expenses incurred principally in the control divisions such as the General Affairs Department, etc. were treated as unallocated operating expenses. This change was made to disclose more appropriately financial information by segment as a result of analysis of operating expenses and allocation standards.

The effect of this change was to increase operating expenses in the Construction segment and the Real estate segment by ¥15,596 million (\$147,132 thousand) and ¥805 million (\$7,594 thousand), respectively from the amounts which would have been recorded under the method followed in the previous year.

Change in the method of allocation of total assets

Effective the year ended March 31, 2000, the Company and its consolidated subsidiaries have changed to allocate all total assets to each segment. In the previous year, certain portion of total assets were treated as unallocable assets to each segment such as the Company's surplus fund (marketable securities) and long-term investment fund (investment securities) and assets in the control divisions. This change was made to disclose more appropriately financial information by segment as a result of analysis of total assets and allocation standards.

The effect of this change was to increase total assets, depreciation and capital expenditures in the Construction segment by ¥251,928 million (\$2,376,679 thousand), ¥277 million (\$2,613 thousand) and ¥231 million (\$2,179 thousand), and to increase total assets, depreciation and capital expenditures in the Real estate segment by ¥8,027 million (\$75,726 thousand), ¥15 million (\$142 thousand) and ¥14 million (\$132 thousand), respectively, from the amounts which would have been recorded under the method followed in the previous year.

(b) Geographic Segments

Information by geographic segments is not presented as domestic sales and assets exceeded 90 per cent. of all segments for the years ended March 31, 2000 and 1999.

(c) Sales by region

Information on sales by region for the year ended March 31, 2000 is not presented as domestic sales exceeded 90 per cent. of revenues, and that for the year ended March, 1999 was as follows:

	Japanese Yen (million)		U.S. Dollars (thousand)	
		FY 1999		FY 1999
Japan	¥	1,195,868	\$	11,281,774
United States		52,723		497,387
Australia		66,484		627,207
Others		64,765		610,990
Total	¥	1,379,840	\$	13,017,358

13. Derivative and Hedging Activities

The Company and its subsidiaries primarily utilize forward foreign exchange, interest rate swap and currency swap contracts to hedge their exposure to fluctuations of foreign exchange and interest rate arising from operating receivables and payables. As a matter of policy, the Company and its subsidiaries do not speculate nor seek short-term margins in derivative transactions, which may have any huge fluctuations of their market values. The derivative transactions utilized by the Company and its subsidiaries offset the risks inherent in operating assets and liabilities. In addition, the Company and its subsidiaries do not anticipate credit risk resulting from non-performance by any of the counterparties because all such counterparties are financial institutions with high credit ratings. The Company and its subsidiaries have principally their internal rules for the derivative transactions, under which the status of such transactions are reported to the Board of Directors in a regular basis. The contracted amounts of the derivative transactions do not represent the market risks, which may be charged to the Company and its subsidiaries.

Year ended March, 2000	Japanese Yen (million)				U.S. Dollars (thousand)			
	Contract/notional amount		Fair value	Unrealized gain	Contract/notional amount		Fair value	Unrealized gain
	Total	Due after one year			Total	Due after one year		
(a) Currency related:								
Forward exchange contracts:								
Bought								
U.S. dollars	¥ 287	¥ -	¥ 287	¥ 0	\$ 2,708	\$ -	\$ 2,708	\$ 1
Total	¥ 287	¥ -	¥ 287	¥ 0	\$ 2,708	\$ -	\$ 2,708	\$ 1
(b) Interest related:								
Interest rate swap transactions:								
Receive-fix/pay-float	¥ 52,900	¥ 46,200	¥ 2,502	¥ 2,502	\$ 499,057	\$ 435,849	\$ 23,604	\$ 23,604
Receive-float/pay-fix	11,200	8,200	(334)	(334)	105,660	77,358	(3,151)	(3,151)
Receive-float/pay-float	10,300	9,000	(1)	(1)	97,170	84,906	(9)	(9)
Currency-interest rate swap transactions:								
Receive-fix/pay-float	¥ 5,000	¥ 2,000	¥ 316	¥ 316	\$ 47,170	\$ 18,868	\$ 2,981	\$ 2,981
Receive-float/pay-float	3,000	3,000	2	2	28,302	28,302	19	19
Receive-fix/pay-fix	1,000	-	(22)	(22)	9,434	-	(208)	(208)
Interest cap transactions:								
Bought	¥ 250	¥ -	¥ 0	¥ 0	\$ 2,358	\$ -	\$ 0	\$ (7)
Total	¥ 83,650	¥ 68,400	¥ 2,463	¥ 2,463	\$ 789,151	\$ 645,283	\$ 23,236	\$ 23,229

