

OBAYASHI CORPORATION

CONSOLIDATED FINANCIAL STATEMENTS 2003



Certified Public Accountants
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Independent Auditors' Report

The Board of Directors
OBAYASHI CORPORATION

We have audited the accompanying consolidated balance sheets of OBAYASHI CORPORATION and consolidated subsidiaries as of March 31, 2003 and 2002, and the related consolidated statements of operations, shareholders' equity, and cash flows for the years then ended, all expressed in yen. These financial statements are the responsibility of the Company's management. Our responsibility is to independently express an opinion on these financial statements based on our audits.

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

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of OBAYASHI CORPORATION and consolidated subsidiaries at March 31, 2003 and 2002, 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.

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2003 and 2002 are presented solely for convenience. Our audit also included the translation of yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 3 to the consolidated financial statements.

Shin Nihon & Co.

A handwritten signature in cursive script that reads "Shin Nihon & Co." is positioned to the right of the printed name.

June 30, 2003

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

Consolidated Balance Sheets

OBUYASHI CORPORATION March 31, 2003 and 2002

ASSETS

	Japanese Yen (million)		U.S. Dollars (thousand)	
	FY 2003	FY 2002	FY 2003	FY 2002
CURRENT ASSETS:				
Cash and deposits (Notes 2, 7 and 10).....	¥ 108,039	¥ 87,730	\$ 898,826	\$ 729,869
Notes and accounts receivable, trade.....	334,748	355,025	2,784,922	2,953,616
Marketable securities(Notes 2 and 4).....	10,370	28,599	86,273	237,926
Inventories(Notes 2 and 5).....	551,805	616,663	4,590,723	5,130,307
Other current assets(Notes 2, 7 and 9).....	205,255	152,051	1,707,620	1,264,986
Allowance for doubtful receivables(Note 2).....	(1,405)	(1,557)	(11,690)	(12,953)
Total current assets.....	1,208,812	1,238,511	10,056,674	10,303,751
PROPERTY AND EQUIPMENT (Notes 2 and 7):				
Land.....	257,534	262,908	2,142,548	2,187,256
Buildings.....	218,326	223,377	1,816,355	1,858,378
Machinery and equipment.....	74,397	77,084	618,945	641,294
Construction in progress.....	1,807	3,635	15,034	30,243
Accumulated depreciation.....	(170,084)	(167,173)	(1,415,008)	(1,390,791)
Net property and equipment.....	381,980	399,831	3,177,874	3,326,380
INVESTMENTS AND OTHER ASSETS:				
Investment securities(Notes 2 and 4).....	238,008	308,443	1,980,097	2,566,080
Investments in affiliates(Notes 1 and 4).....	6,869	7,039	57,150	58,562
Long-term loans receivable(Note 7).....	33,152	36,760	275,809	305,824
Other(Notes 2 and 9).....	85,930	83,491	714,891	694,606
Allowance for doubtful receivables(Note 2).....	(6,173)	(29,421)	(51,363)	(244,770)
Total investments and other assets.....	357,786	406,312	2,976,584	3,380,302
TOTAL ASSETS	¥ 1,948,578	¥ 2,044,654	\$ 16,211,132	\$ 17,010,433

LIABILITIES AND SHAREHOLDERS' EQUITY

	Japanese Yen (million)		U.S. Dollars (thousand)	
	FY 2003	FY 2002	FY 2003	FY 2002
CURRENT LIABILITIES:				
Short-term borrowings (Note 6).....	¥ 208,872	¥ 214,672	\$ 1,737,700	\$ 1,785,960
Current portion of long-term debt (Notes 6 and 7).....	93,940	76,081	781,538	632,956
Current portion of PFI project finance loan (Note 6).....	357	-	2,967	-
Commercial paper (Note 6).....	10,000	-	83,195	-
Notes and accounts payable, trade.....	496,530	496,954	4,130,862	4,134,389
Accrued income taxes.....	434	3,306	3,610	27,506
Advances received.....	426,131	467,849	3,545,184	3,892,247
Accrued expenses.....	15,557	17,965	129,423	149,462
Other current liabilities.....	168,353	170,534	1,400,611	1,418,747
Total current liabilities.....	1,420,174	1,447,361	11,815,090	12,041,267
LONG-TERM LIABILITIES:				
Long-term debt (Notes 6 and 7).....	117,028	174,199	973,608	1,449,242
PFI project finance loan (Note 6).....	10,725	-	89,229	-
Reserve for retirement benefits (Notes 2 and 8).....	66,298	70,502	551,561	586,543
Reserve for losses on real estate business (Note 2).....	2,225	1,715	18,511	14,268
Other long-term liabilities (Notes 2 and 9).....	58,882	46,745	489,868	388,893
Total long-term liabilities.....	255,158	293,161	2,122,777	2,438,946
MINORITY INTERESTS	12,886	13,772	107,212	114,580
COMMITMENTS AND CONTINGENT LIABILITIES (Notes 2 and 14)				
SHAREHOLDERS' EQUITY:				
Common stock (Note 11):				
Authorized; 1,224,335,000 Shares				
Issued; 721,509,646 shares (2003) and				
721,509,646 shares (2002).....	57,753	57,753	480,471	480,471
Additional paid-in capital (Note 11).....	41,695	41,695	346,875	346,875
Retained earnings(Notes 2 and 11).....	92,225	114,681	767,269	954,088
Reserve for land revaluation(Note 2).....	33,332	12,015	277,301	99,961
Unrealized holding gains on securities(Note 2).....	37,116	65,385	308,788	543,972
Foreign exchange translation adjustment.....	(1,314)	(877)	(10,935)	(7,298)
Treasury stock at cost:				
31,083 shares in 2003 and				
446,723 shares in 2002.....	(447)	(292)	(3,716)	(2,429)
Total shareholders' equity.....	260,360	290,360	2,166,053	2,415,640
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	¥ 1,948,578	¥ 2,044,654	\$ 16,211,132	\$ 17,010,433

The accompanying notes to the consolidated financial statements are an integral part of these statements.
U.S. Dollar amounts are translated from yen, for convenience only, at the rate of US\$1=¥120.20.

