

OBAYASHI CORPORATE REPORT 2014

Financial, Social and Environmental Performance

Fiscal Year Ended March 31, 2014



Toward a Brighter Future



Obayashi's Vision, Values and Commitments

In 2011, the 120th year since our founding, Obayashi's Vision, Values and Commitments were formulated with the aim of the Obayashi Group becoming one of the world's most successful environmentally responsible enterprises.

This vision to be one of the world's most successful environmentally responsible enterprises, presented under "VISION: Who We Want to Be" below, expresses our conviction toward the concepts of "an inclusive environment" that extends to the people of the world and the global environment, and "being responsible" in order to provide safety, security, and comfort.

Each and every employee of the Group is focused on understanding the meaning and spirit carried by Obayashi's Vision, Values and Commitments and proceeding with their daily work on that same trajectory. In this way, Obayashi will contribute to the creation of a sustainable world and strive to increase its corporate value.

VISION: Who We Want to Be

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

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

SOCIAL RESPONSIBILITY: Our Unique Approach

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

E—Engagement with customers

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

G—Global perspective

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

A—Amenity and associates

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

O—Open communication with stakeholders

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

ACTION COMMITMENTS: How We Do Things

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

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

VALUES: What We Believe In

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

Ambition We pursue personal growth and continuously reach for our dreams.

Innovation We are proactive in our quest for constant improvement and innovation.

Speed We think creatively and act quickly.

Teamwork We combine our individual strengths to maximize our impact as a team.

Integrity We act with integrity as responsible citizens of the Earth and all the nations where we live.

Contents

About Obayashi Corporation	03 Our History
	05 Key Business Performance
Management Policy	07 A Message to Our Stakeholders
Business Overview	13 Obayashi at a Glance
	15 Domestic Building Construction Business
	19 Domestic Civil Engineering Business
	23 Overseas Construction Business
	27 Real Estate Business
	29 New Businesses
	31 Technological Development
Together with Stakeholders	33 Toward a Brighter Future (EGAO)
	35 Engagement with Customers
	37 Global Perspective
	43 Amenity and Associates
	45 Open Communication with Stakeholders
Corporate Governance	47 Corporate Governance
	51 Directors and Corporate Auditors
Corporate Data	53 Consolidated Financial Summary
	55 Financial Review
	57 Consolidated Financial Statements
	94 Independent Auditor's Report
	95 Outcome of EGAO Initiatives in the Fiscal Year Ended March 31, 2014
	97 Corporate Data
	98 Stock Information/Editorial Policy
	99 External Evaluation

Caution Regarding Forward-Looking Statements

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

Readers' Guide to This Report



Readers can return to the starting pages of selected section headings in this report by clicking the corresponding tab at the top of the page.

To Contents

Readers can also return to the Contents page of this report by clicking the tab at the bottom of the page.

Related information

This is a tab providing a link to websites and pages related to the information published in this report.

OUR HISTORY

Shaping the Times with Care

Construction companies shape the world like no one else can, creating unique and timeless spaces that bridge the past, the present, and the future. As Obayashi professionals, we are each determined to bring sincerity, courtesy, mindfulness, and enthusiasm to everything we do. In every construction process, and in every business practice, we carry a strong sense of responsibility.



1903 The Fifth National Industrial Exposition



1964 Yoyogi National Stadium 2nd Gymnasium



1994 Kansai International Airport



1914 Tokyo Central Station (Currently Tokyo Station)



1965 Musi River Bridge (Indonesia)



1997 Tokyo Bay Aqua-Line



1924 Hanshin Koshien Stadium



1998 Shinagawa Intercity

SINCE 1892 1900

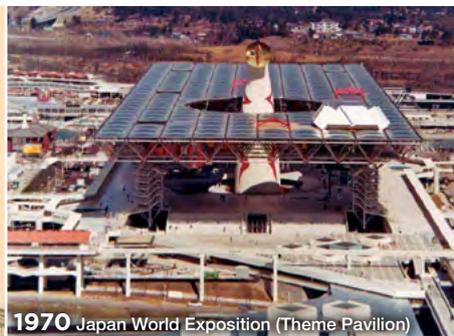
1930

1960

1990



1931 The Main Tower of Osaka Castle



1970 Japan World Exposition (Theme Pavilion)



1998 Akashi-Kaikyo Bridge



1982 San Francisco Sewer (U.S.)



1999 Stadium Australia (Australia)



2002 Bangkok MRT (Thailand)



2010 New Tomei Expressway Shishihara Viaduct No. 2



2012 TOKYO SKYTREE®



2003 Roppongi Hills Mori Tower



2011 Dubai Metro Project (Dubai, U.A.E.)



2006 Taiwan High Speed Rail (Taiwan)



2011 Osaka Station City North Gate Building



2013 oak omotesando

2000 2010



2008 Golden Gate Bridge Seismic Retrofit (U.S.)



2012 Nyukawa Dam



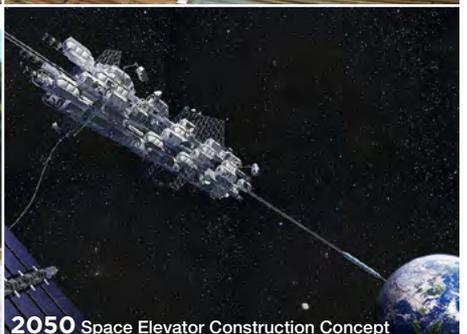
2012 Grand Front Osaka



2010 Hoover Dam Bypass Project: Colorado River Bridge (U.S.)



2012 New Tomei Expressway Hadanashi Tunnel and Saikuri Tunnel



2050 Space Elevator Construction Concept

Key Business Performance

Consolidated Economic Aspect Data

Fiscal years ended March 31	(Millions of yen)					(Thousands of U.S. dollars)*3	
	2010	2011	2012	2013	2014	2014	
Orders received	¥1,282,334	¥1,180,639	¥1,362,702	¥1,449,567	¥1,653,005	\$16,061,070	
Orders received (construction business)	1,214,745	1,108,348	1,289,779	1,372,658	1,580,900	15,360,480	
Net sales	1,341,456	1,131,864	1,245,772	1,448,305	1,612,756	15,670,004	
Operating income (loss)	(62,534)	23,174	31,145	35,153	31,991	310,839	
Operating margin (%)	(4.7)	2.0	2.5	2.4	2.0	-	
Ordinary income (loss)	(59,608)	22,207	35,241	44,690	40,135	389,968	
Net income (loss)	(53,354)	15,423	5,142	13,195	21,627	210,134	
Net income (loss) per share (yen/U.S. dollars)	(74.21)	21.46	7.16	18.37	30.11	0.29	
Net assets	367,618	351,287	365,492	414,650	448,108	4,353,945	
Total assets	1,590,667	1,505,697	1,618,748	1,656,289	1,818,886	17,672,818	
Equity ratio (%)	21.5	21.6	21.0	23.2	22.7	-	
Return on equity (ROE) (%)*1	-	4.6	1.5	3.6	5.4	-	
Dividends per share (yen/U.S. dollars)	8	8	8	8	8	0.07	
Cash flow from operating activities*2	16,156	1,096	65,755	31,496	37,962	368,851	
Cash flow from investing activities*2	(12,746)	(33,134)	(1,919)	(29,151)	(47,328)	(459,856)	
Cash flow from financing activities*2	(15,733)	10,611	(48,949)	(28,977)	27,587	268,048	
Cash and cash equivalents at end of period	132,425	108,999	121,682	99,690	121,177	1,177,390	
Interest-bearing debt (excludes PFIs and other project finance loans)	309,706	321,375	320,798	306,323	351,592	3,416,172	
Total liabilities and project finance loans	391,050	409,260	405,115	388,168	428,444	4,162,884	
Debt/equity (D/E) ratio (times)	1.14	1.26	1.19	1.01	1.04	-	
Capital expenditure	9,876	49,043	17,017	35,084	69,110	671,494	
Research and development	8,018	8,561	9,093	8,742	8,927	86,741	
Depreciation and amortization	10,534	11,394	11,954	10,916	12,103	117,597	

*1 Return on equity (ROE) for the fiscal year ended March 31, 2010 is not included due to net loss posted during that year.

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

*3 U.S. dollar amounts are provided solely for the convenience of the reader, translated on the basis of ¥102.92 to US\$1, the prevailing rate of exchange at March 31, 2014.

Please refer to the Consolidated Financial Summary on page 53 for further details.

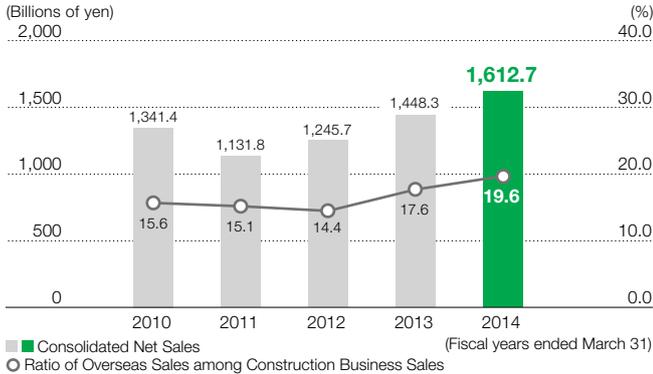
Non-Consolidated Social and Environmental Aspect Data

Fiscal years ended March 31	Unit	2010	2011	2012	2013	2014
Employees*1						
Consolidated employee headcount	Persons	14,476	14,639	12,870	12,838	12,856
Employee headcount	Persons	9,222	9,246	8,305	8,179	8,329
Men	Persons	8,070	8,089	7,193	7,075	7,058
Women	Persons	1,152	1,157	1,112	1,104	1,271
Average age	Years old	44.3	44.3	42.4	42.4	42.5
Average years of continuous employment	Years	20.2	20.1	18.1	18.0	17.7
Safety						
Accident frequency rate*2	-	0.56	0.50	0.71	0.67	0.69
Number of accidents resulting in more than four days of lost work	Cases	52	42	69	70	77
Environment						
CO ₂ emission volume	1,000 t-CO ₂	176	170	194	224	236
Waste emission volume	10,000 tons	162	214	213	244	294
Water consumption volume	10,000 cubic meters	222	248	190	154	152

*1 Some fixed-term employees were excluded from the employee headcount starting from the fiscal year ended March 31, 2012.

*2 Accident frequency rate: An indicator of the frequency of accidents measured as the number of accidental labor deaths and injuries recorded for every 1 million man-hours of labor

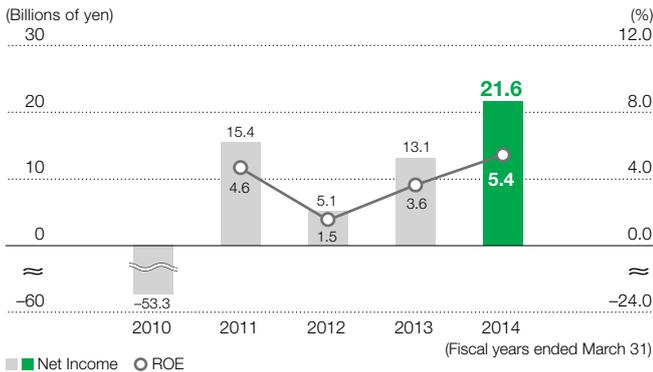
Consolidated Net Sales and Ratio of Overseas Sales among Construction Business Sales



- Consolidated net sales +¥164.4 billion
- Ratio of overseas sales +2.0 percentage points

Consolidated net sales increased from the previous fiscal year, mainly due to an increase in net sales of the Company and its subsidiaries from the construction business. The overseas sales ratio climbed 2.0 percentage points from the previous fiscal year to 19.6%, primarily due to an increase in net sales of overseas subsidiaries such as Webcor, LP and Obayashi Vietnam Corporation.

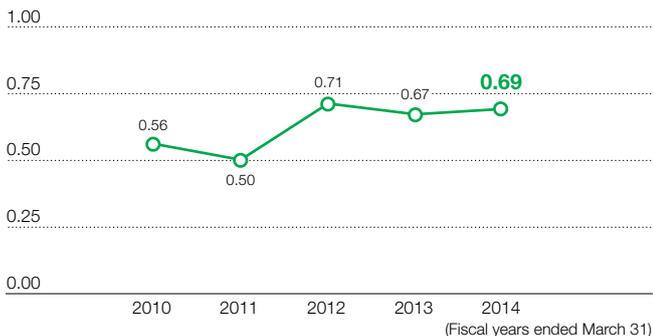
Net Income and ROE



- Net income +¥8.4 billion
- ROE +1.8 percentage points

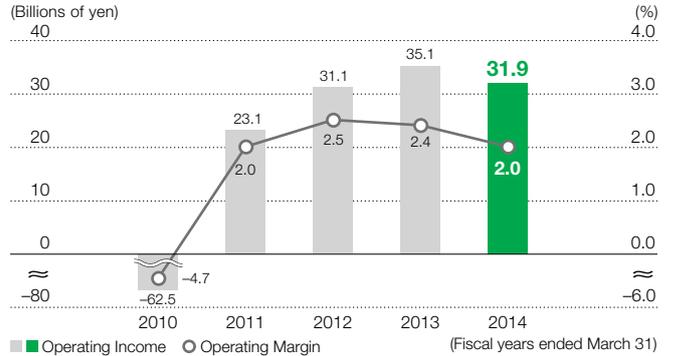
Net income increased, mainly due to a decrease in tax expenses after a reversal of deferred tax assets in the previous fiscal year. ROE climbed 1.8 percentage points to 5.4%.

Accident Frequency Rate



The number of accidents involving more than four days of lost work increased slightly in line with an increase in total labor hours following an increase in construction completions. Overall the accident frequency rate remained at the same level as the previous fiscal year.

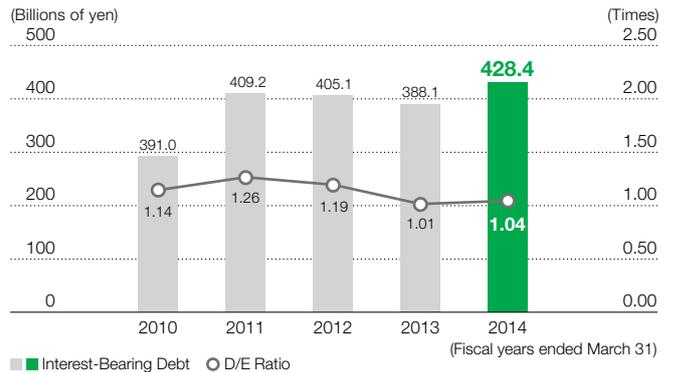
Operating Income and Operating Margin



- Operating income -¥3.1 billion
- Operating margin -0.4 of a percentage point

Operating income decreased, mainly due to a decrease in gross profit on completed construction contracts of the Company as a result of a decline in the gross profit margin, despite steady performance at subsidiaries. The operating margin declined 0.4 of a percentage point from the previous fiscal year to 2.0%.

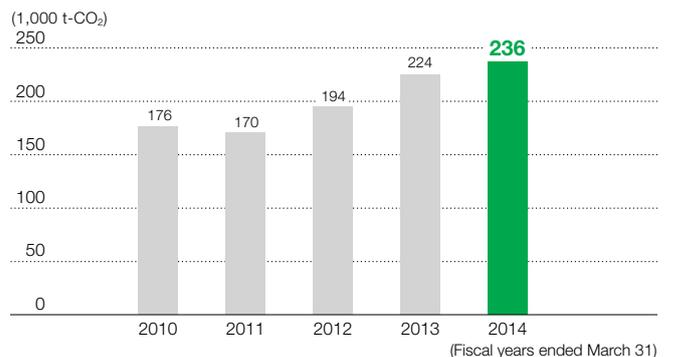
Interest-Bearing Debt and D/E Ratio



- Interest-bearing debt +¥40.2 billion
- D/E ratio +0.03 of a point

Interest-bearing debt increased by ¥40.2 billion from the previous fiscal year to ¥428.4 billion, mainly due to aggressive investment in the properties for lease and solar power generation businesses. The D/E ratio climbed 0.03 of a point to 1.04 times.

CO₂ Emission Volume



Since most of Obayashi's CO₂ emissions are discharged from construction sites, CO₂ emissions increased from the previous fiscal year as a result of an increase in completions.

A Message to Our Stakeholders

Maximize Corporate Value



Toru Shiraishi
Representative Director
President

Since its founding, the Obayashi Group has been committed to meeting the trust of its customers, shareholders and other stakeholders by exercising true craftsmanship and employing superior technologies.

Today, factors from economic globalization to a maturing construction market, low birthrates, and societal aging in Japan are reshaping our business environment. In this climate, we will rise to transform the scope and structure of our business and maximize corporate value as we refine our technologies and pass down our heritage of integrity.

1. Medium- to Long-Term Management Policy

Advance into new business fields in response to changes in the business environment

From its founding in Osaka in January 1892, the Obayashi has built a history of over 120 years.

In Japan, there are many prominent companies—whether listed or unlisted—that have histories predating that of the Obayashi Group. How have these companies continued to grow for so long?

I believe that prominent companies with long histories have continued to grow through repeated technological innovation and business transformation for advancing into new business fields that have enabled them to stay constantly ahead.

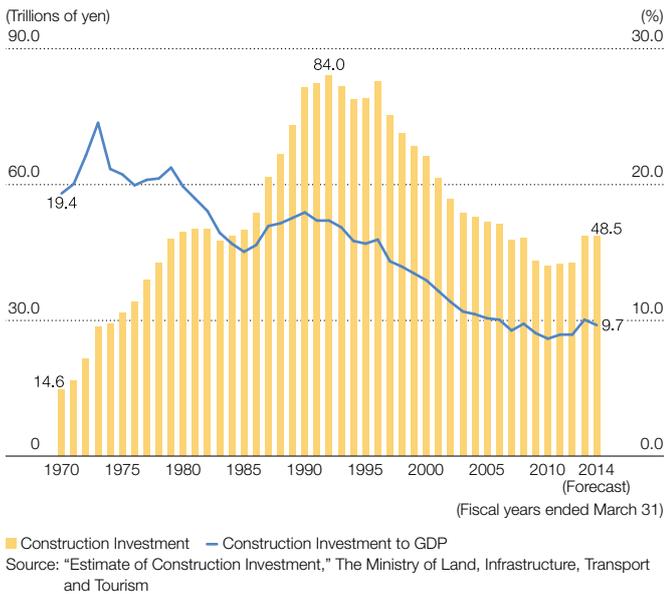
Fostering economies of scale and technological progress, modernization drove specialization and division of labor in the construction industry. In the process, Obayashi rose to become a general contractor. One that pulls together a diverse array of

specialized builders to comprehensively manage projects. With both design and engineering functions in hand, we evolved from a building company into a general construction engineering firm as the group grew by developing real estate and overseas business operations.

Nevertheless, the construction industry is facing major changes in business environment. Construction investment in Japan has been declining since the burst of Japan's bubble economy in the 1990s, and dove more sharply as economic conditions worsened in the wake of the global financial crisis in 2008. In the fiscal year ending March 31, 2015, construction investment in Japan is projected at ¥48 trillion, 60% lower than the peak of ¥84 trillion back in the fiscal year ended March 31, 1993. Furthermore, the size of a construction market is basically proportional to population. Consequently, we cannot expect the construction market in Japan to grow as before when the population has begun to decline as people age and the birth rate falls.

With expansion not expected in the domestic construction market, and with investment in infrastructure shifting from new installation to maintenance and replacement, I came to believe that for the Obayashi Group to grow further, it was imperative to diversify the earnings base by strengthening our core domestic construction business and expanding the scope of our businesses at the same time.

Domestic Construction Investment and Its Ratio to GDP



2. Medium-Term Business Plan '12

(1) Objectives

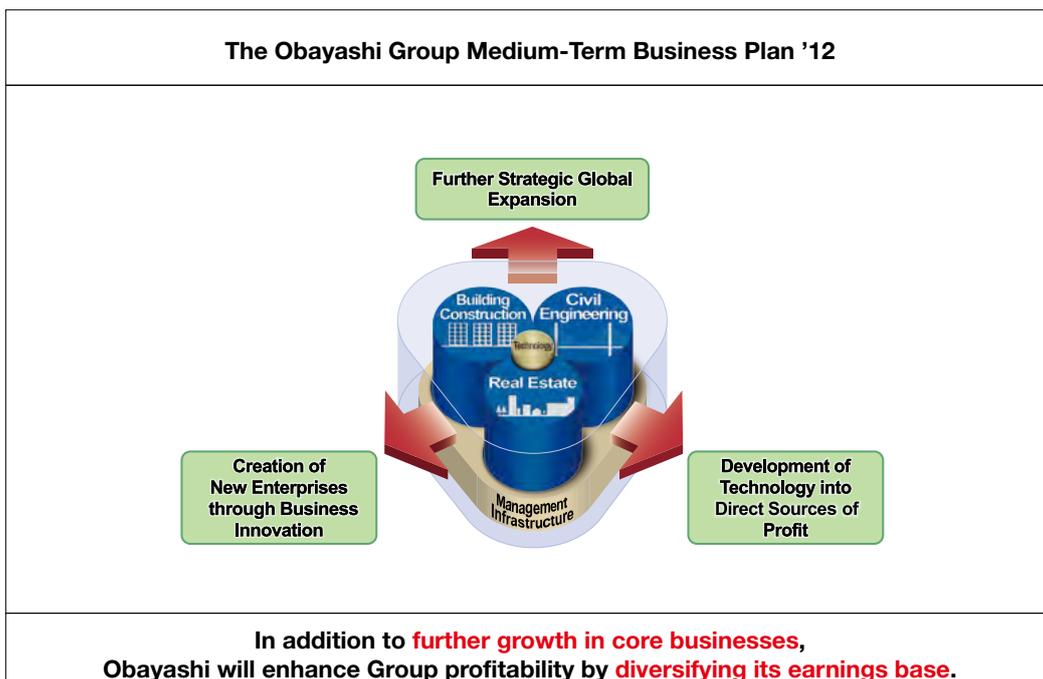
The Obayashi Group Medium-Term Business Plan '12 (referred to as the "medium-term plan" below) was formulated for launch in the fiscal year ended March 31, 2013. This medium-term plan is scheduled to run through the fiscal year ending March 31, 2015.

Under the medium-term plan, we will pursue further growth in our core business, the domestic construction and real estate businesses, and diversify the earnings base by advancing into new business fields.

By executing this plan speedily and steadily, we aspire in the future to become a corporate group with a diversified earnings base capable of securing 50% of operating income from areas other than the domestic construction business.

(2) Further growth in core businesses

In the domestic construction business, we will strengthen our competitiveness in the Tokyo metropolitan area. Despite involvement in numerous construction projects in Japan's Kansai region, where the Obayashi Group was founded, our share in the Tokyo metropolitan area is a bit lower when compared to industry peers based originally in Tokyo. Furthermore, while the regional markets are contracting due to cuts in public construction investment, private-sector investment in the Tokyo metropolitan area remains relatively robust. Consequently, the area has grown in importance more than ever in proportion to its rising share of the domestic construction market.



In response, the Obayashi Group has taken steps to bolster its marketing structure in the Tokyo metropolitan area and enhance proposal capabilities in growth fields such as medical and social welfare, data centers, distribution and education.

The coming of the Tokyo 2020 Olympic and Paralympic Games is expected to spur an increase in construction demand over the next several years. We will continue to push forward to strengthen our competitiveness in the Tokyo metropolitan area in the quest for additional growth.

The real estate business has grown steadily into a pivotal business for the Group. In the fiscal year ended March 31, 2012, Seiwa Real Estate Co., Ltd. joined the Obayashi Group, a move that greatly expanded the scale of this business. In October 2014, this company will merge with Obayashi Real Estate Corporation to start anew as Obayashi Shinseiwa Real Estate Corporation. The merger will enable us to streamline overlapping administrative operations in pursuit of functional synergies and bolster the subsidiary's overall capabilities as a real estate company.

Guided by the medium-term plan, we continue to invest mainly in office buildings in Tokyo, Osaka, and other large metropolitan areas. In the fiscal year ended March 31, 2014, gross profit on sales in the property leasing business grew to a scale of over ¥10.0 billion, a 40% increase compared to the fiscal year ended March 31, 2012, a year prior to the start of the medium-term plan. We will expand the real estate business, centered on the property leasing business, to ensure stable earnings.

(3) Diversification of the earnings base

In addition to further growth in core areas, we will diversify the earnings base by advancing into new business fields. In order to achieve this, we have declared the following three basic policies.

The first policy is **further strategic global expansion**. In the overseas construction business, from the standpoint of scale and growth potential of the construction market, as well as risk management, we have identified the three regions of Southeast Asia, North America and the Middle East, as well as Oceania, as priority regions, where we are strategically developing business tailored to regional characteristics.

In Southeast Asia, we are advancing our localization by aggressively recruiting national (locally hired) staff to positions of responsibility to foster growth at local subsidiaries in Thailand, Indonesia, Taiwan and other locations. At the same time, our policy is to increase orders received in each country from local companies and multinational corporations, in addition to Japanese companies and their affiliates.

In North America, we continuously explore M&A opportunities with local companies that offer synergies with the Group. At Kenaidan Group Ltd. (Canada), a Group member since 2011, we will work to expand opportunities for receiving orders by fusing its network with Obayashi's own technological and financial capabilities. At the same time, we will move to take on PPP* in Canada and the United States. In so

doing, we will push ahead with expanding our business fields outside of Japan.

In the Middle East and Oceania, we are working in cooperation with influential local partners with plenty of construction experience and expertise in regional affairs. At the same time, we have approached our projects overseas by establishing a structure for responding to permit and approval requirements, managing contracts, and controlling risks.

The construction market outside Japan has enormous growth potential. Anchored by the Group's globally recognized technological capabilities and construction quality, we will continue to expand business strategically in ways suited to each region's characteristics.

The second policy is **creation of new enterprises through business innovation**. This means we will leverage technology and ingenuity cultivated by the Group to stimulate new businesses.

In the solar power generation business, our operation has grown to 16 sites, with a total output of 55.6 megawatts as of July 2014, since our first power station in Kumiyama Town in Kyoto went into operation in July 2012. To date, we have finalized business expansion of solar power generation on a scale exceeding 120 megawatts, and plan to bring all the power stations for that output into operation by March 31, 2017.

The Obayashi Group is engaged in a renewable energy business that, while focused on the solar power generation business, encompasses the use of wind, biomass, geothermal, small hydroelectric, and other renewable energy sources. Our policy is to expand our scope of new enterprises by furthering the evolution of our technology and ingenuity in business initiatives that include plant factories as a new form of agriculture and forestry revitalization.