14. Commitments and contingent liabilities

(a) Contingent liabilities

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

	Japanese Yen (million)		U.S. Dollars (thousand)	
	March 31		March 31	
	FY 2000	FY 1999	FY 2000	FY 1999
Trade notes receivable endorsed	¥ 47	¥ -	\$ 443	\$ -
Guarantees of long-term debt of customers and affiliates*	2,617	8,847	24,689	83,462
Commitments of guarantees for short-term and long-term debt of customers and affiliates*	1,998	37,279	18,849	351,689

* Guarantees and commitments of unconsolidated subsidiaries were presented only for the year ended March 31, 1999 because all unconsolidated subsidiaries have been consolidated for the year ended March 31, 2000 and contingent liabilities related to those subsidiaries became liabilities on consolidation.

(b) Commitments

Future minimum lease payments (including the interest portion thereon) subsequent to March 31, 2000 and 1999 for finance lease transactions accounted for as operating leases, except for lease agreements which stipulate the transfer of ownership of the leased property to the Company and its subsidiaries, are summarized as follows:

	Japanese Yen (million)		U.S. Dollars (thousand)	
	March 31		March 31	
	FY 2000	FY 1999	FY 2000	FY 1999
Finance lease with no ownership transaction:				
Due within one year	¥ 1,519	¥ 1,439	\$ 14,330	\$ 13,575
Due after one year	2,086	2,822	19,679	26,623
Total future payments	¥ 3,605	¥ 4,261	\$ 34,009	\$ 40,198
Operating lease:				
Due within one year	¥ 34	¥ 31	\$ 321	\$ 292
Due after one year	38	43	358	406
Total future payments	¥ 72	¥ 74	\$ 679	\$ 698

15. Subsequent event

On June 29, 2000, 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	¥ 2,981	\$ 28,123
Bonuses to directors	180	1,698

Report of the Independent Public Accountants



■ Certified Public Accountants ■ Phone: 03 2303-1100
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Chiyoda-ku, Tokyo 100-8011
C.P.O. Box 1176, Tokyo 100-0641

The Board of Directors OBAYASHI CORPORATION

We have audited the consolidated balance sheets of OBAYASHI CORPORATION and consolidated subsidiaries as of March 31, 2000 and 1999 and the related consolidated statements of income, shareholders' equity and cash flows for the years then ended, expressed in Japanese yen. Our audits were made in accordance with auditing standards, procedures and practices generally accepted and applied in Japan and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the accompanying consolidated financial statements, expressed in yen, present fairly the consolidated financial position of OBAYASHI CORPORATION and consolidated subsidiaries at March 31, 2000 and 1999 and the consolidated results of their operations and their cash flows for the years then ended, in conformity with accounting principles and practices generally accepted in Japan consistently applied during the period except for the changes, with which we concur, in the presentation of segments, in the method of allocation to segments of operating expenses and in the method of allocation to segments of total assets as described in Note 12 to the consolidated financial statements.

As described in Note 2 to the consolidated financial statements, OBAYASHI CORPORATION and consolidated subsidiaries have adopted new accounting standards for consolidation and tax-effect accounting in the preparation of their consolidated financial statements for the year ended March 31, 2000.