Consolidated Statements of Operations

OBAYASHI CORPORATION For the years ended March 31, 2003 and 2002

	Japanese Yen (million)		U.S. Dollars (thousand)	
	FY 2003	FY 2002	FY 2003	FY 2002
REVENUES (Notes 2 and 12):.....	¥ 1,341,004	¥ 1,403,671	\$ 11,156,437	\$ 11,677,799
COST OF SALES (Note 2):.....	1,232,115	1,303,802	10,250,535	10,846,935
Gross profit:.....	108,889	99,869	905,902	830,864
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES (Note 2):.....	80,398	82,247	668,866	684,254
Operating income:.....	28,491	17,622	237,036	146,610
OTHER INCOME(EXPENSES):				
Interest and dividend income:.....	4,323	5,087	35,970	42,322
Interest expenses:.....	(4,801)	(5,411)	(39,944)	(45,018)
Equity in earnings of affiliates:.....	449	682	3,733	5,670
Loss on revaluation of real estate business and other(Note 2):.....	-	(134,226)	-	(1,116,687)
Other, net:.....	(16,623)	2,333	(138,295)	19,408
Total:.....	(16,652)	(131,535)	(138,536)	(1,094,305)
INCOME (LOSS) BEFORE INCOME TAXES	11,839	(113,913)	98,500	(947,695)
INCOME TAXES (Notes 2 and 9):				
Current:.....	1,157	8,244	9,624	68,586
Deferred:.....	8,486	(47,726)	70,603	(397,056)
Total:.....	9,643	(39,482)	80,227	(328,470)
MINORITY INTERESTS	928	352	7,717	2,927
NET INCOME(LOSS)	¥ 3,124	¥ (74,079)	\$ 25,990	\$ (616,298)
PER SHARE DATA (Note 11):				
Net income (loss):				
Assuming no dilution:.....	¥ 4.27	¥ (102.43)	\$ 0.04	\$ (0.85)
Assuming full dilution:.....	4.27	(102.43)	0.04	(0.85)

The accompanying notes to the consolidated financial statements are an integral part of these statements.
U.S. Dollar amounts are translated from yen, for convenience only, at the rate of US\$1=¥120.20.

Consolidated Statements of Shareholders' Equity

OBAYASHI CORPORATION For the years ended March 31, 2003 and 2002

	Japanese Yen (million)		U.S. Dollars (thousand)	
	FY 2003	FY 2002	FY 2003	FY 2002
COMMON STOCK (Note 11):				
Balance at beginning of year.....	¥ 57,753	¥ 57,752	\$ 480,471	\$ 48,0467
Conversion of convertible bonds.....	-	1	-	4
Balance at end of year.....	¥ 57,753	¥ 57,753	\$ 480,471	\$ 480,471
ADDITIONAL PAID-IN CAPITAL (Note 11):				
Balance at beginning of year.....	¥ 41,695	¥ 41,694	\$ 346,875	\$ 346,871
Conversion of convertible bonds.....	-	1	-	4
Balance at end of year.....	¥ 41,695	¥ 41,695	\$ 346,875	\$ 346,875
RETAINED EARNINGS (Notes 2 and 11):				
Balance at beginning of year.....	¥114,681	¥ 205,521	\$ 954,088	\$ 1709,822
Cumulative effect of initial adoption of tax-effect accounting.....	-	33	-	277
Adjustment of newly consolidated subsidiaries and application of equity method.....	-	(302)	-	(2,509)
Net income (loss) for the year.....	3,124	(74,079)	25,990	(616,298)
Cash dividends paid.....	(5,038)	(5,797)	(41,910)	(48,230)
Bonuses to directors and corporate auditors.....	(41)	(208)	(344)	(1,731)
Reversal of reserve for land revaluation.....	(20,501)	(7,497)	(170,555)	(62,369)
Retirement of treasury stock.....	-	(2,990)	-	(24,874)
Balance at end of year.....	¥ 92,225	¥ 114,681	\$ 767,269	\$ 954,088
RESERVE FOR LAND REVALUATION (Note 2):				
Balance at beginning of year.....	¥ 12,015	¥ 4,326	\$ 99,961	\$ 35,992
Reversal of reserve for land revaluation.....	20,501	7,497	170,554	62,369
Effect of change in the statutory tax rate.....	816	192	6,786	1,600
Balance at end of year.....	¥ 33,332	¥ 12,015	\$ 277,301	\$ 99,961
UNREALIZED HOLDING GAINS ON SECURITIES (Note 2):				
Balance at beginning of year.....	¥ 65,385	¥ 97,600	\$ 543,972	\$ 811,980
Decrease.....	(28,269)	(32,215)	(235,184)	(268,008)
Balance at end of year.....	¥ 37,116	¥ 65,385	\$ 308,788	\$ 543,972
FOREIGN EXCHANGE TRANSLATION ADJUSTMENTS (Note 2):				
Balance at beginning of year.....	¥ (877)	¥ (1,569)	\$ (7,298)	\$ (13,054)
(Decrease) increase.....	(437)	692	(3,637)	5,756
Balance at end of year.....	¥ (1,314)	¥ (877)	\$ (10,935)	\$ (7,298)
TREASURY STOCK (Note 2):				
Balance at beginning of year.....	¥ (292)	¥ (2)	\$ (2,429)	\$ (19)
Purchase of treasury stock held by the company.....	(155)	(3,060)	(1,287)	(25,454)
Purchase of treasury stock held by subsidiaries.....	-	(261)	-	(2,170)
Retirement.....	-	2,990	-	24,874
Sales of treasury stock.....	-	41	-	340
Balance at end of year.....	¥ (447)	¥ (292)	\$ (3,716)	\$ (2,429)

The accompanying notes to the consolidated financial statements are an integral part of these statements.
U.S. Dollar amounts are translated from yen, for convenience only, at the rate of US\$1=¥120.20.