The third policy is **development of technology into direct sources of profit**. This will include strengthening the total coordination our engineering business provides in the construction of production plants and other facilities, and expanding our fee business from the technologies and innovations we provide customers as direct sources of income.

In addition to partnerships with domestic and foreign companies and research institutions, systemizing and packaging our accumulated technologies will be critical, particularly for expanding our fee business. Currently, we are building smart energy systems utilizing big data at our Technical Research Institute, and experimenting with technologies for next-generation smart cities. By packaging the technologies and innovation gained from these experiments to provide customers with a comprehensive set of services from planning to operation and management, we intend to reduce energy costs and CO₂ emissions, while also cultivating new businesses for the Group.

* PPP: Abbreviation for Public-Private Partnership, which seeks to operate public services efficiently through cooperation between the public and private sectors.

3. Progress with Medium-Term Business Plan '12

(1) Changes in the business environment

Launched in the fiscal year ended March 31, 2013, our medium-term plan was formulated with several assumptions. These included a sluggish Japanese economy, contraction of the domestic construction market, and a subsequent increase in the intensity of competition for receiving orders. As a result, the policy we enacted was to continue to enhance the profitability of the domestic construction and real estate businesses, our core fields, and to diversify our earnings base through growth in the overseas business and new businesses.

The environment surrounding the construction industry, however, has changed dramatically since the medium-term plan was formulated. The economic policies of Prime Minister Shinzo Abe ("Abenomics"), coupled with infrastructure development in the Tokyo metropolitan area ahead of the Tokyo 2020 Olympic and Paralympic Games, are pushing construction demand higher than seen in recent years. At the same time, this spike in demand has been accompanied by a shortage in skilled construction workers, as well as escalating labor, material and machinery costs, all of which have become major issues. As the Japanese economy moves from deflation to inflation, the sharp rise in construction costs has made it difficult to ensure profits in the domestic construction business in the short term.

(2) Review of earnings

■ Business performance for the fiscal year ended March 31, 2014

Business results for the fiscal year ended March 31, 2014, the second year of the medium-term plan, were as follows.

Numerical Targets

Consolidated	Initial FY2015.3 Plan	FY2013.3 Result		FY2014.3 Result		FY2015.3 Forecast		Beyond FY2015.3
		Consolidated	Non-consolidated	Consolidated	Non-consolidated	Consolidated	Non-consolidated	
Net sales	1,500.0	Consolidated 1,448.3	Non-consolidated 1,085.1	Consolidated 1,612.7	Non-consolidated 1,208.6	Consolidated 1,700.0	Non-consolidated 1,210.0	Net sales (construction business)
Construction business	1,400.0	1,343.1		1,521.0		1,615.0		
Domestic (%)	80	82		80		77		
Overseas (%)	20	18		20		23		
Real estate business, etc.	90.0	105.1		90.8		82.0		FY2015.3 →
New businesses	10.0	0.0		0.8		3.0		30.0 or more
Operating income (Operating margin) (%)	45.0 (3.0)	Consolidated 35.1 (2.4)	Non-consolidated 14.2 (1.3)	Consolidated 31.9 (2.0)	Non-consolidated 2.7 (0.2)	Consolidated 35.0 (2.1)	Non-consolidated 10.0 (0.8)	Operating income
Domestic construction (%)	60	55		52		50		
Other than the above (%) (overseas construction, real estate and new businesses, etc.)	40	45		48		50		



Net sales increased 11.4% from the previous fiscal year to ¥1,612.7 billion, reflecting firm growth in orders received in the previous fiscal year, coupled with higher net sales in the construction business for the Company and its subsidiaries.

On a non-consolidated basis, operating income declined by 80.4% to ¥2.7 billion from the previous fiscal year, primarily due to a decrease in gross profit on completed construction of the Company, as the result of an acute increase in construction costs.

On a consolidated basis, however, operating income decreased by just 9.0% to ¥31.9 billion from the previous fiscal year, as strong performances by subsidiaries offset the decline in profits of the Company's domestic construction business.

■ Outlook for the fiscal year ending March 31, 2015

The following is a consolidated performance outlook for the fiscal year ending March 31, 2015, the final year of the medium-term plan.



Net sales are projected to increase 5.4% from the previous fiscal year to ¥1,700.0 billion. This is mainly due to a forecasted increase in net sales of construction business for the Company and its subsidiaries after an uptrend in orders received in the previous fiscal year.

Operating income is projected to increase moderately by 9.4% from the previous fiscal year to ¥35.0 billion. Despite firm performance by subsidiaries, downward pressure on profits due to rising construction costs will remain a concern for the Company's domestic construction business. This is expected to hinder the Group from meeting its operating income target of ¥45.0 billion for the fiscal year ending March 31, 2015 stated in the medium-term plan.

From the fiscal year ending March 31, 2016 and beyond, our aim is to stably secure operating income of ¥40.0 billion or more by improving profitability in the domestic construction business.

(3) Response to changing business environments and policy going forward

The business environment surrounding the Obayashi Group has changed dramatically since the medium-term plan was first formulated. Achieving a recovery in profitability in one of our core fields, the domestic construction business, is now a crucial issue.

Measures to address this issue include deliberately receiving orders at appropriate prices in response to the impact of rising construction demand and enhancing productivity at construction sites. These efforts should culminate in improved profitability.

On the other hand, we recognize that, as a Group, we have transitioned to a business structure capable of securing profitability. Examples of this include growth in the real estate business, expansion in business scope through M&As overseas, and ongoing progress in renewable energy businesses. The measures outlined in the medium-term plan have thus been successful to some extent.

While construction demand in Japan today has risen to levels not seen in recent years, there remains little prospect for any substantial increase in construction demand over the medium to long term.

Led by a commitment to realizing further growth in our core fields and diversifying our earnings base, we will strive for a swift recovery in profitability of our domestic construction business, while moving to diversify our earnings base over the medium to long term.

4. Status of Capital Expenditures

Originally, the medium-term plan budgeted a total of ¥150.0 billion for investment in the real estate business, new businesses, technology development, and other areas over the three-year period for the fiscal years ended March 31, 2013 through March 31, 2015. We plan to exceed that figure with ¥200.0 billion in investments. A breakdown is outlined below.

In the real estate business, in a step to broaden and stabilize the earnings base, we plan to invest ¥99.3 billion mainly for the acquisition of office buildings. In the fiscal year ending March 31, 2015, the final year of the medium-term plan, our goal is to increase gross profit on sales in the property leasing business by 60% to ¥12.0 billion compared to one year prior to the start of the medium-term plan (fiscal year ended March 31, 2012).

In new businesses, we plan to invest ¥43.1 billion in the solar power generation business. This business is expected to become operationally profitable in the fiscal ending March 31, 2016, and to be able to stably post net sales of ¥5.0 billion or more from the fiscal year ending March 31, 2018.

Plans call for investing ¥43.9 billion in research and development (R&D) and information and communication technology (ICT).

We are scheduled to invest ¥19.0 billion in construction machinery and business facilities. This includes investment in the construction of Multipurpose Laboratory 2, a laboratory

Capital Expenditure Plan

(Billions of yen)

Investment	FY2013.3–FY2015.3 Three-Year Plan	FY2013.3 Result	FY2014.3 Result	FY2015.3 Plan	FY2013.3–FY2015.3 Three-Year Cumulative
Real estate business	75.0	38.0	28.1	33.2	99.3
New businesses	20.0	1.5	27.0	14.6	43.1
R&D and ICT	40.0	13.9	14.5	15.5	43.9
Construction machinery and business facilities	15.0	4.5	6.1	8.4	19.0
Total	150.0	57.9	75.7	71.7	205.3

facility at our Technical Research Institute completed in May 2014, and in smart energy conversion at the institute.

5. Financial Strategy and Policy on Shareholder Returns

(1) Financial strategy

As we plan to invest a total of ¥71.7 billion primarily in the real estate business and new businesses in the fiscal year ending March 31, 2015, interest-bearing debt is expected to be on the order of ¥430.0 billion, at around the same level as of March 31, 2014. While continuing to maintain a good balance between investments required for business expansion and financial soundness, we will diversify financing and conduct proper risk management.

While striving to improve profitability in the domestic construction business, we will continue taking action to improve return on equity (ROE) by closely reviewing our asset portfolio and enhancing asset efficiency.

Management Indicators

Management Indicators	FY2015.3 Target	FY2012.3 Result	FY2013.3 Result	FY2014.3 Result	FY2015.3 Forecast
Interest-bearing debt (billions of yen)	360.0 or less	405.1	388.1	428.4	430.0
Debt/equity ratio (times)	0.9 or less	1.2	1.0	1.0	—
Return on equity (ROE) (%)	8.0 or more	1.5	3.6	5.4	—

(2) Policy on shareholder returns

The Obayashi Group's policy on shareholder returns is to sustain stable dividend payouts to our shareholders over the long term and provide shareholders with returns commensurate with the Group's performance. This will be done taking into account the need to enhance internal reserves so as to further strengthen our financial base, develop technologies and make capital expenditures for the future. In line with our commitment to stable dividend payouts to shareholders, we will endeavor to maintain a dividend payout ratio of 20–30%.

Management Indicators

Management Indicators	FY2015.3 Target	FY2012.3 Result	FY2013.3 Result	FY2014.3 Result	FY2015.3 Forecast
Dividend payout ratio (%)	20–30	111.7	43.5	26.6	25.0
Net income per share (EPS) (yen)	—	7.16	18.37	30.11	32.03

6. Enhance the Corporate Governance Structure

Raising management efficiency, transparency, and soundness is vital in our continual quest to be a corporation trusted by an entire range of stakeholders beginning with customers and shareholders. This is the prime motivation of the Obayashi Group



in striving to enhance our corporate governance structure.

In June 2013, we appointed a new outside director. The outside director has a vital role to play in energizing the Board of Directors. From a vantage point independent from the executive structure, the outside director checks the propriety of management decisions as well as business execution. He also invigorates the Board by offering valuable insight across the full breadth of management, based on his own ample experience in corporate management.

Meanwhile, within the Audit Committee, there are three outside corporate auditors who, leveraging their specialist knowledge of accounting and years of experience, provide appropriate check functions with respect to decision making and business execution.

7. Maximize Corporate Value

Since its founding, the Obayashi Group has endeavored to develop superior technology as a heritage to answer customer needs. Likewise, through true craftsmanship, we have earned a high degree of trust from our stakeholders.

We are firmly passing on our dedication to technology and integrity as traditions for which we are rightly proud. At the same time, we are transforming the scope and structure of our business in adapting to changes in the business environment as we contribute to the realization of a sustainable society and devote every effort to maximizing our corporate value.

We look forward to your continued understanding and support for our endeavors.

August 2014

Toru Shiraishi
Representative Director
President

Obayashi at a Glance

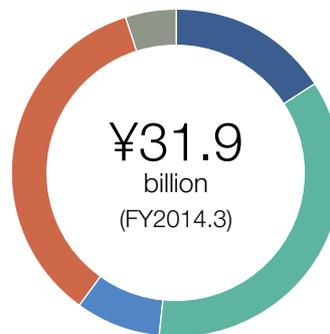
Obayashi Group (Consolidated)

By Business

Net Sales



Operating Income



Business Category	Net Sales (billion)	Percentage (%)	Operating Income (billion)	Percentage (%)
Domestic Building Construction Business	902.4	56.0%	5.1	16.0%
Domestic Civil Engineering Business	321.0	19.9%	11.4	35.7%
Overseas Construction Business	297.5	18.4%	2.6	8.3%
Real Estate Business	51.6	3.2%	11.2	35.1%
Other Businesses	40.0	2.5%	1.5	4.9%



TOKYO SKYTREE®



Tokyo Bay Aqua-Line

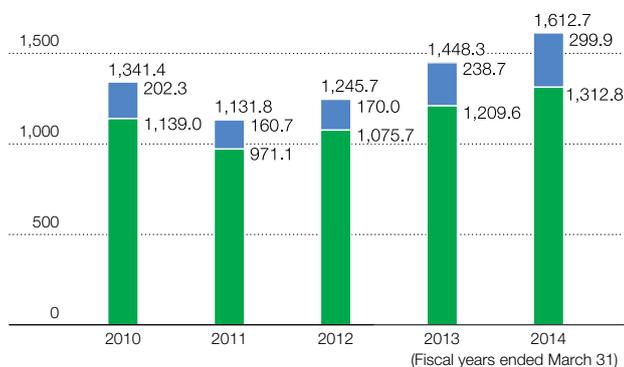


Golden Gate Bridge Seismic Retrofit (U.S.)

By Region

Net Sales

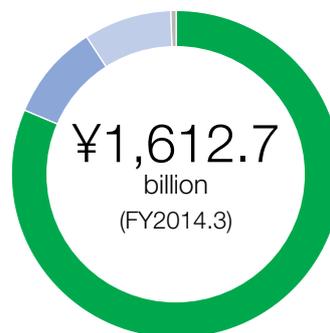
(Billions of yen)
2,000



(Fiscal years ended March 31)

- Japan
- Overseas
- North America
- Asia
- Others

Net Sales Composition



Japan	1,312.8 billion	81.4%
Overseas	299.9 billion	18.6%
North America	157.0 billion	9.7%
Asia	135.1 billion	8.4%
Others	7.7 billion	0.5%



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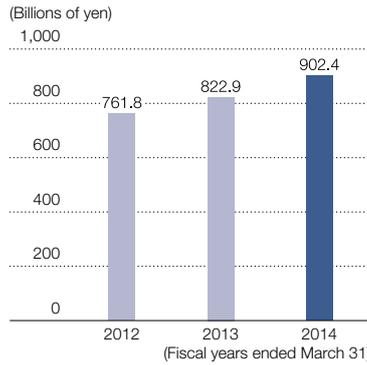


Moka Solar Power Station

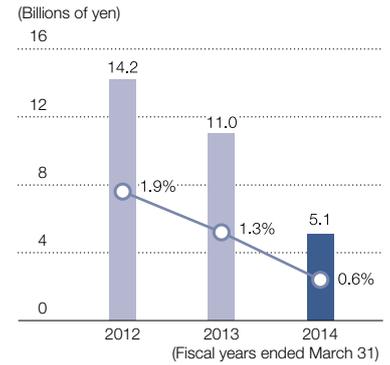
Domestic Building Construction Business

We provide all types of buildings such as offices, condominiums, commercial facilities, factories, hospitals and schools that meet diverse needs including reduced environmental load, energy conservation, seismic resistance, disaster readiness for securing business continuity, and comfort and convenience. We have completed many historically and culturally emblematic projects like Tokyo Station, the Japan World Exposition (Theme Pavilion), Roppongi Hills, TOKYO SKYTREE, and Toranomon Hills.

Net Sales

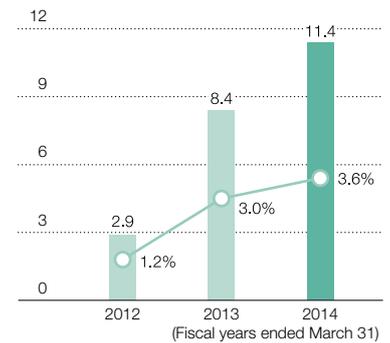
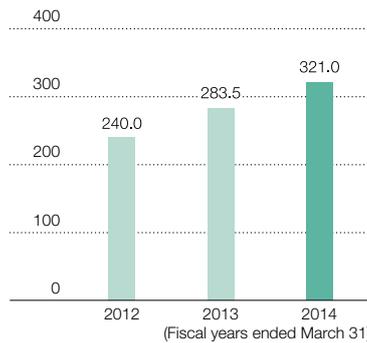


Operating Income and Operating Margin



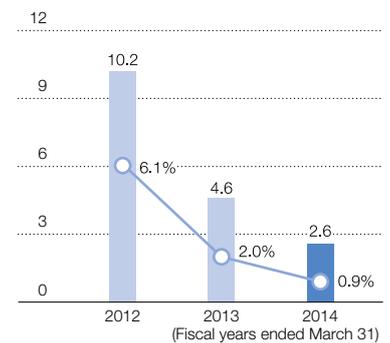
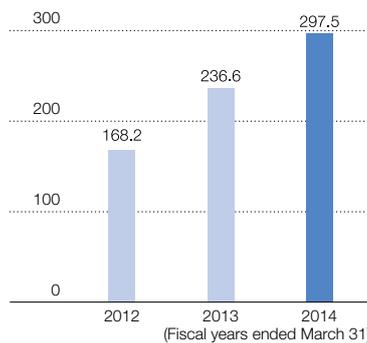
Domestic Civil Engineering Business

We build infrastructure tied closely to people's lives, such as tunnels, bridges, dams, riverbanks, urban civil engineering, railroads and expressways. Such projects shape the national landscape and are interfaced with nature. We are also involved in the environment-related field, such as the construction of environmentally friendly closed-type waste disposal facilities, and have built up track records in soil remediation. We will endeavor to build infrastructure safeguarding people's lives, keeping in harmony with nature.



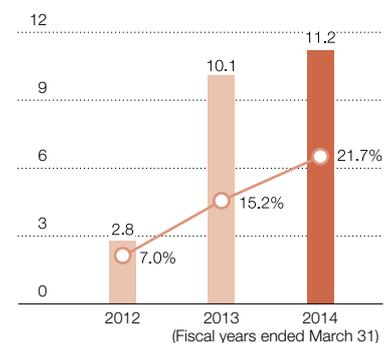
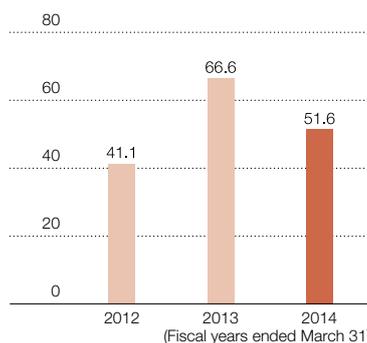
Overseas Construction Business

We have built up track records based on numerous national projects, such as the Taiwan High Speed Rail and the Colorado River Bridge at the Hoover Dam, underscored by our world-renowned technological capabilities like seismic resistance and shield tunneling. We also provide safety, security, and comfort to the lives of people in developing nations through construction of infrastructure such as roads, bridges, and schools. We are capable of offering our customers the most suitable buildings and structures with our global network and half-century of experience overseas, especially in North America, Southeast Asia and the Middle East.



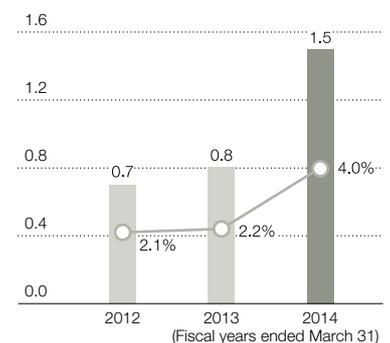
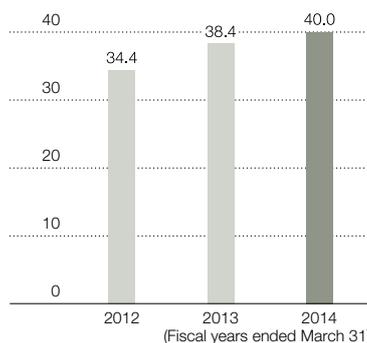
Real Estate Business

In our real estate business, we are involved in redevelopment projects all across Japan and have compiled extensive track records as a project partner and specified agent. We continue to be engaged in large-scale development while drawing on expertise gained from past projects and experience. In addition, we will promote ownership of prime properties for lease in favorable locations, mainly urban areas, to bolster a stable earnings base. In 2007, we set up a Real Estate Development Division to enhance the real estate business into a core operation alongside the building construction and civil engineering businesses.



Other Businesses

We are involved in renewable energy, private finance initiatives (PFI), and golf course operation. We were one of the first major Japanese construction companies to enter the renewable energy business in July 2012, and are expanding solar power generation to 120 megawatts within the fiscal year ending March 31, 2017. Moreover, we were an early participant in PFI projects, such as the Sydney Olympics Main Stadium, and have established ourselves as a leading company in PFI.



Domestic Building Construction Business

Ensure appropriate profitability, quality, construction period and safety through marketing deliberately planned in keeping with production capacity

Tadahiko Noguchi
Representative Director
Executive Vice President
In charge of overall building construction and PFI business (left)

Nao Sugiyama
Director
Senior Managing Executive Officer
General Manager, Building Construction Division and General Manager, Tokyo Main Office (right)



Business Environment

Prospects for economic recovery in Japan due to reconstruction demand from the Great East Japan Earthquake, Abenomics and the Tokyo 2020 Olympic and Paralympic Games have spurred further development of transport infrastructure and private-sector capital expenditure. As a result, construction demand is now at the highest level in recent years. Although the manufacturing sector is still taking a cautious stance on investing in new facilities, capital expenditure in the non-manufacturing sector is rising strongly. We expect the upturn in the economy to drive further growth in private-sector capital expenditure. We also see prospects for new maintenance and replacement investment in areas such as seismic-resistant,

energy-efficient retrofit and remedial work on aging infrastructure.

This growth in construction demand has led to a recovery in the environment for receiving orders. However, with the shortage of skilled construction workers now apparent, recovery in profitability on construction projects has waned as a consequence of rising labor and other construction costs. This has been a downward pressure on earnings in our business. Moreover, construction demand is outstripping production capacity in the industry, with the Obayashi Group's capacity close to the limit, as well. In response to rising construction demand, and to satisfy the quality, construction period and safety customers expect, we will deliberately plan our marketing to receive orders in

Major Completed Projects



Toranomon Hills



Daibiru Honkan Building



Smart Community Center

keeping with our production capacity, and thereby ensure profitability.

Overview of Business Performance for the Fiscal Year Ended March 31, 2014

Orders Received

Orders increased by ¥20.9 billion (2.4%) from the previous fiscal year to ¥883.0 billion, for the fourth consecutive term since the year ended March 31, 2011. This was mainly due to a nationwide growth in orders received, driven by strong construction investment in commercial, distribution and other facilities among non-manufacturers.

Net Sales

Net sales increased by ¥79.5 billion (9.7%) from the previous fiscal year to ¥902.4 billion. This was mainly due to a rise in carryforward contracts from the previous fiscal year and sales on construction orders received increasing in the year ended March 31, 2014.

Operating Income

Operating income decreased by ¥5.9 billion (53.8%) from the previous fiscal year to ¥5.1 billion. This was mainly due to profitability waning on certain large-scale projects booked under a difficult environment for receiving orders, prior to the fiscal year ended March 31, 2014. Compounding this was a continued uptrend in labor and other construction costs due to a shortage in skilled construction workers.

Orders Deliberately Received in Keeping with Production Capacity

A rapid increase in construction demand due to an increase in public investment and resurgence in private-sector capital expenditure has destabilized the supply-demand balance in the market. At the moment, construction demand is outstripping capacity in the construction industry. Against this backdrop of buoyant demand, construction companies are putting greater emphasis on profitability when receiving orders. As a result, price competition has eased, leading to an improvement in the order environment.

However, we are aware that an unfocused approach to receiving orders could result in a backlog of work that exceeds internal production capacity. This in turn could undermine the commitments we make to customers with

respect to quality, construction period and safety, which could damage our reputation. To prevent this, we are deliberately receiving orders to keep the volume of work we secure with our construction capacity as assessed for both our engineers and suppliers. Making business decisions from a comprehensive and long-term perspective is imperative in keeping the orders we receive in line with this capacity. Consequently, prospective projects that add to our technological competence and contribution to society will be examined rigorously to ensure that they meet our profitability and other criteria in this regard.

For the fiscal year ending March 31, 2015, we forecast another year of growth in construction demand. However, we will continue to keep the orders we receive deliberately under reins to keep construction in line with production capacity, and adhere to the quality, construction period and safety we commit to customers.

Measures for Enhancing Production Capacity

To address rising construction demand, we need to increase production capacity by improving construction productivity and securing on-site engineers and skilled construction workers.

We continue to work on raising productivity at construction sites by developing construction methods that save labor and shorten the construction period (see page 18 for details about our LRV method) and through the use of ICT (see pages 35–36 for details about how we use BIM software and tablets). Also, in order to overcome our shortage of on-site engineers, we are redeploying employees from our administrative departments to construction sites, increasing the hiring of mid-career engineers and rehiring Obayashi retirees.

The construction industry faces a lack of skilled workers due to Japan's aging population and a decline in younger recruits. This is an issue the whole industry needs to address. At Obayashi, we run the Obayashi Excellent Site Supervisor Certification Program, which certifies exceptional supervisors and provides them with an additional allowance (see page 44 for more details). Furthermore, in April 2014, we opened the Obayashi Rin-yu-kai Vocational Training School in coordination with suppliers comprising the Rin-yu-kai. The school has been set up to train young skilled construction workers (see page 44 for more details).

Initiatives under Medium-Term Business Plan '12

Expand the Nationwide Share of Orders by Raising our Share in the Tokyo Metropolitan Area

To improve earnings over the medium and long term, we need to secure a stable level of orders received. Also, we must build up our track record with clients to win more business for renovation projects, allowing us to develop a marketing cycle providing clients with long-term support. Because domestic construction investment is concentrated in the Tokyo metropolitan area, we have been strengthening our competitive position in Tokyo to achieve these objectives. These efforts are paying off, with our share of orders received in the Tokyo metropolitan market among the 50 largest general contractors expanding from 6.4% in the fiscal year ended March 31, 2012 to 8.6% in the fiscal year ended March 31, 2014.

Enhance the Profitability of Domestic Building Construction as a Core Field

The domestic building construction business is the Obayashi Group's core area of operations. It is therefore imperative that we enhance profitability of this area in order to achieve the targets in Medium-Term Business Plan '12. Costs will be reduced by strengthening procurement capabilities and developing construction methods for saving labor and shortening construction periods. At the same time, we will endeavor to secure stable construction profits by emphasizing profitability at acceptance of orders in our marketing activities. This will be achieved by raising the precision of our estimates to make appropriate decisions when bidding for orders.

PROJECT REPORT



(1) View of the development complex project (as of May 2014)

STORY

Major Development Complex Project in the Center of Tokyo

We are currently working on a major development complex project on a 2.2 hectare (5.3 acre) site in Shinjuku ward, Tokyo (lead developer: Sumitomo Realty & Development Co., Ltd.).

The project will construct a pair of high-rise towers located within the Yamanote Line loop. One building will be a 37-story office and condominium tower with a multipurpose hall, while the other will be a 26-story seismically-isolated condominium tower with commercial facilities and a public plaza.

