



# ANNUAL REPORT 2007

Year Ended March 31, 2007



# OBAYASHI CORPORATION ANNUAL REPORT 2007

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# Financial Highlights

## Obayashi Corporation and Consolidated Subsidiaries

Years Ended March 31, 2005 to 2007

	Japanese Yen (million)			U.S. Dollars (thousand)		
	FYE 2007/3	FYE 2006/3	FYE 2005/3	FYE 2007/3	FYE 2006/3	FYE 2005/3
Revenues	¥ 1,567,960	¥ 1,476,425	¥ 1,404,640	\$13,282,169	\$12,568,526	\$13,079,805
Operating income	47,538	46,658	43,356	402,696	397,191	403,725
Net income	40,652	34,489	25,077	344,364	293,602	233,510
Orders received	1,552,728	1,533,216	1,478,252	13,153,135	13,051,976	13,765,268
Total assets	2,066,985	1,977,295	1,842,262	17,509,403	16,832,343	17,154,875
Total liabilities	1,501,527	1,471,124	1,458,502	12,719,427	12,523,403	13,581,359
Total net assets	565,458	506,171	383,760	4,789,976	4,308,940	3,573,516

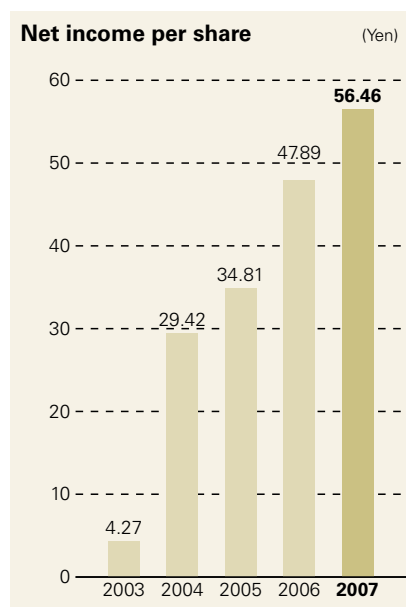
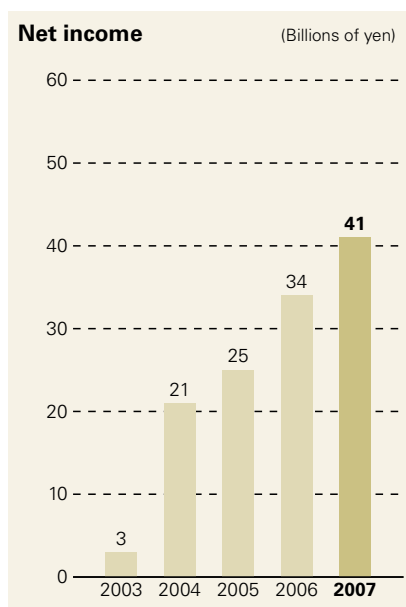
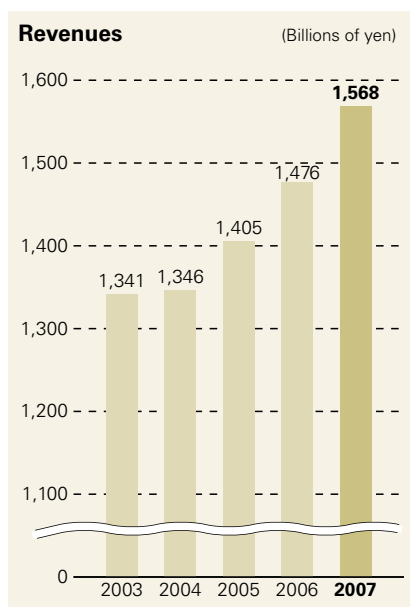
### Per share data (Yen and U.S. Dollars)

Net income per share	¥ 56.46	¥ 47.89	¥ 34.81	\$ 0.48	\$ 0.41	\$ 0.32
Shareholders' equity per share	753.78	674.94	505.81	6.39	5.75	4.71

Notes: 1. U.S. dollar amounts are translated from yen, for convenience only, at the approximate exchange rate at the close of the fiscal year:  
US\$1=¥118.05 for 2007, ¥117.47 for 2006, and ¥107.39 for 2005.

2. Basic net income per share has been computed based on the weighted average number of shares of common stock outstanding during the year.

## Business Performance



# Message to the Stakeholders

Please find below an overview of our business results for the fiscal year beginning April 1, 2006 and ending March 31, 2007.

Despite sustained strength in private sector activity, a continued decline in public sector orders resulted in a generally challenging investment climate in the domestic construction industry.

Under these circumstances, the Obayashi Group's consolidated business results ending March 2007 recorded a 6.2% increase in sales to approximately ¥1,567.9 billion compared to the previous year, while on the earnings front operating income increased 1.9% to ¥47.5 billion. Net income grew 17.9% to approximately ¥40.6 billion. This was partly due to our decision to sell fixed assets consistent with our strategy of efficiently managing total assets. Sales broken down by business amounted to ¥1,471.2 billion for construction, ¥79.5 billion for real estate, and ¥17.1 billion for others, each respectively contributing, 93.8%, 5.1% and 1.1%.

Looking ahead to fiscal 2007, the management has set the following as priority.

## **Commitment to compliance**

We will establish standards of corporate ethics over and above our compliance with laws and regulations. As a socially responsible corporation, we will continue to comply with laws and regulations and social norms so that we will forever be a trusted and preferred corporation by our customers (stakeholders).

## **Robust profitability**

Given the ever-intensifying competition in public as well as private sector projects, ensuring profitability in the domestic construction market is not easy. Maintaining robust profitability is a management priority.

With this objective we will develop business in promising construction markets: PFI (Private Finance Initiative) projects, engineering, urban re-development, social infrastructure and energy, including power generation. At the same time we will implement strategic sales and marketing activities by

strengthening our planning expertise, cost competitiveness and technical prowess. We will review our procurement operation and improve construction efficiency and management; in other words, we will aggressively generate profit by enhancing functions at every stage of our operations, from order-taking to construction.

By deepening collaboration among the Group companies we will efficiently utilize management resources, reinforce the revenue base of each company, and promote new business by exploiting the Group's notable development technology and expertise. We plan to aggressively engage in overseas construction projects, particularly in the promising U.S. market, with a view to possible expansion through M&A. We will strive to further expand the earning power of our Group as a whole.

The Obayashi Group will address the management priorities discussed above, continue to strive to be recognized in the world as a truly trusted group of companies, and improve our corporate value by securing healthy profits.



*Toru Shiraishi*

*Toru Shiraishi, President & CEO*

## Board of Directors



President & CEO  
**Toru Shiraishi**



Executive Vice President & CFO  
**Eiji Noma**



Executive Vice President  
**Shigeyoshi Cho**



Executive Vice President  
**Masashi Honjo**



Senior Managing Director  
**Takehiko Totsuka**



Managing Director  
**Makoto Kanai**



Managing Director  
**Makoto Kishida**



Managing Director  
**Shozo Harada**



Managing Director  
**Akihisa Miwa**



Director  
**Takeo Obayashi**

## Auditors

### Corporate Auditors

Tadashi Nishimura  
Shunroku Yasui

### Outside Auditors

Masakazu Matsuo  
Masayuki Matsushita  
Naohiro Tsuda

## Executive Officers

### Senior Managing Officers

Kunio Matsumoto  
Yuji Nakamura  
Ryuichi Irahara  
Tadahiko Noguchi

### Managing Officers

Hirofumi Inagaki  
Akinori Furusho  
Yuro Nishikawa  
Ryuhei Funano  
Takashi Matsuura  
Hiromichi Uchida  
Hiroshi Sakamoto  
Hideo Goto  
Hitoshi Tobuchi  
Kazuyoshi Uehara  
Kunihiro Kagami  
Kenichi Shibata  
Yasuji Tomohiro  
Hiroshi Hasegawa  
Toshimitsu Morioka  
Mitsuyasu Kaihara

### Executive Officers

Hiromichi Tanaka  
Yuji Inoue  
Hiroki Umehara  
Takashi Nishiyama  
Yutaka Hachinohe  
Masahito Hayashi  
Ikuo Koyanagi  
Kunikazu Takagi  
Kozo Miyata  
Kazuo Yagi  
Yukihiro Aizawa  
Tatsuro Ishimaru  
Kunio Isozaki  
Hideo Kawamura  
Teruo Kobayashi  
Takashi Shiokawa  
Nao Sugiyama  
Munenori Nakamura  
Shuji Nakamoto  
Yoichi Noda  
Hitoshi Hasegawa  
Takafumi Hanai

Takashi Matsuda  
Hirotoshi Yamamoto  
Mitsuo Ikeuchi  
Shingo Ura  
Yuichi Kashima  
Hiroshi Tadokoro  
Nobuo Tsuruta  
Katsuji Fukumoto  
Masaru Mizuno

## Corporate Governance

### Principles

Obayashi believes that sound management and transparency are critical aspects of corporate governance in winning the respect and trust of the public. We are working to enhance our corporate governance with that in mind.

We take every measure to ensure that the General Meeting of Shareholders, the Board of Directors, the Audit Committee and our accounting firm fully comply with legal and moral requirements. The president and directors meet on an ad hoc basis in a Management Council to make prompt and detailed decisions as required. The independence of the Audit Committee is enhanced by appointing three of the five auditors from outside the company, and the effectiveness of corporate governance is raised across the board by strict auditing of all corporate functions.

### Management Structural Reform

An Executive Officer System was introduced by a resolution of the General Meeting of Shareholders in June 2005 with a view to strengthening corporate governance and accelerating the making and efficient execution of strategic decisions. Prior to the introduction of this system, in March 2005, we established a Recommendation Committee and a Compensation Committee in order to ensure transparency of the appointment, decision-making and remuneration of officers.

A decision was also made at the 2007 General Meeting of Shareholders in June to reduce the term of directors to a single year instead of multiple years as in the past. This was because of the need for a flexible management system in response to the rapidly changing business environment, and to focus on management responsibility in any given business year.

## Corporate Ethics

### Basic philosophy

Obayashi has striven over the years to earn and sustain the trust of our customers and the communities we serve by being truthful to our corporate philosophy. For this reason, we not only observe complete compliance with laws and regulations, but initiate activities to inspire employees to raise their sense of ethics and perform their corporate responsibilities in good faith.

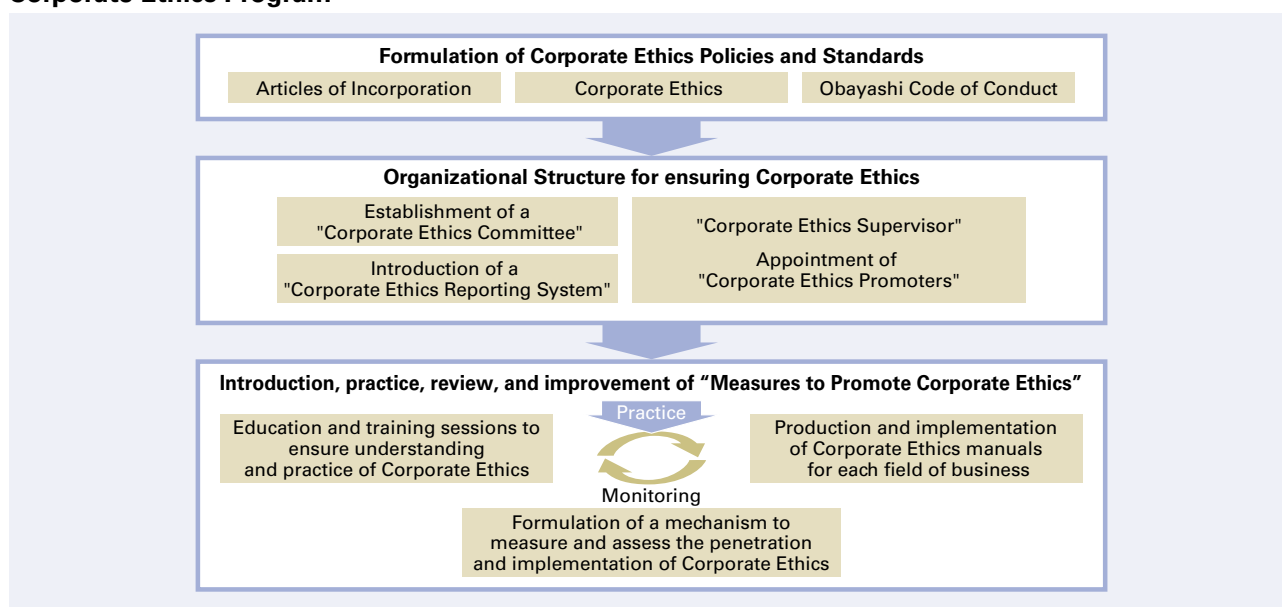
### Corporate Ethics Program

A Corporate Ethics Program was put in place to achieve those objectives.

A 'Plan ⇒ Do ⇒ Check ⇒ Action' cycle was initiated to check and review the implementation of measures required under our Antimonopoly Act Compliance Program. The Audit Committee based on "the Competitive Bid Monitoring Program" will monitor compliance with laws and regulations from a third party perspective independent of the corporate executive system.

Furthermore, we are committed to ensuring compliance and will act in strict accordance, and by ensuring the implementation of the Antimonopoly Act Compliance Program we will build the New Obayashi Corporation on a sound corporate foundation.

## Corporate Ethics Program



## Antimonopoly Act Compliance Program

Classification*	Specific programs
Fostering a corporate culture of absolute compliance (COSO: control environment)	<ol style="list-style-type: none"> <li>1. Declaration by top management of strict compliance with the Antimonopoly Act.</li> <li>2. Strict corporate penalties for violations.</li> <li>3. Declaration of top management resolve, timely disclosure of information about penalties for violations.</li> <li>4. Distribution of a Corporate Ethics card to all employees.</li> </ol>
Risk assessment and response (COSO: risk assessment)	<ol style="list-style-type: none"> <li>1. Production of a manual about managing Antimonopoly Act violation risk.</li> <li>2. Establishment of a consultation office to advise on the Antimonopoly Act (Legal Department, Tokyo Headquarters).</li> </ol>
Putting in place a process of risk avoidance (COSO: control activities)	<ol style="list-style-type: none"> <li>1. Formulation of a Principle for ensuring Antimonopoly Act compliance, enhancing the process. <ul style="list-style-type: none"> <li>• Formulation and review of the Obayashi Corporation Code of Conduct.</li> <li>• Establishment and operation of a Corporate Ethics Committee (Chairman: President). Members include one or more eminent persons outside the company and the Head of the Employees Union.</li> <li>• Enhancement of the Corporate Ethics Promotion System. <ul style="list-style-type: none"> <li>Corporate Ethics Supervisor: Business Managing Director.</li> <li>Corporate Ethics Promoters at Head and Branch Offices: Heads of Group Companies.</li> </ul> </li> </ul> </li> <li>2. Circulation of Antimonopoly Act compliance manuals and monitoring their implementation.</li> <li>3. Regular and continuous education and training for officers and employees. <ul style="list-style-type: none"> <li>• Corporate Ethics Promoters' education and training implemented by a Corporate Ethics Supervisor.</li> <li>• Workplace Corporate Ethics education and training implemented by Corporate Ethics Promoters.</li> <li>• Follow-up e-learning sessions after Corporate Ethics education and training sessions to assess their effectiveness.</li> <li>• Antimonopoly Act compliance education and training at each level of the corporation.</li> </ul> </li> <li>4. Specific Control and Management. <ul style="list-style-type: none"> <li>• Submission of pledges to comply with the Antimonopoly Act from all employees at the level of division manager and above (They will be punished not only for any misconduct of their own but also of their subordinates).</li> <li>• Report all meetings (including telephone conversations and emails) to superiors.</li> <li>• Regularly relocate sales representatives in charge of clients.</li> <li>• Provide for a written acknowledgement by each employee confirming that employee's pledge of compliance with the Antimonopoly Act on every internal document prepared for public bidding.</li> <li>• Check before taking membership in any external association to ensure there are no provisions in their rules that violate the Antimonopoly Act.</li> <li>• Submit a written report when dining with public officials subject to the National Public Service Ethics Law (national, local and presumed officials).</li> </ul> </li> </ol>
Timely and appropriate information disclosure and communication (COSO: information and communication)	<ol style="list-style-type: none"> <li>1. Strengthening the system for ensuring timely and appropriate information disclosure and communication. <ul style="list-style-type: none"> <li>• A Corporate Ethics Reporting System was established as part of the internal reporting system (operated by the Compliance Office under the Audit Committee independent of the operating departments).</li> </ul> </li> </ol>
Monitoring and Improvement (COSO: monitoring)	<ol style="list-style-type: none"> <li>1. Regular audit to ensure compliance with the Antimonopoly Act. <ul style="list-style-type: none"> <li>• Monitoring by Auditors, the Audit Committee and the Compliance Office based on the "Monitoring Program".</li> <li>• Monitoring by the Audit Office.</li> <li>• Monitoring by the Audit Firm.</li> <li>• Monitoring from the third party perspective by one or more eminent persons from outside the company, the Head of the Employees Union, and the members of the Corporate Ethics Committee.</li> </ul> </li> <li>2. Implementing Self-checks by the Corporate Ethics Supervisor and Promoters. <ul style="list-style-type: none"> <li>• Regular self-checks conducted by Corporate Ethics Promoters.</li> <li>• The Corporate Ethics Supervisor is responsible for undertaking workplace Corporate Ethics education and training and making sure that self-checks are conducted as required.</li> <li>• The Corporate Ethics Promotion Department shall conduct a self-check annually in October (Corporate Ethics Month earmarked by the Japan Business Federation, Nippon Keidanren) and duly submit a report to the Corporate Ethics Committee, and review as needed.</li> </ul> </li> </ol>

Note\*: Obayashi has decided to classify our various efforts according to the COSO (the Committee of Sponsoring Organizations of the Treadway Commission) model, a de facto world standard used as a tool to ensure the effectiveness of the Antimonopoly Act Compliance Program we have initiated. The COSO model defines three objectives of corporate internal control: operational effectiveness and efficiency of operations, reliability of financial reporting, and compliance with applicable laws and regulations. To achieve these objectives, it requires that the five components: control environment, risk assessment, control activities, information and communication, and monitoring are incorporated in the day-to-day business process and are functioning effectively.