Consolidated Statements of Cash Flows

OBAYASHI CORPORATION For the Year ended March 31, 2003 and 2002

	Japanese Yen (million)		U.S.Dollars (thousand)	
	FY 2003	FY 2002	FY 2003	FY 2002
OPERATING ACTIVITIES:				
Net income (loss).....	¥ 3,124	¥ (74,079)	\$ 25,991	\$ (616,298)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:				
Depreciation and amortization.....	11,780	14,772	98,005	122,897
Allowance for doubtful receivables.....	(23,430)	1,850	(194,922)	15,389
Reserve for retirement benefits.....	(4,231)	(4,330)	(35,196)	(36,024)
Sales and disposal of property, equipment and marketable and investment securities.....	(442)	(3,384)	(3,681)	(28,156)
Write down of marketable, investment and subsidiaries and affiliates securities.....	12,773	2,343	106,268	19,495
Loss on revaluation of real estate for sale.....	1,411	-	11,740	-
Loss on revaluation of golf club membership.....	-	0	-	0
Loss on revaluation of non-current assets.....	3,992	134,226	33,206	1,116,688
Deferred income taxes.....	8,487	(47,726)	70,604	(397,055)
Undistributed earnings of affiliate.....	(449)	(682)	(3,733)	(5,670)
Changes in assets and liabilities				
Trade receivables.....	45,882	(19,422)	381,715	(161,580)
Inventories.....	57,410	35,253	477,624	293,286
Other current assets.....	(50,182)	11,415	(417,488)	94,968
Trade payables.....	(808)	(14,547)	(6,719)	(121,027)
Accrued income taxes.....	(2,882)	(6,076)	(23,979)	(50,547)
Advances received.....	(41,667)	(36,014)	(346,651)	(299,613)
Accrued expenses.....	(2,409)	(693)	(20,039)	(5,762)
Other current liabilities.....	(9,021)	45,293	(75,047)	376,814
Other.....	7,734	(4,521)	64,335	(37,627)
Total adjustments.....	13,948	107,757	116,042	896,476
Net cash provided by operating activities.....	17,072	33,678	142,033	280,178
INVESTING ACTIVITIES:				
Purchases of marketable, investment and subsidiaries and affiliates securities.....	(8,607)	(9,361)	(71,605)	(77,876)
Proceeds from sales of marketable, investment and subsidiaries and affiliates securities.....	36,658	28,765	304,972	239,312
Proceeds from sales of property and equipment.....	5,430	681	45,174	5,663
Purchases of property and equipment.....	(5,450)	(8,347)	(45,341)	(69,446)
Proceeds from repayment of loans.....	6,952	4,849	57,836	40,337
Payment for loans receivables.....	(3,128)	(1,684)	(26,026)	(14,011)
Net proceeds from acquisition of subsidiaries (Note 10).....	67	4,323	554	35,966
Other.....	229	(14)	1,916	(110)
Net cash provided by investing activities.....	32,151	19,212	267,480	159,835
FINANCING ACTIVITIES:				
Proceeds from short-term and long-term debt.....	65,666	36,350	546,309	302,412
Commercial paper.....	10,000	-	83,195	-
Repayment of short-term and long-term debt.....	(88,948)	(65,539)	(740,001)	(545,251)
Proceeds from issue of bonds.....	10,000	-	83,195	-
Proceeds from PFI project finance loan debt.....	9,762	-	81,214	-
Redemption of bonds.....	(31,200)	(20,442)	(259,567)	(170,067)
Cash dividends.....	(5,047)	(5,797)	(41,990)	(48,230)
Purchase of treasury stock for retirement.....	-	(2,990)	-	(24,874)
Other.....	(151)	409	(1,255)	3,408
Net cash used in financing activities.....	(29,918)	(58,009)	(248,900)	(482,602)
Effect of exchange rate changes on cash and cash equivalents.....	306	707	2,543	5,885
Net increase (decrease) in cash and cash equivalents.....	19,611	(4,412)	163,156	(36,704)
Cash and cash equivalents at beginning of the year.....	86,885	90,854	722,833	755,853
Increase due to inclusion of new subsidiaries in consolidation.....	928	443	7,719	3,684
Cash and cash equivalents at end of the year (Notes 2 and 10).....	¥ 107,424	¥ 86,885	\$ 893,708	\$ 722,833
SUPPLEMENTAL INFORMATION OF CASH FLOWS:				
Cash paid during the year for:				
interest.....	¥ 4,988	¥ 5,464	\$ 41,498	\$ 45,455
income taxes.....	4,039	14,320	33,602	119,133

U.S. Dollar amounts are translated from yen, for convenience only, at the rate of US\$1=¥120.20.

Notes to Consolidated Financial Statements

OBAYASHI CORPORATION For the years ended March 31, 2003 and 2002

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 Financial Services Agency as required by the Securities and Exchange Law of Japan and include certain additional financial information for the convenience of readers outside Japan. Accordingly, the accompanying financial statements may differ in some material respects in presenting the 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.
- (b) The Parent Company had 60 subsidiaries as of March 31, 2003 (53 as of March 31, 2002). The Consolidated financial statements as of and for the years ended March 31, 2003 and 2002 included the accounts of the Parent Company and all subsidiaries (together "the Companies"). Investments in affiliated companies are accounted for by the equity method.