The condominium tower will be completed first in December 2014, while the office and condominium tower will be completed in March 2016.



Perspective drawing of the project at completion

OUR SOLUTION

Technology for Safely and Securely Completing the Project in a Short Period

Obayashi is using the LRV (Left Right Vertical Installation PCa*) method for the project's condominium tower in order to construct a high-quality building in a short period.

The LRV method uses PCa columns and beams that eliminate the need to cast concrete on site and thereby significantly reduce the construction period.

* PCa: Precast concrete. Concrete structural components prefabricated in factories.



(2) Crane lifting of structural components to the construction area



(3) Construction assembly of the structural component (LR-beam)



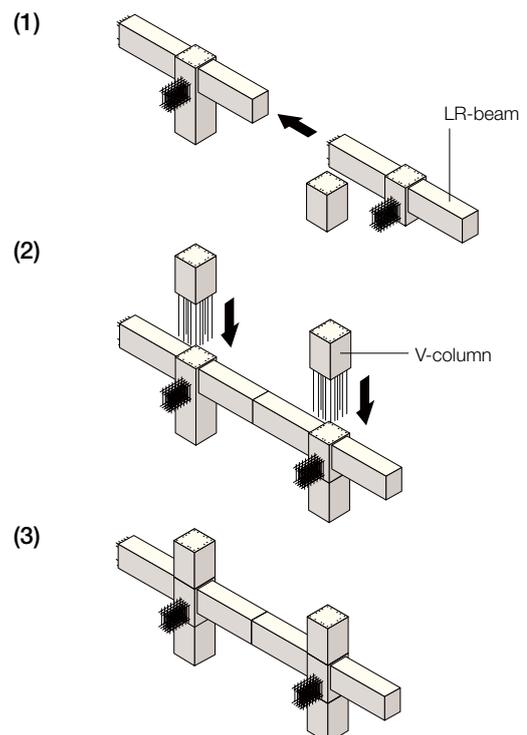
(4) Condominium tower under construction

The LRV Method

The LRV method comprises LR-beams with integrated joints and V-columns, which are prefabricated in factories and then assembled at the construction site (see diagram to the right).

The main differences between the LRV method and the conventional method of on-site concrete casting using steel reinforcing and formwork are as follows:

- Concrete structural components are prefabricated, so columns and beams can be built in advance, significantly reducing construction period.
- Complex reinforcing bar arrangements are preassembled at the factory to improve on-site construction efficiency.
- Prefabrication in a stable factory environment ensures high-quality concrete structural components.



Domestic Civil Engineering Business

Apply advanced technological capabilities to large-scale projects and demand for maintenance and replacement of infrastructure

Makoto Kanai
Representative Director
Executive Vice President
In charge of overall civil engineering construction (left)

Kozaburo Tsuchiya
Senior Managing Executive Officer
General Manager,
Civil Engineering Construction Division (right)



Business Environment

In the fiscal year ended March 31, 2014, construction investment in Japan grew significantly as a result of public-sector demand from the government's growth strategies. Consequently, the environment for receiving orders in the domestic civil engineering business has improved dramatically over the last few years. For the fiscal year ending March 31, 2015, ¥48.67 trillion is forecast in domestic construction investment and we expect the annual investment to remain between ¥45 to 50 trillion for the foreseeable future.

As a result of the decision to hold the 2020 Olympic and Paralympic Games in Tokyo, some road construction orders have been brought forward, including upgrades to the Metropolitan Expressway and Tokyo's three ring roads—the Metropolitan Inter-City Expressway, the Tokyo Outer Ring Road (Tokyo Gaikan Expressway) and Central Circular Route.

We also see prospects for new rail construction plans, such as a direct line that will link Narita and Haneda airports in one hour, an extension to the Yuri-kamome automated transit system and LRT* systems.

From this strong pipeline of planned projects, we plan to target projects where we can leverage our technical advantages, aiming to secure orders deliberately received in keeping with the Company's production capacity.

* LRT: Light Rail Transit. A new, upgraded generation of tram systems.

Overview of Business Performance for the Fiscal Year Ended March 31, 2014

Orders Received

Orders received increased by ¥77.0 billion (29.6%) from the previous fiscal year to ¥337.5 billion, mainly as a result of growth in orders received for building

Major Projects



Kinde Sakura Bridge (Yukigawa Bridge) Chugoku Transverse Expressway, Onomichi-Matsue Line



No. 5 LNG tank at the Senboku terminal of Osaka Gas Co., Ltd.



Senju Sekiya Pump Station

expressways and earthquake reconstruction-related projects, such as decontamination work and landscaping for relocation to higher ground.

Net Sales

Net sales increased by ¥37.4 billion (13.2%) from the previous fiscal year to ¥321.0 billion, due to steady progress on construction contracts carried forward from the previous fiscal year and new orders received.

Operating Income

Operating income increased by ¥3.0 billion (35.8%) from the previous fiscal year to ¥11.4 billion in line with an increase in construction volume.

Order for Construction of a Tunnel Linking the Oizumi and Tomei Junctions on the Tokyo Outer Ring Road

The Tokyo Outer Ring Road is one of Tokyo's three expressway ring roads. In April 2014, Obayashi received an order to construct the largest section of tunnel linking the Oizumi and Tomei junctions, one part of the ring road still to be completed.

The project involves building a 9-kilometer (5.6-mile) expressway tunnel with a large 16-meter (52-foot) diameter in a strata deep underground. We are determined to complete the tunnel early in time for the Tokyo 2020 Olympic and Paralympic Games. To achieve this goal, we will be using one of Japan's largest diameter shield tunneling machines and the construction period will be our tightest to date. To complete the tunnel in a time frame of around 5 years and 3 months, we will draw fully on our technology from previous tunnel projects, including the Tokyo Bay Aqua-Line and the Central Circular Shinjuku Route. We will seize this project as an opportunity to refine our technology and ingenuity in large-diameter shield tunneling.

(Left photo) Kinde Sakura Bridge (Yukigawa Bridge) Chugoku Transverse Expressway, Onomichi-Matsue Line

A rigid frame bridge (315 meters (1,033 feet) in length) employing an air cooling method to the top of the mass concrete pillar as a preventive measure against thermal cracks

(Center photo) No. 5 LNG tank at the Senboku terminal of Osaka Gas Co., Ltd.

A concrete containment wall measuring 44 meters (144 feet) in height, 90 meters (295 feet) in diameter and 283 meters (928 feet) in circumference was completed in 20 days with the slip form construction method

(Right photo) Senju Sekiya Pump Station

Two caissons, 53.9 meters (176.8 feet) by 48.5 meters (159.1 feet) and 39.8 meters (130.6 feet) by 57.5 meters (188.6 feet) in dimension, were sunken simultaneously (about 50 meters (164 feet) deep) for the first time in Japan

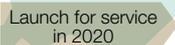
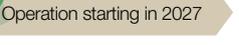
Upcoming Tenders for Large-Scale Projects

The projects shown in the table below are planned for the future. Obayashi will showcase its technological capabilities actively in winning major projects underpinning Japan's growth, such as ring roads around major cities (Tokyo Outer Ring Road, etc.) and the Linear (magnetic levitation) Chuo Shinkansen Line.

Meanwhile, the importance of maintaining and replacing infrastructure has been re-affirmed in recent years.

Demand for infrastructure renewal, such as for expansion to four-lane expressways and repair of the Metropolitan Expressway, should increase in the civil engineering field. More than just technological and engineering capabilities, swiftly maintaining or replacing infrastructure while in use requires organizational agility. Such work is more of a technological challenge than green-field projects, and is a field of civil engineering in which Obayashi excels.

Upcoming Tenders for Large-Scale Projects

Project Name	Total Project Cost (Including Non-Construction Expenses)	Remarks	2014	2020	2030
 Tokyo Outer Ring Road (Oizumi Junction to Tomei Junction)	¥1.3 trillion	Ramp ways and other related work to be tendered sequentially		 Launch for service in 2020	
 Radioactive waste interim storage facility	Undecided	Centralized management and storage of soil and other radioactive waste removed for decontamination		 Incoming transport starting in 2015	
 Linear (magnetic levitation) Chuo Shinkansen Line (Shinagawa to Nagoya)	¥5.1 trillion	Construction of the 286-kilometer (178-mile) line to commence in 2015 for operation starting in 2027		 Operation starting in 2027	
 Roads for reconstruction and reconstruction support	¥1 trillion	Decision to implement new projects 224 kilometers (139 miles) in length, including the Sanriku Coast Road, following the Great East Japan Earthquake	 To be opened sequentially in sections		
 Infrastructure maintenance and replacement	Undecided	Expansion to four-lane expressways, maintenance and repair of the Metropolitan Expressway, etc.	 For a sustainable, recycling-oriented society		



Initiatives under Medium-Term Business Plan '12

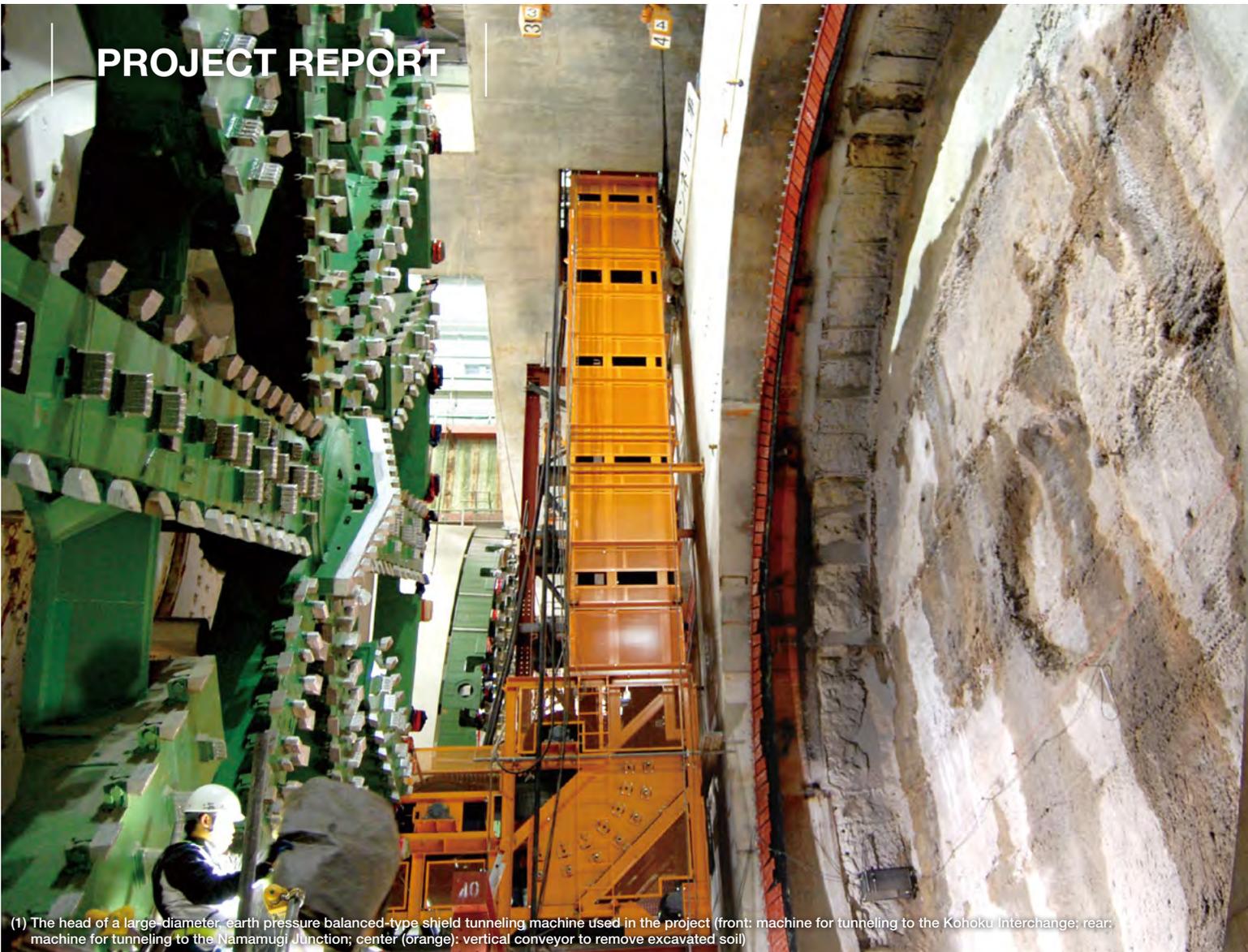
Enhance Technological Capabilities and Expand the Scope of Earnings in Line with Changes in the Business Environment

We will expand the scope of our earnings by focusing on the development of technological capabilities needed for making further inroads in the upstream (planning, surveying and design) and downstream (maintenance, management and replacement) domains of civil engineering.

Bolster Measures to Develop Social Infrastructure for Safety and Security, Including Disaster Readiness and Mitigation

We will also fulfill our social responsibility as a general contractor by helping to make the lives of people safer and more secure through reconstruction from disasters, building disaster readiness, and solutions to aging infrastructure.

PROJECT REPORT



(1) The head of a large diameter, earth pressure balanced-type shield tunneling machine used in the project (front: machine for tunneling to the Kohoku Interchange; rear: machine for tunneling to the Namamugi Junction; center (orange): vertical conveyor to remove excavated soil)

STORY

Connecting Roads, Cities and People

We continue to work on the construction of the Yokohama Circular Northern Route in Yokohama, Kanagawa Prefecture (Project owner: Metropolitan Expressway Company Limited). The Northern Route is the northern section of the Yokohama Ring Expressway, which will become the thoroughfare of the road network in Yokohama City. Roughly 8.2 kilometers (5.1 miles) in length, this expressway will connect the Kohoku Interchange on the Daisan Keihin Road with the Namamugi Junction on the Metropolitan Expressway Yokohane Line.

When opened, the new expressway is expected to improve accessibility for a wide area, help stimulate local economies and improve the living environment for local residents.

Project Map



OUR SOLUTION

Shield Tunneling with Minimum Impact on People and the Environment

In order to protect the environment surrounding the route, approximately 70% of the new expressway will structurally be tunnels. Most of the main tunnel will be excavated using large-diameter, earth pressure balanced-type shield machines measuring 12.5 meters (41 feet) in outer diameter. Access road sections* where the main tunnel widens as it branches out at the entrance and exit to merge with the road will be constructed using technology that widens the tunnel frame from inside of the main tunnel (Shield Expansion Method and Pipe Roof Method).

* Access road sections: sections where the main tunnel widens as it branches out at the entrance and exit to merge with the road.



(2) Main tunnel (with access road sections)



(3) Tunnel expansion shield machine is installed in a launching pit below the main tunnel



(4) Steel pipe is inserted from the expanded tunnel section

Steps to Construct the Access Road Sections of the Tunnel

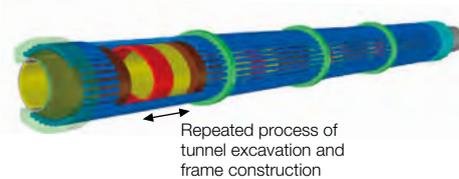
(1) The Shield Expansion Method is used to construct the base from which steel pipes are inserted (shown in purple)



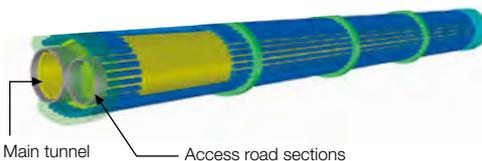
(2) Steel pipes are then inserted in the ground to the exterior of the main tunnel to form a pipe roof (shown in blue)



(3) After the pipe roof is formed, the soil surrounded by it is excavated to construct the widened frame (shown in red and yellow)



(4) The widened tunnel sections (access road sections) are then completed

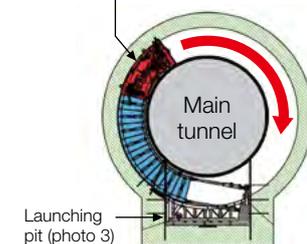


Shield Expansion Method

The tunnel expansion shield machine is launched from a launching pit below the main tunnel to widen it by excavating along the tunnel lining perimeter.



Tunnel expansion shield machine



Overseas Construction Business

Promote localization placing subsidiaries in charge of most priority markets

Makoto Kishida
Director
Senior Managing Executive Officer
General Manager,
Overseas Business Division



Business Environment

From the standpoint of risk management and selection and concentration of management resources, the overseas construction business focuses on the three regions of Southeast Asia, North America and the Middle East, as well as Oceania, where legal systems, business practices and socio-economic infrastructure have been established to a certain extent, and political and security risks are relatively small.

Solid economic growth is expected to continue in Southeast Asia, even if not at the high levels experienced until recently. On the other hand, the environment for receiving orders is forecast to grow harsher as the number of competing contractors increase.

The environment for receiving public construction orders in the U.S., a priority

market comparable to Southeast Asia for Obayashi, is expected to remain lackluster. However, in contrast, private investment in Obayashi's principal market in the San Francisco Bay Area is forecast to remain firm, especially in the market for rental housing and office buildings. Meanwhile, the Canadian government's New Building Canada Plan set a budget to invest more than ¥4.8 trillion in infrastructure over a 10-year period starting in 2014.

In the Middle East, ongoing construction investment on a large scale is expected in Qatar and the U.A.E., where the political situation is relatively stable and resources are plentiful.

Meanwhile, the construction market in Australia is projected to expand because of the current government's proactive stance on public investment.

Major Completed Projects



Halliburton Completion Technology and Manufacturing Center (Singapore)



Toyota Motor Thailand Gateway Plant No. 2 (Thailand)



AEON MALL Tan Phu Celadon (Vietnam)

Overview of Business Performance for the Fiscal Year Ended March 31, 2014

Orders Received

Orders received increased by ¥110.2 billion (44.1%) from the previous year to ¥360.3 billion, as a result of large-scale building construction orders received in Singapore and Qatar, and as orders were strong at building construction subsidiaries such as Webcor, LP (U.S.).

Net Sales

Net sales increased by ¥60.9 billion (25.7%) from the previous fiscal year to ¥297.5 billion due to steady progress made on large-scale construction in Singapore and New Zealand, and as subsidiaries led by Webcor and Obayashi Vietnam Corporation saw significant sales growth.

Operating Income

Operating income declined by ¥2.0 billion (43.3%) from the previous fiscal year to ¥2.6 billion as a consequence of losses that were incurred due to costs on certain civil engineering projects rising further than expected.

Strategies in Priority Markets

Under Medium-Term Business Plan '12, we are working to diversify the Group's earnings base. One of the ways we plan to do this is through further strategic global expansion, wherein our goal in the medium to long term is to lift the consolidated overseas sales ratio of Obayashi's construction business to 30%. In the fiscal year ended March 31, 2014, the overseas sales ratio rose to 19.6% from 17.6% in the previous fiscal year. To achieve steady growth in the overseas construction business, we are implementing growth strategies tailored to each of our three priority markets.

Southeast Asia: Working closely with Obayashi's marketing departments in Japan, we are reinforcing our support and solution proposal capabilities for Japanese companies that are moving into the region. We are also localizing our business strongholds and enhancing our contracting framework to support

marketing activities that allow us to win orders from not only Japanese corporations in Southeast Asia, but also from local and multinational companies.

North America: We will work to increase our competitiveness in North America by pursuing synergies with Group companies and sharing management resources, such as construction experience, IT and human resources. We will also expand opportunities for receiving construction orders by forming partnerships with leading companies and by targeting PPP projects.

Middle East: We will focus on major projects in progress (Msheireb Phase 3), while also working with local companies to receive new orders, mainly in the U.A.E. and Qatar.

Promote Localization

We believe localization is a key part of our overseas construction business.

In Southeast Asia, we have successful subsidiaries that have been in business

for many years. For example, in the 40 years since Thai Obayashi Corporation was established in 1974, the company has focused on projects rooted in the region, building up a track record that has made it one of the leading construction companies in Thailand.

In January 2014, we converted our operations in Singapore into a local subsidiary. As a result, we now have a system where local subsidiaries oversee operations in most of our priority markets. We plan to further increase the share of orders received from local companies.

In North America, our operations are centered on local construction companies that became part of the Obayashi Group through M&As. We are working closely with these companies and leading local construction firms as business partners. We plan to leverage our competitive strengths by combining their detailed knowledge of local markets with our technological and funding capabilities.

Initiatives under Medium-Term Business Plan '12

Our operations are centered on overseas subsidiaries. Therefore, we are working to train and promote employees that have been hired locally by subsidiaries (national staff). We are also training Japanese personnel to give them a more global outlook so that they are ready to hit the ground running when they are posted overseas.

Nurture and Promote National Staff to Enhance Productivity and the Management Level

We have created personnel systems, pay structures and career paths tailored to the characteristics of each country.

We are actively promoting national staff to managerial and executive positions as part of efforts to retain and nurture personnel who could be candidates for leadership positions in the future.

Obayashi Corporation also accepts engineering trainees and uses other approaches to promote personnel exchanges with overseas subsidiaries, aiming to sustain and expand the transfer of technological expertise.

Nurture Japanese Employees

To ensure our Japanese employees have a more global outlook before they are posted overseas, we run group training sessions in languages and management, e-learning programs and personnel exchanges with employees from overseas subsidiaries.

Ongoing Construction Projects—Overseas

Asia



Thailand

AIA SATHORN TOWER

A project to construct an office building for AIA COMPANY LIMITED.
Construction Period: December 2012 to December 2014



Singapore

Ophir Rochor Mixed Development Project

A large-scale urban development project backed by a Malaysian government investment fund and Singapore's state-owned investment company. This construction project in the centre of Singapore comprises a 50-story premium residential tower and mixed development tower.

Construction Period: August 2013 to December 2016



©Buro Ole Scheeren



Taiwan

Taipei Dome New Construction Project (Tentative Name)

A project to build a multi-use stadium and commercial building in Taipei.

Construction Period: November 2011 to December 2015



Indonesia

Tanjung Priok Access Road Construction Project (Phase 2) Package 3, Section E-2A: (Sta. 6+142 ~ Sta. 8+062.5)

A project to construct a main expressway line forming a section of the ring road around Jakarta, as well as a connecting interchange.

Construction Period: January 2012 to January 2015



Oceania

New Zealand

Waterview Connection Tunnels and Great North Road Interchange

New Zealand's largest road project, comprising a total length of 48 kilometers (30 miles) and including an expressway. Obayashi's construction area is the largest part of the project and includes a large-diameter shield tunnel and interchange.

Construction Period: November 2011 to March 2017



North America



U.S.

Transbay Transit Center

This project involves demolishing aging bus terminals in downtown San Francisco and constructing a new large-scale terminal building with 3 aboveground floors and two underground floors.

Construction Period: August 2009 to December 2017



©TJPA

Canada

Weston Tunnel Phase 3 Grade Separation

This project is part of a railway project that will directly connect Toronto Pearson International Airport and Union Station, which is located in the center of downtown Toronto. Specifically, Obayashi is undertaking construction of a tunnel that will separate the Kitchener train line heading north west from the city center from 2 surface roads.

Construction Period: October 2011 to December 2014



Middle East

Qatar

Phase 3 of Msheireb Downtown Doha Project

A redevelopment of the historical commercial center of Doha. In phase 3, Obayashi will develop offices, residential apartments, hotel, retail facilities as well as a mosque.

Construction Period: May 2013 to January 2016



Real Estate Business

Improve the portfolio
for expanding the property
leasing business

Kenichi Shibata
Director
Senior Managing Executive Officer
General Manager,
Real Estate Development Division



Business Environment

Abenomics has led to rising demand from investors in the real estate market. The decision to award Tokyo the 2020 Olympic and Paralympic Games is also spurring increased investment in office and commercial buildings, mainly in central Tokyo. We expect conditions in the real estate market to remain firm. In the offices for lease market, there is a downtrend in the supply of new properties, but an upturn in corporate earnings is fueling increased demand from corporations. As a result, the vacancy rate is continuing to decline, suggesting that rents will probably start rising again, particularly for large office buildings in central Tokyo.

Property leasing is our main source of earnings in the real estate business. In

the leasing business, we continue to improve our property portfolio to further strengthen and expand our stable earnings base.

Focusing on properties in central Tokyo, we rebuild or renovate existing office buildings for lease to increase value, creating properties that are safe and secure for our clients and that are comfortable due to the latest user-friendly facilities. In this way, we will increase client satisfaction and improve asset efficiency.

In regional markets, we will commercialize and turn a profit on our real estate holdings by carefully selecting locations and examining whether properties should be used as housing, commercial facilities or distribution facilities, in order to diversify our portfolio.

Major Properties for Lease



Shinagawa Intercity



oak omotesando



Grand Front Osaka

Overview of Business Performance for the Fiscal Year Ended March 31, 2014

Net Sales

Net sales decreased by ¥15.0 billion (22.5%) from the previous fiscal year to ¥51.6 billion. This was mainly attributable to the fact that sales of large-scale properties of the Company were booked in the previous fiscal year.

Operating Income

Despite this backswing in sales accrued by the Company, consolidated operating income increased by ¥1.0 billion (10.6%) from the previous fiscal year to ¥11.2 billion, mainly due to Obayashi Real Estate Corporation, a subsidiary, commencing the operation of oak omotesando.

New Investments

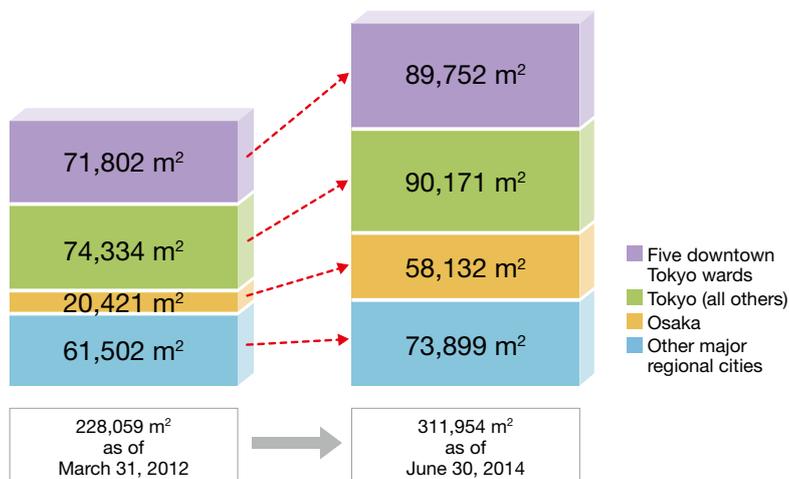
As with the previous fiscal year, we continued to invest actively in properties for lease and raised investments in the real estate business by ¥16.2 billion (61.5%) from the previous fiscal year to ¥42.7 billion.