# Building Construction

## Implementing High value-added proposals To meet Every customer's need Speedily and Efficiently

Obayashi Corporation responds to the diverse needs of our customers, from building energy-saving and environmentally-friendly offices, high-productivity plants, hospitals and schools applying our earthquake-resistant and disaster-prevention technologies, to preservation and

restoration of cultural properties.

We have developed a proprietary system that pulls together our sales, design, equipment, purchasing, construction, and technology development functions with our professional expertise, technological prowess and management skills. This unique system makes it possible for Obayashi Corporation to execute high value-added projects swiftly and efficiently.



### Omotesando Hills

Location: Tokyo

Harajuku and Omotesando are where the cutting edge of Japanese fashion, music, art and culture are broadcast to the world. The windows of the upper half of the six-story Omotesando Hills (3 stories above the ground and 3 underground stories) reflect the stately zelkova trees that frame the avenue. Following the gentle spiral slope of the Omotesando avenue the building is in perfect harmony with the ambience. The facade of the historic Dojunkai Aoyama Apartment complex has been reconstructed in part and incorporated into the design to honor the heritage of the past while embodying a groundbreaking symbol of the city's future.







**FUJISOFT Akihabara Building**  
Location: Tokyo



**Art Village Osaki**  
Location: Tokyo  
Left: View Tower Right: Central Tower



**CITYPLAZA OSAKA**  
Location: Osaka



**Canon Inc. Development Building**  
Location: Tokyo

## Applying the Benefits of Our Sure Track Record and Power of Technology in Environmentally Focused Projects

Obayashi Corporation applies its technological prowess to a wide variety of civil engineering projects, including tunnels, bridges, dams, riparian works, and city redevelopment. We are also actively engaged in the environmental field, in

which we have a proven track record of numerous projects, including soil decontamination and the construction of Japan's largest waste processing plant. We satisfy our customers' needs by advancing solution-based technical marketing that integrates our sales, technology, construction, and research and development departments for maximum efficiency.



### Chuo Expressway Hachioji Junction

Location: Tokyo

To ease downtown congestion, Hachioji junction was created to connect the Chuo Expressway with the Ken-o Expressway. The link has reduced driving time on the old national route by a quarter. The birth of the new circumferential route will allow unobstructed flow of people and goods, expected to contribute about ¥26 billion a year in economic benefit.



### Tokaido Shinkansen, Shinagawa Station

Location: Tokyo



**Nakakoba Dam**  
Location: Saga



**Kansai International Airport,  
2nd-phase Airport Island**  
Location: Osaka



**The Second Tomei  
Expressway  
Sarutagawa-bridge  
and Tomoegawa-  
bridge**  
Location: Shizuoka



**The Metropolitan Expressway Central  
Circular Shinjuku Route Naka-ochiai  
Shield Tunnel (outbound)**  
Location: Tokyo



**Annaka General Waste Final  
Processing Plant**  
Location: Gunma

## Applying the Benefits of Our wide experience All over the world and the Power of high technology Operated Projects

Obayashi Corporation's world renowned earthquake-resistant engineering, shield construction and our other technologies have been selected for many national projects across the globe. Recent international projects include the Dubai Urban Rail Transit System, the Taiwan High Speed Rail and the Thanh Tri Bridge in Vietnam. In undertaking these

overseas operations, having started work in Asia some forty years ago, Obayashi has pursued "locally-rooted and confidence-building technologies" respecting local and regional industry characteristics. While adopting construction methods and technologies that suit the indigenous conditions, we work to foster trust through personal relationships in every country in which we are present.



### Taiwan High Speed Rail

Location: Taipei City and Taoyuan County, Taiwan

The Taiwan High Speed Rail project is a national project linking Taipei and Kaohsiung, the two main cities of Taiwan in a 345 km railway system. Obayashi Corporation constructed approximately 52 km of the Taipei end of the line as well as Taoyuan Station in the outskirts of Taipei. For the construction of the approximately 32 km-long elevated rail bridge section, we had the mammoth bridge girders constructed in a fabrication yard in the vicinity and installed by using an automated support-installation machine, achieving highly efficient and speedy construction.



### Taoyuan Station

Location: Taipei City and Taoyuan County, Taiwan



**Singapore Management University City Campus**  
Location: Singapore



**Thanh Tri Bridge**  
Location: Hanoi, Vietnam



**Toyota Motor Thailand Co., Ltd. Ban Pho Plant**  
Location: Chachoengsao, Thailand  
Contractor: THAI OBAYASHI CORPORATION LIMITED



**President International Tower**  
Location: Taipei City, Taiwan



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**Brookhaven National Laboratory Center for Functional Nanomaterials**  
Location: New York, U.S.A.  
Contractor: E.W.HOWELL CO., INC.



**Central Artery / Tunnel project - I - 93 Tunnel Finishes (C17AA) in the City of Boston**  
Location: Massachusetts, U.S.A.

# Urban Development Business

## Committed to offering Excellent Development Projects

### Revitalizing Urban Area Redevelopment Projects

Obayashi has been involved in numerous large-scale development projects in the Tokyo metropolitan area, including those in the vicinities of Tokyo Station, Shiodome district, Shinagawa Station East Exit and Shinjuku Station South Exit. More recently we have been aggressively working on redevelopment projects nationwide, including the Osaki Station East Exit and believe we have earned a good track record as a business partner and private agent commissioned by contractor.

A recent trend regarding urban area redevelopment projects actively involves private trusts designed to encourage participation by private enterprises in commercial development through Special Purpose Companies (SPCs) and securitization of real estate. These devices are employed in promoting large-scale redevelopment projects.

### Securitization of Real Estate for Development

Obayashi is also actively involved in the securitization of development-oriented real estate, in which we undertake large-scale development businesses on our own initiative, based on our expertise in structuring SPCs, procuring financing for businesses and providing risk analysis, all performed by our PFI (Private Finance Initiative) department. The successful Urawa Station East Exit Area Redevelopment Project is a case in point. Usually, development projects take a long time from initiating a study to completion. We were successful in expeditiously completing the work with minimal risk through scheduling and cost management, regulatory compliance, partnering with local landowners, due consideration for the surrounding environment, and constructing a business plan that includes investors and financiers. Our intent is to maintain and enhance our reputation as a first-tier developer so that our projects will attract all necessary capital.

### Osaki Station East Exit Area Redevelopment Project

#### Utilizing An Exclusive System Entrusting\*

#### Specific Task to Agents

#### To facilitate smooth and expeditious business management

Obayashi Corporation was designated to undertake specified tasks on behalf of the Urban Renewal Association, and carried out the whole redevelopment process including conducting various surveys, designing, construction and secretarial operations. We were successful in getting the agreement of all landowners and starting construction in a matter of one year from the establishment of the association. Since completion of the project we have been asked to serve as the general administrator and manage the property.

#### \*Exclusive System Entrusting Specific Tasks to Agents

A system established for the purpose of relieving landowners from the burden of project implementation by utilizing the technological prowess, professional expertise, experience, know-how, and financing abilities of private enterprises to expedite and facilitate urban area redevelopment projects from the preparatory stage to completion.



### Shinagawa Grand Commons

The Shinkansen rolling stock yard and freight yard of the former Japan National Railways was transformed into a complex facility (approx. 580,000m<sup>2</sup>) comprising offices, condominiums, shops, and hotels.

Obayashi served as the general consultant, responsible for providing appropriate advice on all sorts of operational issues that arose.



## Urawa Station East Exit Area Redevelopment Project

### A first in Japan "development-oriented securitization plan"

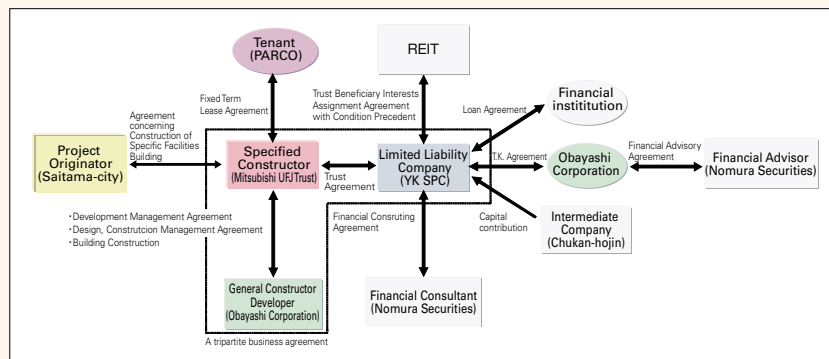
The project involved the construction of a triple complex facility comprising commercial and public spaces and a parking area, acting on behalf of the redevelopment client, the Saitama City.

The specified builder (Mitsubishi UFJ Trust and Banking) concluded an agreement with the City and was responsible for the completion of the project, then commissioned the whole project to Obayashi Corporation which actually undertook all works. Obayashi is involved in coordinating the whole development project and the design and construction of the buildings.

Also, the funding required by the specified builder will be raised from financial institutions by a SPC that Obayashi will organize, with

the funds kept in trust at the Mitsubishi UFJ Trust and Banking. The SPC in turn will be issued a trust beneficiary right which will be sold on completion of the project to the investors to recover the funds. The biggest feature of the scheme is the conclusion of the purchase contract of the trust beneficiary right between the investors expected to purchase the pending space and the SPC prior to the acquisition of construction approval.

In this case, a 20 year lease was concluded with the tenant (PARCO), a fixed NOI (before interest and profit amortization) was agreed to, and the sales contract provided for a possible fluctuation of interest in the future. As a result, we were able to raise funds under advantageous terms.



# Real Estate Business

## Applying Rich Experience and a Proven Track Record Offering High-Quality Living Space in Comfortable Urban Settings

The Obayashi Group has developed and accumulated considerable expertise and technologies over the years by engaging in a large number of residential land and

condominium development projects. We deliver high-quality and pleasant neighborhoods and living spaces in harmony with the city and the surrounding environment as a whole.



**Toyosatodai**  
Utsunomiya, Tochigi  
Approx. 1,600-unit  
residential development



Toyosatodai is an expansive 730,000m<sup>2</sup> project we developed taking advantage of the land's natural contours on the southern slope of the hill. Nestled in a gentle hillside, it is one of the most beautiful urban areas of the Tokyo metropolitan region acclaimed for its beauty as a cultural and academic city.



**Sakura Someino**  
Sakura, Chiba  
Approx. 1,100-unit  
residential development

Sakura Someino is a community set in a rich and vibrant greenery. Designed as a garden residential area, it commands premium accolades.

**Fujieda Kiyosato**  
Fujieda, Shizuoka  
Approx. 780-unit residential  
development

Obayashi directed the production of one of the most beautiful residential areas in Shizuoka Prefecture by highlighting the gifts of nature; water and the green and the changing colors of the four seasons.



# Private Finance Initiative (PFI) Business

## Pursuing VFM (Value For Money) As One of Japan's Leading PFI Project Implementers

Private Finance Initiative (PFI) is a method for building, managing and maintaining public facilities by utilizing the capital, technology and expertise of the private sector to achieve higher efficiency and improved quality in public services. This market has been expanding every year amid a growing need to reduce public works spending.

Obayashi was among the first to participate in overseas PFI projects, such as the Sydney Olympics Main Stadium, before PFI was introduced into Japan. This experience enabled us to accumulate a broad range of expertise in the business. We have already won 28 orders for PFI projects in Japan. Obayashi and our subsidiaries have assumed or are assuming a leading role in 27 out of the 28 projects, and

are taking initiatives in maximizing Value For Money (VFM).

As an early PFI participant, we have built up an extensive network to maximize VFM, spanning diverse industrial sectors and enabling us to organize optimum consortia for specific project objectives. We are also recognized for our knowledge and techniques in project financing and risk-hedging that we entrust to a Special Purpose Company (SPC) as the main functional entity for a project. We fully apply our comprehensive expertise and skills, as well as our solid financial foundation to advance the PFI business.

Looking ahead, we will improve our management expertise toward establishing an unshakable position in the PFI market.

### Kanagawa University of Human Services (BTO [Build-Transfer-Operate] Scheme)

This is Japan's first large-scale PFI project to utilize project financing.

We designed and constructed this building, which, with its large and impressive roof, is an arresting landmark in the naval town of Yokosuka, and will handle maintenance and management for a period of thirty years. Obayashi is not only performing all management operations, but also participates as an investor and contractor in the Special Purpose Company (SPC) formed for this project.



### Suginami Koukaidou Hall Reconstruction, Management and Operation Project (BTO [Build-Transfer-Operate] Scheme)

This is Japan's first PFI project to reconstruct, maintain, manage and operate a large building of this kind. The Suginami Koukaidou Hall, first opened in 1957, contains a large hall with a stage and excellent acoustics, as well as a multi-purpose small hall and various studios. It will provide high quality services for the next thirty years as the 21<sup>st</sup> century cultural center of Suginami City and the home of the Japan Philharmonic Orchestra. The project was challenging as it called for a special purpose company to own the facility and bear the operational risk while Obayashi participates as an SPC investor, general contractor and general manager.



### Omiachiman City Hospital (BTO [Build-Transfer-Operate] Scheme)

This is Japan's first genuine hospital PFI project, with Obayashi undertaking everything from design and construction to operation and maintenance. Obayashi served as the overall project coordinator, an SPC investor, and designer and contractor of the hospital. The special purpose company will manage the facility and provide medical support services for thirty years after the construction is completed.



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

This is Niigata Prefecture's first large-scale PFI project, symbolizing the recovery from the 2004 Niigata-Chuetsu Earthquake. The facility will be the main venue for the swimming events in the 2009 National Athletic Meet and will later serve as the prefecture's main sports facility for promoting physical fitness through swimming.

Obayashi's operation and management will span a period of fifteen years. Our participation includes overall management as well as investment in the special purpose company (SPC) and construction of the facility.



### New Office for the Members of the House of Representatives (BTO [Build-Transfer-Operate] Scheme)

With a budget of ¥110 billion, this is one of the largest construction projects underway in Japan. The PFI project covers design, construction, operation and management over a period of fifteen years. This project is particularly challenging because it involves reconstruction of the current Members' office building while in continuous use. As the lead company, Obayashi will perform overall coordination, including all arrangements for this large PFI project, and provide management services to the end of the project.