2. Summary of significant accounting policies

- (a) Recognition of revenues and related costs
Revenues from construction contracts and the related costs are recorded on a completed-contract basis, except for those related to large-scale contracts with long-term construction periods of more than 2 years and contracted amounts in excess of ¥5 billion which are recognized by the percentage-of-completion method.
- (b) Foreign currency translation
The balance sheet accounts of the foreign consolidated subsidiaries are translated into yen at the rates of exchange in effect at the balance sheet date, except for the components of shareholders' equity which are translated at their historical exchange rates. Revenue and expense accounts are translated at the rate of exchange in effect at the balance sheet date.
- (c) Cash and cash equivalents
All highly liquid investments, generally with a maturity of three months or less when purchased, which are readily convertible into known amounts of cash and are so near maturity that they represent only an insignificant risk of any change in value attributable to changes in interest rates, are considered cash equivalents.
- (d) Marketable securities and investment securities
Securities are classified into two categories: held-to-maturity and other securities. Held-to-maturity securities are carried at amortized cost. Marketable securities classified as other securities are carried at fair value with changes in unrealized holding gain or loss, net of the applicable income taxes, included directly in shareholders' equity. Non-marketable securities classified as other securities are carried at cost. Cost of securities sold is determined by the moving average method.
- (e) Inventories
Inventories other than materials and supplies are stated at cost as determined on a specific project basis. Materials and supplies are stated at cost as determined 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 over the estimated useful lives of the respective assets as follows:
Buildings 3 - 50 years
Machinery and equipment 3 - 15 years
- (g) Reserve for retirement benefits
Reserve for retirement benefits for employees is provided mainly at an amount calculated based on the retirement benefit obligation and the fair value of the pension plan assets, as adjusted for unrecognized actuarial gain or loss. Actuarial gain or loss is attributed to each period by the straight-line method over mainly 10 years.
- (h) Income taxes
The Company and its consolidated subsidiaries apply deferred tax accounting for income taxes which requires recognition of income taxes by the asset/liability method. Under the asset/liability method, deferred tax assets and liabilities are determined based on the difference between financial reporting basis and the tax basis of the assets and liabilities and are measured using the enacted tax rates and laws which will be in effect when the differences are expected to reverse.
- (i) Appropriations of retained earnings
Appropriations of retained earnings are accounted for and reflected in the accompanying consolidated financial statements when approved by the shareholders.
- (j) Allowance for doubtful receivables
The allowance for doubtful receivables has been provided based on the Company's and its subsidiaries' historical experience with respect to write-offs and based on an estimate of the amount of specific uncollectible accounts.
- (k) Lease
Finance leases other than those which are deemed to transfer the ownership of leased property to lessees are accounted for in the same manner as operating leases.
- (l) Land revaluation
Pursuant to the "Law Concerning the Revaluation of Land", land used for the business operations was revalued on March 31, 2000. The excess of the revalued carrying amount over the book value before revaluation has been included in shareholders' equity as reserve for land revaluation. The revaluation of the land was determined based on the official standard notice prices in accordance with Article 2, paragraph 1 of the "Enforcement Ordinance Concerning Land Revaluation" and the appraisal value made by the certified real estate appraisers in accordance with Article 2, paragraph 5 of the same Ordinance with certain necessary adjustments. The excess of the revalued carrying amount over the market value at March 31, 2003, was ¥13,671 million (\$133,735 thousand).
- (m) Derivative financial instruments
The Company and certain consolidated subsidiaries have entered into various derivative transactions in order to manage certain risks arising from adverse fluctuations in foreign currency exchange rates and interest rates. Derivative financial instruments are carried at fair value with changes in unrealized gain or loss charged or credited to operations, except for those which meet the criteria for deferral hedge accounting under which unrealized gain or loss is deferred as an asset or a liability. Receivables and payables hedged by qualified forward foreign exchange contracts are translated at the corresponding foreign exchange contract rates. As for interest rate swaps, used for converting receipts or payments of interest on a liability, if principal terms of the interest rate swaps such as notional amount, index of interest rates, date and interval of interest payments, contract period are essentially the same as those of the hedged liability, such interest rate swaps may not be measured at fair value, but the related interests may be adjusted to the interests on the hedged liabilities on an accrual basis.

(n) Reserve for losses on real estate business

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

(o) Accounting Standard for Treasury Stocks and Reclassification of Legal Reserves

Effective April 1, 2002, the Company applied "Accounting Standard for Treasury Stocks and Reclassification of Legal Reserves." The adoption of the new standard, however, did not have an effect on the operations of the Company for the year ended March 31, 2003. In addition, the Company initially applied the revised Regulations Concerning Terminology, Forms and Preparation Methods of the Financial Statements and changed the format of the equity section on the balance sheet.

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 ¥120.20=\$1, the approximate exchange rate prevailing on March 31, 2003.

4. Securities

(a) Information regarding marketable securities classified as held-to-maturity debt securities and other securities as of March 31, 2003 and 2002 is as follows;

Marketable held-to-maturity debt securities

Year ended March 31, 2003

	Japanese Yen (million)			U.S. Dollars (thousand)		
	Carrying value	Estimated fair value	Unrealized gain	Carrying value	Estimated fair value	Unrealized gain
Securities whose fair value exceeds their carrying value:						
Government bonds, Municipal bonds	¥ 20	¥ 40	¥ 0	\$ 166	\$ 166	\$ 0
Others	369	378	9	3,069	3,146	77
Total	¥ 389	¥ 398	¥ 9	\$ 3,235	\$ 3,312	\$ 77

Year ended March 31, 2002

	Japanese Yen (million)			U.S. Dollars (thousand)		
	Carrying value	Estimated fair value	Unrealized gain	Carrying value	Estimated fair value	Unrealized gain
Securities whose fair value exceeds their carrying value:						
Government bonds, Municipal bonds	¥ 40	¥ 40	¥ 0	\$ 333	\$ 335	\$ 2
Others	489	515	26	4,046	4,278	214
Total	¥ 529	¥ 555	¥ 26	\$ 4,397	\$ 4,613	\$ 216

Marketable other securities

Year ended March 31, 2003

	Japanese Yen (million)			U.S. Dollars (thousand)		
	Acquisition cost	Carrying value	Unrealized gain(loss)	Acquisition cost	Carrying value	Unrealized gain(loss)
Securities whose carrying value exceeds their acquisition cost:						
Stock	¥ 73,841	¥ 148,724	¥ 74,883	\$ 614,322	\$ 1,237,307	\$ 622,985
Other	21	44	23	173	362	189
Subtotal	¥ 73,862	¥ 148,768	¥ 74,906	\$ 614,495	\$ 1,237,669	\$ 623,174
Securities whose acquisition cost exceeds their fair value :						
Stock	¥ 71,957	¥ 59,389	¥ (12,568)	\$ 598,641	\$ 494,084	\$ (104,557)
Subtotal	¥ 71,957	¥ 59,389	¥ (12,568)	\$ 598,641	\$ 494,084	\$ (104,557)
Total	¥ 145,819	¥ 208,157	¥ 62,338	\$ 1,213,136	\$ 1,731,753	\$ 518,617