Improve Business Efficiency through the Merger of Real Estate Subsidiaries

The Group's real estate business has been centered on three companies: Obayashi Corporation, Obayashi Real Estate Corporation and Seiwa Real Estate Co., Ltd. However, in order to increase our flexibility of business development, we plan to merge Obayashi Real Estate and Seiwa Real Estate as Obayashi Shinseiwa Real Estate Corporation in October 2014.

The new company will combine the strengths of both predecessor companies, maximize the Obayashi Group's ingenuity and brand power, and increase business efficiency in order to improve and expand earnings.

Trend in Floor Space of Office Buildings for Lease by Region



Initiatives under Medium-Term Business Plan '12

Enhance a Stable Earnings Base Centered on the Leasing Business

In the three years from the fiscal year ended March 31, 2013 to the fiscal year ending March 31, 2015, we initially planned to invest a total of ¥60 billion in real estate for lease. However, our investment budget is poised to outpace initial targets at this point in the final year of the medium-term plan as we leverage the leasing business to further reinforce our stable earnings base.

Promote Diversification and Expansion of Real Estate Earnings

Offices for lease are the main focus of our real estate business, but we are also developing real estate and managing properties for lease in other categories such as housing and distribution facilities. We are strengthening the function of our real estate subsidiaries as developers in order for them to provide real estate development plans and solution services that accurately address society's demands, such as changes in the social environment and industrial structure, market trends and customer needs.

Improve the Portfolio through Effective Use and Sale of Idle Real Estate

We are working to create new sources of earnings by making effective use of idle real estate within the Group. One way we are doing this is by setting up renewable energy businesses such as solar power plants on idle land. Meanwhile, we have also improved our portfolio of real estate holdings by investing actively in new properties for lease, while also selling off idle real estate that is difficult to use.

Improve Profitability through Collaboration with the Building Construction Business

We are strengthening our real estate brokerage and tenant leasing operations and enhancing the functionality of services we provide in the construction field to customers with real estate holdings. Moreover, we will buttress our ability to propose real estate solutions to customers in order to contribute to the Group's construction orders received.

New Businesses

Examine new wind and biomass power generation opportunities following steady progress in the solar power generation business

Akihisa Miwa

Director
Senior Managing Executive Officer
General Manager, Technical Division
and Nuclear Facilities Division,
and in charge of information systems



Business Environment

Conditions surrounding society and corporations have undergone various changes in recent years, including increased concerns about stable energy supplies and the environment, the creation of new industries and continued globalization. These changes are also generating new business opportunities. We are actively shedding our past business preoccupations and moving into new business areas such as engineering, nuclear power and renewable energy, and business innovation. Our goal is to build a more diverse business base and increase the Group's earnings.

Engineering

Obayashi provides total coordination of construction projects such as production facilities. This entails providing an entire

factory, including the production facilities, as a package to customers. We have developed an engineering business to harness the full potential of Engineering, Procurement and Construction (EPC) projects and other turnkey capabilities we have developed in Japan and the U.S. This business will target production facilities of the food and pharmaceutical industries, among others.

In the fiscal year ended March 31, 2014, we saw an increase in orders received for pharmaceutical production facility EPC projects as a result of strengthening the marketing capability of our Engineering Division. We will also expand our business overseas, particularly in Southeast Asia. Specifically, we are conducting market surveys in Thailand and Vietnam, analyzing potential business partners and working to identify new projects.

In the fiscal year ending March 31, 2015, we will leverage our achievements to expand the business further.

A turnkey EPC project



Izumi Syuzou Co.Ltd.

Production line facilities



Wood barrel distillery room



Aging in earthenware jars

Energy

Diversification of energy sources has been a social imperative since the Great East Japan Earthquake. As a result, demand for renewable energy is increasing in line with deregulation and changes including the creation of a feed-in tariff (FIT) system. Examples include solar (mega solar power plants), wind, biomass and geothermal power generation. We see the new energy field as a new business opportunity, and will utilize the Group's land holdings to vigorously develop it based on the technologies we have amassed in the construction and engineering fields.

In the area of nuclear power generation, Obayashi is contributing safety enhancement measures that will enable domestic power plants to comply with new regulatory standards requiring strict safety specifications and is striving to receive orders for overseas plant construction.

Business Innovation

Obayashi is promoting business innovation and the commercialization of new business models through the transformation of technology into direct sources of profit. Technology in the construction business will be customized as solutions to untapped needs. New businesses will be identified and nurtured with ingenuity that is flexible as well as free from conventional thinking.

One example is our development of energy-efficient, low-cost plant factories. Here we are using our innovation in production facility design, construction, maintenance and operation to address growing demand for reliable supplies of safe food as we develop technology into direct sources of profit. In the fiscal year ending March 31, 2015, we plan to start operation of a new natural sunlight plant factory. Data accumulated from the commercialization of the plant will be used to innovate and upgrade our technologies for enhancing the cultivation environment.

Renewable Energy Business Initiatives

Amid growing demand for solar, wind, geothermal and other new sources of energy, Obayashi moved into the renewable energy business in July 2012 with the establishment of Obayashi Clean Energy Corporation. As of the end of July 2014, the company had finalized the business expansion of mega solar power generation projects to a capacity of 125.2 megawatts (equivalent to around 91% of the energy used by Obayashi Corporation). Currently, we have 25 solar power stations in operation nationwide at 16 sites.

Building on this success in solar power, we are now looking carefully at business commercialization of wind power, wood chip biomass power and small hydropower. As one of the measures in the Obayashi Green Vision 2050 medium- to long-term environmental vision, Obayashi is promoting ZEC* initiatives to achieve net zero energy consumption through a combination of energy conservation and energy creation at construction sites. We aim to use the renewable energy business to rapidly achieve our ZEC goals.

* ZEC: net Zero Energy Construction. This approach reduces energy consumption at construction sites on a net basis to zero. The means employed include promoting ongoing initiatives to conserve energy and utilizing the renewable energy business of Obayashi Clean Energy to create energy for use on those sites.

Related information

Obayashi's Renewable Energy Business
http://www.obayashi.co.jp/renewable_energy/
(currently available in Japanese only)



Ashikita Solar Power Station
(Ashikita District, Kumamoto Prefecture)



Conceptual image of planned windmill power station

Output Status of the Group's Solar Power Stations

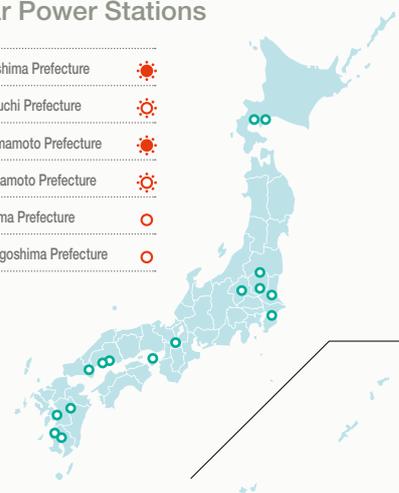
▶ Date City, Hokkaido	☀️	▶ Hiroshima City, Hiroshima Prefecture	☀️
▶ Noboribetsu City, Hokkaido	🌞	▶ Iwakuni City, Yamaguchi Prefecture	☀️
▶ Utsunomiya City, Tochigi Prefecture	☀️	▶ Ashikita District, Kumamoto Prefecture	☀️
▶ Moka City, Tochigi Prefecture	☀️	▶ Yatsushiro City, Kumamoto Prefecture	☀️
▶ Ota City, Gumma Prefecture	☀️	▶ Akune City, Kagoshima Prefecture	🌞
▶ Higashiibaraki District, Ibaraki Prefecture	🌞	▶ Satsuma District, Kagoshima Prefecture	🌞
▶ Chosei District, Chiba Prefecture	☀️		
▶ Kuse District, Kyoto	☀️		
▶ Sumoto City, Hyogo Prefecture	☀️		
▶ Higashihiroshima City, Hiroshima Prefecture	☀️		

Output status marked in four stages from high to low



The Company website provides real-time updates of the output status at each of the solar power stations.

http://www.obayashi.co.jp/renewable_energy/
(currently available in Japanese only)



Technological Development

We have developed technologies and ingenuity to meet various customer needs and solve social issues. These are crucial to improving our corporate value and realizing a sustainable society at the same time.

Completion of Multipurpose Laboratory 2, a New Experimental Facility



Multipurpose Laboratory 2, a new experimental facility

Obayashi is upgrading its technological research facilities to test and verify safe, secure and environmentally friendly technologies and take on the challenge of continuous innovations which will give rise to new technologies.

In 2010, we completed construction of our Multipurpose Laboratory, an experimental facility, and Techno Station, the main building on campus at the Obayashi Technical Research Institute, where many advanced technologies have been incorporated. Then, in February 2014, we completed construction of Multipurpose Laboratory 2.

Multipurpose Laboratory 2 is an experimental facility for research in green innovation (CO₂ emissions reduction, resource conservation, and renewable energy) and advancements in line with the theme of globalization.



Multipurpose Artificial Meteorological Simulation Chamber

Multipurpose Artificial Meteorological Simulation Chamber

This facility is where Obayashi conducts research, development and durability testing of materials suited for various climatic environments.

The two chambers in the facility combine 6 meteorological variables, namely high temperature, low temperature, rain, snowfall, solar radiation, and wind, to recreate climates from around the world.



Mobile Plant

Mobile Plant for Special Types of Concrete

This is a mobile concrete production plant equipped with a high performance mixer.

The compact plant designed for mobility can be set up at just about any location to experiment with full-scale specimens of special materials and concrete compounds mixed on-site.



Vibration Experience Equipment

Vibration Experience Equipment

This equipment enables actually experiencing vibrations in buildings.

The equipment can simulate seismic dampening as experienced in buildings equipped with Super Active Base Isolation System Laputa 2D* and other vibration control and base isolation technologies, as well as the buffeting of earthquakes and high winds on super high-rise buildings.

* Super Active Base Isolation System Laputa 2D: A vibration dampening system in which the intensity of building tremors can be reduced from 1/30 to 1/50 of that of ground tremors.

Major Achievements in Technological Development in the Fiscal Year Ended March 31, 2014

Category	Name of Technology	Explanation	Expected Impact	Development Status			Application Examples Site Locations in Parentheses
				Development	Testing	Application	
Productivity and quality improvement	Cube Cut	A method for dismantling a wide range of buildings, from medium-rise to super high-rise, that shortens the work period and pays consideration to the surrounding environment	Shortens the dismantling time by 5 days per floor, while reducing noise, vibration and dust		DIC Building (Tokyo)		
	Flow-Up-Crete	Simply adding a fluidity agent instantly makes normal concrete highly fluid. The high-flowing concrete can be supplied to anywhere in Japan and applied to a wider range of uses	High fluidity, with CO ₂ emissions reduced by as much as 20%		Office buildings, hospital facilities, etc.		
	Automated Bar Arrangement Checking System using a photograph	Automatic system for checking assembled reinforcement bars using a tablet. Number, diameter, and pitch of reinforcement bars are measured from visual data	Reduces inspection time by around 30% per location while improving reliability of the inspection records				
	Tireless Suit	A labor-saving outfit that improves work productivity by reducing neck fatigue while performing overhead work	Reduces neck muscle activity in comparison to when not wearing the outfit				
	Wireless remote control construction technologies	Wireless remote control of construction machinery featuring 3D virtual reality	Approximate 20% improvement in work productivity				
	BIM air-conditioning load calculation system	Air-conditioning load calculation system that outputs construction data from BIM software for calculating air-conditioning load	Efficiently collates computational data, reducing work time by about 50%				
Safety and security	Optical AE sensor	An acoustic emission (AE) sensor for stable, long-term monitoring of the structural integrity of tunnels and other infrastructure	Elimination of electric current between the sensor and cable enables long-term monitoring under rugged conditions		Namikata National LPG Stockpiling Base (Ehime Prefecture), Horonobe Underground Research Center (Hokkaido)		
	Instant Seismic Damage Estimating System for Buildings	A system that automatically estimates the degree of seismic damage to a building immediately after an earthquake. This simple system comprised of one seismometer and a computer can be easily installed even in existing buildings	Assists building managers and owners in assessing the degree of seismic damage to buildings				
	Medical Information BCP Cloud	A backup system for electronic medical records, accessible from tablets and other devices, to help medical institutions continue medical examinations in the event of a disaster	Enables the continuation or swift resumption of medical examinations in the event of a disaster, while ensuring a high degree of information security				
	Concrete made with seawater using earthquake rubble	Technology applying concrete made with seawater to effectively utilize concrete rubble from earthquakes	Recycling earthquake rubble reduces costs as much as 20% compared to using fresh concrete				
	Radioactivity Measurement Gate	A drive-through system for quickly and precisely measuring the radioactivity of truck cargo	Measurements can be made in approximately 1 minute per truck. The system measures a wide range of radioactive densities by half-life				
	Tough-Road	Technology for minimizing road deformation from seismic liquefaction, enabling vehicle passage even after an earthquake strikes	Secures road function while reducing costs by 30 to 50%				
Environment	Binos RD III	Technology for high speed decontamination of roads, utilizing a large vehicle equipped with both a high-pressure hydraulic vacuum cleaner and water treatment facilities	Capable of decontaminating 4,000 to 20,000 m ² of road space per hour		Decontamination operations		
	High-quality recycled aggregate concrete	High-quality recycled aggregate concrete using concrete waste from construction sites	Reduces the use of natural aggregate while lowering the cost of high-quality recycled aggregate concrete by as much as 30%		Obayashi Technical Research Institute Multipurpose Laboratory 2 (Tokyo)		
	Upcycle Block	Construction material that makes effective use of disaster waste	Reduction in disposal volume of disaster waste		Disaster waste disposal operations (Miyagi Prefecture)		
	Natural arsenic removal system for slurry shield tunnel excavation	A system for removing natural arsenic in the ground being excavated by a shield machine	Reduces the disposal cost of arsenic contamination in soil excavated by a slurry shield machine. Savings are between 15 to 20% for a large-diameter slurry shield machine excavating 5 kilometers (3.1 miles)				
	Energy-Efficient Shield Tunneling	A large diameter shield machine with a dual-cutter head to achieve more efficient excavation and a higher advance rate with less electric power consumption	Approximately 30% less power is consumed in improving the advance rate by approximately 25%				
	Smart Energy System	A system that uses big data to make demand forecasts, as well as plan and optimize the generation, storage, and sharing of electric power among buildings on a real-time basis	Realizes energy saving and CO ₂ reduction while lowering the intake of purchased power and improving BCP readiness				
Renovation	Fail-safe technology	Fail-safe technology for preventing existing suspended ceiling boards from falling, even when they break in a large earthquake. This technology can be installed while a building remains in use	Prevents suspended ceiling boards from falling under seismic forces of up to 3.3 G, equivalent to a large earthquake with a magnitude of 6 or higher on the Japan Meteorological Agency seismic intensity scale				
	Soundness evaluation of existing piles in the ground	A method for evaluating the soundness of existing piles quantitatively when reusing a foundation from a dismantled building to construct a new one	Reduces environmental impact while promoting the reuse of existing piles				

Related information

Services and Technologies <http://www.obayashi.co.jp/english/services/technologies/>
 Research and Development <http://www.obayashi.co.jp/rd/> (currently available in Japanese only)

Together with Stakeholders Toward a Brighter Future

Obayashi wants to bring smiles to people through corporate social responsibility (CSR) activities. As a member of society we seek a brighter future for all mankind in harmony with planet earth. This includes our customers, employees, stakeholders in local communities and the children who are our future, and is the inspiration behind our work.

Our report is organized according to the following themes: Engagement (with customers), Global (for the earth and society), Amenity and Associates (for ourselves), and Open (for communication with stakeholders). Together, the acronym EGAO means “smiles,” our mission as a corporate citizen, in Japanese.



Engagement Engagement with Customers



- Provide High-Quality Buildings and Structures
- Establish and Reinforce Internal Structures for Disaster Preparedness



Global Global Perspective



- Promote Obayashi Green Vision 2050
Create a Low-Carbon and Recycling-Oriented Society in Harmony with Nature
- Promote CSR Activities

TOPICS

Participate in the UN Global Compact

Obayashi Corporation has participated in the United Nations Global Compact since August 2013, supporting the ten principles relating to the areas of human rights, labour, environment, and anti-corruption. We will promote our business activities with a high sense of responsibility and global perspective in order to contribute to creating a sustainable society.



Amenity and Associates Amenity and Associates



- Prevent Occupational Accidents
- Secure and Train Skilled Construction Workers
- Promote Human Resource Development



Open Open Communication with Stakeholders



- Corporate Ethics Initiatives
- Information Disclosure

Engagement with Customers

Our goal is to be the best partner for every customer. To accomplish this, we continually develop advanced technology, providing high-quality buildings and structures and solutions for their needs.



EGAO

Related information

Engagement with Customers <http://www.obayashi.co.jp/english/csr/society/customers/>

Provide High-Quality Buildings and Structures

Obayashi Corporation has introduced new ICT for construction management to transform construction site work styles. These include tablets, cloud computing, building information modeling (BIM), and Construction Information Modeling (CIM).

The development and operation of such new ICT construction tools, realizing higher construction quality and management efficiency, has enabled Obayashi to satisfy customers with buildings and structures of an even finer quality.

Use of Tablets

Obayashi has been providing tablets to on-site engineers managing construction since 2012. In the fiscal year ended March 31, 2014, a cumulative total of 4,600 tablets had been provided, a 50% increase from the previous fiscal year.

The tablets contain lots of information needed for on-site management, such as blueprints and specification sheets. Other important data can be downloaded from cloud-based servers, enabling speedy confirmations. We have promoted these small, lightweight tablets with portability convenient for on-site engineers as their tool for enhancing construction quality and management efficiency.



Use of a tablet with a built-in clapperboard

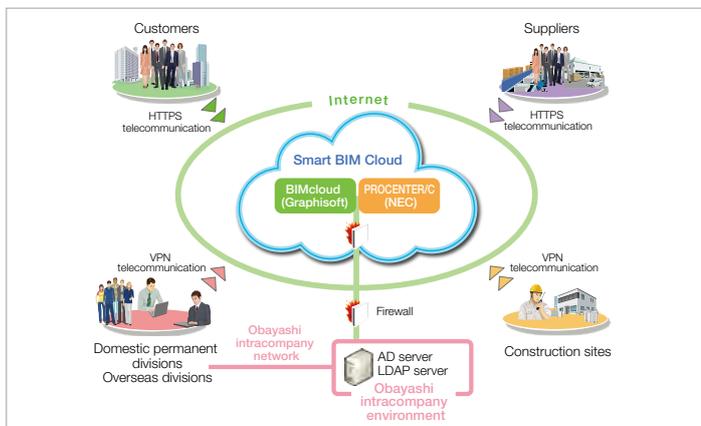
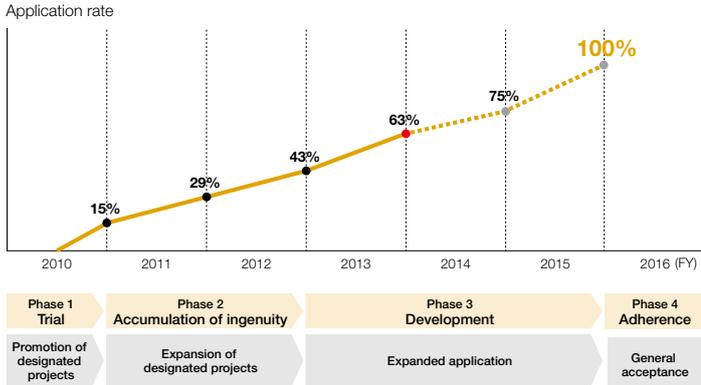


Development of a Camera with a Built-In Clapperboard

Traditionally, on-site engineers used clapperboards when photographing construction in progress to keep records of items like the area worked on, time, date and state of the work. The drawback to these clapperboards was that they were time consuming.

As a solution, we developed a camera with a built-in electronic clapperboard. This has enabled our on-site engineers to work more efficiently, because they can now use tablets to fill out clapperboards when taking photographic records of their work.

BIM Application Track Record and Plans for the Future



Smart BIM Cloud composition

Smooth, Seamless Communication with BIM

BIM not only provides a two-dimensional blueprint of a building, as seen to date, but creates a 3D model also containing specification information, such as materials used, and appears on the computer so that it “can be seen.”

Use of 3D models assists information sharing and mutual understanding among members involved in a project, including customers, architects, and contractors. It enables them to form a consensus in a smoother manner.

We have set a target to apply BIM in all of our design and construction projects by the year ending March 31, 2016.

Smart BIM Cloud for Speedy, Accurate Information Sharing

Smart BIM Cloud is a real-time system for sharing building information that connects Obayashi's intranet with a cloud service and BIM application software. This system was launched in October 2013.

As a result, we now have an environment that provides project members with efficient access to a vast amount of building information. We will take advantage of the speedy and accurate sharing of information, BIM's strongest advantage, to improve our work quality even further.

Establish and Reinforce Internal Structures for Disaster Preparedness

As a construction company involved in building and maintaining infrastructure, Obayashi has established a structure for quickly responding to disaster recovery.

We have formulated an Obayashi BCP* for earthquakes. In addition to setting recovery timeframes for the continuation of our business activities, initiatives in our BCP include the following: 1) Emergency procedures for confirming the safety of personnel, including those at Group companies, 2) An emergency reporting structure for assessing damage to construction in progress and completed construction, which uses a system based on mobile phones to automatically compile the information, 3) An emergency transportation framework involving helicopters and ships and 4) an emergency supply chain in collaboration with suppliers of fuel and major construction materials and machinery.

In the fiscal year ended March 31, 2014, we conducted an impromptu disaster drill for the first time, unannounced to our executives and employees. The drill, which began early in the morning on a weekend, was based on the scenario of a major earthquake striking the Tokai and Tonankai regions, and tested the initial response capabilities of our BCP.

We are building a flexible structure for responding to disasters through the drills we regularly conduct in testing our BCP under various scenarios.

* BCP: Business Continuity Plan



Live teleconferencing between the Earthquake-Response Headquarters in Tokyo and the Satellite Response Headquarters in each region



Drills envisaging the establishment of Satellite Response Headquarters in employee dormitories

Global Perspective

We offer solutions to environmental and social challenges, and engage in CSR activities to help build sustainable societies.



EGAO

Related information Environmental Initiatives <http://www.obayashi.co.jp/english/csr/environment/>

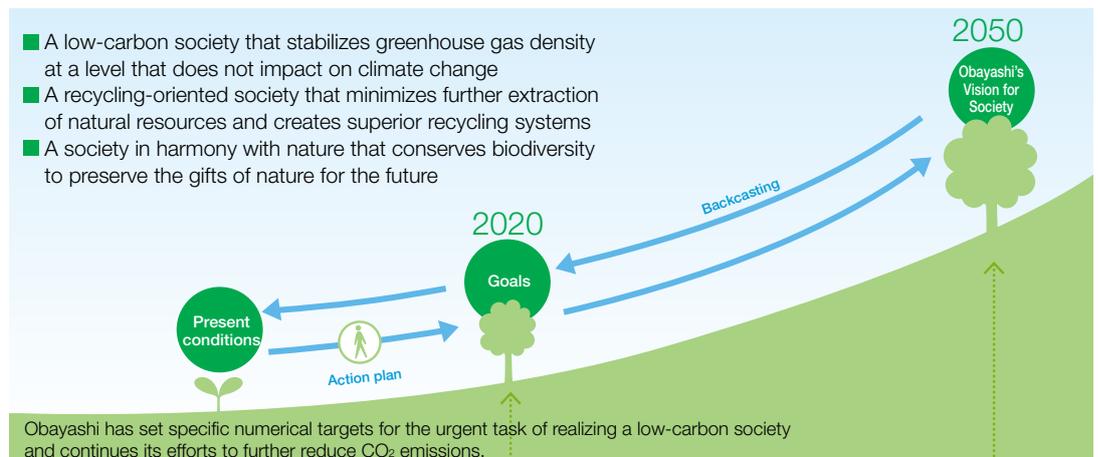
Promote Obayashi Green Vision 2050

In February 2011, Obayashi formulated its “Obayashi Green Vision 2050,” a medium- to long-term vision for achieving a sustainable society by resolving global environmental issues through its business activities.

To realize our vision for society in 2050, we implement an action plan to expand into other business fields peripheral to our main business in construction.

Obayashi's Vision for Society in 2050

- A low-carbon society that stabilizes greenhouse gas density at a level that does not impact on climate change
- A recycling-oriented society that minimizes further extraction of natural resources and creates superior recycling systems
- A society in harmony with nature that conserves biodiversity to preserve the gifts of nature for the future

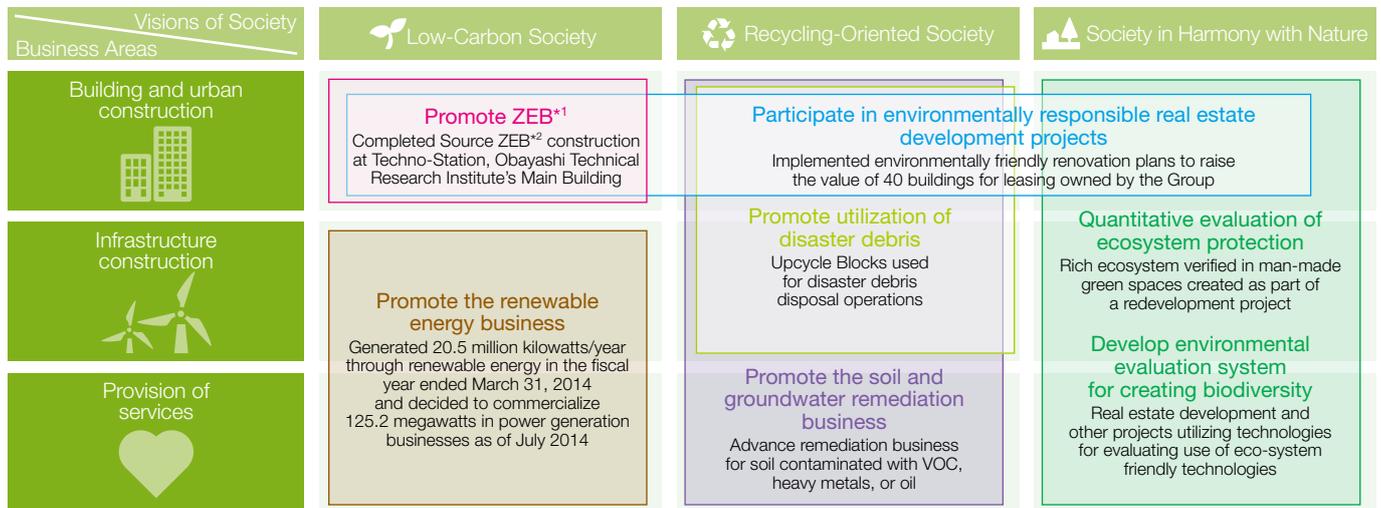


Obayashi has set specific numerical targets for the urgent task of realizing a low-carbon society and continues its efforts to further reduce CO₂ emissions.