# Renewal Business

## Creating New Property Value from the Perspective of Life Cycle Management

### Improving asset value of buildings

Today, real estate is valued on the basis of revenues generated by buildings. This requires that the property's functions evolve with changing needs and meet rising expectations for safety and durability. Moreover, a building must be considered as a long-term quality investment from both economic and environmental standpoints.

In addition, Obayashi analyzes functions and conditions of buildings throughout their entire lifespan from the

perspectives of Life Cycle Management and a Business Continuity Plan (BCP). Based on the diagnosis, we present proposals to extend the operational life of a building and enhance its asset value by adopting energy-efficient systems and anti-seismic retrofitting, meeting environmental requirements, countering degradation, conversion, installing information technology infrastructure and improving physical image.

### Asbestos Removal

#### Complete removal of 30,000m<sup>2</sup> of Asbestos at the Yoyogi National Stadium

Obayashi completely removed the approximately 30,000m<sup>2</sup> of asbestos used as insulation under the roof of the first and second gymnasias at the Yoyogi National Stadium. This, the largest-scale asbestos removal in Japan, was successfully conducted with our expertise and innovative technology using dry ice to strip off the asbestos while monitoring asbestos leaks around the clock and ensuring the safety of the vicinity.

Before removal



Ceiling after asbestos was completely removed



# Engineering Business

## To meet increasingly sophisticated and complex customer needs

In line with current social and economic changes, our customers' needs are becoming increasingly sophisticated and complex. Utilizing our leading edge construction and engineering technologies, Obayashi provides total capabilities from the early stages of project planning to design, construction and after-services to meet the diverse needs of our customers. For example, for manufacturing and logistics facilities, we develop a plan that considers the building and operating components as a single unit to

create the most efficient system possible. With respect to the environment, we are contributing to the building of a safe and secure recycling-oriented economy and society, while offering information and communication technologies and security services in conjunction with new construction and renewal of buildings. For medical and welfare facilities, we think through business plans with our customers and support them in realizing their vision.

### SUMCO Imari Plant No. 5

By bringing together expertise gained from the construction of SUMCO Imari Plant No. 4, we constructed one of the world's largest (310m x 78m) and advanced 300mm silicon wafer plant in 15 months from planning to completion. The clean room and utilities facility were under our integrated management from design to construction (including buildings, construction equipment and process support).



### Toyota Motor Thailand Co., Ltd. Ban Pho Plant

This is Toyota Motor's third integrated motor vehicle production plant in Thailand that builds finished cars from raw materials. Positioned as a model Eco plant, it has leading edge waste water treatment and water recycling system and a natural gas-fired co-generation plant. It is attracting attention in Thailand as an extremely environmentally friendly plant.



## Developing pioneering technologies for the world

### Pioneering Technologies Developed in our Advanced Technical Research Institute

Since its establishment in 1965, Obayashi's Technical Research Institute has carried out high-level R&D and pursued technical development aimed at practical application in meeting the needs of the world. The Technical Research Institute consists of the Super Energy-Conservation Main Building, the first seismically isolated office building constructed in Japan, and a number of facilities for carrying out research and experiments. It has

the most advanced experimental facilities, such as Japan's largest tri-axial shaking table for developing anti-seismic technologies in buildings and civil engineering structures; the world's largest geo-technical centrifuge system; and a fire protection laboratory that includes Japan's largest multi-purpose fire resistance test furnace and experimental fire device. Obayashi will continue to take full advantage of these high-level facilities to conduct R&D and technical development that contributes to society.



**The Main Building**  
(The Super Energy-Conservation Building)



**Fire Protection Engineering Laboratory**



**Japan's Largest Multipurpose Fire Resistance Test Furnace**



**Tri-axial Shaking Table**  
Capable of simulating quakes twice the magnitude of the 1995 Great Hanshin Earthquake



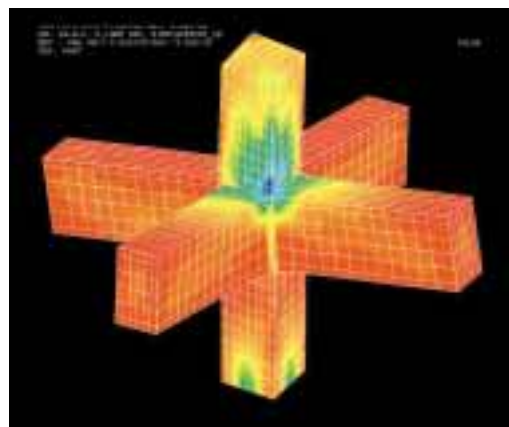
**Numerical Simulator for Wind Environment**  
Predicts wind dynamics around a building complex



**Multipurpose Wind Tunnel**



**Geotechnical Centrifuge System**  
Experimentally simulates ground movement using scale models

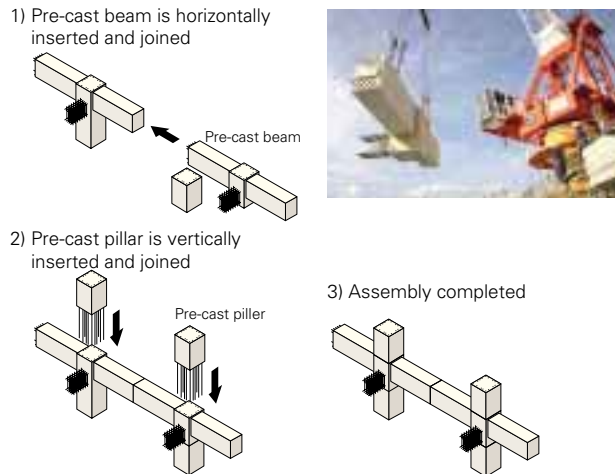


**Reinforced Concrete Structure Analysis Software "FINAL"**  
Verifies responses of reinforced concrete structures to external forces such as earthquake and heat

**Left Right Vertical Installation Method**  
**Pre-Cast Method Responding to Low cost, Short Period and High-Quality Requirements**

Obayashi successfully developed the LRV (Left Right Vertical Installation Pre-Cast) Method for building reinforced concrete high-rise condominiums. The method is based on pre-casting\* all parts, thereby greatly reducing the on-site pouring of concrete and complex pillar/beam connection reinforcement work, while consistently ensuring excellent quality.

\*Pre-casting (PC) means constructing all structural frames in the factory.



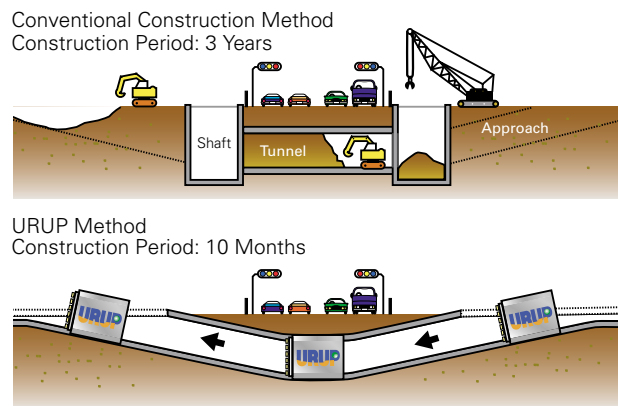
**Automated Building Construction System (ABCS)**  
**Shorter Construction Periods, Safer Working Conditions And Greater Savings for High-Rise Projects**

Automated Building Construction System (ABCS) is an all-weather, automated construction system for high-rise buildings, and represents a world-leading achievement by Obayashi. The purpose of the system is to shorten construction periods and improve the safety and productivity of the construction process by applying factory automation concepts to the construction site, including automation, mechanization and computerization. It has been successfully applied to the construction of plants.



**Ultra-Rapid Underpass (URUP) Method**  
**Realizing Rapid Construction of Road and Railway Underpasses to Ease Urban Traffic Congestion**

Obayashi developed the URUP method to facilitate and speed construction of urban road and rail underground crossings. Our first-in-the-world advanced technology enables us to complete a shielded tunnel without digging shafts. The construction period has been reduced to one third of that using conventional methods, traffic congestion significantly eased, and noise during the work lessened. The method has been successfully demonstrated at our Technical Research Institute.



**RAPITS-O Method**  
**Rapid Construction of Superstructure Over Railways and Roads in Service**

In recent years there has been a growing need for an effective use of space above railways and roads in service by constructing artificial ground and elevated bridges for commercial purposes. RAPITS-O Method was developed for this purpose to enable piling work without hampering rail and road traffic. The around-the-clock work is expected to substantially reduce the construction period.



# Commitment to the Environment

## Environmental Preservation

### Company-wide Environmental Preservation in the "Century of the Environment"

With "Harmony with Nature" as our fundamental corporate policy, Obayashi in 1990 established a Global Environment Department. This was followed in 1992 by an "Action Plan for Sustainable Development", since which time we have been setting new environmental goals for each fiscal year. In November 1997, the "Obayashi Corporation Environmental Policy" was instituted. As a responsible enterprise operating in the "Century of the Environment", and a member of the construction industry closely in touch with the global environment through our infrastructure

projects and industrial facilities, every possible measure is taken to preserve the environment.

In 1999, ISO 14001 certifications were acquired by all Obayashi branches and organizations to systematically sustain these activities.

From top management to every employee, we are committed to promoting an Environmental Management System (EMS), under which every corporate activity is consciously pursued as a further contribution to realizing a resource-recycling sustainable society.

### Obayashi Corporation Environmental Policy

#### Principles

Obayashi Corporation regards our active commitment to the environment a priority management issue. We will contribute to building a sustainable society by fully taking into account the impact of all our undertakings and endeavor to preserve our unique environment.

### Five Priority Issues

Mitigating global warming

Minimizing construction waste

Managing chemical substances

Preserving the ecosystem

Green purchasing

### Minimizing construction waste Zero emissions activities

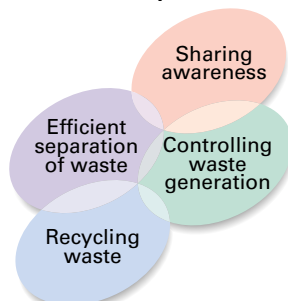
#### The Prime Minister's Award Received for Zero Emissions on Building Sites

Obayashi's challenge is to achieve Zero Emissions\* of construction waste. In 2000 we were the first construction company to declare zero emissions activities. In fiscal 2003, we received the Prime Minister's Award, the highest recognition given to achievers of 3R (Reduce, Reuse, Recycle) activities for our innovative efforts.

#### \* Zero Emissions

Zero emissions means 100% recycling of waste generated by an industry, and reducing to zero the amount of final landfill. Obayashi is pursuing these activities under the principles of "sharing awareness", "reducing waste", "efficient sorting" and "recycling".

#### Areas of Activity



### Initiatives at the Marunouchi Building



We declared environmental coexistence from the start of the demolition and partnered with the client to practice total recycling. Pine pilings that had served as the foundation of the old Marunouchi Building for over 80 years were remade into benches or envelopes made from recycled paper.



Recycled 5,443 14~15m pine pilings that were used as the foundation of the old Marunouchi Building.

## We Proudly Offer a Wide Range of Proven Environmental Technologies

Obayashi develops technologies and construction projects in the following environment-related businesses that respond to rising social needs:

- Decontamination of soil and underground water,
- Dissipating heat island phenomenon,
- Water recovery and sludge treatment,
- Construction of final disposal site,
- Recycling of organic waste,
- Energy efficient buildings,
- Ecosystem preservation, etc.

These environmentally-inspired businesses require a broad array of technology and experience in problem solving. By envisioning the whole process from planning, research and diagnosis, analysis and implementation of countermeasures, to managing maintenance and assessment, Obayashi has successfully gathered experienced engineers to be able to respond to our customers' needs in a timely and comprehensive manner.

### Decontamination of Soil and Underground Water

#### Coping with All Types of Toxic Substances and Soil Conditions

Soil and underground water contamination is a serious issue not just from the point of view of protecting the value of property but also from the perspectives of the preservation of a sound environment as well corporate social responsibility. Obayashi has developed decontamination technologies for a wide range of pollutants and soil conditions. We have a track record of implementing preventive and decontamination measures for a total area exceeding 3.37 million m<sup>3</sup>, including on-site plant treatment and in-situ treatment. With our total system of surveying, analyzing and managing contaminated soil we provide comprehensive support from preventing contamination to advising on appropriate use of the soil.

Toxic substances	Decontamination by excavation etc.	In-situ decontamination etc.
Heavy metals	High-precision immobilization treatment Classified washing	In-situ immobilization
Volatile Organic compounds	Mixing and volatilization Biological treatment	In-situ soil washing and biological treatment Chemical treatment (Fenton treatment)
Oil	Biological treatment Thermal treatment	Biological treatment Air sparging
Dioxins	Dehalogenation treatment	—

### The Bioremediation of Oil-Contaminated Soil



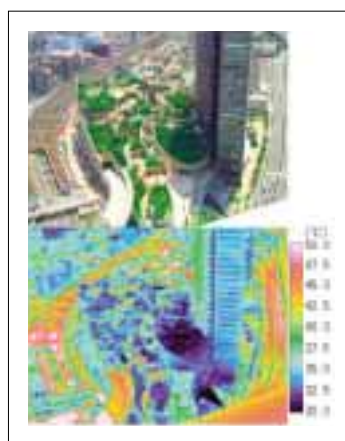
During the 1990-1991 Gulf war, over 600 oil wells were destroyed in Kuwait, resulting in a large spillage of crude oil. As much as 20,000,000m<sup>3</sup> of soil was contaminated. Between 1994 and 1999, in joint research with the Kuwait Institute for Scientific Research and the Japan Petroleum Energy Center, Obayashi conducted surveys and demonstration experiments for bioremediation (recovery through use of living organisms). As a result, we were able to decontaminate 15,000m<sup>3</sup> of soil and successfully see plants grow.

\* From 2001, operation of this project was transferred to the Japan Cooperation Center, Petroleum.

### Dissipating Heat Island Phenomenon

#### Rooftop Greening to Provide Dramatic Cooling Effect

Rooftop greening in major cities is an effective method for countering the urban heat island effect and creating attractive townscapes. Namba Parks, that we constructed on the site of the former Osaka Stadium, features Japan's largest rooftop greenery. In midsummer, the surface temperature of the rooftop green area was up to 25°C cooler than the surrounding asphalt surfaces.



"Namba Parks" was shooting at noon in midsummer and Thermo camera image.

# Social Contribution Activities

## We will Contribute to Social Progress By Supporting Cultural Projects and Academic Research

Obayashi is engaged in initiatives to disseminate knowledge about the roles and culture of construction in addition to our core contribution through infrastructure development and building functional cities with amenities.

### Cultural Projects

#### Organizing forums for a vision of cities and architecture of the future

Since 1995 Obayashi has been conducting a cultural project called TN Probe that addresses topics related to construction, via symposia, exhibitions and publications. These initiatives provide opportunities to express our thoughts on the future of cities and architecture with the objective of building a better social environment and developing the culture of construction.



Holding a joint lecture by architects, Felipe Londoño and Hiroshi Naito

### Support for Academic Research

#### Supporting Academic Research on Cities

The well-balanced development of cities is essential in planning for a rewarding life-style. Research on this subject will become increasingly important. Obayashi supports such research by dispatching personnel and providing financial assistance to the Obayashi Foundation. The foundation encourages researchers by awarding The Obayashi Prize for outstanding contributions to resolving urban problems.



Recipient of the Fourth Obayashi Prize (2006), Karl Gansner



A Commemorative prize-giving symposium attended by 450 people

#### Our Executives Serve as University Lecturers

We dispatch our executives as university lecturers to provide leaders of tomorrow with information on the history and role of the construction industry and the latest technologies developed. These lectures are received well as students are given opportunities to listen to the real world experiences of architectural and civil engineering experts.



Lecture "Project Management" at the Division of Global Architecture, School of Engineering, Osaka University

### Promoting Sports Activities

#### Leading Sponsor of Table Tennis Tournaments Organized by the Japan Table Tennis Association

Obayashi proudly sponsors the Obayashi Cup, Japan's Top 12 Table Tennis Tournament, in complete agreement with the goals of the Japan Table Tennis Association — to contribute to the sound development of youth through sports and the spread of table tennis. We support the idea of promoting a healthy mind and body through table tennis, which is loved by the young and seniors alike.