Year ended March 31, 2002

	Japanese Yen (million)			U.S. Dollars (thousand)		
	Acquisition cost	Carrying value	Unrealized gain(loss)	Acquisition cost	Carrying value	Unrealized gain(loss)
Securities whose carrying value exceeds their acquisition cost:						
Stock	¥ 132,815	¥ 250,586	¥ 117,770	\$ 1,104,951	\$ 2,084,738	\$ 979,787
Other	11	39	29	89	327	238
Subtotal	¥ 132,826	¥ 250,625	¥ 117,799	\$ 1,105,040	\$ 2,085,065	\$ 980,025
Securities whose acquisition cost exceeds their fair value :						
Stock	¥ 25,157	¥ 19,976	¥ (5,181)	\$ 209,289	\$ 166,186	\$ (43,103)
Subtotal	25,157	19,976	(5,181)	209,289	166,186	(43,103)
Total	¥ 157,983	¥ 270,601	¥ 112,618	\$ 1,314,329	\$ 2,251,251	\$ 936,922

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

Year ended March 31, 2003	Japanese Yen (million)			U.S. Dollars (thousand)		
	Acquisition cost	Sales value	Profit or loss	Acquisition cost	Sales value	Profit or loss
Government bonds.....	¥ 10	¥ 10	¥ 0	\$ 81	\$ 82	\$ 1

The above bond was sold due to the dissolution of Nakano Estate Corporation on July 31, 2002.

(c) Sales of securities classified as other securities

	Japanese Yen (million) March 31		U.S. Dollars (thousand) March 31	
	FY 2003	FY 2002	FY 2003	FY 2002
Sales.....	¥ 6,198	¥ 13,360	\$ 51,565	\$ 100,264
Aggregate gain.....	¥ 3,090	¥ 5,892	\$ 25,706	\$ 44,216
Aggregate loss.....	¥ 171	¥ 967	\$ 1,426	\$ 7,257

(d) In addition to the securities above, the Company held investment securities with no market value available at March 31, 2003 and 2002 as follows:

Year ended March 31, 2003	Japanese Yen (million)		U.S. Dollars (thousand)	
	Carrying value		Carrying value	
Securities held to maturity				
Non-listed foreign bonds.....	¥ 18,001		\$ 149,760	
Other securities				
Non-listed stocks.....	14,331		119,225	
Preferred equity securities.....	7,500		62,396	

Year ended March 31, 2002	Japanese Yen (million)		U.S. Dollars (thousand)	
	Carrying value		Carrying value	
Securities held to maturity				
Non-listed foreign bonds.....	¥ 48,598		\$ 404,309	
Other securities				
Non-listed stocks.....	11,814		98,287	
Preferred equity securities.....	5,500		45,757	

(e) The redemption schedule for securities with maturity dates classified as other securities and held-to-maturity debt securities as of March 31, 2003 and 2002 is summarized as follows:

Year ended March 31, 2003	Japanese Yen (million)		U.S. Dollars (thousand)	
	Due in one year or less	Due after one year through five years	Due in one year or less	Due after one year through five years
Government bonds.....	¥ 1	¥ 30	\$ 10	\$ 249
Other debt securities.....	10,369	8,000	86,264	66,556
	¥ 10,370	¥ 8,030	\$ 86,274	\$ 66,805

Year ended March 31, 2002	Japanese Yen (million)		U.S. Dollars (thousand)	
	Due in one year or less	Due after one year through five years	Due in one year or less	Due after one year through five years
Government bonds.....	¥ 2	¥ 40	\$ 13	\$ 333
Other debt securities.....	28,751	20,369	239,194	169,459
	¥ 28,753	¥ 20,409	\$ 239,207	\$ 169,792

(f) The Companies recognized impairment losses of ¥11,687 million (\$97,236 thousand) and ¥2,063 million (\$17,171 thousand) on its investment in other securities for the years ended March 31, 2003 and 2002.**5. Inventories**

Inventories comprised the following:

	Japanese Yen (million) March 31		U.S. Dollars (thousand) March 31	
	FY 2003	FY 2002	FY 2003	FY 2002
Construction projects in progress.....	¥ 463,242	¥ 515,525	\$ 3,853,927	\$ 4,288,901
Real estate for sale.....	58,998	62,745	490,834	522,003
Development projects in progress.....	27,344	35,264	227,491	293,376
Materials and supplies.....	2,221	3,129	18,471	26,027
	¥ 551,805	¥ 616,663	\$ 4,590,723	\$ 5,130,307

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 0.68 percent at March 31, 2003 (0.73 percent at March 31, 2002).

Long-term loans bore interest at the average annual rate of 1.78 percent at March 31, 2003. (1.93 percent at March 31, 2002).

(a) Short-term borrowings comprised the following:

	Japanese Yen (million)		U.S. Dollars (thousand)	
	March 31		March 31	
	FY 2003	FY 2002	FY 2003	FY 2002
Short-term loans from banks.....	¥ 208,872	¥ 214,572	\$ 1,737,700	\$ 1,785,128
Short-term loans from insurance companies.....	-	100	-	832
	¥ 208,872	¥ 214,672	\$ 1,737,700	\$ 1,785,960

(b) Long-term debt comprised the following:

	Japanese Yen (million)		U.S. Dollars (thousand)	
	March 31		March 31	
	FY 2003	FY 2002	FY 2003	FY 2002
2.9 per cent. bond due September, 2002.....	¥ -	¥ 10,000	\$ -	\$ 83,195
1.6 per cent. bond due August, 2004.....	20,000	20,000	166,389	166,389
2.03 per cent. bond due August, 2006.....	10,000	10,000	83,195	83,195
0.9 per cent. bond due August, 2007.....	10,000	-	83,195	-
1.6 per cent. convertible bond due March, 2004.....	9,969	9,969	82,937	82,937
Bonds, due 2002-2005.....	16,000	37,200	133,112	309,484
Loans from Japanese banks.....	77,734	92,190	646,706	766,977
Loans from Japanese insurance companies.....	61,856	65,342	514,609	543,609
Loans from other financial institutions.....	5,409	5,579	45,003	46,412
	210,968	250,280	1,755,146	2,082,198
Less: Current portion of long-term debt.....	(93,940)	(76,081)	(781,538)	(632,956)
	¥ 117,028	¥ 174,199	\$ 973,608	\$ 1,449,242

The 1.6 per cent. convertible bond 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 (\$15,522) per share, subject to adjustment in certain circumstances.