	By 2020	By 2050
Action plan for direct contributions (Reduction of Obayashi's carbon footprint at its facilities and adoption of low-carbon construction methods)	-70%	-80%
Action plan for indirect contributions (Development and popularization of low-carbon technologies and materials for and proposals and design of energy-conserving buildings)	-30%	-50%

Note: The base year is 1990, the same year set for the Japanese government's targets for greenhouse gases

Main Initiatives in the Fiscal Year Ended March 31, 2014



*1 ZEB: net Zero Energy Building. Buildings designed to consume net zero energy in operation through energy conservation and the generation of renewable energy.
*2 Source ZEB: Source Zero Energy Building. Buildings designed to reduce the overall net consumption of primary energy to zero throughout the year with the use of renewable energy and other means.

We have been reexamining our medium- to long-term environmental vision in consultation with outside authorities, owing to changes in the social environment as a consequence of the Great East Japan Earthquake.

Obayashi and the Obayashi Foundation co-sponsored a Nikkei Business Innovation Forum entitled, "Picturing the Future of a Sustainable Environment and Society – The Epitome and What We Can Do," in February 2014.

At the forum, speakers from the industrial sector, the government and academia joined a lively discussion on how to minimize the environmental impact of buildings and approach urban planning in order to realize a sustainable society in view of the current environmental policies of Japan.



Approximately 260 individuals participated in the forum

Keynote Address:

Outlook on Japanese Environmental Policy – The Course Going Forward
Ryutaro Yatsu, Vice-Minister, Ministry of the Environment, Japan

Lecture 1: How to Build Sustainable Communities Optimizing the Balance of Energy, the Environment, and the Ecosystem
Kazuhiko Takeuchi, Director and Professor, Integrated Research System for Sustainability Science, University of Tokyo
President, Central Environment Council, Ministry of the Environment, Japan

Lecture 2: Roles Companies Should Fulfill in Realizing Sustainable Societies – Obayashi Green Vision 2050 –
Akihisa Miwa, Director
Senior Managing Executive Officer, Obayashi Corporation

Panel Discussion:

How to Realize Safety and Security as well as Low Carbon Emissions, Recycling, and Harmony with Nature

Moderator: **Naoki Yoshida**, General Manager, International Project Center, Mitsubishi Research Institute, Inc.

Panelists:

- **Kazuhiko Takeuchi** (aforementioned)
- **Miki Muraki**, Professor, Graduate School of Engineering, Department of Urban Environment Systems, Chiba University
- **Akira Yamamoto**, General Manager, Department of Global Urban Environment, Bureau of Environment, Tokyo Metropolitan Government
- **Kenji Hasuwa**, Managing Executive Officer, Obayashi Corporation



Ryutaro Yatsu



Kazuhiko Takeuchi

* Titles of participants are as of the date of the forum.

Create a Low-Carbon Society

Construction of Low-Carbon Buildings

Customer needs for environmental performance of buildings are growing more sophisticated and diverse.

To address such needs, when we built the Grand Mall and Pet Mall buildings for AEON MALL Makuhari New City, we incorporated a variety of environmental technologies for resource conservation. These included a solar power generation facility with a total rated output of 1,000 kilowatts to harness renewable energy, full LED lighting, energy conservation through the cascading use of water generated by the cogeneration system and air conditioning facilities in stages, and the effective use of recycled wastewater and rainwater.



AEON MALL Makuhari New City

As a result, the buildings received the S (excellent) rating under the Comprehensive Assessment System for Built Environment Efficiency (CASBEE®). The buildings are also on the way to becoming the first in Japan to receive LEED* certification as a large-scale commercial facility with world-class environmental performance (under preliminary review for certification as of May 2014).

* LEED: Leadership in Energy & Environmental Design. A green building certification program run by the U.S. Green Building Council.

Create a Recycling-Oriented Society

Disaster Debris Disposal Operations

Obayashi took part in the waste disposal of approximately 940,000 tons of disaster debris and tsunami sediment from Watari district, Miyagi Prefecture and other areas affected by the Great East Japan Earthquake*¹. The debris was thoroughly sorted and useful materials were recycled for use in earthquake reconstruction projects.

At the same time, disaster debris that normally cannot be recycled, was solidified in cement to create Upcycle Blocks*² for recycling as construction material. We plan to make effective use of the Upcycle Blocks as embankment material in constructing land for parks and green spaces, as well as elevated evacuation sites. Thanks to these efforts, we have achieved a compacting rate of 98% from the resource recycling and incineration in our disposal operations.

*¹ Joint venture comprised of Obayashi Corporation, Toda Corporation, Konoike Construction Co., Ltd., Toyo Construction Co., Ltd., Hashimoto Co., Ltd., Fukamatsu-Gumi Co., Ltd., and Haruyama Construction Co., Ltd.

*² Joint development between Advanced Construction Technology Center (ACTEC), Obayashi Corporation, Kajima Corporation, Kumagai Gumi Co., Ltd., Shimizu Corporation, and Taisei Corporation



Obayashi took charge of all aspects of the incinerators (five facilities) from construction to dismantling after completion of the waste disposal



Upcycle Blocks stockpiled for use in earthquake reconstruction projects

Create a Society in Harmony with Nature

Protect Precious Living Organisms

Obayashi is currently constructing a segment of the Shin-Meishin Expressway in Kuwana City, Mie Prefecture, where the planned construction site has been confirmed as a habitat of an indigenous species of water scorpion (*nepa hoffmanni*). This



Transplanting activity



A water scorpion (*nepa hoffmanni*)

aquatic insect is a natural monument of Kuwana City, and has been designated as an endangered species in the Red Data Book of Mie Prefecture. The water scorpions are about 2 centimeters (a little less than an inch) in size, and require swamplands fed with pristine spring water to survive.

In proceeding with construction in and around the habitat, we cooperate closely with the client, as well as the boards of conservation and education of Kuwana City, to protect the swamplands by making certain that the supply of water from upstream is uninterrupted. Furthermore, in situations where the planned construction site overlaps with the habitat, we have temporarily transplanted the habitat away from the construction area.

TOPICS

Smart City Construction

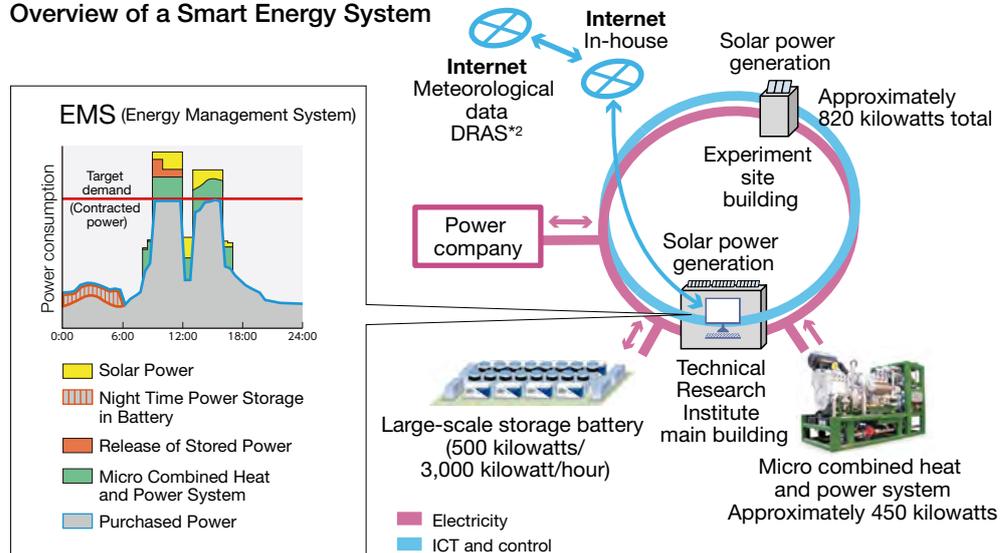
Business development at Obayashi involves the accumulation of advanced technologies and ingenuity.

At the Obayashi Technical Research Institute, we have introduced micro combined heat and power equipment, storage batteries, and other facilities to make more effective use of solar power equipment and exhaust heat from power generators. We are in the process of constructing and testing a Smart Energy System that combines these facilities with energy management systems that can optimize real-time control of energy and make precise demand forecasts using big data.

In testing, we are utilizing Demand Navi*1 software to encourage voluntarily power conservation by employees in the building to promote energy management activities.

*1 Demand Navi: a software program for computing power load changes and demand forecasts for the next day and beyond in offices and other business establishments.

Overview of a Smart Energy System



*2 DRAS: Demand Response Automation Server

Promote CSR Activities

Under the Obayashi Social Responsibility Policy, we promote global environmental responsibility, disaster readiness and post-disaster reconstruction, good citizenship in local communities, and inspiration for the next generation.



The canola flowers in full bloom

Global Environmental Responsibility

Make canola flowers bloom on salt-damaged farmland

Obayashi has been working together with Tohoku University on an experiment in Iwanuma City, Miyagi Prefecture for removing the salt from farmlands left with salt damage by the tsunami in the Great East Japan Earthquake. In this experiment, we mix disaster-debris woodchips and soil remediation agents into the farmland, applying a technology that relies solely on rainwater and natural drainage to remove the salt. After launching the experiment in April 2012, we planted canola seeds in the soil in October. These seeds sprouted a full bloom of canola flowers in April 2013, proving the effectiveness of the technology.

Disaster Readiness and Post-Disaster Reconstruction

Newly recruited employees volunteer for reconstruction in an area affected by the Great East Japan Earthquake

In April 2013, newly recruited employees volunteered for reconstruction support in Yamamoto Town, Miyagi Prefecture, an area affected by the Great East Japan Earthquake. As they helped to remove debris left behind more than two years after the disaster and clean out gutters, these new recruits reaffirmed that one of our responsibilities as a general contractor is contributing to a society where people can lead safe and secure lives.



New recruits sorting shards of wood and other debris by hand



Obayashi engineers teach children how tunnels are built while walking along the site

Good Citizenship in Local Communities

Construction site tour of the Migusa Tunnel on the Kinki Expressway Kisei Line

Approximately 230 local elementary school children were invited recently by the Ministry of Land, Infrastructure, Transport and Tourism on a construction site tour of the Migusa Tunnel, which is to be completed in the fiscal year ending March 31, 2015, on the Kinki Expressway Kisei Line. Our engineers walked with the children along the tunnel in Shirahama Town, Wakayama Prefecture and gave them an easy-to-understand lesson on how tunnels are built.

Inspiration for the Next Generation

Teach the mechanism of solar power generation to the engineers of tomorrow

In February 2014, our engineers taught a class on solar power generation to aspiring future engineers in the electrical studies course at the Hiroshima Technical High School. The students were then taken on a tour of one of our solar power stations. We received feedback from the students that they now understand the mechanism of solar power systems well.



Engineers teach the mechanism of solar power generation while touring a facility



The Obayashi Foundation scholarship presentation ceremony

Other Initiatives

The Obayashi Foundation Scholarship Program

The Obayashi Foundation offers assistance to researchers and international conferences involved in urban planning and operates an award program for researchers in the field. The foundation also provides scholarships to students studying to become urban planning professionals or researchers. In the year ended March 31, 2014, 21 students from 20 designated universities were selected for scholarships.

TOPICS

Obayashi sponsors construction site tours and other events in an effort to strengthen its relationships with local communities throughout Japan. The following are a few events the Group sponsored recently.

Hamada Oriigawa Bridge Project Office (Shimane Prefecture)



When local residents said they wanted to enjoy the view from on top of the Oriigawa Bridge (tentative name), the project office invited approximately 40 people to go on a tour.

AEON MALL Wakayama Project Office (Wakayama Prefecture)



In response to a request from nearby Fujitodai Elementary School, the project office cooperated with a training program for teachers to experience construction work.

Furano JV Project Office (Hokkaido)



The project office took local elementary school children on a tour of a retrofitting site for a headwork, which diverts water from a river for agriculture, to explain the functions and mechanism of this facility.

Okogawa Bridge Superstructure Project Office (Oita Prefecture)



Approximately 120 people attended a ceremony held to celebrate the completion of this bridge.

Shin-Meishin Expressway Nonobori-Higashi Project Office (Mie Prefecture)

The project office invited 50 local elementary school children and their guardians on a study tour to learn about tunnel construction and see how the subsequent waste water was being treated.

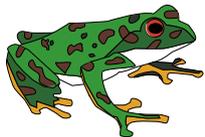


Head Office (Tokyo)

The Head Office conducted private-sector internship training for around 10 elementary school and junior high school teachers from Kokubunji City, Tokyo. This marked the sixth consecutive year of the program, in which Obayashi helps teachers understand the virtue and appeal of construction work, in the hope that they will convey the pleasure of craftsmanship to their students.



Kaeru Kawauchi JV Project Office



The forest green tree frog is a protected natural monument

The JV project office carried out decontamination of radioactive materials in Kawauchi Village, Fukushima Prefecture, in a Special Decontamination Area designated by the Japanese government. Kaeru Kawauchi is a project name playing on the Japanese word Kaeru, which means both "frog" and "return home." The name expresses the strong desire of the evacuated residents to return home to their village famous throughout Japan for its pristine brooks, which are the habitat of the forest green tree frog.

■ Importance of Maintaining Close Communications

It was important for the project team to get to know the local people and allay their anxieties over the decontamination work. In addition to greeting the community members on a daily basis and other general communications, we helped to run events such as charity concerts, get-togethers for pounding rice cakes and putting up Christmas lights at the temporary housing. Apart from providing enjoyment, these events were an important way to convey our sincere intentions and win the trust of the evacuees.



The get-together for pounding rice cakes

■ Our Sincere Intentions

What the residents of Kawauchi Village need to go back to their normal lives is not only the restoration of their pastoral mountains, brooks, farmlands and livestock, but also ordinary daily routines free from anxiety. With this in mind, the Kaeru Kawauchi JV Project Office worked not only on the decontamination of radioactive material, but also aimed to create a safe and secure environment so that the villagers of Kawauchi can return as soon as possible.



Members of the JV project office with the villagers of Kawauchi

Amenity and Associates

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



Related information

Amenity in Association with Suppliers
Amenity in Association with Employees

<http://www.obayashi.co.jp/english/csr/society/suppliers/>
<http://www.obayashi.co.jp/english/csr/society/employee/>

Prevent Occupational Accidents

We consider worksite safety one of our top priorities. To prevent occupational accidents, we have established an Occupational Safety and Health Management System that integrates management methods for health and safety. Every year, we set occupational health and safety policies and targets, attained with a Plan, Do, Check, Action (PDCA) cycle, to ensure continuous improvements.

We made eliminating fatal accidents one of our targets for the fiscal year ended March 31, 2014, carrying out the following priority measures.

Priority Measures

1. Prevent occupational accidents under the leadership of the project manager
2. Prevent falling accidents
3. Prevent machinery accidents
4. Promote health and safety training
5. Provide instruction and support to improve suppliers' autonomous safety and health management
6. Create healthy work environments
7. Prevent occupational accidents in restoration, recovery and reconstruction work



Obayashi's officer in charge of safety and health (executive vice president) on special patrol



The project managers receive an award certificate

■ Minister of Health, Labour and Welfare Awards for Safety and Health

Two project sites—namely for the construction of facilities at Umeda Kita Yard C-Block (Osaka Prefecture) and the Yubari Lake Syuparo Dam Aggregate Structure Construction Stage 1 to 3 (Hokkaido)—received an Award for Excellence in the Fiscal 2013 Minister of Health, Labour and Welfare Awards for Safety and Health (sponsored by the Ministry of Health, Labour and Welfare).

Awards for excellence are given to project offices with exceptional and exemplary health and safety levels, including for periods with no accidents.

Secure and Train Skilled Construction Workers

In recent years, the construction industry has been confronted with the problem of a shortage of skilled construction workers. This is due to the aging workforce and a decline in younger recruits, coupled with the need to respond to reconstruction efforts following the Great East Japan Earthquake and urban development in preparation for the Tokyo 2020 Olympic and Paralympic Games. To resolve this issue, we have initiatives to nurture those skilled construction workers and secure the human resources we need.



Excellent Supervisor Award ceremony in the fiscal year ending March 31, 2015



Newly recruited employees from suppliers attend a training session

■ Exceptional Supervisor (Obayashi Excellent Site Supervisor Certification Program) System

This is a program where Obayashi began certifying and raising the pay of particularly exceptional supervisors among those responsible for construction workers. In the fiscal year ending March 31, 2015, the number of eligible types of work was expanded from 9 to 25, and 194 supervisors were certified.

■ Obayashi Rin-yu-kai Vocational Training School

The school opened in April 2014 to nurture skilled construction workers and pass on the skills they require to future generations. The school will teach young construction workers from member companies of the Rin-yu-kai organized by the Obayashi Group's suppliers in the three courses on scaffolding, ferro-concrete reinforcement, and formwork. In the first year of operation, the school plans to accept around 10 people from each type of work.

■ Hold Training Sessions

We support the Rin-yu-kai and the Obayashi Accident Prevention Association, dispatching lecturers for training sessions and holding joint training sessions for newly recruited employees at various member companies. These associations cooperate with us to conduct initiatives for raising safety and technical standards.

Promote Human Resource Development

Based on our belief that talented individuals are a very important management resource, we continually upgrade our nurturing of human resources. In the year ended March 31, 2014, we focused on the following priority measures.

Priority Measures

1. Nurture human resources in line with global expansion
2. Promote the acquisition of priority qualifications
3. Interactive group training

■ Nurture Global Human Resources

We have established a training system to ensure acquisition of fundamental expertise necessary for doing business worldwide, including overseas study at business schools and law schools and dispatch to overseas companies. In the fiscal year ended March 31, 2014, 37 employees attended a Global Leadership Training program we had established to impart understanding of the business customs of various countries and mastery of risk management skills. Upon completing the program, the employees' scope of activities had broadened globally, including involvement in overseas projects.

■ Nurture National Staff Overseas

The Obayashi Group offers a continuing program of hands-on training in Japan for national (locally hired) staff recruited by our overseas Group companies. The goal is to enable the staff to learn our latest construction technologies and safety management measures. In the fiscal year ended March 31, 2014, there were 9 participants from countries including Thailand, Indonesia and Vietnam.

Open Communication with Stakeholders

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



EGAO

Related information

Corporate Ethics <http://www.obayashi.co.jp/english/csr/management/ethics/>
Investor Relations <http://www.obayashi.co.jp/english/ir/>

Corporate Ethics Initiatives

The Obayashi Group not only complies with laws and regulations, but also initiates activities to inspire employees to raise their sensitivity to ethical issues and perform their corporate duties in good faith.

■ Obayashi's Vision, Values and Commitments and Articles of Incorporation

Obayashi draws on the Action Commitments prescribed by Obayashi's Vision, Values and Commitments to determine courses of action and ensure adherence to corporate ethics.

In addition, Obayashi's Articles of Incorporation include the stipulation that "the Corporation will act in good faith in compliance with laws and regulations" in order to ensure thorough awareness of compliance issues, including corporate ethics, and create a sound corporate culture.

Obayashi Corporation's Articles of Incorporation, Article 3 (Compliance and Sensible Course of Action)

Each and every director and employee of the Corporation will comply with all laws and regulations, have a high awareness of ethics in corporate activities, and will act in good faith. In particular, in winning orders for construction work, no actions will be taken that hinder the fairness and legitimacy of public tenders, such as tender bids that violate criminal law or the Anti-Monopoly Act (Act on Prohibition of Private Monopolization and Maintenance of Fair Trade).

■ Corporate Ethics Committee

The Corporate Ethics Committee, chaired by the president, has been established and engages in raising awareness about corporate ethics, designates policies related to corporate ethics adherence, investigates allegations into actions violating corporate ethics and decides on measures to prevent recurrence of offenses. In addition, a Corporate Ethics Promotion Committee, comprised primarily of general managers, was established in the fiscal year ended March 31, 2014 to strengthen the framework for promoting ethics. In order to incorporate assessments from independent parties, the Committee's members include outside authorities and the head of the employees' union. Group companies have also established similar committees.

■ Policies, Rules and Manuals

Obayashi has set forth and abides by policies, rules and manuals for individual fields, starting with the Antimonopoly Act Compliance Program, the Antisocial Forces Exclusion Program and the Obayashi Group Anti-Bribery Program, and also including occupational health and safety, quality, environment, human rights and information security.

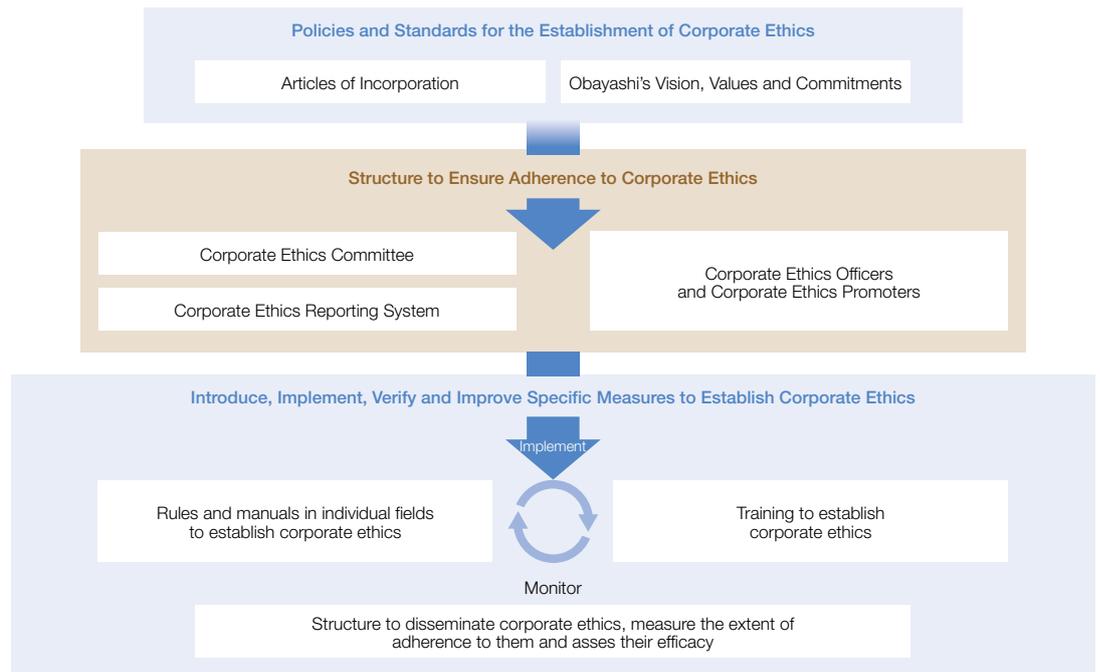
■ Training

In April of each year, workplace training in corporate ethics is held for all officers and employees in Japan and overseas. A Corporate Ethics Workplace Training Textbook produced by the Corporate Ethics Committee is used. The detailed training focuses discussion on specific cases addressing themes such as compliance with the Construction Industry Act and exclusion of antisocial forces, in addition to prevention of bribing foreign government officials, using social media and other issues. The rate of attendance at training sessions in the fiscal year ended March 31, 2014 was 100%.

To ensure corporate ethics throughout the entire supply chain, Obayashi holds an ongoing series of training sessions for member companies of the Rin-yu-kai organized by the Group's suppliers. In the year ended March 2014, seven sessions were held nationwide, with an attendance of approximately 1,600 people.

While steadily executing various programs and training, we also regularly review the operating status of these items to maintain and improve standards.

Image of the Corporate Ethics Program



Information Disclosure

We disclose business and other information useful for making investment decisions in an appropriate and timely manner that enable shareholders and investors to securely monitor our management.

■ Results Briefings

Results briefings for institutional investors and securities analysts are held following the closing of accounts for the second quarter and the fiscal year-end. For first and third quarter results, conference calls are made to hold results briefings on the day the results are announced.

IR Calendar



Corporate Governance

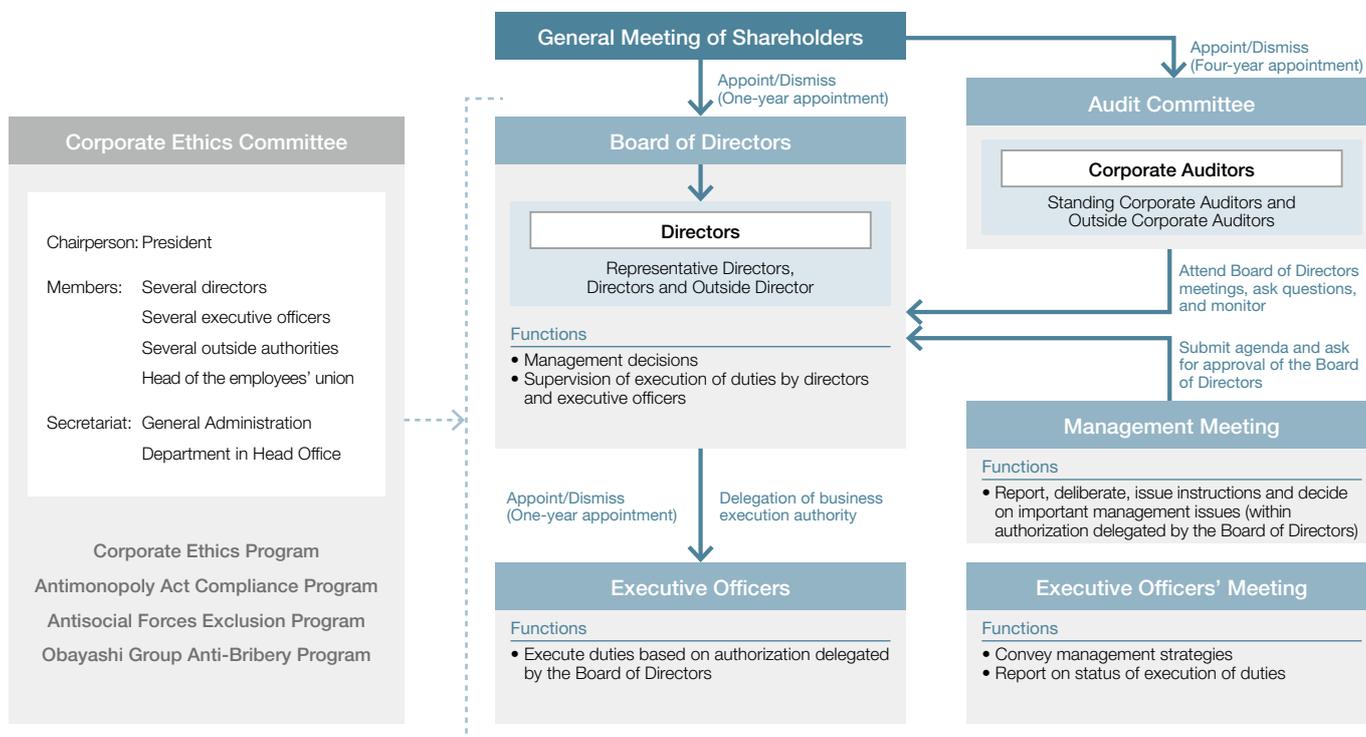
Basic Policy

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

Management Structure

The Company has put in place the General Meeting of Shareholders, the Board of Directors, the Audit Committee, the independent auditor, and other statutory bodies. Additionally, the Company has established systems for making management decisions and conducting appropriate audits and practices precise and swift decision making through its executive officer system and Management Meeting, which is composed of members appointed from among the directors and executive officers.