Japan's top players compete for the Obayashi Cup, Japan's Top 12 Table Tennis Tournament

### Coexisting with local communities

#### Organized tours to our Technical Research Institute

Obayashi conducts tours for local primary school pupils to visit our Technical Research Institute, inviting them to learn construction technology that enables everyone to get through each day safely. By being exposed to the effects of anti-seismic technologies and strong winds in the latest experimentation facilities, young people learn a great deal about construction work.



Experiencing wind speed of 15m/sec in the multipurpose wind tunnel

#### Inviting the public to see how social infrastructure is being built

To foster public interest in and understanding of construction work, we open to the public dam and tunnel construction sites that will be closed after the work is completed, and subways before transportation services begin. These programs have proved popular as the participants appreciate getting to know how their lives are being supported.



Study tour at the Moriyoshiyama Dam

# Financial Section

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# Review of Operations

## Six-Year Financial Summary Obayashi Corporation and Consolidated Subsidiaries Years Ended March 31, 2002 to 2007

	Japanese Yen (million)						U.S. Dollars (thousand)
	FYE 2002/3	FYE 2003/3	FYE 2004/3	FYE 2005/3	FYE 2006/3	FYE 2007/3	FYE 2007/3
<b>Operating results:</b>							
Revenues							
Construction	¥ 1,353,654	¥ 1,284,031	¥ 1,296,121	¥ 1,349,384	¥ 1,427,493	<b>¥ 1,471,201</b>	<b>\$ 12,462,521</b>
Real Estate and Other Businesses	50,018	56,972	50,177	55,256	48,932	<b>96,759</b>	<b>819,648</b>
Total	1,403,671	1,341,004	1,346,298	1,404,640	1,476,425	<b>1,567,960</b>	<b>13,282,169</b>
Cost of revenues	1,303,802	1,232,114	1,227,666	1,285,377	1,354,716	<b>1,446,524</b>	<b>12,253,485</b>
Gross profit	99,870	108,889	118,632	119,263	121,709	<b>121,436</b>	<b>1,028,684</b>
Selling, general and administrative expenses	82,247	80,398	80,657	75,907	75,051	<b>73,898</b>	<b>625,988</b>
Operating income	17,622	28,492	37,975	43,356	46,658	<b>47,538</b>	<b>402,696</b>
Interest expense (Including CP interest)	(5,411)	(4,801)	(4,232)	(3,439)	(2,838)	<b>(2,815)</b>	<b>(23,845)</b>
Net income	(74,079)	3,124	21,194	25,077	34,489	<b>40,652</b>	<b>344,364</b>

### Financial position:

Total assets	¥ 2,044,654	¥ 1,948,578	¥ 1,821,884	¥ 1,842,262	¥ 1,977,295	<b>¥ 2,066,985</b>	<b>\$ 17,509,403</b>
Total liabilities	1,740,522	1,675,332	1,458,891	1,458,502	1,471,124	<b>1,501,527</b>	<b>12,719,427</b>
Total net assets	304,132	273,246	362,953	383,760	506,171	<b>565,458</b>	<b>4,789,976</b>

### Per share amounts (Yen and U.S. Dollars):

Net income per share	¥ (102.43)	¥ 4.27	¥ 29.42	¥ 34.81	¥ 47.89	<b>¥ 56.46</b>	<b>\$ 0.48</b>
Dividends	8.00	6.00	8.00	8.00	12.00	<b>12.00</b>	<b>0.10</b>
Shareholders' equity per share	403.44	361.47	477.80	505.81	674.94	<b>753.78</b>	<b>6.39</b>

Notes: 1. U.S. dollar amounts are translated from yen, for convenience only, at the approximate exchange rate at the close of the fiscal year: US\$1=¥118.05.  
2. Basic net income per share has been computed based on the weighted average number of shares of common stock outstanding during the year.

## Cash Flow Indicators Obayashi Corporation and Consolidated Subsidiaries Years Ended March 31, 2002 to 2007

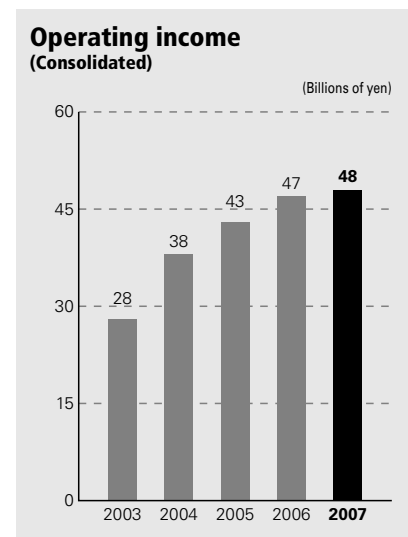
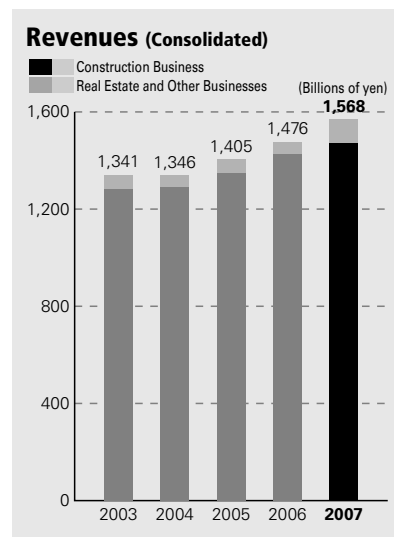
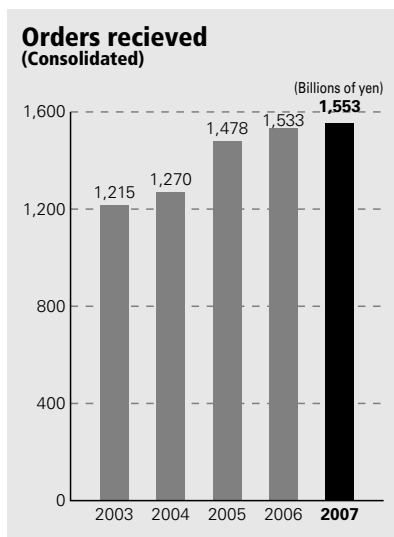
	FYE 2002/3	FYE 2003/3	FYE 2004/3	FYE 2005/3	FYE 2006/3	FYE 2007/3
Equity ratio	14.2%	13.4%	18.9%	19.8%	24.6%	<b>26.3%</b>
Capital adequacy ratio based on market value	13.2%	10.6%	22.5%	25.8%	34.9%	<b>26.5%</b>
Years to debt retirement	13.8	25.8	9.8	6.3	15.7	<b>12.5</b>
Interest coverage ratio	6.2	3.4	9.2	15.0	5.5	<b>7.6</b>

Notes: 1. Equity ratio: (net asset - number of new stocks outstanding - minority interests) / total assets  
2. Capital adequacy ratio based on market value: total market value of shares / total assets  
3. Years to debt retirement: interest-bearing liabilities / operating cash flow  
4. Interest coverage ratio: operating cash flow / interest payments

\*Indicators were calculated using consolidated financial figures

\*Total market value of shares is equal to the closing stock price at the end of the fiscal year multiplied by the number of issued and outstanding shares at the end of the fiscal year (after subtracting treasury shares)

\*\*"Operating cash flow" is the figure for net cash flow provided by operating activities on the Consolidated Statements of Cash Flow. "Interest payments" is the figure for interest paid on the Consolidated Statement of Cash Flow.





## Overview

During the year under review the Japanese economy continued to recover, buttressed by increased private capital investment with improved corporate earnings despite an ongoing sluggish public sector investment and moderate personal spending.

The construction industry on the whole experienced severe conditions due to a continued decrease in public sector projects, despite a sustained demand in the private sector.

### 1. Financial Conditions

As of the end of the consolidated fiscal year, our total assets increased ¥89.6 billion (4.5%) to ¥2,066.9 billion compared to the end of the previous year, due mainly to an increase in notes receivable and accounts receivable for work completed, as well as valuation gains for investment securities.

Total liabilities as of the end of the consolidated fiscal year grew by ¥30.4 billion (2.1%) to ¥1,501.5 billion. The principal reason for this was the increase of notes payable and accounts payable for work completed, as well as a rise in deferred tax payable accompanying the valuation gains of investment securities, despite the otherwise successful reduction of our interest-bearing liabilities.

On the other hand, total net assets as of the end of the consolidated fiscal year increased to ¥565.4 billion, reflecting the rise in retained earnings due to higher net income and greater unrealized holding gains on securities resulting from valuation gains on investment securities. As a result the equity ratio rose 1.7 points to 26.3%.

Consolidated cash flow from operating activities rose to ¥20.5 billion (a 15.6% increase compared to the previous consolidated fiscal year), while cash flow from investment activities rose to ¥53 billion (an increase of 108.5% compared to the previous fiscal year) due to collection of loans and the sale of fixed assets. Funds were made available to pay back loans and to recall corporate bonds. The total interest-bearing liabilities as of the end of the fiscal year decreased ¥22 billion compared to the previous year to ¥255.7 billion (a decrease of 7.9% compared to the previous consolidated fiscal year).

### 2. Business Performance

Compared to the previous year, as of the end of the consolidated fiscal year, revenues from construction increased ¥43.7 billion (3.1%) to ¥1,471.2 billion, while revenues from real estate increased ¥41.9 billion (111.6%) to ¥79.5 billion, and other businesses increased ¥5.8 billion (51.8%) to ¥17.1 billion. All in all, total revenues increased ¥91.5 billion (6.2%) to ¥1,567.9 billion.

As for earnings, operating income compared to the previous consolidated fiscal year increased 1.9% to 47.5 billion, net income 17.9% to 40.6 billion. The main reason for this was the selective sale of fixed assets which allowed for a more efficient allocation of company capital.

## Outlook for the Coming Fiscal Year

In the near future, the Japanese economy is expected to continue its recovery on the strength of the expected increase in private capital investment despite uncertainties such as the trend in the cost of crude oil.

However, the domestic construction market will require marked efforts to ensure income from construction work due to intensifying order-taking competition both in the public as well as private sectors.

Regarding our consolidated performance for the year ending March 2008, we expect to record revenues of ¥1,680 billion, an operating income of ¥40 billion and a net income of ¥24 billion.

Incidentally, we have so far focused on orders for projects lasting two years or longer, representing contracts amounting to ¥5 billion or more. Starting with the 2008 fiscal year, we decided to expand the scope of our order-taking business to include 1-year contracts. The calculation of our expected performance for the next year includes the effect of this proposed change.

## Basic policy regarding the allocation of profits and dividend payout for the next fiscal year

Obayashi's profit allocation policy is, first, to sustain stable dividend payouts to our shareholders over the long term and provide them with returns commensurate with our performance, while taking into account the enhancement of the internal reserve required to further strengthen our financial base, develop technologies and make capital investment for the future.

With our commitment to stable returns for shareholders, we will endeavor for the time being to maintain a dividend payout ratio of 20 to 30% at times of increased consolidated performance.

We expect to provide an annual dividend of ¥8 per share (of ordinary stock) for the next fiscal year (ending March, 2008), or ¥4 per share at mid-term and the same at the end of the year.

**Consolidated Balance Sheets**

OBAYASHI CORPORATION March 31, 2007 and 2006

**ASSETS**

	Japanese Yen (million)		U.S. Dollars (thousand)	
	FY 2007	FY 2006	FY 2007	FY 2006
<b>CURRENT ASSETS:</b>				
Cash and deposits(Notes 6 and 11) .....	¥ 134,985	¥ 101,529	\$ 1,143,455	\$ 860,058
Notes and accounts receivable, trade(Note 6) .....	390,689	335,463	3,309,519	2,841,709
Marketable securities(Note 4) .....	6,131	1	51,932	10
Inventories(Notes 5 and 6) .....	486,545	459,352	4,121,520	3,891,168
Deferred tax assets(Note 10) .....	36,228	40,471	306,883	342,830
Other current assets(Note 7) .....	112,017	125,154	948,902	1,060,167
Allowance for doubtful receivables .....	(877)	(864)	(7,429)	(7,321)
Total current assets .....	1,165,718	1,061,106	9,874,782	8,988,621
<b>PROPERTY AND EQUIPMENT:</b>				
Land (Notes 7 and 20) .....	225,913	245,318	1,913,703	2,078,093
Buildings and structures (Notes 6, 7 and 20) .....	179,566	201,884	1,521,103	1,710,157
Machinery, equipment and vehicles (Notes 6 and 20) .....	72,395	72,158	613,257	611,252
Construction in progress .....	3,932	1,513	33,306	12,806
Accumulated depreciation .....	(155,903)	(163,712)	(1,320,647)	(1,386,800)
Net property and equipment .....	325,903	357,161	2,760,722	3,025,508
<b>INVESTMENTS AND OTHER ASSETS:</b>				
Investment securities (Notes 4 and 7) .....	538,799	499,849	4,564,163	4,234,213
Investments in affiliates .....	2,719	2,563	23,034	21,712
Long-term loans receivable (Note 7) .....	1,273	25,237	10,780	213,790
Deferred tax assets (Note 10) .....	4,717	3,616	39,954	30,639
Other .....	31,608	32,308	267,749	273,663
Allowance for doubtful receivables .....	(3,752)	(4,545)	(31,781)	(38,503)
Total investments and other assets .....	575,364	559,028	4,873,899	4,735,514
<b>TOTAL ASSETS</b>	<b>¥ 2,066,985</b>	<b>¥ 1,977,295</b>	<b>\$ 17,509,403</b>	<b>\$ 16,749,643</b>

## LIABILITIES AND NET ASSETS

	Japanese Yen (million)		U.S. Dollars (thousand)	
	FY 2007	FY 2006	FY 2007	FY 2006
<b>CURRENT LIABILITIES:</b>				
Short-term borrowings (Note 6) .....	¥ 56,684	¥ 70,887	\$ 480,173	\$ 600,483
Current portion of long-term debt (Notes 6 and 7) .....	31,602	39,795	267,699	337,103
Current portion of PFI and other project finance loan (Note 6) .....	15,284	2,910	129,469	24,654
Commercial paper (Note 6) .....	—	10,000	—	84,710
Notes and accounts payable, trade .....	572,016	523,235	4,845,537	4,432,318
Income taxes payable .....	6,192	15,995	52,452	135,495
Advances received on uncompleted construction contracts, real estate and other .....	307,621	307,725	2,605,855	2,606,742
Allowance for losses on construction contracts .....	7,664	4,596	64,923	38,938
Accrued expenses .....	16,975	16,709	143,794	141,538
Other current liabilities .....	114,296	123,860	968,205	1,049,200
<b>Total current liabilities .....</b>	<b>1,128,334</b>	<b>1,115,712</b>	<b>9,558,107</b>	<b>9,451,181</b>
<b>LONG-TERM LIABILITIES:</b>				
Long-term debt (Notes 6 and 7) .....	95,168	121,458	806,170	1,028,869
PFI and other project finance loan (Note 6) .....	59,012	34,716	499,891	294,082
Deferred tax liabilities (Note 10) .....	93,366	71,678	790,903	607,190
Deferred income taxes on reserve for land revaluation (Note 10) .....	28,380	30,629	240,407	259,459
Reserve for retirement benefits (Note 8) .....	70,347	72,260	595,908	612,117
Allowance for environmental spending .....	577	—	4,890	—
Other long-term liabilities .....	26,343	24,671	223,151	208,977
<b>Total long-term liabilities .....</b>	<b>373,193</b>	<b>355,412</b>	<b>3,161,320</b>	<b>3,010,694</b>
<b>NET ASSETS:</b>				
<b>SHAREHOLDERS' EQUITY (Note 12):</b>				
Common stock:				
Authorized; 1,224,335,000 shares				
Issued; 721,509,646 shares .....	57,753	57,753	489,222	489,222
Capital surplus .....	41,751	41,738	353,669	353,569
Retained earnings .....	183,600	151,817	1,555,270	1,286,035
Treasury stock, at cost:				
1,602,421 shares in 2007 and				
1,425,927 shares in 2006 .....	(810)	(655)	(6,864)	(5,549)
<b>Total shareholders' equity .....</b>	<b>282,294</b>	<b>250,653</b>	<b>2,391,297</b>	<b>2,123,277</b>
<b>VALUATION, TRANSLATION ADJUSTMENTS AND OTHER:</b>				
Reserve for land revaluation .....	32,001	34,205	271,078	289,756
Unrealized holding gains on securities .....	227,991	202,086	1,931,306	1,711,864
Net unrealized gains on hedges .....	(67)	—	(568)	—
Foreign currency translation adjustments .....	435	(927)	3,688	(7,850)
<b>Total valuation, translation adjustments and other .....</b>	<b>260,360</b>	<b>235,364</b>	<b>2,205,504</b>	<b>1,993,770</b>
<b>MINORITY INTERESTS .....</b>	<b>22,804</b>	<b>20,154</b>	<b>193,175</b>	<b>170,721</b>
<b>Total net assets .....</b>	<b>565,458</b>	<b>506,171</b>	<b>4,789,976</b>	<b>4,287,768</b>
<b>CONTINGENT LIABILITIES (Note 17)</b>				
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>¥ 2,066,985</b>	<b>¥ 1,977,295</b>	<b>\$ 17,509,403</b>	<b>\$ 16,749,643</b>

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=¥118.05.