The overseas-consolidated subsidiary issued bonds, due 2003-2005, 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, 2003 were as follows:

Year ended March 31,	Japanese Yen (million)	U.S. Dollars (thousand)
2004.....	¥ 93,940	\$ 781,538
2005.....	47,416	394,477
2006.....	21,873	181,963
2007.....	25,508	212,207
2008 and thereafter.....	22,231	184,951
	¥ 210,968	\$ 1,755,146

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

(c) Commercial paper

	Japanese Yen (million)		U.S. Dollars (thousand)	
	March 31		March 31	
	FY 2003	FY 2002	FY 2003	FY 2002
Commercial paper (which matures within one year).....	¥ 10,000	¥ -	\$ 83,195	\$ -

(d) PFI project finance loan

	Japanese Yen (million)		U.S. Dollars (thousand)	
	March 31		March 31	
	FY 2003	FY 2002	FY 2003	FY 2002
PFI project finance loan.....	¥ 11,082	¥ -	\$ 92,196	\$ -
	11,082	-	92,196	-
Less: current portion.....	(357)	-	(2,967)	-
	¥ 10,725	¥ -	\$ 89,229	\$ -

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

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

The aggregate annual maturities of PFI project finance loan subsequent to March 31, 2003 were as follows:

Year ended March 31,	Japanese Yen (million)	U.S. Dollars (thousand)
2004.....	¥ 357	\$ 2,967
2005.....	363	3,022
2006.....	369	3,074
2007.....	276	2,298
2008 and thereafter.....	9,717	80,835
	¥ 11,082	\$ 92,196

7. Pledged assets

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

	Japanese Yen (million)		U.S. Dollars (thousand)	
	March 31		March 31	
	FY 2003	FY 2002	FY 2003	FY 2002
ASSETS PLEDGED AS COLLATERAL:				
Cash & Deposits.....	¥ -	¥ 50	\$ -	\$ 416
Land*.....	11,573	11,646	96,281	96,886
Buildings.....	15,437	16,061	128,429	133,619
Machinery and equipment.....	384	433	3,195	3,603
Short-term loans receivable				
(Real estate convertible loan).....	293	293	2,438	2,438
Long-term loans receivable				
(Real estate convertible loan).....	24,840	25,133	206,654	209,092
	¥ 52,527	¥ 53,616	\$ 436,997	\$ 446,054
LIABILITIES SECURED THEREBY:				
Current portion of long-term debt.....	¥ 9,287	¥ 1,325	\$ 77,266	\$ 11,019
Long-term debt.....	7,657	17,077	63,702	142,069
Long-term debt of Sanyu Building Corporation*.....	138	188	1,145	1,566

* Obayashi Real Estate, Ltd. pledged its land in the amount of ¥499 million (\$4,151 thousand) to secure the long-term debt of Sanyu Building Corporation.

8. Retirement Benefit Plans

The Company and its domestic consolidated subsidiaries have defined benefit plans, i.e., tax-qualified pension plans and lump-sum payment plans, covering substantially all employees who are entitled to lump-sum or annuity payments, the amounts of which are determined by reference to their basic rates of pay, length of service, and the conditions under which termination occurs.

The following table sets forth the funded and accrued status of the plans, and the amounts recognized in the consolidated balance sheet as of March 31, 2003 and 2002 for the Company's and the consolidated subsidiaries' defined benefit plans:

	Japanese Yen (million)		U.S. Dollars (thousand)	
	March 31		March 31	
	FY 2003	FY 2002	FY 2003	FY 2002
Retirement benefit obligation.....	¥ (159,563)	¥ (148,916)	\$ (1,327,475)	\$ (1,238,904)
Plan assets at fair value.....	64,175	67,053	533,902	557,848
Unfunded retirement benefit obligation.....	(95,388)	(81,863)	(793,573)	(681,056)
Unrecognized actuarial gain or loss.....	29,190	11,423	242,848	95,033
Net retirement benefit obligation.....	(66,198)	(70,440)	(550,725)	(586,023)
Prepaid pension cost.....	(100)	(62)	(836)	(520)
Reserve for retirement benefits.....	¥ (66,298)	¥ (70,502)	\$ (551,561)	\$ (586,543)

The components of retirement benefit expenses for the year ended March 31, 2003 and 2002 are outlined as follows:

	Japanese Yen (million)		U.S. Dollars (thousand)	
	March 31		March 31	
	FY 2003	FY 2002	FY 2003	FY 2002
Service cost.....	¥ 5,352	¥ 5,462	\$ 44,529	\$ 45,441
Interest cost.....	5,100	5,040	42,431	41,929
Expected return on plan assets.....	(1,671)	(1,622)	(13,909)	(13,491)
Amortization of actuarial gain or loss.....	1,418	782	11,794	6,503
Special retirement and severance benefits.....	2,033	-	16,916	-
Total	¥ 12,232	¥ 9,662	\$ 101,761	\$ 80,382

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

Year ended March 31,	FY 2003	FY 2002
Discount rates.....	2.5%	3.0 or 3.5%
Expected return on assets.....	2.5%	2.5 or 3.0%

9. Income taxes

Income taxes applicable to the Company comprised corporation tax, inhabitants' taxes and enterprise taxes which, in the aggregate, resulted in a statutory tax rate of approximately 41.9% at 2003 and 2002.

On March 31, 2003, new legislation of enterprise tax was enacted, which resulted in an decrease in the statutory tax rate used to determine deferred income taxes on temporary differences to be reversed on and after April 1, 2004, from 41.9% to 40.4%. As a result, deferred tax assets, net of deferred tax liabilities decreased by ¥2,553 million (\$21,247 thousand), and deferred income tax provision for the year and unrealized holding gains on securities increased by ¥3,484 million (\$28,986 thousand) and ¥930 million (\$7,738 thousand), respectively. In addition, land revaluation reserve increased by ¥851 million (\$7,086 thousand) and the net deferred tax liability related thereto decreased by the same amount.