Corporate Management Structure



Board of Directors

The Board of Directors is composed of up to 15 directors. Each director is responsible for management decision making and business execution, as well as supervision of the execution of duties by other directors, executive officers and employees. The tenure for directors is one year, which enables the Company to respond dynamically to changes in the business environment, while also clarifying management responsibilities for each business term. In order to clarify the selection process for directors, corporate auditors and executive officers and the decision-making process for remuneration and other matters, Obayashi has established a Recommendation Committee and a Remuneration Committee.

■ Audit Committee

The Audit Committee comprises a maximum of 5 corporate auditors (of whom the majority must be outside corporate auditors). In accordance with the “Obayashi Audit Guidelines for Corporate Auditors,” the corporate auditors, in a position independent from the directors, conduct audits to ensure that the status of business execution by the directors, executive officers, and employees is in compliance with the law and the Articles of Incorporation. At the same time, to ensure the appropriateness of the financial statements, the corporate auditors monitor and verify the work of the independent auditor (accounting firm).

■ Management Meeting

The Management Meeting is composed of members appointed from among the directors and executive officers. It is held to report, discuss, resolve and instruct on important management matters, in order to ensure precise and swift decision making.

■ Executive Officers

Executive officers receive authority from the Board of Directors to execute business operations. By concentrating on their executive duties, the executive officers achieve efficient business execution.

■ Executive Officers' Meeting

The Executive Officers' Meeting is held to convey management strategies and report on the status of business execution.

Appointment of an Outside Director and Outside Corporate Auditors

The Company has appointed one outside director and three outside corporate auditors. The outside director provides advice on improving management efficiency, along with supervision of all aspects of management from a position independent of the Company. The outside corporate auditors are responsible for ensuring that corporate governance functions effectively by providing checks from a third-party position independent of management.

Obayashi's standards for appointing outside directors and corporate auditors, including standards regarding independence, are as follows:

Selection Criteria of Outside Director and Corporate Auditor Candidates

1. The candidate has capabilities, knowledge, experience and character suited to become an outside director or corporate auditor of Obayashi, and is able to offer guidance and opinions to Obayashi management from an independent and impartial standpoint.
2. The candidate is not a former director, corporate auditor or employee of Obayashi or any of its affiliates.
3. The candidate is not currently affiliated with, or was not affiliated in the past with, Obayashi's currently contracted accounting firm, law office or main bank.
4. The candidate is not a major shareholder with an ownership stake of 10% or more (or a person currently affiliated with or affiliated in the past with an entity that is a major shareholder).
5. The candidate is not, and has never been, in the service of a trading partner of the Company where the annual transaction amount during the past three fiscal years has been greater than 2% of either the Company's or the trading partner's annual net sales.
6. The candidate is not serving, and has never served, as an administrator of operations at a non-profit organization to which the Company has made annual donations in excess of ¥20 million during the past three fiscal years.
7. If any of 3 through 6 apply, at least 5 years have passed since the candidate left the relevant entity.
8. The candidate meets the requirements of “independent directors and auditors” stipulated in the Tokyo Stock Exchange's securities listing rules.

(Enacted October 22, 2010 and revised December 1, 2012)

Collaboration between Corporate Auditors and the Independent Auditor and the Support Structure

The corporate auditors and the independent auditor each conduct audits from their independent standpoints, with the corporate auditors receiving reports and briefings as required from the independent auditor. The two parties also cooperate to raise the effectiveness of audits by sharing information and opinions. Meanwhile, as Obayashi's internal audit arm, the Business Administration Department is responsible for audits conducted separately from the corporate auditors and independent auditor. Performed according to Obayashi's Internal Audit Regulations, these audits monitor the effectiveness of internal control and the execution of duties by each department within the Company. The corporate auditors and Business Administration Department cooperate as well to raise the effectiveness of audits by sharing information and opinions.

Policies for Determining Remuneration for Directors, Corporate Auditors and the Independent Auditor

The basic policy with regards to director remuneration is to determine the amount of remuneration for each business term in accordance with actual contribution to earnings, in order to secure outstanding human resources and to provide incentive to each director to improve earnings and enhance corporate value. Specifically, the Board of Directors has set a remuneration table in accordance with title and earnings contribution ranking, and at the end of each business term, the Remuneration Committee, which is chaired by the president and comprises members delegated by the committee chairperson, appraises the degree of earnings contribution of individual directors and determines the amount of remuneration for the following fiscal year.

The basic policy with regards to the remuneration of the corporate auditors is to set an amount required to secure outstanding human resources in order to have corporate governance function effectively. Specifically, remuneration standards are set up in advance in accordance with full-time and part-time status, etc., through discussions among corporate auditors, and remuneration for each corporate auditor is determined in line with those standards.

With regards to remuneration of the independent auditor, the auditing structure and auditing time required for an appropriate accounting audit is discussed with the auditing firm, taking into account the Obayashi Group's business size, business characteristics, etc., and a fair auditing remuneration amount is determined with the approval of the Audit Committee.

Total Amount of Director and Corporate Auditor Remuneration (Fiscal Year Ended March 31, 2014)

Position	Total Remuneration and Other Compensation
Directors (10 directors)	¥504 million
Corporate auditors (5 auditors)	¥82 million
Of which Outside Director/ Corporate Auditors (4)	¥36 million

Matters Pertaining to the Independent Auditor (Fiscal Year Ended March 31, 2014)

	Compensation Paid for Audit Certification Activities	Compensation Paid for Non-audit Activities
Obayashi Corporation	¥ 97 million	¥2 million
Consolidated subsidiaries	¥ 88 million	¥2 million
Total	¥186 million	¥4 million

Name of the independent auditor: Ernst & Young ShinNihon LLC

Establishment and Implementation of Internal Control System

In order to appropriately carry out business operations throughout the Group, the Company has established and actively implements an internal control system in accordance with the Companies Act and Ordinance for Enforcement of the Companies Act.

Related information

Corporate Governance <http://www.obayashi.co.jp/company/governance/>
(currently available in Japanese only)

Message from the Outside Director

Effective Corporate Governance and Well-Balanced Management with an Emphasis on Shareholder Interests

Corporate governance is crucial if companies are to maintain public trust and increase their corporate value. To ensure corporate governance functions effectively, I believe that it is vital to rigorously enforce compliance and to foster an open corporate culture where personnel can freely exchange different opinions with one another.

I believe that corporate governance is functioning very effectively at Obayashi. The Company is consciously working on a daily basis to provide internal training on corporate ethics, as well as share business management and risk management information. There is also an open, active exchange of opinions among members of management. Furthermore, I believe that the Board of Directors and senior executives are managing Obayashi in a well-balanced manner with an emphasis on growth, profitability and other shareholder interests.

In meetings of the Board of Directors, I strive to ask questions and express opinions from a broad management perspective. I also make a point of checking whether the proposals put forward for resolution will continuously increase corporate value.

The key priorities for Obayashi in the short-term are to

respond to a shortage of human resources, such as skilled workers, and to a temporary surge in demand. In the medium to long term, the key priorities are to appoint women to management positions and to diversify business into fields offering growth prospects. Without becoming complacent with the status quo, Obayashi will be expected to act on these priorities more swiftly than ever.



Shinichi Otake

Chief Executive Counselor,
Nippon Telegraph and
Telephone WEST Corporation

Mr. Otake has plenty of experience based on his involvement in corporate management over many years. He was appointed outside director of Obayashi in June 2013.

Message from the Outside Corporate Auditor

Autonomous Corporate Governance Based on a Shared Commitment to Building Something Great

Obayashi's management has taken shape in the course of many years of doing business in the construction sector, a long-standing traditional industry. In a good sense, I believe that Obayashi is a company managed in the Japanese style. In addition, Obayashi practices corporate governance in a decentralized and autonomous manner, rather than in a centralized and authoritarian manner. This reflects the fact that the Group's construction and production sites are spread out geographically across different locations. It also reflects the characteristics of the construction business, in which it is crucial to develop long-term relationships of trust with customers.

The common thread underlying Obayashi's corporate governance is trust in people. Furthermore, I believe that this trust is based on Obayashi's corporate culture. This culture is defined by a shared commitment to building something great, or an engineering spirit, that has been continuously handed down the generations.

I have served as a corporate auditor of a life insurance company for the past eight years. Based on the knowledge and experience I have developed through my involvement in the insurance business underwriting risk, I view Obayashi's management primarily from the perspective of whether it has a structure in place to go about controlling its risks properly.

Group management is becoming increasingly crucial to Obayashi. However, it would be difficult to extend Obayashi's management system, which is underpinned by its corporate culture, to all Group companies. Therefore, I believe that a key priority for the Company will be to strengthen the structure for ensuring proper operations throughout the Obayashi Group, along with bolstering the operation of this structure.



Yasutaka Kakiuchi

Outside Corporate Auditor,
Sompo Japan Nipponkoa
Himawari Life Insurance, Inc.

Mr. Kakiuchi has plenty of experience based on his involvement in government affairs at the Ministry of Construction over many years. He was appointed outside corporate auditor of Obayashi in June 2010.

Directors and Corporate Auditors

Representative Directors



Takeo Obayashi

Chairman
Representative Director

Date of birth June 9, 1954
 April 1977 Joined the Company
 June 1983 Director of the Company
 June 1985 Managing Director of the Company
 June 1987 Senior Managing Director of the Company
 June 1989 Representative Director and Executive Vice President of the Company
 June 1997 Vice Chairman
 Representative Director of the Company
 June 2003 Chairman
 Representative Director of the Company
 June 2007 Director of the Company
 June 2009 Chairman
 Representative Director of the Company (incumbent)

Toru Shiraishi

Representative Director
President

Date of birth June 29, 1947
 July 1971 Joined the Company
 June 2001 Director of the Company
 April 2002 Deputy General Manager,
 Tokyo Building Construction Division of
 the Company
 June 2003 Managing Director of the Company
 June 2005 Managing Officer of the Company
 April 2007 Senior Managing Officer of the Company
 General Manager, Tokyo Building
 Construction Division of the Company
 June 2007 Representative Director
 President of the Company (incumbent)



Tadahiko Noguchi

Representative Director
Executive Vice President
In charge of overall building construction and PFI business

Date of birth May 11, 1947
 April 1970 Joined the Company
 July 2000 President and Representative Director of
 Thai Obayashi Corporation Limited
 June 2003 Director of the Company
 Deputy General Manager,
 Tokyo Building Construction Division of
 the Company
 June 2005 Managing Officer of the Company
 June 2007 Senior Managing Officer of the Company
 General Manager, Tokyo Building
 Construction Division of the Company
 June 2008 Senior Managing Director of the Company
 April 2009 General Manager, Building Construction
 Division of the Company
 April 2010 Representative Director
 Executive Vice President of the Company
 (incumbent)

Makoto Kanai

Representative Director
Executive Vice President
In charge of overall civil engineering construction

Date of birth February 2, 1948
 April 1973 Joined the Company
 April 2003 Deputy General Manager,
 Tokyo Civil Engineering Construction Division
 of the Company
 June 2005 Executive Officer of the Company
 April 2007 Managing Officer of the Company
 Deputy General Manager,
 Civil Engineering Construction Division of
 the Company
 June 2007 Managing Director of the Company
 General Manager, Civil Engineering
 Construction Division of the Company
 June 2009 Senior Managing Director of the Company
 April 2010 Director and Senior Managing Executive
 Officer of the Company
 April 2011 Representative Director
 Executive Vice President of the Company
 (incumbent)

Shozo Harada

Representative Director
Executive Vice President
In charge of overall administration and Group business

Date of birth September 27, 1949
 April 1973 Joined the Company
 July 2004 General Manager,
 Tokyo Head Office Finance Department
 of the Company
 June 2005 Executive Officer of the Company
 April 2007 Managing Officer of the Company
 June 2007 Managing Director of the Company
 President and Representative Director of
 OC Finance Corporation
 June 2009 Senior Managing Director of the Company
 April 2010 Director and Senior Managing Executive
 Officer of the Company
 April 2011 Representative Director
 Senior Managing Executive Officer of
 the Company
 April 2012 Representative Director
 Executive Vice President of the Company
 (incumbent)

Directors

**Makoto Kishida**

Director
Senior Managing Executive Officer
General Manager,
Overseas Business Division

Date of birth November 14, 1951
April 1974
Joined the Company
September 2003
President and Representative Director of
Obayashi (Shanghai) Construction Co., Ltd.
June 2005
Executive Officer of the Company
Deputy General Manager, Building
Construction Division of the Company
April 2007
Managing Officer of the Company
June 2007
Managing Director of the Company
General Manager, Building Construction
Division of the Company
April 2009
General Manager, Tokyo Building
Construction Division of the Company
June 2009
Senior Managing Director of the Company
April 2010
Director
Senior Managing Executive Officer of
the Company (incumbent)
General Manager, Tokyo Main Office of
the Company
April 2011
General Manager, Overseas Business
Division of the Company (incumbent)

Akihisa Miwa

Director
Senior Managing Executive Officer
General Manager, Technical
Division and Nuclear Facilities
Division, and
in charge of information systems

Date of birth March 23, 1952
April 1974
Joined the Company
January 2004
President and Representative Director,
OBAYASHI USA, LLC
June 2005
Executive Officer of the Company
Deputy General Manager,
Building Construction Division of
the Company
April 2007
Managing Officer of the Company
June 2007
Managing Director of the Company
General Manager, Nuclear Facilities Division
of the Company (incumbent)
November 2007
General Manager, Technical Division of
the Company (incumbent)
April 2010
Director
Senior Managing Executive Officer of
the Company (incumbent)

Kenichi Shibata

Director
Senior Managing Executive Officer
General Manager, Real Estate
Development Division

Date of birth October 10, 1949
April 1972
Joined the Company
April 2002
Deputy General Manager-in-Charge,
Tokyo Building Construction Division of
the Company
June 2005
Executive Officer of the Company
Deputy General Manager, Tokyo Building
Construction Division of the Company
April 2007
Managing Officer of the Company
August 2007
General Manager, Real Estate Development
Division of the Company
June 2008
Managing Director of the Company
April 2010
Director
Senior Managing Executive Officer of
the Company (incumbent)
General Manager, Real Estate Development
Division of the Company (incumbent)

Nao Sugiyama

Director
Senior Managing Executive Officer
General Manager, Building
Construction Division and General
Manager, Tokyo Main Office

Date of birth November 6, 1949
April 1975
Joined the Company
June 2005
Deputy General Manager-in-Charge, Tokyo
Building Construction Division of the Company
April 2007
Executive Officer of the Company
General Manager, Yokohama Branch of
the Company
April 2009
Managing Officer of the Company
Deputy General Manager, Tokyo Building
Construction Division of the Company
June 2009
Managing Director of the Company
April 2010
Director
Senior Managing Executive Officer of
the Company (incumbent)
Deputy General Manager, Tokyo Main Office
and General Manager, Tokyo Main Office Building
Construction Department of the Company
April 2011
General Manager, Tokyo Main Office (incumbent)
and General Manager, Tokyo Main Office Building
Construction Department of the Company
April 2012
General Manager, Building Construction Division
of the Company (incumbent)

Shinichi Otake

Director

Date of birth January 25, 1948
April 1971
Joined NTT Public Corporation
(the predecessor of NTT)
June 2002
President, NTT-ME Tokyo Corporation
June 2004
Executive Vice President
Senior Executive Manager,
Solution Business Headquarters,
Nippon Telegraph and
Telephone WEST Corporation
July 2006
Executive Vice President
Senior Executive Manager,
Strategic Project Promotion
Headquarters (additional)
June 2007
Senior Executive Vice President
June 2008
President
June 2012
Chief Executive Counselor,
Member of the Board
June 2013
Outside Director of the Company
(incumbent)
June 2014
Chief Executive Counselor,
Nippon Telegraph and Telephone WEST
Corporation

Corporate Auditors

**Hiroshi Tadokoro**

Corporate Auditor

Date of birth November 25, 1949
April 1972
Joined the Company
December 2003
General Manager,
General Administration Department,
Osaka Main Office of the Company
April 2006
General Manager of Departments,
Osaka Main Office of the Company
August 2007
Executive Officer of the Company
April 2008
President and Representative Director
of Naigai Technos Corporation
April 2010
Managing Executive Officer of
the Company
April 2012
Advisor of the Company
June 2012
Corporate Auditor of the Company
(incumbent)

Masaru Mizuno

Corporate Auditor

Date of birth April 17, 1950
April 1973
Joined the Company
June 2005
General Manager,
Planning and Management Department,
Tokyo Civil Engineering Construction
Division of the Company
April 2006
Deputy General Manager,
Tokyo Civil Engineering Construction
Division of the Company
August 2007
Executive Officer of the Company
April 2010
Managing Executive Officer of
the Company
Deputy General Manager,
Civil Engineering Construction Division,
Osaka Main Office of the Company
April 2011
General Manager,
Civil Engineering Construction Division,
Osaka Main Office of the Company
April 2014
Advisor of the Company
June 2014
Corporate Auditor of the Company
(incumbent)

Yasutaka Kakiuchi

Corporate Auditor

Date of birth December 31, 1947
July 1971
Joined the Ministry of Construction
November 1997
Deputy Director-General for Urban Living
Environment, Minister's Secretariat,
Ministry of Construction
November 1998
Director of Fund for Construction
Industry Promotion
June 2002
Senior Managing Director of the Mutual
Fire Insurance System for Public
Housing
June 2006
Outside Corporate Auditor of Sampo
Japan Himawari Life Insurance Co., Ltd.
(Currently Sampo Japan Nipponkoa
Himawari Life Insurance, Inc.)
(incumbent)
June 2010
Outside Corporate Auditor of
the Company (incumbent)

Tadatsuna Koda

Corporate Auditor

Date of birth December 24, 1944
April 1967
Joined the Ministry of International Trade and Industry
July 1994
Deputy Director-General, Minister's Secretariat,
Ministry of International Trade and Industry
October 1995
Ambassador Extraordinary and Plenipotentiary to Oman
July 1998
Director of Electric Power Development Co., Ltd.
June 2001
Managing Director of Japan Petroleum Exploration
Co., Ltd.
October 2006
Senior Managing Director of Japan Petroleum
Exploration Co., Ltd.
June 2009
Executive Vice President and Executive Officer of Japan
Petroleum Exploration Co., Ltd.
April 2011
President of Japan Cooperation Center
for the Middle East
June 2011
Outside Corporate Auditor of the Company (incumbent)
June 2013
Outside Director of Nitto Boseki Co., Ltd. (incumbent)

Hiroshi Murao

Corporate Auditor

Date of birth February 16, 1950
May 1975
Registered as certified public accountant
August 1997
Representative Partner of Asahi & Co.
(currently KPMG AZSA LLC)
July 2010
Partner of KPMG AZSA LLC
July 2012
President of Murao Certified Public
Accountant Office (incumbent)
June 2014
Outside Corporate Auditor of the
Company (incumbent)

Consolidated Financial Summary

Obayashi Group: Consolidated Financial Results

Fiscal years ended March 31	2004	2005	2006	2007
Orders received	¥1,269,559	¥1,478,252	¥1,533,215	¥1,552,727
Orders received (construction business)	1,201,173	1,398,322	1,454,369	1,446,091
Net sales	1,346,297	1,404,640	1,476,424	1,567,960
Gross profit	118,631	119,263	121,708	121,436
Gross profit margin (%)	8.8	8.5	8.2	7.7
Selling, general and administrative expenses	80,657	75,907	75,050	73,897
Operating income (loss)	37,974	43,356	46,658	47,538
Operating margin (%)	2.8	3.1	3.1	3.0
Ordinary income (loss)	41,940	52,576	50,859	53,320
Net income (loss)	21,193	25,076	34,489	40,652
Net income (loss) per share (yen / U.S. dollars)	29.42	34.81	47.89	56.46
Net assets	344,273	364,301	486,017	565,456
Total assets	1,821,883	1,842,262	1,977,295	2,066,984
Net assets per share (yen / U.S. dollars)	477.80	505.81	674.94	753.78
Equity ratio (%)	18.9	19.8	24.6	26.3
Return on equity (ROE) (%) ^{*1}	7.0	7.1	8.1	7.9
Price earning ratio (PER) (times) ^{*1}	19.3	19.0	20.0	13.5
Dividends per share (yen / U.S. dollars) ^{*2}	8	8	12	12
Dividend payout ratio (%) ^{*1}	27.2	23.0	25.1	21.3
Cash flow from operating activities ^{*3}	38,591	52,049	17,793	20,565
Cash flow from investing activities ^{*3}	21,746	11,172	25,437	53,036
Cash flow from financing activities ^{*3}	(67,854)	(56,171)	(53,996)	(38,325)
Cash and cash equivalents at end of period	103,543	110,781	101,527	139,942
Number of personnel ^{*4}	13,695	13,533	13,704	13,743
[Average number of temporary personnel not included in the above]				
Interest-bearing debt (excludes PFIs and other project finance loans)	364,149	304,432	241,253	183,454
PFIs and other project finance loans	12,753	22,814	38,512	74,295
Total liabilities and project finance loans	376,903	327,247	279,766	257,750
Debt/equity (D/E) ratio (times)	1.09	0.90	0.58	0.47
Financial balance	159	1,607	3,567	5,482
Capital expenditure	15,002	20,076	16,163	13,856
Research and development	8,686	7,887	7,206	6,793
Depreciation and amortization	11,594	11,619	10,517	10,340

*1. Return on equity (ROE), price-earnings ratio (PER) and the dividend payout ratio for the fiscal year ended March 31, 2010 were omitted due to net loss posted during that year.

*2. Included in each yearly dividend of ¥12 per share for the fiscal years ended March 31, 2006 and 2007 is a special dividend of ¥4 per share.

*3. In the statements of cash flows, figures in parentheses represent the corresponding decrease in cash and cash equivalents.

*4. Average headcount for each fiscal year is recorded separately in parentheses next to the employee headcount. This is because the importance of temporary employees in the average headcount rose as a result of a revision in the boundary between employees and temporary employees from the fiscal year ended March 31, 2012.

*5. U.S. dollar amounts are provided solely for the convenience of the reader, translated on the basis of ¥102.92 to US\$1, the prevailing rate of exchange at March 31, 2014.

						(Millions of yen)	(Thousands of U.S. dollars)*5
2008	2009	2010	2011	2012	2013	2014	2014
¥1,513,380	¥1,494,508	¥1,282,334	¥1,180,639	¥1,362,702	¥1,449,567	¥1,653,005	\$16,061,070
1,431,271	1,438,365	1,214,745	1,108,348	1,289,779	1,372,658	1,580,900	15,360,480
1,691,635	1,682,462	1,341,456	1,131,864	1,245,772	1,448,305	1,612,756	15,670,004
106,956	106,881	14,569	99,716	110,678	114,687	112,059	1,088,797
6.3	6.4	1.1	8.8	8.9	7.9	6.9	-
78,289	79,518	77,103	76,542	79,532	79,534	80,067	777,957
28,667	27,363	(62,534)	23,174	31,145	35,153	31,991	310,839
1.7	1.6	(4.7)	2.0	2.5	2.4	2.0	-
32,312	31,829	(59,608)	22,207	35,241	44,690	40,135	389,968
18,595	10,966	(53,354)	15,423	5,142	13,195	21,627	210,134
25.83	15.24	(74.21)	21.46	7.16	18.37	30.11	0.29
477,504	395,809	367,618	351,287	365,492	414,650	448,108	4,353,945
1,854,071	1,725,645	1,590,667	1,505,697	1,618,748	1,656,289	1,818,886	17,672,818
625.06	516.06	476.12	453.52	474.01	535.67	574.32	5.58
24.3	21.5	21.5	21.6	21.0	23.2	22.7	-
3.7	2.7	-	4.6	1.5	3.6	5.4	-
16.2	31.4	-	17.2	50.4	24.5	19.3	-
8	8	8	8	8	8	8	0.07
31.0	52.5	-	37.3	111.7	43.5	26.6	-
(47,631)	(39,610)	16,156	1,096	65,755	31,496	37,962	368,851
(18,924)	1,699	(12,746)	(33,134)	(1,919)	(29,151)	(47,328)	(459,856)
54,804	62,427	(15,733)	10,611	(48,949)	(28,977)	27,587	268,048
128,537	143,821	132,425	108,999	121,682	99,690	121,177	1,177,390
15,088	15,150	14,476	14,639	12,870	12,838	12,856	-
				[2,869]	[3,031]	[3,139]	-
242,448	314,165	309,706	321,375	320,798	306,323	351,592	3,416,172
85,373	84,649	81,343	87,885	84,316	81,845	76,851	746,712
327,822	398,814	391,050	409,260	405,115	388,168	428,444	4,162,884
0.73	1.07	1.14	1.26	1.19	1.01	1.04	-
5,631	4,384	2,445	2,650	3,433	4,463	5,587	54,293
38,959	16,028	9,876	49,043	17,017	35,084	69,110	671,494
6,947	7,269	8,018	8,561	9,093	8,742	8,927	86,741
10,462	10,956	10,534	11,394	11,954	10,916	12,103	117,597

Financial Review

Improve asset efficiency,
balancing investments
for growth and
financial soundness

Shozo Harada

Representative Director
Executive Vice President
In charge of overall administration
and Group business



Business results for the fiscal year ended March 31, 2014 were as follows. On a non-consolidated basis, operating income decreased as a result of profit margins deteriorating in the Company's Domestic Building Construction Business. On a consolidated basis, however, the decline in operating income was moderated by strong performances of overseas subsidiaries and real estate subsidiaries in Japan. These results reminded us of the importance of further growth in core businesses while diversifying our earnings base, as set forth in Medium-Term Business Plan '12.