# Consolidated Statements of Income

OBAYASHI CORPORATION  
For the years ended March 31, 2007 and 2006

	Japanese Yen (million)		U.S. Dollars (thousand)	
	FY 2007	FY 2006	FY 2007	FY 2006
<b>REVENUES</b> (Note 13):	<b>¥ 1,567,960</b>	¥ 1,476,425	<b>\$ 13,282,169</b>	\$ 12,506,775
<b>COST OF REVENUES:</b>	<b>1,446,524</b>	1,354,716	<b>12,253,485</b>	11,475,781
Gross profit	<b>121,436</b>	121,709	<b>1,028,684</b>	1,030,994
<b>SELLING, GENERAL AND ADMINISTRATIVE EXPENSES</b> (Note 9):	<b>73,898</b>	75,051	<b>625,988</b>	635,754
Operating profit	<b>47,538</b>	46,658	<b>402,696</b>	395,240
<b>OTHER INCOME(EXPENSES):</b>				
Interest and dividend income	<b>8,297</b>	6,405	<b>70,284</b>	54,259
Exchange gains, net	<b>446</b>	1,731	<b>3,780</b>	14,667
Interest expense	<b>(2,815)</b>	(2,838)	<b>(23,845)</b>	(24,043)
Gain on sales of investment securities	<b>9,617</b>	10,858	<b>81,463</b>	91,986
Gain on sales or disposal of fixed assets	<b>10,603</b>	2,773	<b>89,818</b>	23,495
Loss on sales or disposal of fixed assets	<b>(2,679)</b>	(879)	<b>(22,692)</b>	(7,447)
Impairment loss on fixed assets (Note 20)	<b>(3,229)</b>	(2,203)	<b>(27,355)</b>	(18,668)
Loss on write-down of real estate for sale	<b>(356)</b>	(1,433)	<b>(3,014)</b>	(12,143)
Provision for losses on construction contracts	—	(4,596)	—	(38,938)
Provision for environmental spending	<b>(577)</b>	—	<b>(4,890)</b>	—
Loss on restructuring of real estate business	<b>(3,666)</b>	—	<b>(31,056)</b>	—
Other, net	<b>(474)</b>	(2,349)	<b>(4,017)</b>	(19,897)
Total	<b>15,167</b>	7,469	<b>128,476</b>	63,271
<b>INCOME BEFORE INCOME TAXES AND MINORITY INTERESTS</b>	<b>62,705</b>	54,127	<b>531,172</b>	458,511
<b>INCOME TAXES</b> (Note 10):				
Current	<b>16,330</b>	21,924	<b>138,333</b>	185,723
Deferred	<b>4,163</b>	(3,443)	<b>35,265</b>	(29,171)
Total	<b>20,493</b>	18,481	<b>173,598</b>	156,552
<b>MINORITY INTERESTS</b>	<b>(1,560)</b>	(1,157)	<b>(13,210)</b>	(9,799)
<b>NET INCOME</b>	<b>¥ 40,652</b>	¥ 34,489	<b>\$ 344,364</b>	\$ 292,160
<b>PER SHARE DATA</b> (Note 19):				
Net income:				
Basic	<b>¥ 56.46</b>	¥ 47.89	<b>\$ 0.48</b>	\$ 0.41
Diluted	<b>¥ —</b>	¥ —	<b>\$ —</b>	\$ —

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=¥118.05.

# Consolidated Statements of Changes in Net Assets

OBAYASHI CORPORATION  
For the years ended March 31, 2007 and 2006

	Japanese Yen (million)		U.S. Dollars (thousand)	
	FY 2007	FY 2006	FY 2007	FY 2006
<b>SHAREHOLDERS' EQUITY</b>				
<b>COMMON STOCK</b> (Note 12):				
Balance at beginning of year.....	¥ 57,753	¥ 57,753	\$ 489,222	\$ 489,222
Balance at end of year.....	57,753	57,753	489,222	489,222
<b>CAPITAL SURPLUS</b> (Note 12):				
Balance at beginning of year.....	41,738	41,705	353,569	353,285
Gains on sales of treasury stock.....	13	33	100	284
Balance at end of year.....	41,751	41,738	353,669	353,569
<b>RETAINED EARNINGS</b> (Note 12):				
Balance at beginning of year.....	151,817	125,872	1,286,035	1,066,259
Net income for the year.....	40,652	34,489	344,364	292,160
Cash dividends paid.....	(10,080)	(5,759)	(85,391)	(48,788)
Bonuses to directors and corporate auditors.....	(1)	(1)	(11)	(9)
Reversal of reserve for land revaluation.....	1,212	(2,784)	10,273	(23,587)
Balance at end of year.....	183,600	151,817	1,555,270	1,286,035
<b>TREASURY STOCK, AT COST:</b>				
Balance at beginning of year.....	(655)	(504)	(5,549)	(4,272)
Purchases of treasury stock.....	(170)	(196)	(1,443)	(1,661)
Sales of treasury stock.....	15	45	128	384
Balance at end of year.....	(810)	(655)	(6,864)	(5,549)
<b>TOTAL SHAREHOLDERS' EQUITY</b> .....	<b>282,294</b>	<b>250,653</b>	<b>2,391,297</b>	<b>2,123,277</b>
<b>VALUATION, TRANSLATION ADJUSTMENTS AND OTHER</b>				
<b>RESERVE FOR LAND REVALUATION:</b>				
Balance at beginning of year.....	34,205	35,085	289,756	297,207
Reversal of reserve for land revaluation.....	(1,212)	2,784	(10,273)	23,587
Increase in valuation allowance for deferred tax assets on reserve for land revaluation.....	(992)	(3,664)	(8,405)	(31,038)
Balance at end of year.....	32,001	34,205	271,078	289,756
<b>UNREALIZED HOLDING GAINS ON SECURITIES:</b>				
Balance at beginning of year.....	202,086	105,370	1,711,864	892,586
Increase.....	25,905	96,716	219,442	819,278
Balance at end of year.....	227,991	202,086	1,931,306	1,711,864
<b>NET UNREALIZED GAINS ON HEDGES:</b>				
Balance at beginning of year.....	—	—	—	—
Decrease.....	(67)	—	(568)	—
Balance at end of year.....	(67)	—	(568)	—
<b>FOREIGN CURRENCY TRANSLATION ADJUSTMENTS:</b>				
Balance at beginning of year.....	(927)	(980)	(7,850)	(8,298)
Increase.....	1,362	53	11,538	448
Balance at end of year.....	435	(927)	3,688	(7,850)
<b>TOTAL VALUATION, TRANSLATION ADJUSTMENTS AND OTHER</b> .....	<b>260,360</b>	<b>235,364</b>	<b>2,205,504</b>	<b>1,993,770</b>
<b>MINORITY INTERESTS:</b>				
Balance at beginning of year.....	20,154	19,459	170,721	164,835
Increase.....	2,650	695	22,454	5,886
Balance at end of year.....	22,804	20,154	193,175	170,721
<b>TOTAL NET ASSETS</b> .....	<b>¥ 565,458</b>	<b>¥ 506,171</b>	<b>\$ 4,789,976</b>	<b>\$ 4,287,768</b>

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=¥118.05.

# Consolidated Statements of Cash Flows

OBAYASHI CORPORATION  
For the years ended March 31, 2007 and 2006

Japanese Yen  
(million)

U.S. Dollars  
(thousand)

	Japanese Yen (million)		U.S. Dollars (thousand)	
	FY 2007	FY 2006	FY 2007	FY 2006
<b>OPERATING ACTIVITIES:</b>				
Income before income taxes and minority interests .....	¥ 62,705	¥ 54,127	\$ 531,172	\$ 458,511
Adjustments to reconcile income before income taxes and minority interests to net cash provided by operating activities:				
Depreciation and amortization .....	10,394	10,517	88,051	89,093
Allowance for doubtful receivables .....	(781)	(720)	(6,615)	(6,100)
Provision for losses on construction contracts .....	3,067	4,596	25,985	38,938
Reserve for retirement benefits .....	(1,913)	2,847	(16,209)	24,117
Net gain on sales and disposal of fixed assets and marketable and investment securities .....	(17,375)	(12,237)	(147,181)	(103,657)
Loss on write-down of real estate for sale .....	356	1,433	3,014	12,143
Impairment loss on fixed assets .....	3,229	2,203	27,355	18,668
Changes in assets and liabilities:				
Trade receivables .....	(54,521)	(16,279)	(461,843)	(137,906)
Inventories .....	(12,319)	13,778	(104,352)	116,712
Other current assets .....	10,979	5,102	93,003	43,223
Trade payables .....	48,479	13,437	410,666	113,831
Advances received on uncompleted construction contracts, real estate and other .....	(143)	(22,443)	(1,207)	(190,116)
Accrued expenses .....	266	(354)	2,256	(3,000)
Other current liabilities .....	(16,534)	(11,572)	(140,062)	(98,027)
Other .....	5,128	(8,377)	43,427	(70,980)
Sub total .....	41,017	36,058	347,460	305,450
Interest and dividend received .....	8,373	6,378	70,924	54,034
Interest paid .....	(2,697)	(3,221)	(22,845)	(27,291)
Income taxes paid .....	(26,128)	(21,421)	(221,329)	(181,461)
Net cash provided by operating activities .....	20,565	17,794	174,210	150,732
<b>INVESTING ACTIVITIES:</b>				
Purchases of marketable and investment securities and investments in affiliates .....	(6,113)	(8,620)	(51,780)	(73,024)
Proceeds from sales of marketable and investment securities and investments in affiliates .....	18,883	25,417	159,954	215,313
Proceeds from sales of property and equipment .....	28,521	24,971	241,600	211,535
Purchases of property and equipment .....	(12,108)	(16,221)	(102,570)	(137,411)
Proceeds from collection of loans .....	24,625	6,831	208,601	57,869
Loans receivables made .....	(680)	(7,070)	(5,758)	(59,895)
Net payments for acquisition of subsidiaries .....	—	(1,206)	—	(10,220)
Net proceeds from acquisition of subsidiaries .....	—	724	—	6,138
Net payment for sales of subsidiaries .....	(51)	—	(434)	—
Other .....	(40)	611	(339)	5,174
Net cash provided by investing activities .....	53,037	25,437	449,274	215,479
<b>FINANCING ACTIVITIES:</b>				
Decrease in short-term borrowings .....	(14,188)	(61,229)	(120,189)	(518,676)
(Decrease) / increase in commercial paper .....	(10,000)	10,000	(84,710)	84,710
Proceeds from long-term debt .....	5,300	21,447	44,896	181,686
Repayment of long-term debt .....	(29,796)	(28,891)	(252,405)	(244,738)
Redemption of bonds .....	(10,000)	(5,000)	(84,710)	(42,355)
Proceeds from PFI and other project finance loan debt .....	33,838	16,478	286,638	139,588
Repayment of PFI and other project finance loan debt .....	(3,049)	(780)	(25,824)	(6,610)
Cash dividends .....	(10,080)	(5,759)	(85,391)	(48,788)
Other .....	(350)	(262)	(2,958)	(2,220)
Net cash used in financing activities .....	(38,325)	(53,996)	(324,653)	(457,403)
Effect of exchange rate changes on cash and cash equivalents .....	2,013	1,511	17,049	12,805
Net increase / (decrease) in cash and cash equivalents .....	37,290	(9,254)	315,880	(78,387)
Cash and cash equivalents at beginning of the year .....	101,528	110,782	860,041	938,428
Increase due to inclusion of new subsidiaries in consolidation .....	1,125	—	9,533	—
Cash and cash equivalents at end of the year (Note 11) .....	¥ 139,943	¥ 101,528	\$ 1,185,454	\$ 860,041
<b>SUPPLEMENTAL INFORMATION OF CASH FLOWS:</b>				
Cash paid during the year for:				
interest .....	¥ 2,697	¥ 3,221	\$ 22,845	\$ 27,291
income taxes .....	¥ 26,128	¥ 21,421	\$ 221,329	\$ 181,461

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=¥118.05.

# Notes to Consolidated Financial Statements

OBAYASHI CORPORATION for the years ended March 31, 2007 and 2006

## 1. Basis of presenting consolidated financial statements

(a) The accompanying consolidated financial statements of OBAYASHI CORPORATION (the "Parent Company" or the "Company") and subsidiaries are prepared on the basis of accounting principles generally accepted in Japan, which are different in certain respects as to the application and disclosure requirements of International Financial Reporting Standards, and are compiled from the consolidated financial statements prepared by the Company as required by the Securities and Exchange Law of Japan. For the purposes of this report, certain reclassifications have been made to present the accompanying consolidated financial statements in a format which is familiar to readers outside Japan. In addition, certain amounts in the prior year's financial statements have been reclassified to conform to the current year's presentation.

(b) The Parent Company had 70 subsidiaries as of March 31, 2007 (70 as of March 31, 2006). The consolidated financial statements as of and for the years ended March 31, 2007 and 2006 included the accounts of the Parent Company and all subsidiaries (together "the Companies").

All significant intercompany accounts and transactions have been eliminated. Investments in all affiliates (26 companies for 2007, and 20 companies for 2006) are accounted for by the equity method of accounting. Differences between the cost and underlying net equity of investments in consolidated subsidiaries and other companies accounted for by the equity method are charged or credited to income as they occur.

## 2. Summary of significant accounting policies

### (a) Recognition of revenues and related costs

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

### (b) Foreign currency translation

The balance sheet accounts of the foreign consolidated subsidiaries are translated into yen at the rates of exchange in effect at the balance sheet date, except for the components of net assets excluding minority interests which are translated at their historical exchange rates. Revenue and expense accounts are translated at the rates of exchange in effect at the balance sheet date.

### (c) Cash equivalents

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

### (d) Marketable securities and investment securities

Securities are classified into two categories: held-to-maturity and other securities.

Held-to-maturity securities are carried at amortized cost. Marketable securities classified as other securities are carried at fair value with changes in unrealized holding gain or loss, net of the applicable income taxes, included directly in net assets.

Non-marketable securities classified as other securities are carried at cost. Cost of securities sold is determined by the moving average method.

### (e) Inventories

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

### (f) Property and equipment

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

Buildings and structures: 3 - 50 years

Machinery, equipment and vehicles: 3 - 15 years

### (g) Reserve for retirement benefits

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

Actuarial gain and loss are amortized in the year following the year in which the gain or loss is recognized primarily by the straight-line method over periods (5 years or 10 years) which are shorter than the average remaining years of service of the employees.

Prior service cost ("PSC") is being amortized by the straight-line method over 10 years which is shorter than the average remaining years of survive of the employees, while PSC of certain subsidiaries is expensed as incurred.

### (h) Income taxes

The Company and its consolidated subsidiaries apply deferred tax accounting for income taxes which requires recognition of income taxes by the asset/liability method.

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

### (i) Appropriations of retained earnings

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

### (j) Allowance for doubtful receivables

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

### (k) Lease

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

### (l) Land revaluation

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

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

### (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.

In principle, foreign exchange contracts and interest rate swaps are accounted for using the deferral method of accounting.