Reconciliation between the statutory tax rate and the effective tax rate for the year ended March 31, 2002 is not presented, as permitted, since the Companies incurred a loss before income taxes for the years then ended. Reconciliation between the statutory tax rate and the effective tax rate for the year ended March 31, 2003 is summarized as follows:

Statutory tax rate.....	41.9 %
Reconciliation:	
Permanent non-deductible items.....	15.9
Permanent non-recognized income.....	(12.0)
Change in statutory tax rate.....	29.4
Effect of unrecognised deferred taxes on subsidiaries - losses.....	14.4
Other.....	(8.2)
Effective tax rate.....	81.4 %

The major components of deferred tax assets and liabilities as of March 31, 2003 and 2002 are summarized as follows:

	Japanese Yen (million)		U.S. Dollars (thousand)	
	March 31		March 31	
	FY 2003	FY 2002	FY 2003	FY 2002
Deferred tax assets:				
Loss on revaluation of non-current asset.....	¥ 42,340	¥ 42,749	\$ 352,248	\$ 355,649
Loss on revaluation of real estate for sale.....	17,376	22,210	144,557	184,775
Reserve for retirement benefits.....	19,779	19,079	164,554	158,727
Tax loss carryforwards.....	12,995	—	108,113	—
Other.....	23,883	25,828	198,688	214,876
	116,373	109,866	968,160	914,027
Valuation allowance.....	(5,713)	(5,543)	(47,526)	(46,115)
Total deferred tax assets.....	110,660	104,323	920,634	867,912
Deferred tax liabilities:				
Unrealized holding gains on securities.....	(25,116)	(47,182)	(208,953)	(392,529)
Other.....	(870)	(848)	(7,237)	(7,055)
Total deferred tax liabilities.....	(25,986)	(48,030)	(216,190)	(399,584)
Net deferred tax assets.....	¥ 84,674	¥ 56,293	\$ 704,444	\$ 468,328

In addition to the above, the Companies recognized a deferred tax liability of ¥23,043 million (\$191,709 thousand) and of ¥9,107 million (\$75,773 thousand) related to reserve for land revaluation at March 31, 2003 and 2002, respectively.

10. Supplementary Cash Flow Information

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

	Japanese Yen (million)		U.S. Dollars (thousand)	
	March 31		March 31	
	FY 2003	FY 2002	FY 2003	FY 2002
Cash and deposits.....	¥ 108,039	¥ 87,730	\$ 898,826	\$ 729,869
Time deposits with a maturity of more than three months.....	(615)	(845)	(5,118)	(7,036)
Cash and cash equivalents.....	¥ 107,424	¥ 86,885	\$ 893,708	\$ 722,833

(b) Summary of assets and liabilities of companies initially included in the consolidation due to the additional acquisition of their stock.

The following is a summary of the transferred assets and liabilities, the relevant purchasing prices and the net cash outflows by the purchases of stock of Obayashi Road Co.Ltd., and 4 other companies in the year ended March 31, 2002.

	Japanese Yen (million)	U.S. Dollars (thousand)
Current assets.....	¥ 49,725	\$ 413,686
Non-current assets.....	26,937	224,100
Current liabilities.....	(42,901)	(356,913)
Long-term liabilities.....	(9,279)	(77,196)
Goodwill.....	(7,899)	(65,715)
Minority interests.....	(14,680)	(122,130)
Book value of their stock acquired before the year ended March 31, 2002.....	(886)	(7,371)
Additional acquisition of their stock during the year ended March 31, 2002.....	1,017	8,461
Cash and cash equivalent acquired.....	(5,340)	(44,427)
Net proceeds.....	¥ (4,323)	\$ (35,966)

11. Shareholders' equity

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

12. Segment Information

(a) Business Segments

The Company and its consolidated subsidiaries are primarily engaged in the following two 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, 2003	Japanese Yen (million)					
	Construction	Real estate	Others	Total	Adjustments and Eliminations	Consolidated
Revenues:						
From outside customers.....	¥ 1,284,031	¥ 40,822	¥ 16,151	¥ 1,341,004	¥ -	¥ 1,341,004
Intersegment.....	21,003	797	5,863	27,663	(27,663)	-
Total.....	1,305,034	41,619	22,014	1,368,667	(27,663)	1,341,004
Operating expenses.....	1,280,587	38,330	21,503	1,340,420	(27,908)	1,312,512
Operating income.....	¥ 24,447	¥ 3,289	¥ 511	¥ 28,247	¥ 245	¥ 28,492
Total Assets.....	¥ 1,524,695	¥ 370,109	¥ 95,410	¥ 1,990,214	¥ (41,636)	¥ 1,948,578
Depreciation.....	6,141	5,643	181	11,965	(98)	11,867
Capital expenditures.....	3,785	1,578	58	5,421	-	5,421

Year ended March 31, 2002	Japanese Yen (million)					
	Construction	Real estate	Others	Total	Adjustments and Eliminations	Consolidated
Revenues:						
From outside customers.....	¥ 1,353,654	¥ 43,105	¥ 6,912	¥ 1,403,671	¥ -	¥ 1,403,671
Intersegment.....	3,711	957	4,453	9,121	(9,121)	-
Total.....	1,357,365	44,062	11,365	1,412,792	(9,121)	1,403,671
Operating expenses.....	1,342,477	42,329	10,583	1,395,389	(9,340)	1,386,049
Operating income.....	¥ 14,888	¥ 1,733	¥ 782	¥ 17,403	¥ 219	¥ 17,622
Total Assets.....	¥ 1,569,533	¥ 404,739	¥ 108,562	¥ 2,082,834	¥ (38,180)	¥ 2,044,654
Depreciation.....	8,027	6,605	244	14,876	(157)	14,719
Capital expenditures.....	5,205	4,059	149	9,413	-	9,413

Year ended March 31, 2003	U.S.Dollars (thousand)					
	Construction	Real estate	Others	Total	Adjustments and Eliminations	Consolidated
Revenues:						
From outside customers.....	\$ 10,682,456	\$ 339,613	\$ 134,368	\$ 11,156,437	\$ -	\$ 11,156,437
Intersegment.....	174,736	6,629	48,777	230,142	(230,142)	-
Total.....	10,857,192	346,242	183,145	11,386,579	(230,142)	11,156,437
Operating expenses.....	10,653,798	318,886	178,895	11,151,579	(232,178)	10,919,401
Operating income.....	\$ 203,394	\$ 27,356	\$ 4,250	\$ 235,000	\$ 2,036	\$ 237,036
Total Assets.....	\$ 12,684,651	\$ 3,079,109	\$ 793,758	\$ 16,557,518	\$ (346,386)	\$ 16,211,132
Depreciation.....	51,092	46,947	1,507	99,546	(812)	98,734
Capital expenditures.....	31,485	13,130	487	45,102	-	45,102