Under Medium-Term Business Plan '12, the Obayashi Group plans to invest ¥150 billion during the three years from the fiscal year ended March 31, 2013 through the fiscal year ending March 31, 2015 to execute various initiatives in the construction, real estate and new businesses. However, in the end, the Group plans to invest approximately ¥200 billion. In the fiscal year ending March 31, 2015, we will continue to invest in the real estate leasing business and new businesses centered on the energy-related fields to promote the diversification of our earnings base.

The balance of interest-bearing debt is projected to remain about the same as the end of the previous fiscal year at around ¥430 billion. We will make investments for growth while managing the

level of interest-bearing debt to maintain and improve our financial soundness.

In addition, Obayashi holds investment securities to maintain and strengthen business relationships with its customers. Although share ownership can be effective in facilitating business, recent trends suggest that companies have started to review their cross-shareholdings. Obayashi is also continuously reviewing its investment securities and making even more effective use of its asset holdings by shifting from investment securities to property for lease and other assets.

With regard to shareholder returns, Obayashi has maintained an annual dividend of ¥8 per share in recent years, giving top priority to stable, long-term dividend payouts. We will continue to execute the measures set forth in Medium-Term Business Plan '12 to generate a consistently high level of earnings, and endeavor to return profits to shareholders based on a dividend payout ratio of 20% to 30%.

Obayashi will continue to manage its assets efficiently, maintaining a balance between investments for growth and financial soundness.

Analysis of Business Performance, Financial Position and Cash Flows

Overview of the Fiscal Year Ended March 31, 2014

During the fiscal year ended March 31, 2014, the Japanese economy recovered at a moderate pace. There was a pickup in private-sector capital expenditure, reflecting an improvement in corporate profits due to the effect of the government's economic policies, and an increase in private consumption atop a last-minute surge in demand before a consumption tax rate increase.

In the domestic construction market, although orders from both public and private sectors were firm, amid an increasingly severe shortage of construction workers, a rapid increase in construction costs affected business profit.

(1) Business Performance

In the fiscal year ended March 31, 2014, consolidated net sales increased by 11.4% from the previous fiscal year to ¥1,612.7 billion, mainly due to an increase in net sales in the construction business for both the Company and its subsidiaries. On the earnings front, operating income decreased by 9.0% from the previous fiscal year to ¥31.9 billion. This was mainly due to a decrease in gross profit on completed construction contracts of the Company as a result of a decline in the gross profit margin for construction. Ordinary income decreased by 10.2% from the previous fiscal year to ¥40.1 billion. On the other hand, net income increased by 63.9% from the previous fiscal year to ¥21.6 billion, mainly due to an increase in gain on sales of investment securities and a decrease in tax expenses.

(2) Financial Position

Total assets at the close of the fiscal year ended March 31, 2014 increased by ¥162.5 billion (9.8%) compared with the balance at the close of the previous fiscal year to ¥1,818.8 billion. The rise was due mainly to an increase in "Notes and accounts receivable from completed construction contracts and other," as well as an increase in "Land."

Total liabilities as of the close of the fiscal year ended March 31, 2014 increased by ¥129.1 billion (10.4%) compared to the balance at the close of the previous fiscal year to ¥1,370.7 billion. This was mainly due to increases in "Notes and accounts payable for construction contracts and other" and "Short-term loans payable." The consolidated balance of interest-bearing debt increased by ¥40.2 billion (10.4%) compared to the close of the previous fiscal year to ¥428.4 billion.

Total net assets at the close of the fiscal year ended March 31, 2014 increased by ¥33.4 billion (8.1%) compared with the balance at the close of the previous fiscal year to ¥448.1 billion. This was due mainly to an increase in "Retained earnings" reflecting the recording of net income.

As a result, the equity ratio at the close of the fiscal year ended March 31, 2014 was 22.7%, down 0.5 of a percentage point from the close of the previous fiscal year.

(3) Cash Flows

During the fiscal year ended March 31, 2014, consolidated net cash provided by operating activities amounted to ¥37.9 billion (net cash provided by operating activities was ¥31.4 billion in the previous fiscal year). This was primarily owing to an improvement in cash flow in the real estate business. Consolidated net cash used in investing activities amounted to ¥47.3 billion, due to the purchase of real estate properties for business use (net cash used in investment activities was ¥29.1 billion in the previous fiscal year). Consolidated net cash provided by financing activities was ¥27.5 billion, primarily due to an increase in loans payable as well as an increase in commercial papers (net cash used in financial activities was ¥28.9 billion in the previous fiscal year).

Consequently, cash and cash equivalents increased by ¥21.4 billion to ¥121.1 billion compared with the balance at the close of the previous fiscal year.

Outlook for the Fiscal Year Ending March 31, 2015

Regarding consolidated performance for the full fiscal year ending March 31, 2015, the Company expects orders received to be ¥1,620 billion (of which the real estate business and other will contribute ¥80 billion), and to achieve net sales of ¥1,700 billion (of which the real estate business and other will contribute ¥85 billion). We also forecast operating income of ¥35 billion, ordinary income of ¥39 billion and net income of ¥23 billion.

Note: The forecasts listed above are based on information available as of March 31, 2014. Actual results may differ materially from forecasts due to various factors.

Basic Policy Regarding the Allocation of Profits and Dividends for the Fiscal Years Ended March 31, 2014 and Ending March 31, 2015

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

In line with its commitment to stable dividend payouts to shareholders, the Company will endeavor to maintain a dividend payout ratio of 20–30%.

For the fiscal year ended March 31, 2014, Obayashi paid a year-end dividend of ¥4 per share. Combined with the interim dividend of ¥4 per share, the annual dividend applicable to the fiscal year ended March 31, 2014 was ¥8 per share.

For the fiscal year ending March 31, 2015, the Company plans to pay interim and year-end dividends of ¥4 per share, for an annual dividend of ¥8 per share.

Note: The plans for dividends listed above are based on information available as of March 31, 2014. Actual dividends may differ materially due to various factors.

Consolidated Financial Statements

Consolidated Balance Sheets

OBAYASHI CORPORATION
At March 31, 2014 and 2013

	Millions of yen		Thousands of U.S. dollars (Note 2)	
	2014	2013	2014	2013
Assets				
Current assets				
Cash and deposits (Notes 6 and 12)	¥ 121,373	¥ 99,717	\$ 1,179,296	\$ 968,887
Notes and accounts receivable from completed construction contracts and other (Notes 6 and 12)	654,778	531,196	6,362,013	5,161,260
Short-term investment securities (Notes 12 and 13)	3,460	3,104	33,620	30,164
Real estate for sale (Note 6)	18,049	20,546	175,377	199,631
Costs on uncompleted construction contracts (Note 6)	44,903	47,970	436,298	466,093
Costs on real estate business	12,689	17,901	123,293	173,940
Inventories for PFI and other projects (Note 6)	56,741	66,507	551,316	646,204
Other inventories	4,774	5,148	46,386	50,020
Deferred tax assets (Note 16)	17,315	20,753	168,245	201,650
Accounts receivable—other (Note 12)	71,510	66,411	694,820	645,272
Other	16,348	13,993	158,845	135,965
Allowance for doubtful accounts	(273)	(312)	(2,657)	(3,031)
Total current assets	1,021,672	892,940	9,926,856	8,676,060
Noncurrent assets				
Property, plant and equipment, net				
Buildings and structures (Note 6)	94,097	94,727	914,276	920,402
Machinery, vehicles, tools, furniture and fixtures (Note 6)	19,043	10,353	185,029	100,595
Land (Note 6)	289,743	269,832	2,815,228	2,621,768
Leased assets	304	351	2,961	3,417
Construction in progress (Note 6)	11,900	1,224	115,627	11,894
Total property, plant and equipment, net (Note 6)	415,089	376,489	4,033,123	3,658,077
Intangible assets (Note 6)	5,397	5,407	52,445	52,541
Investments and other assets				
Investment securities (Notes 6, 12 and 13)	323,858	317,386	3,146,697	3,083,821
Long-term loans receivable	2,284	4,335	22,200	42,125
Assets for retirement benefits (Note 15)	156	—	1,523	—
Deferred tax assets (Note 16)	1,829	3,881	17,772	37,712
Other	51,205	60,375	497,531	586,623
Allowance for doubtful accounts	(2,627)	(4,539)	(25,529)	(44,108)
Total investments and other assets	376,707	381,439	3,660,196	3,706,173
Total noncurrent assets	797,194	763,336	7,745,764	7,416,793
Deferred assets	20	13	196	127
Total assets	¥1,818,886	¥1,656,289	\$17,672,818	\$16,092,981

	Millions of yen		Thousands of U.S. dollars (Note 2)	
	2014	2013	2014	2013
Liabilities				
Current liabilities				
Notes and accounts payable for construction contracts and other (Notes 6 and 12)	¥ 578,750	¥ 531,300	\$ 5,623,304	\$ 5,162,268
Short-term loans payable (Notes 6, 12 and 23)	159,856	126,622	1,553,212	1,230,300
Current portion of PFI and other project finance loans (Notes 6, 12 and 23)	7,331	6,778	71,237	65,861
Commercial papers (Notes 12 and 23)	22,000	5,000	213,758	48,581
Current portion of bonds (Notes 12 and 22)	—	10,000	—	97,162
Lease obligations (Note 23)	88	127	860	1,237
Income taxes payable	3,950	3,682	38,383	35,778
Deferred tax liabilities (Note 16)	391	592	3,800	5,758
Advances received on uncompleted construction contracts (Note 6)	103,370	61,579	1,004,373	598,320
Deposits received (Note 12)	66,803	60,756	649,083	590,324
Provision for warranties for completed construction	2,499	2,845	24,288	27,652
Provision for loss on construction contracts (Note 6)	7,627	6,175	74,110	60,006
Other	60,355	68,816	586,429	668,637
Total current liabilities	1,013,025	884,277	9,842,843	8,591,891
Noncurrent liabilities				
Bonds payable (Notes 12 and 22)	80,000	60,000	777,302	582,977
Long-term loans payable (Notes 6, 12 and 23)	89,735	104,701	871,898	1,017,307
PFI and other project finance loans (Notes 6, 12 and 23)	69,519	75,066	675,474	729,368
Lease obligations (Notes 12 and 23)	152	161	1,483	1,565
Deferred tax liabilities (Note 16)	10,551	4,478	102,520	43,512
Deferred tax liabilities for land revaluation (Note 16)	27,354	28,687	265,779	278,733
Provision for retirement benefits (Note 15)	—	62,093	—	603,321
Provision for loss on real estate business and other	999	993	9,715	9,648
Provision for environmental measures	1,032	1,032	10,029	10,034
Liability for retirement benefits (Note 15)	57,785	—	561,465	—
Other	20,621	20,147	200,360	195,761
Total noncurrent liabilities	357,752	357,362	3,476,029	3,472,231
Total liabilities	1,370,778	1,241,639	13,318,873	12,064,122
Net assets				
Shareholders' equity				
Capital stock	57,752	57,752	561,141	561,141
Capital surplus	41,750	41,750	405,661	405,661
Retained earnings	178,665	161,666	1,735,964	1,570,800
Treasury stock	(1,577)	(1,547)	(15,324)	(15,033)
Total shareholders' equity	276,591	259,622	2,687,443	2,522,568
Accumulated other comprehensive income				
Valuation difference on available-for-sale securities	115,744	106,707	1,124,602	1,036,798
Deferred gains (losses) on hedges	(213)	(108)	(2,071)	(1,054)
Revaluation reserve for land (Note 6)	20,264	21,382	196,896	207,757
Foreign currency translation adjustments	(595)	(2,873)	(5,789)	(27,918)
Retirement benefit asset and liability adjustments	665	—	6,466	—
Total accumulated other comprehensive income	135,865	125,107	1,320,103	1,215,583
Minority interests	35,651	29,919	346,398	290,706
Total net assets	448,108	414,650	4,353,945	4,028,858
Total liabilities and net assets	¥1,818,886	¥1,656,289	\$17,672,818	\$16,092,981

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

Consolidated Statements of Income

OBAYASHI CORPORATION
For the years ended March 31, 2014 and 2013

	Millions of yen		Thousands of U.S. dollars (Note 2)	
	2014	2013	2014	2013
Net sales				
Construction contracts (Note 7)	¥1,521,074	¥1,343,183	\$14,779,187	\$13,050,748
Real estate business and other	91,682	105,122	890,816	1,021,399
Total net sales	1,612,756	1,448,305	15,670,004	14,072,148
Cost of sales				
Construction contracts (Note 7)	1,430,784	1,249,120	13,901,913	12,136,813
Real estate business and other	69,912	84,496	679,293	820,994
Total cost of sales	1,500,697	1,333,617	14,581,207	12,957,808
Gross profit:				
Construction contracts	90,289	94,062	877,274	913,934
Real estate business and other	21,769	20,625	211,523	200,404
Total gross profit	112,059	114,687	1,088,797	1,114,339
Selling, general and administrative expenses (Note 7)	80,067	79,534	777,957	772,778
Operating income	31,991	35,153	310,839	341,560
Other income (expenses)				
Interest and dividend income	8,860	8,018	86,089	77,908
Foreign exchange gains (losses), net	3,454	4,556	33,563	44,269
Interest expense	(3,160)	(3,486)	(30,705)	(33,877)
Gain on sales of investment securities	7,144	4,306	69,414	41,844
Gain on sales of noncurrent assets	257	88	2,506	863
Loss on sales and disposal of noncurrent assets (Note 7)	(1,996)	(814)	(19,403)	(7,917)
Impairment loss (Note 7)	(5,885)	(3,173)	(57,180)	(30,838)
Provision and other for loss on real estate business and other	—	(2,635)	—	(25,604)
Other, net (Note 7)	(1,946)	(803)	(18,907)	(7,806)
Total other income (expenses)	6,728	6,056	65,377	58,842
Income before income taxes and minority interests	38,720	41,209	376,216	400,403
Income taxes (Note 16)				
Income taxes—current	7,399	6,127	71,892	59,534
Income taxes—deferred	4,777	18,020	46,421	175,090
Total income taxes	12,176	24,147	118,314	234,625
Income before minority interests	26,543	17,061	257,902	165,778
Minority interests in earnings (losses) of consolidated subsidiaries	4,916	3,866	47,767	37,567
Net income	¥ 21,627	¥ 13,195	\$ 210,134	\$ 128,210

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

Consolidated Statement of Comprehensive Income

OBAYASHI CORPORATION
For the years ended March 31, 2014 and 2013

	Millions of yen		Thousands of U.S. dollars (Note 2)	
	2014	2013	2014	2013
Income before minority interests	¥26,543	¥17,061	\$257,902	\$165,778
Other comprehensive income				
Valuation difference on available-for-sale securities	9,064	34,547	88,072	335,670
Deferred gains (losses) on hedges	(70)	35	(682)	340
Revaluation reserve for land	0	18	0	183
Foreign currency translation adjustments	3,721	3,514	36,160	34,144
Share of other comprehensive income of affiliates accounted for by the equity method	79	41	775	405
Total other comprehensive income (Note 8)	12,795	38,157	124,325	370,744
Comprehensive income	¥39,338	¥55,218	\$382,228	\$536,523
Comprehensive income attributable to:				
Shareholders	¥32,836	¥50,030	\$319,050	\$486,108
Minority interests	6,502	5,188	63,178	50,415

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

Further details Financial Statements http://www.obayashi.co.jp/english/ir/financial_statements/

Consolidated Statements of Changes in Net Assets

OBAYASHI CORPORATION
For the years ended March 31, 2014 and 2013

For the years ended March 31, 2014

	Millions of yen				
	Shareholders' equity				Total shareholders' equity
	Capital stock	Capital surplus	Retained earnings	Treasury stock	
Balance at the beginning of current period	¥57,752	¥41,750	¥161,666	¥(1,547)	¥259,622
Changes of items during period					
Dividends from surplus			(5,745)		(5,745)
Net income			21,627		21,627
Reversal of revaluation reserve for land			1,117		1,117
Purchase of treasury stock				(29)	(29)
Net changes in items other than those in shareholders' equity					
Total changes of items during period	-	-	16,998	(29)	16,968
Balance at the end of current period	¥57,752	¥41,750	¥178,665	¥(1,577)	¥276,591

	Millions of yen							
	Accumulated other comprehensive income						Minority interests	Total net assets
	Valuation difference on available-for-sale securities	Deferred gains (losses) on hedges	Revaluation reserve for land	Foreign currency translation adjustments	Retirement benefit asset and liability adjustments	Total accumulated other comprehensive income		
Balance at the beginning of current period	¥106,707	¥(108)	¥21,382	¥(2,873)	¥ -	¥125,107	¥29,919	¥414,650
Changes of items during period								
Dividends from surplus								(5,745)
Net income								21,627
Reversal of revaluation reserve for land								1,117
Purchase of treasury stock								(29)
Net changes in items other than those in shareholders' equity	9,036	(104)	(1,117)	2,277	665	10,757	5,731	16,489
Total changes of items during period	9,036	(104)	(1,117)	2,277	665	10,757	5,731	33,457
Balance at the end of current period	¥115,744	¥(213)	¥20,264	¥ (595)	¥665	¥135,865	¥35,651	¥448,108

	Thousands of U.S. dollars (Note 2)				
	Shareholders' equity				Total shareholders' equity
	Capital stock	Capital surplus	Retained earnings	Treasury stock	
Balance at the beginning of current period	\$561,141	\$405,661	\$1,570,800	\$(15,033)	\$2,522,568
Changes of items during period					
Dividends from surplus			(55,826)		(55,826)
Net income			210,134		210,134
Reversal of revaluation reserve for land			10,856		10,856
Purchase of treasury stock				(290)	(290)
Net changes in items other than those in shareholders' equity					
Total changes of items during period	-	-	165,164	(290)	164,874
Balance at the end of current period	\$561,141	\$405,661	\$1,735,964	\$(15,324)	\$2,687,443

	Thousands of U.S. dollars (Note 2)							
	Accumulated other comprehensive income						Minority interests	Total net assets
	Valuation difference on available-for-sale securities	Deferred gains (losses) on hedges	Revaluation reserve for land	Foreign currency translation adjustments	Retirement benefit asset and liability adjustments	Total accumulated other comprehensive income		
Balance at the beginning of current period	\$1,036,798	\$(1,054)	\$207,757	\$(27,918)	\$ -	\$1,215,583	\$290,706	\$4,028,858
Changes of items during period								
Dividends from surplus								(55,826)
Net income								210,134
Reversal of revaluation reserve for land								10,856
Purchase of treasury stock								(290)
Net changes in items other than those in shareholders' equity	87,803	(1,016)	(10,861)	22,128	6,466	104,519	55,692	160,212
Total changes of items during period	87,803	(1,016)	(10,861)	22,128	6,466	104,519	55,692	325,086
Balance at the end of current period	\$1,124,602	\$(2,071)	\$196,896	\$ (5,789)	\$6,466	\$1,320,103	\$346,398	\$4,353,945

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

For the years ended March 31, 2013

	Millions of yen				
	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance at the beginning of current period	¥57,752	¥41,750	¥152,278	¥(1,530)	¥250,251
Changes of items during period					
Dividends from surplus			(5,746)		(5,746)
Net income			13,195		13,195
Reversal of revaluation reserve for land			1,938		1,938
Purchase of treasury stock				(17)	(17)
Net changes in items other than those in shareholders' equity					
Total changes of items during period	–	–	9,388	(17)	9,371
Balance at the end of current period	¥57,752	¥41,750	¥161,666	¥(1,547)	¥259,622

	Millions of yen							
	Accumulated other comprehensive income							
	Valuation difference on available-for-sale securities	Deferred gains (losses) on hedges	Revaluation reserve for land	Foreign currency translation adjustments	Retirement benefit asset and liability adjustments	Total accumulated other comprehensive income	Minority interests	Total net assets
Balance at the beginning of current period	¥ 72,198	¥(143)	¥23,302	¥(5,145)	¥–	¥ 90,212	¥25,028	¥365,492
Changes of items during period								
Dividends from surplus								(5,746)
Net income								13,195
Reversal of revaluation reserve for land								1,938
Purchase of treasury stock								(17)
Net changes in items other than those in shareholders' equity	34,508	35	(1,920)	2,271	–	34,895	4,891	39,786
Total changes of items during period	34,508	35	(1,920)	2,271	–	34,895	4,891	49,157
Balance at the end of current period	¥106,707	¥(108)	¥21,382	¥(2,873)	¥–	¥125,107	¥29,919	¥414,650

	Thousands of U.S. dollars (Note 2)				
	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance at the beginning of current period	\$561,141	\$405,661	\$1,479,580	\$(14,868)	\$2,431,515
Changes of items during period					
Dividends from surplus			(55,829)		(55,829)
Net income			128,210		128,210
Reversal of revaluation reserve for land			18,838		18,838
Purchase of treasury stock				(165)	(165)
Net changes in items other than those in shareholders' equity					
Total changes of items during period	–	–	91,219	(165)	91,053
Balance at the end of current period	\$561,141	\$405,661	\$1,570,800	\$(15,033)	\$2,522,568

	Thousands of U.S. dollars (Note 2)							
	Accumulated other comprehensive income							
	Valuation difference on available-for-sale securities	Deferred gains (losses) on hedges	Revaluation reserve for land	Foreign currency translation adjustments	Retirement benefit asset and liability adjustments	Total accumulated other comprehensive income	Minority interests	Total net assets
Balance at the beginning of current period	\$ 701,502	\$(1,397)	\$226,416	\$(49,992)	\$–	\$ 876,528	\$243,183	\$3,551,227
Changes of items during period								
Dividends from surplus								(55,829)
Net income								128,210
Reversal of revaluation reserve for land								18,838
Purchase of treasury stock								(165)
Net changes in items other than those in shareholders' equity	335,296	343	(18,658)	22,074	–	339,055	47,522	386,577
Total changes of items during period	335,296	343	(18,658)	22,074	–	339,055	47,522	477,631
Balance at the end of current period	\$1,036,798	\$(1,054)	\$207,757	\$(27,918)	\$–	\$1,215,583	\$290,706	\$4,028,858

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

Consolidated Statements of Cash Flows

OBAYASHI CORPORATION
For the years ended March 31, 2014 and 2013

	Millions of yen		Thousands of U.S. dollars (Note 2)	
	2014	2013	2014	2013
Net cash provided by (used in) operating activities				
Income before income taxes and minority interests	¥ 38,720	¥ 41,209	\$ 376,216	\$ 400,403
Depreciation and amortization	12,103	10,916	117,597	106,063
Impairment loss	5,885	3,173	57,180	30,838
Increase (decrease) in allowance for doubtful accounts	(1,957)	(602)	(19,023)	(5,857)
Increase (decrease) in provision for loss on construction contracts	1,450	(1,205)	14,089	(11,708)
Increase (decrease) in provision for retirement benefits	—	(1,250)	—	(12,153)
Increase (decrease) in liability for retirement benefits	(3,275)	—	(31,824)	—
Interest and dividend income	(8,860)	(8,018)	(86,089)	(77,908)
Interest expense	3,160	3,486	30,705	33,877
Loss (gain) on sales of noncurrent assets	1,386	234	13,473	2,279
Loss (gain) on sales of short-term and long-term investment securities	(7,127)	(4,273)	(69,250)	(41,518)
Decrease (increase) in notes and accounts receivable—trade	(114,510)	(40,809)	(1,112,618)	(396,514)
Decrease (increase) in costs on uncompleted construction contracts	3,264	290	31,714	2,824
Decrease (increase) in inventories	9,886	16,981	96,058	164,999
Decrease (increase) in inventories for PFI and other projects	9,765	(899)	94,888	(8,739)
Decrease (increase) in other assets	4,580	7,727	44,503	75,081
Increase (decrease) in notes and accounts payable—trade	39,049	2,658	379,412	25,830
Increase (decrease) in advances received on uncompleted construction contracts	40,557	(1,430)	394,064	(13,899)
Increase (decrease) in other liabilities	(3,841)	(3,730)	(37,329)	(36,249)
Other, net	7,825	7,321	76,031	71,138
Subtotal	38,059	31,780	369,799	308,789
Interest and dividend received	9,151	7,867	88,914	76,445
Interest paid	(3,255)	(3,537)	(31,634)	(34,373)
Income taxes (paid) refunded	(5,992)	(4,614)	(58,228)	(44,833)
Net cash provided by (used in) operating activities	37,962	31,496	368,851	306,027
Net cash provided by (used in) investing activities				
Purchase of property, plant and equipment and intangible assets	(68,191)	(33,801)	(662,565)	(328,427)
Proceeds from sales of property, plant and equipment and intangible assets	6,638	778	64,499	7,565
Purchase of short-term and long-term investment securities	(3,024)	(5,102)	(29,384)	(49,577)
Proceeds from sales and redemption of short-term and long-term investment securities	16,864	9,989	163,861	97,060
Payments of loans receivable	(2,349)	(1,127)	(22,829)	(10,951)
Collection of loans receivable	1,766	189	17,168	1,841
Proceeds from purchase of subsidiaries' shares resulting in change in scope of consolidation	782	—	7,604	—
Other, net	184	(77)	1,789	(757)
Net cash provided by (used in) investing activities	(47,328)	(29,151)	(459,856)	(283,247)
Net cash provided by (used in) financing activities				
Net increase (decrease) in short-term loans payable	6,853	1,601	66,587	15,564
Net increase (decrease) in commercial papers	17,000	5,000	165,176	48,581
Repayments of lease obligations	(147)	(321)	(1,430)	(3,125)
Proceeds from long-term loans payable	52,500	20,100	510,104	195,297
Repayment of long-term loans payable	(46,027)	(56,781)	(447,218)	(551,709)
Proceeds from PFI and other project finance loans payable	13,064	11,423	126,933	110,991
Payment of PFI and other project finance loans payable	(18,057)	(13,894)	(175,451)	(135,003)
Proceeds from issuance of bonds	20,000	10,000	194,325	97,162
Redemption of bonds	(10,000)	—	(97,162)	—
Cash dividends paid	(5,745)	(5,746)	(55,826)	(55,829)
Cash dividends paid to minority shareholders	(1,288)	(326)	(12,520)	(3,172)
Other, net	(562)	(31)	(5,468)	(309)
Net cash provided by (used in) financing activities	27,587	(28,977)	268,048	(281,554)
Effect of exchange rate changes on cash and cash equivalents	3,265	4,640	31,726	45,090
Net increase (decrease) in cash and cash equivalents	21,486	(21,992)	208,770	(213,683)
Cash and cash equivalents at beginning of period	99,690	121,682	968,619	1,182,302
Cash and cash equivalents at end of period (Note 10)	¥ 121,177	¥ 99,690	\$ 1,177,390	\$ 968,619

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

Notes to Consolidated Financial Statements

OBAYASHI CORPORATION
For the years ended March 31, 2014 and 2013

1. Basis of Presenting Consolidated Financial Statements

The accompanying consolidated financial statements were prepared based on the accounts maintained by OBAYASHI CORPORATION (the "Company") and its subsidiaries (collectively, the "Companies") in accordance with accounting principles generally accepted in Japan, which are different in certain respects as to the application and disclosure requirements of International Financial Reporting Standards, and are compiled from the consolidated financial statements prepared by the Company as required by the Financial Instruments and Exchange Law of Japan.