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

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

### (n) Allowance for losses on construction contracts

The allowance for losses on construction contracts is provided at the estimated amount for the future losses on contract backlog at the balance sheet date which will be probably incurred and which can be reasonably estimated.

### (o) Allowance for environmental cost

The allowance for environmental cost is provided based on an estimate of costs for disposal of Polychlorinated Biphenyl ("PCB") wastes, which is obliged to dispose by the Act on Special Measures Concerning Promotion of Proper Treatment of PCB Waste.

## 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 ¥118.05=\$1, the approximate exchange rate prevailing on March 31, 2007.

#### 4. Securities

(a) Information regarding marketable securities classified as held-to-maturity debt securities and other securities as of March 31, 2007 and 2006 is as follows:

##### Marketable held-to-maturity debt securities

Year ended March 31, 2007	Japanese Yen (million)			U.S. Dollars (thousand)		
	Carrying value	Estimated fair value	Unrealized loss	Carrying value	Estimated fair value	Unrealized loss
Securities of which fair value does not exceed their carrying value:						
Government bonds and Municipal bonds .....	¥ 110	¥ 109	¥ (1)	\$ 934	\$ 924	\$ (10)
Subtotal .....	110	109	(1)	934	924	(10)
Total .....	¥ 110	¥ 109	¥ (1)	\$ 934	\$ 924	\$ (10)

Year ended March 31, 2006	Japanese Yen (million)			U.S. Dollars (thousand)		
	Carrying value	Estimated fair value	Unrealized loss	Carrying value	Estimated fair value	Unrealized loss
Securities of which fair value does not exceed their carrying value:						
Government bonds and Municipal bonds .....	¥ 90	¥ 89	¥ (1)	\$ 765	\$ 752	\$ (13)
Subtotal .....	90	89	(1)	765	752	(13)
Total .....	¥ 90	¥ 89	¥ (1)	\$ 765	\$ 752	\$ (13)

##### Marketable other securities

Year ended March 31, 2007	Japanese Yen (million)			U.S. Dollars (thousand)		
	Acquisition cost	Carrying value	Unrealized gain (loss)	Acquisition cost	Carrying value	Unrealized gain (loss)
Securities of which carrying value exceeds their acquisition cost:						
Stock .....	¥ 134,804	¥ 518,760	¥ 383,956	\$ 1,141,927	\$ 4,394,411	\$ 3,252,484
Other .....	173	176	3	1,460	1,488	28
Subtotal .....	134,977	518,936	383,959	1,143,387	4,395,899	3,252,512
Securities of which carrying value does not exceed their acquisition cost:						
Stock .....	4,079	3,671	(408)	34,553	31,099	(3,454)
Other .....	52	52	(0)	440	439	(1)
Subtotal .....	4,131	3,723	(408)	34,993	31,538	(3,455)
Total .....	¥ 139,108	¥ 522,659	¥ 383,551	\$ 1,178,380	\$ 4,427,437	\$ 3,249,057

The Companies recognized losses on write-down of ¥50 million (\$420 thousand) on its marketable other securities for the year ended March 31, 2007.

Year ended March 31, 2006	Japanese Yen (million)			U.S. Dollars (thousand)		
	Acquisition cost	Carrying value	Unrealized gain (loss)	Acquisition cost	Carrying value	Unrealized gain (loss)
Securities of which carrying value exceeds their acquisition cost:						
Stock .....	¥ 135,234	¥ 475,581	¥ 340,347	\$ 1,145,564	\$ 4,028,643	\$ 2,883,079
Bonds .....	96	103	7	810	868	59
Other .....	150	186	36	1,276	1,577	301
Subtotal .....	135,480	475,870	340,390	1,147,650	4,031,088	2,883,439
Securities of which carrying value does not exceed their acquisition cost:						
Stock .....	3,238	3,028	(210)	27,426	25,650	(1,776)
Other .....	14	13	(1)	117	111	(6)
Subtotal .....	3,252	3,041	(211)	27,543	25,761	(1,782)
Total .....	¥ 138,732	¥ 478,911	¥ 340,179	\$ 1,175,193	\$ 4,056,850	\$ 2,881,657

The Companies recognized losses on write-down of ¥106 million (\$898 thousand) on its marketable other securities for the year ended March 31, 2006.

##### (b) Sales of securities classified as other securities

	Japanese Yen (million)		U.S. Dollars (thousand)	
	FY 2007	FY 2006	FY 2007	FY 2006
Sales amount .....	¥ 16,746	¥ 29,585	\$ 141,857	\$ 250,612
Aggregate gain .....	¥ 10,859	¥ 9,617	\$ 91,986	\$ 81,466
Aggregate loss .....	¥ 4	¥ 81	\$ 38	\$ 685

(c) In addition to the securities above, the Companies held investment securities with no available market value at March 31, 2007 and 2006 as follows:

Year ended March 31, 2007	Japanese Yen (million)		U.S. Dollars (thousand)	
	Carrying value		Carrying value	
Held-to-maturity securities				
Non-listed foreign bonds .....	¥ 1,024		\$ 8,676	
Other securities				
Non-listed stocks .....	¥ 14,088		\$ 119,338	
Non-listed preferred equity securities .....	¥ 2,000		\$ 16,942	
Beneficiary rights in monetary trusts .....	¥ 5,000		\$ 42,355	
Year ended March 31, 2006				
Held-to-maturity securities				
Non-listed foreign bonds .....	¥ 862		\$ 7,303	
Other securities				
Non-listed stocks .....	¥ 12,986		\$ 110,008	
Non-listed preferred equity securities .....	¥ 7,000		\$ 59,297	



(d) The redemption schedule for other securities with maturity dates and held-to-maturity debt securities as of March 31, 2007 and 2006 is summarized as follows:

Year ended March 31, 2007	Japanese Yen (million)				U.S. Dollars (thousand)			
	Due in one year or less	Due after one year through five years	Due after five years through ten years	Due after ten years	Due in one year or less	Due after one year through five years	Due after five years through ten years	Due after ten years
Government bonds and Municipal bonds	¥ 108	¥ 46	¥ —	¥ 30	\$ 911	\$ 391	\$ —	\$ 256
Corporate bonds	1,023	20	—	—	8,666	170	—	—
Beneficiary rights in monetary trusts	5,000	—	—	—	42,355	—	—	—
<b>Total</b>	<b>¥ 6,131</b>	<b>¥ 66</b>	<b>¥ —</b>	<b>¥ 30</b>	<b>\$ 51,932</b>	<b>\$ 561</b>	<b>\$ —</b>	<b>\$ 256</b>

Year ended March 31, 2006	Japanese Yen (million)				U.S. Dollars (thousand)			
	Due in one year or less	Due after one year through five years	Due after five years through ten years	Due after ten years	Due in one year or less	Due after one year through five years	Due after five years through ten years	Due after ten years
Government bonds and Municipal bonds	¥ 30	¥ 120	¥ —	¥ 30	\$ 250	\$ 1,019	\$ —	\$ 254
Other	—	861	—	—	—	7,293	—	—
<b>Total</b>	<b>¥ 30</b>	<b>¥ 981</b>	<b>¥ —</b>	<b>¥ 30</b>	<b>\$ 250</b>	<b>\$ 8,312</b>	<b>\$ —</b>	<b>\$ 254</b>

## 5. Inventories

Inventories comprised the following:

	Japanese Yen (million)		U.S. Dollars (thousand)	
	FY 2007	FY 2006	FY 2007	FY 2006
Construction projects in progress	¥ 365,886	¥ 363,657	\$ 3,099,416	\$ 3,080,537
Real estate for sale	52,540	55,189	445,070	467,506
Development projects in progress	10,695	19,797	90,601	167,699
PFI and other projects	55,096	18,254	466,714	154,626
Materials and supplies	2,328	2,455	19,719	20,800
<b>Total</b>	<b>¥ 486,545</b>	<b>¥ 459,352</b>	<b>\$ 4,121,520</b>	<b>\$ 3,891,168</b>

## 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 1.08 percent at March 31, 2007 (0.58 percent at March 31, 2006).

Long-term loans bore interest at the average annual rate of 1.48 percent at March 31, 2007 (1.39 percent at March 31, 2006).

(a) Short-term borrowings comprised the following:

	Japanese Yen (million)		U.S. Dollars (thousand)	
	FY 2007	FY 2006	FY 2007	FY 2006
Short-term borrowings from banks	¥ 56,684	¥ 70,887	\$ 480,173	\$ 600,483
<b>Total</b>	<b>¥ 56,684</b>	<b>¥ 70,887</b>	<b>\$ 480,173</b>	<b>\$ 600,483</b>

(b) Long-term debt comprised the following:

	Japanese Yen (million)		U.S. Dollars (thousand)	
	FY 2007	FY 2006	FY 2007	FY 2006
2.03 percent bond	¥ —	¥ 10,000	\$ —	\$ 84,710
0.9 percent bond due July, 2007	10,000	10,000	84,710	84,710
0.49 percent bond due June, 2008	10,000	10,000	84,710	84,710
1.07 percent bond due June, 2013	10,000	10,000	84,710	84,710
1.48 percent bond due November, 2010	10,000	10,000	84,710	84,710
0.85 percent bond due June, 2009	10,000	10,000	84,710	84,710
0.89 percent bond due October, 2009	10,000	10,000	84,710	84,710
1.34 percent bond due October, 2011	10,000	10,000	84,710	84,710
Loans from Japanese banks	25,802	36,880	218,568	312,410
Loans from Japanese insurance companies	28,793	41,689	243,905	353,147
Loans from other financial institutions	2,175	2,684	18,426	22,735
	<b>126,770</b>	<b>161,253</b>	<b>1,073,869</b>	<b>1,365,972</b>
Less: Current portion of long-term debt	(31,602)	(39,795)	(267,699)	(337,103)
	<b>¥ 95,168</b>	<b>¥ 121,458</b>	<b>\$ 806,170</b>	<b>\$ 1,028,869</b>

The aggregate annual maturities of long-term debt (including current portion) subsequent to March 31, 2007 were as follows:

Year ending March 31,	Japanese Yen (million)		U.S. Dollars (thousand)	
2008	¥ 31,602		\$ 267,699	
2009	27,331		231,518	
2010	28,357		240,211	
2011	12,808		108,497	
2012 and thereafter	26,672		225,944	
<b>Total</b>	<b>¥ 126,770</b>		<b>\$ 1,073,869</b>	

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)	
	FY 2007	FY 2006	FY 2007	FY 2006
Commercial paper (which matures within one year) .....	¥ —	¥ 10,000	\$ —	\$ 84,710

**(d) PFI and other project finance loan**

	Japanese Yen (million)		U.S. Dollars (thousand)	
	FY 2007	FY 2006	FY 2007	FY 2006
PFI and other project finance loan .....	¥ 74,296	¥ 37,626	\$ 629,360	\$ 318,736
	74,296	37,626	629,360	318,736
Less: current portion .....	(15,284)	(2,910)	(129,469)	(24,654)
	¥ 59,012	¥ 34,716	\$ 499,891	\$ 294,082

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

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

	Japanese Yen (million)		U.S. Dollars (thousand)	
	FY 2007	FY 2006	FY 2007	FY 2006
Cash and deposits .....	¥ 6,957	¥ 2,486	\$ 58,935	\$ 21,063
Notes and accounts receivable, trade .....	11,718	10,509	99,265	89,024
Inventories .....	55,096	18,254	466,714	154,626
Buildings and structures .....	6,116	7,194	51,805	60,936
Machinery, equipment and vehicles .....	963	376	8,155	3,184
Total .....	¥ 80,850	¥ 38,819	\$ 684,884	\$ 328,833

The aggregate annual maturities of PFI and other project finance loan subsequent to March 31, 2007 were as follows:

Year ending March 31,	Japanese Yen (million)		U.S. Dollars (thousand)	
	FY 2007	FY 2006	FY 2007	FY 2006
2008 .....	¥ 15,284		\$ 129,469	
2009 .....	5,968		50,558	
2010 .....	4,554		38,575	
2011 .....	4,651		39,402	
2012 and thereafter .....	43,839		371,356	
Total .....	¥ 74,296		\$ 629,360	

**7. Pledged assets**

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

	Japanese Yen (million)		U.S. Dollars (thousand)	
	FY 2007	FY 2006	FY 2007	FY 2006
<b>ASSETS PLEDGED AS COLLATERAL:</b>				
Land .....	¥ 401	¥ 457	\$ 3,393	\$ 3,870
Buildings and structures .....	776	811	6,574	6,866
Short-term loans receivable (Real estate convertible loan) .....	—	48	—	407
Investment securities .....	5,364	—	45,439	—
Long-term loans receivable (Real estate convertible loan) .....	—	24,206	—	205,047
Total .....	¥ 6,541	¥ 25,522	\$ 55,406	\$ 216,190
<b>LIABILITIES SECURED THEREBY:</b>				
Current portion of long-term debt .....	¥ 556	¥ 555	\$ 4,709	\$ 4,701
Long-term debt .....	3,890	4,438	32,951	37,591
Total .....	¥ 4,446	¥ 4,993	\$ 37,660	\$ 42,292

**8. Retirement benefit plans**

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

The following table sets forth the funded and accrued status of the plans, and the amounts recognized in the consolidated balance sheets as of March 31, 2007 and 2006 for the Company's and the subsidiaries' defined benefit plans:

	Japanese Yen (million)		U.S. Dollars (thousand)	
	FY 2007	FY 2006	FY 2007	FY 2006
Retirement benefit obligation .....	¥ (161,897)	¥ (163,966)	\$ (1,371,427)	\$ (1,388,953)
Plan assets at fair value .....	88,246	86,608	747,529	733,654
Unfunded retirement benefit obligation .....	(73,651)	(77,358)	(623,898)	(655,299)
Unrecognized actuarial loss .....	3,700	5,377	31,344	45,552
Unrecognized prior service cost .....	(396)	(279)	(3,354)	(2,370)
Reserve for retirement benefits .....	¥ (70,347)	¥ (72,260)	\$ (595,908)	\$ (612,117)

The components of retirement benefit expenses for the years ended March 31, 2007 and 2006 are outlined as follows:

	Japanese Yen (million)		U.S. Dollars (thousand)	
	FY 2007	FY 2006	FY 2007	FY 2006
Service cost .....	¥ 5,432	¥ 5,527	\$ 46,013	\$ 46,818
Interest cost .....	4,039	4,003	34,216	33,910
Expected return on plan assets .....	(2,143)	(1,896)	(18,155)	(16,060)
Amortization of actuarial loss .....	1,496	2,386	12,673	20,208
Amortization of prior service cost .....	(46)	(134)	(387)	(1,133)
Special retirement and severance benefits .....	—	175	—	1,491
Total .....	¥ 8,778	¥ 10,061	\$ 74,360	\$ 85,234

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

	FY 2007	FY 2006
Discount rates .....	<b>1.8% or 2.5%</b>	1.8% or 2.5%
Expected return on assets .....	<b>1.8% or 2.5%</b>	1.8% or 2.5%

### 9. Research and Development Costs

Research and development costs included in selling, general and administrative expenses for the years ended March 31, 2007 and 2006 amounted to ¥6,793 million (\$ 57,543 thousand) and ¥7,206 million (\$ 61,050 thousand), respectively.

### 10. Income taxes

Income taxes applicable to the Company comprised corporation tax, inhabitants' taxes and enterprise tax which, in the aggregate, resulted in a statutory tax rate of approximately 40.5% in 2007 and 2006.

Reconciliation between the statutory tax rate and the effective tax rate for the year ended March 31, 2007 is summarized as follows:

	FY 2007
Statutory tax rate .....	<b>40.5 %</b>
Reconciliation:	
Permanent non-deductible items .....	<b>2.8</b>
Permanent non-taxable items .....	<b>(1.9)</b>
Decrease in valuation allowance .....	<b>(9.5)</b>
Other .....	<b>0.8</b>
Effective tax rate .....	<b>32.7 %</b>

Since the difference between the statutory tax rate and the Company's effective tax rate for the year ended March 31, 2006 was immaterial, the information for 2006 was not shown.