Year ended March 31, 2002	U.S.Dollars (thousand)					
	Construction	Real estate	Others	Total	Adjustments and Eliminations	Consolidated
Revenues:						
From outside customers.....	\$ 11,261,678	\$ 358,614	\$ 57,507	\$ 11,677,799	\$ -	\$ 11,677,799
Intersegment.....	30,870	7,964	37,047	75,881	(75,881)	-
Total.....	11,292,548	366,578	94,554	11,753,680	(75,881)	11,677,799
Operating expenses.....	11,168,690	352,157	88,047	11,608,894	(77,705)	11,531,189
Operating income.....	\$ 123,858	\$ 14,421	\$ 6,507	\$ 144,786	\$ 1,824	\$ 146,610
Total Assets.....	\$ 13,057,681	\$ 3,367,211	\$ 903,175	\$ 17,328,067	\$ (317,634)	\$ 17,010,433
Depreciation.....	66,782	54,946	2,030	123,758	(1,303)	122,455
Capital expenditures.....	43,300	33,771	1,236	78,307	-	78,307

(b) Geographic Segments

Information by geographic segments is not presented as domestic sales and assets exceeded 90 percent of all segments for the years ended March 31, 2002 and 2003.

(c) Sales by region

Information on sales by region is not presented as domestic sales exceeded 90 percent of revenues for the year ended March 31, 2002.

Year ended March 31, 2003	Japanese Yen (million)			
	Asia	North America	Other regions	Total
I Overseas sales.....	¥ 109,789	¥ 39,372	¥ 5,564	¥ 154,725
II Consolidated sales.....	-	-	-	1,341,004
III Overseas sales as a percentage of consolidated sales.....	8.2%	2.9%	0.4%	11.5%

Year ended March 31, 2003	U.S. Dollars (thousand)			
	Asia	North America	Other regions	Total
I Overseas sales.....	\$ 913,386	\$ 327,554	\$ 46,290	\$ 1,287,230
II Consolidated sales.....	-	-	-	11,156,439
III Overseas sales as a percentage of consolidated sales.....	8.2%	2.9%	0.4%	11.5%

1. Countries are classified by the geographical proximity.

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

Asia: Singapore, Thailand, Taiwan

North America: USA

Other regions: Britain, Netherland, Australia

3. Overseas sales represent those in the countries and regions outside Japan by the parent company and subsidiaries.

13. Derivative financial instruments

Because all derivative instruments held by the Company and its' subsidiaries at 31st March, 2003 and 2002 were for hedging purposes, the related information on their respective market is not presented as permitted.

14. Commitments and contingent liabilities

(a) Commitments

Future minimum lease payments subsequent to March 31, 2003 and 2002 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 and non cancellable operating lease, are summarized as follows:

	Japanese Yen (million)		U.S.Dollars (thousand)	
	March 31		March 31	
	FY 2003	FY 2002	FY 2003	FY 2002
Finance lease with no ownership transaction:				
Due within one year.....	¥ 1,648	¥ 1,928	\$ 13,711	\$ 16,036
Due after one year.....	1,230	2,122	10,233	17,656
Total future payments.....	¥ 2,878	¥ 4,050	\$ 23,944	\$ 33,692
Operating lease:				
Due within one year.....	¥ 171	¥ 178	\$ 1,418	\$ 1,483
Due after one year.....	880	1,039	7,322	8,645
Total future payments.....	¥ 1,051	¥ 1,217	\$ 8,740	\$ 10,128

(b) 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 2003	FY 2002	FY 2003	FY 2002
Guarantees of long-term debt of customers and affiliates.....	¥ 1,111	¥ 1,666	\$ 9,247	\$ 13,863
Commitments of guarantees for short-term and long-term debt of customers and affiliates.....	—	1,060	—	8,819

15. Amounts Per Share

Effective the year ended March 31, 2003, the Company adopted a new accounting standard for earning per share, under which the amount not available for common stockholders is excluded from the computation of earning per share.

Net income (loss) per share has been computed based on the weighted average number of shares of common stock outstanding during the year. Net assets per share have been computed based on the number of shares of common stock outstanding at the balance sheet date. Net income (loss) and net assets per share for the years ended and at March 31, 2003 and 2002 are as follows:

	Japanese Yen (million)		U.S. Dollars (thousand)	
	March 31		March 31	
	FY 2003	FY 2002	FY 2003	FY 2002
Net income (loss) per share of common stock.....	¥ 4.27	¥ (102.44)	\$ 0.04	\$ (0.85)
Net assets per share of common stock.....	361.47	403.44	3.01	3.36

The following table sets forth the computation of net income per share of common stock for the year ended March 31, 2003:

Year ended March 31, 2003	(Millions of yen, except share)	(Thousands of U.S.dollar, except share)
Net income available to shareholders of common stock (numerator)		
Net income.....	¥ 3,124	\$ 25,990
Less: appropriation of bonuses to directors and statutory auditors.....	(44)	(369)
	3,080	25,621
Weighted average shares of common stock outstanding (denominator).....	¥ 720,510	\$ 720,510

Diluted net income (loss) per share has not been presented for the years ended March 31, 2003 and 2002 since the 1.6 per cent. ¥9,969 million convertible bond due March 2004 was antidilutive.

Had the Company computed net loss and net assets per share of common stock by the new method for the year ended and at March 31, 2002, they would be as follows:

	Japanese Yen	U.S. Dollars
Net loss per share of common stock.....	¥ 102.49	\$ 0.85
Net assets per share of common stock.....	403.39	3.36

16. Subsequent event

(a) On June 27, 2003, 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	¥ 2,163	\$ 17,991

(b) The Company issued 0.49% bond due June 3, 2008 of ¥10,000 million (\$83,195 thousand) and 1.07% bond due June 3, 2013 of ¥10,000 (\$83,195 thousand) million on June 3, 2004.



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