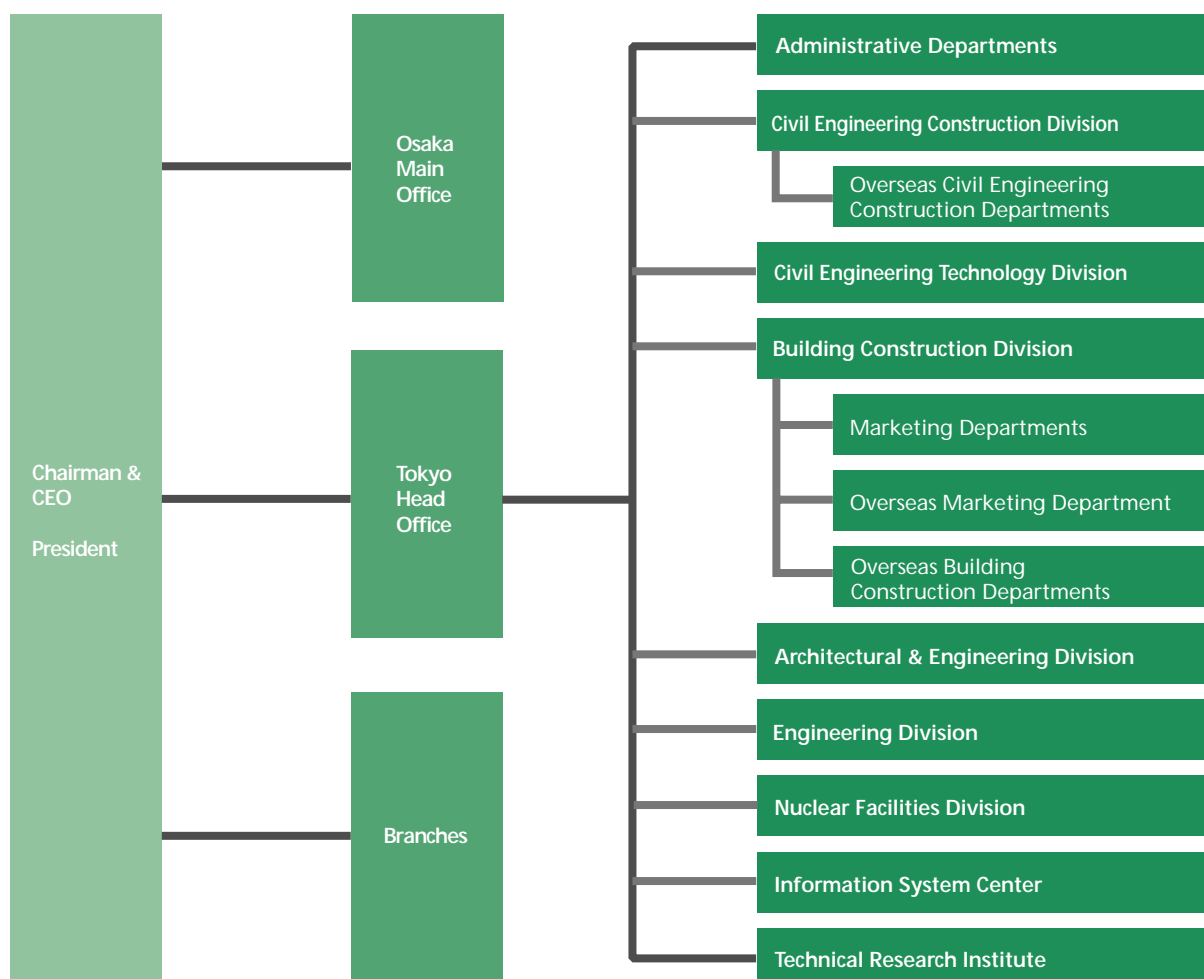
The U.S. dollar amounts in the accompanying consolidated financial statements are presented solely for convenience. Our audit also included the translation of yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 3 to the consolidated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

Century Ota Showa & Co.

June 30, 2000

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

ORGANIZATION CHART/CORPORATE DATA



As of March 31, 2000

HEAD OFFICE

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Minato-ku, Tokyo 108-8502, Japan
TEL: 81-3-5769-1111
FAX : 81-3-5769-1910
URL : <http://www.obayashi.co.jp/>

Founded: January 25, 1892
Established: December 19, 1936
Paid-In Capital: ¥57,752,171,493
Authorized Shares: 1,248,000,000
Shares Issued: 745,173,544
Number of Employees: 11,261
Number of Shareholders: 77,130
General Meeting of Shareholders: Late June
Transfer Agent: Toyo Trust Bank, Co., Ltd.
Listing: Five stock exchanges: Tokyo, Osaka, Nagoya, Fukuoka, and Kyoto

Major Shareholders

Shareholders	Holding Shares	
	Shares Held (Thousands)	Percentage of Total
Yoshiro Obayashi	64,679	8.68
Nippon Life Insurance Company	33,143	4.45
The Sanwa Bank, Limited.	30,628	4.11
The Sumitomo Trust and Banking Co., Ltd. (Trust Account)	21,307	2.86
Hakuyo-Kai	19,886	2.67
The Mitsubishi Trust and Banking Corporation (Trust Account)	14,547	1.95
Nippon Life Insurance Company (Special Account)	14,495	1.95
The Sakura Bank, Limited.	13,374	1.79
Obayashi Employee Share-Holding Association	11,617	1.56
The Chuo Trust and Banking Co., Ltd. (Trust Account)	10,954	1.47