The major components of deferred tax assets and liabilities as of March 31, 2007 and 2006 are summarized as follows:

	Japanese Yen (million)		U.S. Dollars (thousand)	
	FY 2007	FY 2006	FY 2007	FY 2006
<b>Deferred tax assets:</b>				
Impairment loss on fixed assets .....	¥ <b>33,791</b>	¥ 36,512	\$ <b>286,242</b>	\$ 309,291
Loss on revaluation of real estate for sale .....	<b>16,585</b>	18,219	<b>140,492</b>	154,331
Reserve for retirement benefits .....	<b>28,415</b>	29,227	<b>240,700</b>	247,579
Tax loss carryforwards .....	<b>2,254</b>	4,155	<b>19,090</b>	35,198
Other .....	<b>26,737</b>	30,208	<b>226,500</b>	255,905
	<b>107,782</b>	118,321	<b>913,024</b>	1,002,304
Valuation allowance .....	<b>(3,990)</b>	(7,138)	<b>(33,800)</b>	(60,470)
Total deferred tax assets .....	<b>103,792</b>	111,183	<b>879,224</b>	941,834
<b>Deferred tax liabilities:</b>				
Unrealized holding gains on securities .....	<b>(155,274)</b>	(137,704)	<b>(1,315,326)</b>	(1,166,491)
Other .....	<b>(939)</b>	(1,070)	<b>(7,955)</b>	(9,064)
Total deferred tax liabilities .....	<b>(156,213)</b>	(138,774)	<b>(1,323,282)</b>	(1,175,555)
Net deferred tax liabilities .....	¥ <b>(52,421)</b>	¥ (27,591)	\$ <b>(444,058)</b>	\$ (233,721)

In addition to the above, the Companies recognized a deferred tax liability of ¥28,380 million (\$240,407 thousand) and ¥30,629 million (\$259,459 thousand) related to reserve for land revaluation at March 31, 2007 and 2006, respectively.

### 11. Supplementary cash flow information

The following table represents a reconciliation of cash and deposits to cash and cash equivalents as of March 31, 2007 and 2006:

	Japanese Yen (million)		U.S. Dollars (thousand)	
	FY 2007	FY 2006	FY 2007	FY 2006
Cash and deposits .....	¥ <b>134,985</b>	¥ 101,529	\$ <b>1,143,455</b>	\$ 860,058
Time deposits with a maturity of more than three months .....	<b>(42)</b>	(1)	<b>(356)</b>	(10)
Beneficiary rights in monetary trusts .....	<b>5,000</b>	—	<b>42,355</b>	—
Cash and cash equivalents .....	¥ <b>139,943</b>	¥ 101,528	\$ <b>1,185,454</b>	\$ 860,041

### 12. Shareholders' equity

The Corporation Law of Japan (the "Law"), which superseded most of the provisions of the Commercial Code of Japan, went into effect on May 1, 2006. The Law provides that an amount equal to 10% of the amount to be disbursed as distributions of capital surplus (other than the capital reserve) and retained earnings (other than the legal reserve) be transferred to the capital reserve and the legal reserve, respectively, until the sum of the capital reserve and the legal reserve equals 25% of the capital stock account. Such distributions can be made at any time by resolution of the shareholders, or by the Board of Directors if certain conditions are met. The retained earnings account in the accompanying consolidated balance sheet at March 31, 2007 included a legal reserve of ¥14,438 million (\$122,304 thousand).

### 13. Segment information

#### (a) Business segments

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

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

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

Year ended March 31, 2007	Japanese Yen (million)					
	Construction	Real estate	Others	Total	Eliminations or Corporate	Consolidated
Revenues:						
From outside customers	¥ 1,471,201	¥ 79,591	¥ 17,168	¥ 1,567,960	¥ —	¥ 1,567,960
Intersegment	18,815	2,239	7,883	28,937	(28,937)	—
Total	1,490,016	81,830	25,051	1,596,897	(28,937)	1,567,960
Operating expenses	1,454,025	69,929	24,123	1,548,077	(27,655)	1,520,422
Operating profit	¥ 35,991	¥ 11,901	¥ 928	¥ 48,820	¥ (1,282)	¥ 47,538
Total Assets	¥ 1,682,195	¥ 313,852	¥ 137,959	¥ 2,134,006	¥ (67,021)	¥ 2,066,985
Depreciation	¥ 7,317	¥ 2,079	¥ 1,050	¥ 10,446	¥ (52)	¥ 10,394
Impairment loss on fixed assets	¥ 87	¥ 386	¥ 2,756	¥ 3,229	¥ —	¥ 3,229
Capital expenditures	¥ 5,661	¥ 8,800	¥ 919	¥ 15,380	¥ (1,524)	¥ 13,856

Year ended March 31, 2006	Japanese Yen (million)					
	Construction	Real estate	Others	Total	Eliminations or Corporate	Consolidated
Revenues:						
From outside customers	¥ 1,427,493	¥ 37,620	¥ 11,312	¥ 1,476,425	¥ —	¥ 1,476,425
Intersegment	24,943	3,583	7,902	36,428	(36,428)	—
Total	1,452,436	41,203	19,214	1,512,853	(36,428)	1,476,425
Operating expenses	1,411,922	32,768	18,910	1,463,600	(33,833)	1,429,767
Operating profit	¥ 40,514	¥ 8,435	¥ 304	¥ 49,253	¥ (2,595)	¥ 46,658
Total Assets	¥ 1,625,782	¥ 285,637	¥ 132,056	¥ 2,043,475	¥ (66,180)	¥ 1,977,295
Depreciation	¥ 7,046	¥ 3,162	¥ 358	¥ 10,566	¥ (49)	¥ 10,517
Impairment loss on fixed assets	¥ —	¥ 2,203	¥ —	¥ 2,203	¥ —	¥ 2,203
Capital expenditures	¥ 6,105	¥ 6,896	¥ 3,907	¥ 16,908	¥ (744)	¥ 16,164

Year ended March 31, 2007	U.S. Dollars (thousand)					
	Construction	Real estate	Others	Total	Eliminations or Corporate	Consolidated
Revenues:						
From outside customers	\$ 12,462,521	\$ 674,213	\$ 145,435	\$ 13,282,169	\$ —	\$ 13,282,169
Intersegment	159,386	18,970	66,771	245,127	(245,127)	—
Total	12,621,907	693,183	212,206	13,527,296	(245,127)	13,282,169
Operating expenses	12,317,028	592,368	204,341	13,113,737	(234,264)	12,879,473
Operating profit	\$ 304,878	\$ 100,815	\$ 7,866	\$ 413,559	\$ (10,863)	\$ 402,696
Total Assets	\$ 14,249,848	\$ 2,658,634	\$ 1,168,647	\$ 18,077,138	\$ (567,735)	\$ 17,509,403
Depreciation	\$ 61,983	\$ 17,609	\$ 8,893	\$ 88,485	\$ (434)	\$ 88,051
Impairment loss on fixed assets	\$ 737	\$ 3,266	\$ 23,352	\$ 27,355	\$ —	\$ 27,355
Capital expenditures	\$ 47,956	\$ 74,542	\$ 7,787	\$ 130,285	\$ (12,907)	\$ 117,378

Year ended March 31, 2006	U.S. Dollars (thousand)					
	Construction	Real estate	Others	Total	Eliminations or Corporate	Consolidated
Revenues:						
From outside customers	\$ 12,092,271	\$ 318,681	\$ 95,823	\$ 12,506,775	\$ —	\$ 12,506,775
Intersegment	211,291	30,353	66,935	308,579	(308,579)	—
Total	12,303,562	349,034	162,758	12,815,354	(308,579)	12,506,775
Operating expenses	11,960,373	277,576	160,186	12,398,135	(286,600)	12,111,535
Operating profit	\$ 343,189	\$ 71,458	\$ 2,572	\$ 417,219	\$ (21,979)	\$ 395,240
Total Assets	\$ 13,771,977	\$ 2,419,629	\$ 1,118,643	\$ 17,310,249	\$ (560,606)	\$ 16,749,643
Depreciation	\$ 59,684	\$ 26,787	\$ 3,031	\$ 89,502	\$ (409)	\$ 89,093
Impairment loss on fixed assets	\$ —	\$ 18,668	\$ —	\$ 18,668	\$ —	\$ 18,668
Capital expenditures	\$ 51,718	\$ 58,418	\$ 33,095	\$ 143,231	\$ (6,309)	\$ 136,922

#### (b) Geographic segments

Information by geographic segment is not presented as domestic revenues and total assets exceeded 90 percent of all segments for the years ended March 31, 2007 and 2006.

(c) Revenues by region

Information of revenues by region for the years ended March 31, 2007 and 2006 were as follows:

Year ended March 31, 2007	Japanese Yen (million)			
	Asia	North America	Other regions	Total
I Overseas revenues .....	¥ 118,172	¥ 91,259	¥ 3,470	¥ 212,901
II Consolidated revenues .....	—	—	—	1,567,960
III Overseas revenues as a percentage of consolidated revenues .....	7.6 %	5.8 %	0.2 %	13.6 %

Year ended March 31, 2007	U.S. Dollars (thousand)			
	Asia	North America	Other regions	Total
I Overseas revenues .....	\$ 1,001,034	\$ 773,056	\$ 29,398	\$ 1,803,478
II Consolidated revenues .....	—	—	—	13,282,169
III Overseas revenues as a percentage of consolidated revenues .....	7.6 %	5.8 %	0.2 %	13.6 %

Year ended March 31, 2006	Japanese Yen (million)			
	Asia	North America	Other regions	Total
I Overseas revenues .....	¥ 92,897	¥ 90,415	¥ 2,449	¥ 185,761
II Consolidated revenues .....	—	—	—	1,476,425
III Overseas revenues as a percentage of consolidated revenues .....	6.3 %	6.1 %	0.2 %	12.6 %

Year ended March 31, 2006	U.S. Dollars (thousand)			
	Asia	North America	Other regions	Total
I Overseas revenues .....	\$ 786,929	\$ 765,902	\$ 20,750	\$ 1,573,581
II Consolidated revenues .....	—	—	—	12,506,775
III Overseas revenues as a percentage of consolidated revenues .....	6.3 %	6.1 %	0.2 %	12.6 %

1. Countries are classified by the geographical proximity.

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

Asia: Thailand, UAE, Singapore, Vietnam and Taiwan

North America: USA

Other regions: Britain

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

**14. Derivative financial instruments**

Because all derivative instruments held by the Company and its subsidiaries at March 31, 2007 and 2006 were for hedging purposes, the related information on their respective market is not presented.

## 15. Related Party Transactions

Transactions with related party for the years ended March 31, 2007 and 2006 and the respective balances as of March 31, 2007 and 2006 were as follows:

Year ended March 31, 2007														
Related party	Attribution	Address	Capital Japanese Yen (million)	Type of business	% of voting right		Relationship		Nature of transaction	Amounts of transaction (*1)		Balance at the end of the year		
					held (held by others)	concurrent director	Business relationship	Japanese Yen (million) FY2007		U.S. Dollars (thousand) FY2007	Accounts	Japanese Yen (million) FY2007	U.S. Dollars (thousand) FY2007	
<b>Takeo Obayashi</b>	<b>Director</b>	—	—	—	<b>3.71</b>	—	—	—	<b>sales of assets (*2)</b>	<b>¥2</b>	<b>\$236</b>	—	—	—
<b>Obayashi Kosan Ltd (*3)</b>	<b>Companies with majority of voting rights owned by the directors</b>	<b>Minato-ku, Tokyo</b>	<b>5</b>	<b>Tenement management</b>	—	<b>Concurrent 1 person</b>	<b>Our company make a housing construction contract</b>	<b>Housing construction contract (*4)</b>	<b>¥617 (*5)</b>	<b>\$5,223</b>	—	—	—	—
<b>Naniwabashi lawyer's firm (*6)</b>	<b>Companies with majority of voting rights owned by the directors</b>	<b>Kita-ku, Osaka</b>	—	<b>Lawyer's firm</b>	—	—	<b>Our company make a legal adviser contract</b>	<b>Legal service delegation (*7)</b>	<b>¥18</b>	<b>\$150</b>	—	—	—	—

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

\*2 Sale amount of assets was determined considering the valuations and views of several independent third parties.

\*3 Housing construction work was contracted from our company's director Takeo Obayashi dated on January 17, 2006, but the construction owner was succeeded from Takeo Obayashi to Obayashi Kosan Ltd with 100 percentage voting rights directly owned by Takeo Obayashi.

\*4 Transaction conditions including the transaction amounts were determined in the same method as for other general transactions.

\*5 Due to the additional construction and the design alternation, the transaction amounts increased from 595M to 617M.

\*6 Lawyer's firm managed by Mr. Sadazo Tsuda resigned from as our company's statutory auditor at the closing of stockholder's meeting held on June 28, 2007.

\*7 Lawyer's reward was determined in consideration to a general lawyer's reward.

Year ended March 31, 2006														
Related party	Attribution	Address	Capital Japanese Yen (million)	Type of business	% of voting right		Relationship		Nature of transaction	Amounts of transaction		Balance at the end of the year		
					held (held by others)	concurrent director	Business relationship	Japanese Yen (million) FY2006		U.S. Dollars (thousand) FY2006	Accounts	Japanese Yen (million) FY2006	U.S. Dollars (thousand) FY2006	
Takeo Obayashi	Director	—	—	—	3.68	—	—	—	Housing construction contract	¥595	\$5,046	Advances received on uncompleted construction contracts, real estate and other	¥187	\$1,590
												Construction projects in progress	¥148	\$1,260

1 The transaction amount represents the contract price on the construction contract.

2 Consumption taxes were not included in the amount of the transaction but in the amount of year end balance.

3 Transaction conditions including the transaction amounts were determined in the same method as for other general transactions.

## 16. Lease transactions

### (a) Lessee's accounting

The following pro forma amounts represent the acquisition costs, accumulated depreciation and net book value of the leased assets as of March 31, 2007 and 2006, which would have been reflected in the consolidated balance sheets if finance lease accounting had been applied to the finance leases currently accounted for as operating leases:

As of March 31, 2007	Japanese Yen (million)			U.S. Dollars (thousand)		
	Acquisition costs	Accumulated depreciation	Net book value	Acquisition costs	Accumulated depreciation	Net book value
Buildings and structures	¥ 6	¥ 5	¥ 1	\$ 52	\$ 44	\$ 8
Machinery, equipment and vehicles	1,667	912	755	14,122	7,729	6,393
Other	206	83	123	1,741	699	1,042
<b>Total</b>	<b>¥ 1,879</b>	<b>¥ 1,000</b>	<b>¥ 879</b>	<b>\$ 15,915</b>	<b>\$ 8,472</b>	<b>\$ 7,443</b>

As of March 31, 2006	Japanese Yen (million)			U.S. Dollars (thousand)		
	Acquisition costs	Accumulated depreciation	Net book value	Acquisition costs	Accumulated depreciation	Net book value
Buildings and structures	¥ 6	¥ 4	¥ 2	\$ 51	\$ 35	\$ 16
Machinery, equipment and vehicles	1,842	1,036	806	15,601	8,773	6,828
Other	201	91	110	1,703	769	934
<b>Total</b>	<b>¥ 2,049</b>	<b>¥ 1,131</b>	<b>¥ 918</b>	<b>\$ 17,355</b>	<b>\$ 9,577</b>	<b>\$ 7,778</b>

Future minimum lease payments subsequent to March 31, 2007 on no cancelable operating leases and finance leases accounted for as operating leases are summarized as follows:

Year ending March 31,	Japanese Yen (million)		U.S. Dollars (thousand)	
	Finance leases	Operating leases	Finance leases	Operating leases
2008 .....	¥ 358	¥ 1,311	\$ 3,035	\$ 11,104
2009 and thereafter .....	528	4,104	4,470	34,762
Total .....	¥ 886	¥ 5,415	\$ 7,505	\$ 45,866

Lease payments relating to finance leases accounted for as operating leases in the accompanying consolidated financial statements amounted to 394 million (\$3,344 thousand) and ¥575 million (\$4,873 thousand) for the years ended March 31, 2007 and 2006, respectively.

Depreciation of the leased assets computed by the straight-line method over the respective lease terms with no residual value and the interest portion included in lease payments amounted to ¥387 million (\$3,276 thousand) and ¥7 million (\$68 thousand), respectively, for the year ended March 31, 2007, ¥569 million (\$4,819 thousand) and ¥7 million (\$65 thousand), respectively, for the year ended March 31, 2006.

**(b) Lessors' accounting**

The following pro forma amounts represent the acquisition costs, accumulated depreciation and net book value of the leased assets relating to finance leases accounted for as operating leases at March 31, 2007:

Year ending March 31,	Japanese Yen (million)			U.S. Dollars (thousand)		
	Acquisition costs	Accumulated depreciation	Net book value	Acquisition costs	Accumulated depreciation	Net book value
Buildings and structures .....	¥ 650	¥ 51	¥ 599	\$ 5,510	\$ 430	\$ 5,080
Other .....	1	0	1	6	1	5
Total .....	¥ 651	¥ 51	¥ 600	\$ 5,516	\$ 431	\$ 5,085

Lease income relating to finance leases accounted for as operating leases in the accompanying consolidated financial statements amounted to ¥41 million (\$350 thousand) for the year ended March 31, 2007.

Depreciation of the assets leased under finance leases accounted for as operating leases amounted to 34 million (\$288 thousand) for the year ended March 31, 2007.

Future minimum lease income (including the interest portion thereon) subsequent to March 31, 2007 for the finance leases accounted for as operating leases is summarized as follows:

Year ending March 31,	Japanese Yen (million)		U.S. Dollars (thousand)	
	Finance leases	Operating leases	Finance leases	Operating leases
2008 .....	¥ 41	3,211	\$ 350	27,201
2009 and thereafter .....	722	25,398	6,113	215,142
Total .....	¥ 763	28,609	\$ 6,463	242,343

Future minimum lease income subsequent to March 31, 2007 for operating leases is summarized as follows:

Year ending March 31,	Japanese Yen (million)		U.S. Dollars (thousand)	
	Operating leases	Finance leases	Operating leases	Finance leases
2008 .....	¥ 3,211	41	\$ 27,201	350
2009 and thereafter .....	25,398	722	215,142	6,113
Total .....	¥ 28,609	763	\$ 242,343	6,463

**17. Contingent liabilities**

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

	Japanese Yen (million)		U.S. Dollars (thousand)	
	FY 2007	FY 2006	FY 2007	FY 2006
Guarantees of long-term debt of customers, affiliates and employees .....	¥ 3,689	¥ 4,583	\$ 31,246	\$ 38,819

**18. Supplementary information for consolidated statements of changes in net assets**

**(a) Type and number of outstanding shares**

Type of shares	Year ended March 31, 2007			
	Balance at beginning of year	Increase in shares during the year	Decrease in shares during the year	Balance at end of year
Number of shares				
Issued stock:				
Common stock	721,509,646	—	—	721,509,646
Total	721,509,646	—	—	721,509,646
Treasury stock:				
Common stock	1,425,927	216,654	40,160	1,602,421
Total	1,425,927	216,654	40,160	1,602,421

\* Treasury stock increased by 216,654 shares due to the repurchase of shares less than one unit.

\* Decrease in treasury stock of 40,160 shares represents the Company's interests in the Company's common stock sold by its subsidiaries.

**(b) Dividends****(1) Dividends paid to shareholders**

Date of approval	Resolution approved by	Type of shares	Amount (Millions of Yen)	Amount (Thousands of U.S.dollars)	Amount per share (Yen)	Amount per share (U.S.dollars)	Shareholders' cut-off date	Effective date
June 29, 2006	Annual general meeting of shareholders	Common stock	5,761	48,799	8	0.07	March 31, 2006	June 30, 2006
November 10, 2006	Board of directors	Common stock	4,320	36,596	6	0.05	September 30, 2006	December 8, 2006

**(2) Dividends with a shareholders' cut-off date during the current fiscal year but an effective date subsequent to the current fiscal year**

Date of approval	Resolution approved by	Type of shares	Amount (Millions of Yen)	Amount (Thousands of U.S.dollars)	Paid from	Amount per share (Yen)	Amount per share (U.S.dollars)	Shareholders' cut-off date	Effective date
June 28, 2007	Annual general meeting of shareholders	Common stock	4,319	36,590	Retained earnings	6	0.05	March 31, 2007	June 29, 2007

**19. Amounts per share**

Basic net income per share has been computed based on the weighted average number of shares of common stock outstanding during the year. Diluted net income per share has not been presented for the years ended March 31, 2007 and 2006 because the Company had no potentially dilutive shares outstanding as of these balance sheet dates.

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

Net income and net assets per share for the years ended March 31, 2007 and 2006 are as follows:

	Japanese Yen		U.S. Dollars	
	FY 2007	FY 2006	FY 2007	FY 2006
Net income per share of common stock				
Basic .....	¥ 56.46	¥ 47.89	\$ 0.48	\$ 0.41
Diluted .....	¥ —	¥ —	\$ —	\$ —
Net assets per share of common stock .....	¥ 753.78	¥ 674.94	\$ 6.39	\$ 5.72

The following table sets forth the computation of net income per share of common stock for the years ended March 31, 2007 and 2006:

	Year ended March 31, 2007		Year ended March 31, 2006	
	(Millions of yen, except share)	(Thousands of U.S. dollar, except share)	(Millions of yen, except share)	(Thousands of U.S. dollar, except share)
Net income available to shareholders of common stock (numerator)				
Net income .....	¥ 40,652	\$ 344,364	¥ 34,489	\$ 292,160
Less: appropriation of bonuses to directors and statutory auditors .....	—	—	(1)	(10)
	¥ 40,652	\$ 344,364	¥ 34,488	\$ 292,150
Weighted average shares of common stock outstanding (denominator) .....	720,017		720,150	

Net assets per share are computed based on net assets available for distribution to the shareholders of common stock (i.e. net assets excluding minority interests) and the number of shares of common stock outstanding at each balance sheet date.

**20. Impairment loss on fixed assets**

For the year ended March 31, 2006, the Company and its domestic subsidiaries recognized losses on the impairment of certain buildings and land leased to others, unused buildings and land, and land for sale currently but for use originally. For the assessment of the impairment on these assets, each asset is deemed as separate group. As a result of a recent unexpected decline in real estate value, the carrying value of the above assets has been reduced to their recoverable amounts. Accordingly, an impairment loss of ¥2,203 million (\$18,668 thousand) was recognized which consisted of ¥1,187 million (\$10,060 thousand) on buildings, ¥58 million (\$492 thousand) on structures, ¥18 million (\$148 thousand) on machinery and ¥940 million (\$7,968 thousand) on land. The recoverable amount utilized in the calculation was the net selling price. The net selling price is mainly the appraisal value less the costs of disposal.

For the year ended March 31, 2007, the Company and its domestic subsidiaries recognized losses on the impairment of asphalt plants, unused buildings and land, golf link, and land for sale currently but for use originally. For the assessment of the impairment on these assets, each asset is deemed as separate group. As a result of a recent unexpected decline in real estate value, profitability and other, the carrying value of the above assets has been reduced to their recoverable amounts. Accordingly, an impairment loss of ¥3,229 million (\$27,355 thousand) was recognized which consisted of ¥833 million (\$7,057 thousand) on buildings, ¥538 million (\$4,560 thousand) on structures, ¥63 million (\$533 thousand) on machinery and equipment, ¥1,795 million (\$15,205 thousand) on land. The recoverable amount utilized in the calculation was the net selling price. The net selling price is mainly the appraisal value less the costs of disposal.





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## Report of Independent Auditors

The Board of Directors  
OBAYASHI CORPORATION

We have audited the accompanying consolidated balance sheets of OBAYASHI CORPORATION and consolidated subsidiaries as of March 31, 2007 and 2006, and the related consolidated statements of income, changes in net assets, and cash flows for the years then ended, all expressed in yen. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of OBAYASHI CORPORATION and consolidated subsidiaries at March 31, 2007 and 2006, and the consolidated results of their operations and their cash flows for the years then ended in conformity with accounting principles generally accepted in Japan.

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the years ended March 31, 2007 and 2006 are presented solely for convenience. Our audits also included the translation of yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 3.

June 29, 2007

# History of Obayashi

## 1892-1945 From Foundation until WWII



Yoshigoro Obayashi  
In 1892, Yoshigoro Obayashi won the bid for construction of the Abe Paper Mill, and founded his company. For those times in Osaka, it was a large project, but Yoshigoro realized that how the job was done would decide the future of his fledgling company, so he put everything he and his employees had into the construction. The project was finished in the expected time and to the satisfaction of the owners. Obayashi Corporation had made its first powerful step forward.

In 1904, Obayashi opened an office in Tokyo. In 1911, we were awarded the contract to build Tokyo Station, an imposing central gateway to the imperial capital, a project that called for the highest steel-frame building ever attempted in Japan. With its precise and elaborate workmanship it was completed in 1914 without a single imperfection. This cemented Obayashi's reputation in Tokyo, and the company was to enjoy a succession of new orders for public works.

Then in 1923 the Great Kanto Earthquake struck the capital. It was a major test by which to judge the relative strengths of public buildings. While not a small number of major buildings in the Marunouchi area suffered great damage, those Obayashi had constructed, such as Tokyo Station and the Main Office of the Industrial Bank of Japan, were unscathed. The sturdiness of Obayashi's construction had been proved and a great number of orders for recovery work were received.

In the 1920s and 1930s, Obayashi grew at an impressive rate, gaining considerable ground over other construction companies and making its way to the top of the industry.

## 1946-2000 Post-War Recovery and Beyond

During the post-war reconstruction period, Obayashi built the Nukabira Dam, which was to be the harbinger of the



Nukabira Dam

rush to construct dams for hydroelectric power generation. It was followed in quick succession by the Yakuwa and Amagase and other dams. Keeping pace with the rapid growth of the Japanese economy, the company



Osaka Expo '70

constructed the award-winning Yoyogi National Stadium 2nd Gymnasium, the Hotel Empire, Japan's first real skyscraper, as well as many high-rise office buildings and hotels at home and abroad.



U.S. Embassy Office Building

Expo '70 in Osaka, for which we were energetically involved in many civil engineering projects as well as the construction of many of the pavilions, was an excellent opportunity to showcase our technology to the world. The world expo gave powerful new impetus to our growing international reputation.



Yoyogi National Stadium  
2nd Gymnasium



Kansai International Airport



Akashi Kaikyo Bridge  
(Kobe Side Anchorage)



Kyoto Station Building



Tokyo International Forum Glass Building

In 1973, the Obayashi Main Office in Osaka was completed, the first super high-rise building in Western Japan. In 1976, we finished construction of embassies of both the United States and the U.S.S.R. in Tokyo. And in 1982, we commanded attention by taking the leadership in responding to environmental challenges by building our Technical Research Institute, which was certified as the world's most energy-saving building. In the 1980s Obayashi took part in the construction of the Seikan Tunnel between Japan's main island of Honshu and the northern island of Hokkaido, and the Seto Ohashi Bridge connecting Honshu with the island of Shikoku. With the completion of these projects, Japan's main islands were all linked by land transport routes.

After 1986, as Japan's bubble economy heated up, investment in construction grew significantly and many large projects were completed, including urban redevelopment and waterfront development. Obayashi participated in construction of the Kansai International Airport, the Tokyo International Forum Glass Building, the Osaka Dome, the Kyoto Station Building, the Tokyo Bay Aqua-Line, Akashi-Kaikyo Bridge, and other large projects.

## Overseas Activities

In 1964, we were the first Japanese construction company to open an overseas representative office, in Bangkok, Thailand. Since 1970, Obayashi has opened strategically located representative offices and established local subsidiaries in other parts of Southeast Asia and in the United States.

In 1979, Obayashi became the first Japanese construction company to successfully bid for a public project in the U.S.A., with the award of the sewer works



North Shore Outfalls Consolidation Contract N1 & N2



Changi International Airport, Air Traffic Control Tower

contract in San Francisco, California.

We have also participated in numerous large-scale construction projects in Southeast Asia and Australia, including China Square Central and the Air Traffic Control Tower for Changi International Airport in Singapore, and the main stadium for the Sydney Olympic Games.



China Square Central (Marsh & McLennan Center)



Stadium Australia

## Taking Bold Steps in the 21st Century

Striding into the 21st century, Obayashi continues to participate in mega projects in Japan, including the Marunouchi Building and Roppongi Hills Mori Tower in Tokyo, while keeping pace with global business developments by playing a part in showcase projects such as the Taiwan High Speed Rail (Taiwan Shinkansen) and the Dubai Urban Rail Transit System.



Marunouchi Building



Roppongi Hills Mori Tower

# Corporate Profile / Stock Information

## Corporate Profile

**Founded:** January 1892  
**Company Established:** December 1936  
**Paid-in Capital:** ¥57,752,671,801 (as of March 31, 2007)  
**Number of Shares Authorized:** 1,224,335,000 shares  
**Total Number of Shares Issued and Outstanding:**  
 721,509,646 shares  
**Number of Shareholders:** 53,364 (as of March 31, 2007)  
**Number of Employees:** 9,373 (as of March 31, 2007)

### Our Business

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

## Stock Information

**Transfer Agent:**  
 Mitsubishi UFJ Trust and Banking Corporation  
 4-5, Marunouchi 1-chome, Chiyoda-ku, Tokyo 100-8212, Japan  
**General Meeting of Shareholders:** Late June  
**Listed on:**  
 Four stock exchanges: Tokyo, Osaka, Nagoya and Fukuoka

### Major shareholders

Shareholders	Holding Shares	
	Shares held (Thousand)	Investment ratio (%)
Japan Trustee Services Bank, Ltd. (Trust Account)	63,736	8.83
The Master Trust Bank of Japan, Ltd. (Trust Account)	40,640	5.63
Takeo Obayashi	26,554	3.68
Nippon Life Insurance Company	26,131	3.62
Japan Trustee Services Bank, Ltd. (Trust Account 4)	25,792	3.57
Hakuyo-Kai	18,886	2.62
OM04 SSB Client Omnibus (Standing Agent: Custody Services Department, Sumitomo Mitsui Banking Corporation)	13,028	1.81
Deutsche Bank AG London-PB Irish Residents 619 (Standing Agent: Deutsche Securities, Inc.)	10,414	1.44
Obayashi Employee Share-holding Association	10,237	1.42
Nomura Securities Co., Ltd.	6,880	0.95

(as of March 31, 2007)

# Network of Companies

• Offices • Subsidiaries and Affiliates

## Domestic Offices

### TOKYO HEAD OFFICE

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### OSAKA MAIN OFFICE

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### BRANCHES

Nagoya • Kyushu • Tohoku • Yokohama • Sapporo • Hiroshima • Shikoku • Kobe • Hokuriku

### TECHNICAL RESEARCH INSTITUTE

4-640, Shimokiyoto, Kiyose-shi, Tokyo 204-8558, Japan  
TEL: +81-42-495-1111 FAX: +81-42-495-0901

## Domestic Subsidiaries and Affiliates

### CONSTRUCTION

OBAYASHI ROAD CORPORATION  
NAIGAI TECHNOS CORPORATION  
NAIGAI BUILDING MATERIALS CORPORATION  
OAK SETSUBI CORPORATION  
YORIN CONSTRUCTION CO., LTD.

### REAL ESTATE

OBAYASHI REAL ESTATE CORPORATION

### BUILDING MAINTENANCE

OBAYASHI FACILITIES CORPORATION

### GOLF CLUBS & RESTAURANTS

MUTSUZAWA GREEN CO., LTD.  
IBARAKI GREEN CO., LTD.  
HAKUSEN GREEN CO., LTD.  
LE PONT DE CIEL CO., LTD.

### OTHER

SOMA ENVIRONMENT SERVICE CORPORATION  
ATELIER G&B CO., LTD.  
OAK L.C.E. CORPORATION  
OAK INFORMATION SYSTEM CORPORATION  
OC FINANCE CORPORATION  
HYATT REGENCY OSAKA CORPORATION  
IOT CARBON CORPORATION

## Overseas Offices, Subsidiaries, and Affiliates

### THAILAND

#### • THAI OBAYASHI CORPORATION LIMITED

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TEL: +66-2-252-5200 FAX: +66-2-252-5381

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### INDONESIA

#### • PT. JAYA OBAYASHI

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