Certain amounts in the prior year's financial statements were reclassified to conform to the changes made for the latest fiscal year.

2. U.S. Dollar Amounts

The accounts of the consolidated financial statements presented herein are expressed in Japanese yen by rounding down to the nearest million. The U.S. dollar amounts shown in the accompanying consolidated financial statements and notes thereto were translated from the original Japanese yen into U.S. dollars on the basis of ¥102.92 to US\$1, the rate of exchange prevailing at March 31, 2014, and were then rounded down to the nearest thousand. The approximate rate of exchange prevailing at May 31, 2014 was ¥101.66=U.S.\$1. These U.S. dollar amounts are not intended to imply that the Japanese yen amounts have been or could be converted, realized or settled in U.S. dollars at this or any other rate.

3. Summary of Significant Accounting Policies

(1) Scope of consolidation and application of the equity method

The Company had 85 subsidiaries at March 31, 2014. The consolidated financial statements as of and for the years ended March 31, 2014 and 2013 included the accounts of the Company and all subsidiaries. All significant intercompany accounts and transactions are eliminated. Investments in all affiliates (27 companies for 2014) are accounted for by the equity method.

(2) Business year for consolidated subsidiaries

Certain foreign consolidated subsidiaries (31 companies) and a domestic consolidated subsidiary (1 company) have a fiscal year that ends on December 31. Certain foreign consolidated subsidiaries (5 companies) have a fiscal year that ends on February 28. The consolidated financial statements were prepared based on the financial statements as of the same date or provisional settlement based on the latest quarterly financial statements. Necessary adjustments for consolidation were made on significant transactions that took place during the period between the fiscal year-end of the subsidiaries and that of the Company. Consolidated subsidiaries other than those referred to above have the same business year as the Company, which ends on March 31.

(3) Goodwill

Goodwill is amortized by the straight-line method over a period of 5 years. However, goodwill that is not material is charged to income in the year of acquisition. Differences between the cost and underlying net equity of investments in affiliates accounted for by the equity method are charged or credited to income as they occur.

(4) Foreign currency translation

Receivables and payables denominated in foreign currencies are translated into Japanese yen at the rate of exchange in effect at the balance sheet date.

The resulting exchange gains and losses from translation are recognized in the consolidated statements of income.

The balance sheet accounts of the foreign consolidated subsidiaries are translated into Japanese yen at the rates of exchange in effect at the balance sheet date, except for the components of net assets excluding minority interests which are translated at their historical exchange rates. Revenue and expense accounts are translated at the rates of exchange in effect at the balance sheet date. Differences arising from the translation are presented as foreign currency translation adjustments and minority interests in the consolidated financial statements.

(5) Cash equivalents

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

(6) Short-term investment securities and investment securities

Securities are classified into two categories: held-to-maturity and other securities. Held-to-maturity securities are carried at amortized cost. Marketable securities classified as other securities are carried at fair value with changes in unrealized holding gain or loss, net of the applicable income taxes, included directly in net assets. Non-marketable securities classified as other securities are carried at cost. Cost of securities sold is determined by the moving average method.

(7) Inventories

Real estate held for sale, costs on uncompleted construction contracts, costs on real estate business, inventories for PFI and other projects and costs on other business are all stated at cost determined by the specific identification method.

Raw materials and supplies are stated at cost determined by the first-in first-out method.

The net book value of inventories in the balance sheets is written down if the net realizable value declines.

(8) Property, plant and equipment

The Company and its domestic consolidated subsidiaries mainly calculate depreciation by the declining-balance method, while the straight-line method is applied to buildings, excluding building fixtures, acquired on or after April 1, 1998. Foreign consolidated subsidiaries mainly apply the straight-line method.

The useful lives and residual values of depreciable assets are estimated mainly in accordance with the Corporate Tax Law.

(9) Intangible assets

Intangible fixed assets are amortized by the straight-line method. Computer software for internal use is amortized by the straight-line method over the estimated useful life of 5 years.

(10) Leased assets

Depreciation of leased assets under finance leases that do not transfer ownership of the leased assets to the lessee is calculated by the straight-line method over the lease period with a residual value of zero.

(11) Allowance for doubtful accounts

The allowance for doubtful accounts is provided based on the historical experience with respect to write-offs for the Company and its domestic subsidiaries and based on an estimate of the amount for specific uncollectible accounts for the Companies.

(12) Provision for warranties for completed construction

The provision for warranties for completed construction is provided to cover expenses for defects claimed concerning completed work, based on the estimated amount of compensation to be paid in the future for the work completed during the fiscal year.

(13) Provision for loss on construction contracts

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

(14) Provision for loss on real estate business and other

The provision for loss on real estate business and other is provided for the estimated losses to be incurred in liquidating real estate and restructuring the real estate business.

(15) Provision for environmental measures

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

(16) Retirement benefits

In calculating retirement benefit obligations, the straight-line method is used to allocate expected retirement benefit payments in the period until the end of the current fiscal year.

Actuarial differences are amortized commencing in the following year after the differences are recognized primarily by the straight-line method over periods (5 to 10 years) which are shorter than the average remaining years of service of the employees.

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

(17) Derivatives and hedge accounting

(a) Method of hedge accounting

Hedging instruments are valued at fair value and accounted for using the deferral method of accounting. The monetary assets and liabilities denominated in foreign currencies, for which foreign exchange forward contracts or currency options are used to hedge the foreign currency fluctuations, are translated at the contracted rate if the foreign exchange forward contracts or currency options qualify for hedge accounting. The interest rate swaps, which qualify for hedge accounting and meet specific matching criteria, are not remeasured at market value, but the differential paid or received under the swap agreements is charged to income (short-cut method).

(b) Hedging instruments and hedged items

To hedge foreign exchange risks related to the monetary assets and liabilities denominated in foreign currencies and projected future foreign currency transactions, foreign exchange forward contracts and non-deliverable foreign exchange forward contracts are employed as hedging instruments. To hedge the interest rate risks and foreign exchange risks related to loans payable and transactions of affiliates, interest rate swaps or interest rate/currency swaps are employed as hedging instruments.

(c) Hedging policy

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

(d) Assessment of hedge effectiveness

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

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

(18) Recognizing revenues and costs of construction contracts

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

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

(19) Revenues and expenses associated with finance lease transactions

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

(20) Consumption taxes

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

(21) Income taxes

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

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

(22) Consolidated taxation system

The Companies adopted the consolidated taxation system.

4. Change in Accounting Policies

The Company adopted “Accounting Standard for Retirement Benefits” (ASBJ Statement No. 26 of May 17, 2012) and “Guidance on Accounting Standard for Retirement Benefits” (ASBJ Guidance No. 25 of May 17, 2012) (except for certain provisions described in the main clause in Section 35 of the standard and in the main clause of Section 67 of the guidance) as of the end of the fiscal year ended March 31, 2014. These standards require entities to apply a revised method for recording the retirement benefit obligation, after deducting pension plan assets, as an asset and a liability for retirement benefits. In addition, unrecognized actuarial differences and unrecognized prior service costs are recorded as an asset and a liability for retirement benefits. Concerning the application of the Accounting Standard for Retirement Benefits, based on the provisional treatment set out in Section 37 of the standard, the effects of such changes in the current fiscal year have been recorded in retirement benefit asset and liability adjustments of accumulated other comprehensive income. As a result of this change, an asset and a liability for retirement benefits were recognized in the amount of ¥156 million (US\$1,523 thousand) and ¥57,785 million (US\$561,465 thousand), respectively, and accumulated other comprehensive income increased by ¥665 million (US\$6,466 thousand) as of March 31, 2014. The impact on net assets per share is listed in the relevant section.

5. Standards Issued But Not Yet Effective

“Accounting Standard for Retirement Benefits” (ASBJ Statement No. 26 of May 17, 2012) and “Guidance on Accounting Standard for Retirement Benefits” (ASBJ Guidance No. 25 of May 17, 2012)

(1) Overview

These standards provide guidance for the accounting for unrecognized actuarial differences and unrecognized prior service costs, the calculation methods of retirement benefit obligations and service costs, and enhancement of disclosures.

(2) Scheduled date of adoption

Revisions to the calculation methods for the retirement benefit obligations and service costs are scheduled to be adopted from the beginning of the fiscal year ending March 31, 2015, which are not to be applied retroactively.

(3) Impact of adopting revised standard and guidance

The Company is currently evaluating the impact these modifications will have on its consolidated results of operations and financial position.

6. Notes to Consolidated Balance Sheets

(1) Accumulated depreciation of property, plant and equipment

At March 31	Millions of yen		Thousands of U.S. dollars	
	2014	2013	2014	2013
	¥166,384	¥173,684	\$1,616,643	\$1,687,567

(2) Investments in affiliates

At March 31	Millions of yen		Thousands of U.S. dollars	
	2014	2013	2014	2013
	¥3,237	¥3,688	\$31,455	\$35,837

(3) Revaluation reserve for land

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

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

(4) Pledged assets

Assets pledged as collateral for long-term loans payable and advances received on uncompleted construction contracts were as follows:

At March 31	Millions of yen		Thousands of U.S. dollars	
	2014	2013	2014	2013
Assets pledged as collateral				
Real estate for sale	¥ 1,610	¥ –	\$ 15,643	\$ –
Buildings and structures	19,017	14,257	184,780	138,530
Machinery, vehicles, tools, furniture and fixtures	187	143	1,825	1,398
Land	29,728	19,662	288,845	191,046
Investment securities	14,960	1,720	145,358	16,719
Total	¥65,503	¥35,784	\$636,454	\$347,694
Liabilities secured thereby				
Short-term loans payable	¥ 5,044	¥ 7,054	\$ 49,011	\$ 68,547
Advances received on uncompleted construction contracts	10,649	–	103,468	–
Long-term loans payable	7,966	10,244	77,407	99,540
Total	¥23,660	¥17,299	\$229,888	\$168,088

(5) Contingent liabilities

The Companies were contingently liable for the following:

At March 31	Millions of yen		Thousands of U.S. dollars	
	2014	2013	2014	2013
Guarantees of long-term debt of customers, affiliates and employees	¥ 554	¥1,024	\$ 5,392	\$9,949
Repurchase obligation for notes receivable sold	1,185	567	11,514	5,514

(6) Estimated loss on uncompleted construction contracts

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

At March 31	Millions of yen		Thousands of U.S. dollars	
	2014	2013	2014	2013
	¥290	¥46	\$2,818	\$454

(7) Matured notes

As financial institutions closed at March 31, 2013, notes included the matured notes.

The matured notes were as follows:

At March 31	Millions of yen		Thousands of U.S. dollars	
	2014	2013	2014	2013
Notes receivable—trade	¥–	¥ 514	\$–	\$ 5,002
Notes payable—trade	–	3,003	–	29,178

(8) Directly-deducted advanced depreciation

Advanced depreciation for tax purposes was charged directly to the following noncurrent assets:

At March 31	Millions of yen		Thousands of U.S. dollars	
	2014	2013	2014	2013
Buildings and structures	¥ 52	¥ 17	\$ 514	\$ 166
Machinery, vehicles, tools, furniture and fixtures	79	0	769	1
Land	–	139	–	1,351
Construction in progress	–	10	–	98
Intangible assets	0	–	0	–
Total	¥132	¥166	\$1,283	\$1,617

(9) PFI and other project finance loans

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

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

At March 31	Millions of yen		Thousands of U.S. dollars	
	2014	2013	2014	2013
Cash and deposits	¥ 9,484	¥ 8,818	\$ 92,150	\$ 85,680
Notes and accounts receivable from completed construction contracts and other	10,487	10,757	101,904	104,524
Inventories for PFI and other projects	56,741	66,507	551,316	646,204
Buildings and structures	4,812	5,061	46,760	49,175
Machinery, vehicles, tools, furniture and fixtures	135	188	1,317	1,827
Land	19	19	189	189
Total	¥81,681	¥91,352	\$793,638	\$887,602

(10) Commitment lines

The Company has a commitment line agreement with syndicated financial institutions to ensure timely access to funds in case of emergency. At March 31, 2014 and 2013, there were no outstanding balances under the agreement.

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

The total commitment lines available were as follows:

At March 31	Millions of yen		Thousands of U.S. dollars	
	2014	2013	2014	2013
Contract amount	¥50,000	¥50,000	\$485,814	\$485,814
Outstanding borrowings	–	–	–	–
Available amount	¥50,000	¥50,000	\$485,814	\$485,814

7. Notes to Consolidated Statement of Income

(1) Revenues from construction contracts recognized by the percentage-of-completion method

For the years ended March 31	Millions of yen		Thousands of U.S. dollars	
	2014	2013	2014	2013
	¥1,328,237	¥1,125,517	\$12,905,537	\$10,935,847

(2) Provision for loss on construction contracts included in cost of sales of construction contracts

For the years ended March 31	Millions of yen		Thousands of U.S. dollars	
	2014	2013	2014	2013
	¥6,160	¥4,138	\$59,854	\$40,213

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

For the years ended March 31	Millions of yen		Thousands of U.S. dollars	
	2014	2013	2014	2013
Employees' salaries and allowances	¥32,436	¥32,773	\$315,165	\$318,438
Retirement benefit expenses	1,676	2,331	16,291	22,655
Research study expenses	8,927	8,742	86,741	84,941

(4) Research and development costs included in "Selling, general and administrative expenses"

For the years ended March 31	Millions of yen		Thousands of U.S. dollars	
	2014	2013	2014	2013
	¥8,927	¥8,742	\$86,741	\$84,941

(5) Loss on sales and disposal of noncurrent assets was from the disposal of buildings and structures

(6) The major components of "Other, net" included in "Other income (expenses)"

For the years ended March 31	Millions of yen		Thousands of U.S. dollars	
	2014	2013	2014	2013
Other expenses				
Loss on liquidation of subsidiaries and affiliates	¥604	¥12	\$5,869	\$118

(7) Impairment loss

The following table summarizes the impairment losses recognized for the years ended March 31, 2014 and 2013.

Classification by purpose

Use	Type of assets	Location	2014
			Number of assets
Real estate reclassified as "held for sale"	Land, buildings and others	Saitama and others	4
Real estate for lease	Land, buildings and others	Hyogo and others	3
Real estate reclassified as "held for development"	Land, buildings and others	Hiroshima and others	2
Idle real estate and others	Land, buildings and others	Chiba and others	4
			2013
Use	Type of assets	Location	Number of assets
Real estate for lease	Land, buildings and others	Hyogo and others	12
Asphalt plants	Land, buildings and others	Hyogo and others	2
Real estate reclassified as "held for development"	Land	Hiroshima	1
Idle real estate and others	Land, buildings and others	Osaka and others	4

Breakdown by account

For the years ended March 31	Millions of yen		Thousands of U.S. dollars	
	2014	2013	2014	2013
Buildings and structures	¥ 330	¥ 725	\$ 3,208	\$ 7,053
Machinery, vehicles, tools, furniture and fixtures	–	74	–	719
Land	5,544	2,307	53,875	22,417
Others	9	66	96	647
Total	¥5,885	¥3,173	\$57,180	\$30,838

Valuation method

The Companies recognize impairment losses for individual items classified as: 1) Real estate reclassified as “held for sale,” 2) Real estate for lease, 3) Real estate reclassified as “held for development,” 4) Idle real estate, and 5) Others.

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

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

8. Notes to Consolidated Statement of Comprehensive Income

The following table presents reclassification adjustments as amounts reclassified to net income for the years ended March 31, 2014 and 2013 which were recognized in other comprehensive income for the years ended on or before March 31, 2014 and 2013 and tax effect allocated to each component of other comprehensive income for the years ended March 31, 2014 and 2013.

For the years ended March 31	Millions of yen		Thousands of U.S. dollars	
	2014	2013	2014	2013
Valuation difference on available-for-sale securities				
Occurred during the year	¥20,879	¥ 57,808	\$202,873	\$ 561,681
Reclassification adjustments	(6,838)	(4,251)	(66,449)	(41,307)
Valuation difference on available-for-sale securities before tax effect	14,040	53,556	136,423	520,374
Tax effect	(4,976)	(19,009)	(48,351)	(184,704)
Valuation difference on available-for-sale securities	9,064	34,547	88,072	335,670
Deferred gains (losses) on hedges				
Occurred during the year	(2,325)	(177)	(22,596)	(1,728)
Reclassification adjustments	2,144	266	20,839	2,586
Deferred gains (losses) on hedges before tax effect	(180)	88	(1,757)	857
Tax effect	110	(53)	1,074	(517)
Deferred gains (losses) on hedges	(70)	35	(682)	340
Revaluation reserve for land				
Occurred during the year	–	–	–	–
Tax effect	0	18	0	183
Revaluation reserve for land	0	18	0	183
Foreign currency translation adjustments				
Occurred during the year	3,600	4,004	34,985	38,912
Reclassification adjustments	120	(490)	1,174	(4,767)
Foreign currency translation adjustments	3,721	3,514	36,160	34,144
Share of other comprehensive income of affiliates accounted for by the equity method				
Occurred during the year	66	35	649	344
Reclassification adjustments	12	6	125	61
Share of other comprehensive income of affiliates accounted for by the equity method	79	41	775	405
Total other comprehensive income	¥12,795	¥ 38,157	\$124,325	\$ 370,744

9. Notes to Consolidated Statement of Changes in Net Assets

(1) Type and number of outstanding shares

For the year ended March 31, 2014

Type of shares	Number of shares			
	Balance at beginning of year	Increase in shares during the year	Decrease in shares during the year	Balance at end of year
Issued stock:				
Common stock	721,509,646	—	—	721,509,646
Treasury stock:				
Common stock	3,288,988	52,224	—	3,341,212

Note: Treasury stock increased by 52,224 shares due to the repurchase of shares less than one unit.

For the year ended March 31, 2013

Type of shares	Number of shares			
	Balance at beginning of year	Increase in shares during the year	Decrease in shares during the year	Balance at end of year
Issued stock:				
Common stock	721,509,646	—	—	721,509,646
Treasury stock:				
Common stock	3,244,340	44,648	—	3,288,988

Note: Treasury stock increased by 44,648 shares due to the repurchase of shares less than one unit.

(2) Dividends

(a) Dividends paid to shareholders

For the year ended March 31, 2014

Resolution approved by	Type of shares	Amount		Amount per share		Shareholders' cut-off date	Effective date
		Millions of yen	Thousands of U.S. dollars	Yen	U.S. dollars		
Annual General Meeting of Shareholders (June 27, 2013)	Common stock	¥2,872	\$27,913	¥4	\$0.03	March 31, 2013	June 28, 2013
Board of Directors (November 12, 2013)	Common stock	2,872	27,912	4	0.03	September 30, 2013	December 4, 2013

For the year ended March 31, 2013

Resolution approved by	Type of shares	Amount		Amount per share		Shareholders' cut-off date	Effective date
		Millions of yen	Thousands of U.S. dollars	Yen	U.S. dollars		
Annual General Meeting of Shareholders (June 28, 2012)	Common stock	¥2,873	\$27,915	¥4	\$0.03	March 31, 2012	June 29, 2012
Board of Directors (November 12, 2012)	Common stock	2,872	27,914	4	0.03	September 30, 2012	December 4, 2012

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

For the year ended March 31, 2014

Resolution approved by	Type of shares	Amount		Amount per share		Shareholders' cut-off date	Effective date	
		Millions of yen	Thousands of U.S. dollars	Paid from	Yen			U.S. dollars
Annual General Meeting of Shareholders (June 27, 2014)	Common stock	¥2,872	\$27,911	Retained earnings	¥4	\$0.03	March 31, 2014	June 30, 2014

For the year ended March 31, 2013

Resolution approved by	Type of shares	Amount		Amount per share		Shareholders' cut-off date	Effective date	
		Millions of yen	Thousands of U.S. dollars	Paid from	Yen			U.S. dollars
Annual General Meeting of Shareholders (June 27, 2013)	Common stock	¥2,872	\$27,913	Retained earnings	¥4	\$0.03	March 31, 2013	June 28, 2013

(3) Shareholders' equity

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

10. Notes to Consolidated Statement of Cash Flows

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

At March 31	Millions of yen		Thousands of U.S. dollars	
	2014	2013	2014	2013
Cash and deposits	¥121,373	¥99,717	\$1,179,296	\$968,887
Time deposits with a maturity of more than three months	(196)	(27)	(1,906)	(268)
Cash and cash equivalents at end of period	¥121,177	¥99,690	\$1,177,390	\$968,619

11. Lease Transactions**Operating leases****(a) Lessee's accounting**

Future minimum payments under non-cancelable lease contracts at March 31, 2014 and 2013 were as follows:

At March 31	Millions of yen		Thousands of U.S. dollars	
	2014	2013	2014	2013
Within 1 year	¥ 2,132	¥ 2,136	\$ 20,722	\$ 20,756
Over 1 year	10,048	11,364	97,638	110,424
Total	¥12,181	¥13,501	\$118,361	\$131,180

(b) Lessor's accounting

Future minimum receivables under non-cancelable lease contracts at March 31, 2014 and 2013 were as follows:

At March 31	Millions of yen		Thousands of U.S. dollars	
	2014	2013	2014	2013
Within 1 year	¥ 4,977	¥ 3,996	\$ 48,366	\$ 38,832
Over 1 year	19,994	21,345	194,274	207,395
Total	¥24,972	¥25,341	\$242,640	\$246,227

12. Financial Instruments

(1) Overview

(a) Policy for financial instruments

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

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

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

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

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

“Short-term loans payable,” “Long-term loans payable,” “Commercial papers” and “Bonds payable” are used for operations or capital investment.

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

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

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

(c) Supplementary explanation of fair values of financial instruments

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

(2) Fair value of financial instruments

The following table shows the carrying values and fair values of financial instruments as of March 31 and any differences. Certain financial instruments for which it is extremely difficult to determine the fair value are not included (see Note 2 below).

At March 31, 2014	Millions of yen			Thousands of U.S. dollars		
	Carrying value	Fair value	Difference	Carrying value	Fair value	Difference
Assets						
Cash and deposits	¥ 121,373	¥ 121,373	¥ -	\$ 1,179,296	\$ 1,179,296	\$ -
Notes and accounts receivable from completed construction contracts and other	654,778	654,745	(33)	6,362,013	6,361,691	(321)
Short-term investment securities and investment securities	305,415	305,435	19	2,967,504	2,967,695	191
Accounts receivable—other	71,510	71,510	-	694,820	694,820	-
Subtotal	¥1,153,078	¥1,153,064	¥ (13)	\$11,203,634	\$11,203,504	\$ (130)
Liabilities						
Notes and accounts payable for construction contracts and other	¥ 578,750	¥ 578,750	¥ -	\$ 5,623,304	\$ 5,623,304	\$ -
Short-term loans payable	159,856	159,856	-	1,553,212	1,553,212	-
Current portion of PFI and other project finance loans	7,331	7,331	-	71,237	71,237	-
Commercial papers	22,000	22,000	-	213,758	213,758	-
Deposits received	66,803	66,803	-	649,083	649,083	-
Bonds payable	80,000	80,610	610	777,302	783,231	5,928
Long-term loans payable	89,735	89,958	222	871,898	874,060	2,161
PFI and other project finance loans	69,519	72,647	3,127	675,474	705,864	30,390
Subtotal	¥1,073,998	¥1,077,958	¥3,960	\$10,435,272	\$10,473,753	\$38,480
Derivative transactions ^(*)	¥ (296)	¥ (296)	¥ -	\$ (2,882)	\$ (2,882)	\$ -

At March 31, 2013	Millions of yen			Thousands of U.S. dollars		
	Carrying value	Fair value	Difference	Carrying value	Fair value	Difference
Assets						
Cash and deposits	¥ 99,717	¥ 99,717	¥ -	\$ 968,887	\$ 968,887	\$ -
Notes and accounts receivable from completed construction contracts and other	531,196	531,178	(18)	5,161,260	5,161,080	(180)
Short-term investment securities and investment securities	295,687	295,711	23	2,872,988	2,873,212	224
Accounts receivable—other	66,411	66,411	-	645,272	645,272	-
Subtotal	¥993,014	¥993,018	¥ 4	\$9,648,408	\$9,648,452	\$ 43
Liabilities						
Notes and accounts payable for construction contracts and other	¥531,300	¥531,300	¥ -	\$5,162,268	\$5,162,268	\$ -
Short-term loans payable	126,622	126,622	-	1,230,300	1,230,300	-
Current portion of PFI and other project finance loans	6,778	6,778	-	65,861	65,861	-
Commercial papers	5,000	5,000	-	48,581	48,581	-
Current portion of bonds	10,000	10,000	-	97,162	97,162	-
Deposits received	60,756	60,756	-	590,324	590,324	-
Bonds payable	60,000	60,558	558	582,977	588,408	5,431
Long-term loans payable	104,701	105,534	833	1,017,307	1,025,407	8,100
PFI and other project finance loans	75,066	79,000	3,933	729,368	767,592	38,223
Subtotal	¥980,225	¥985,552	¥5,326	\$9,524,153	\$9,575,908	\$51,754
Derivative transactions ^(*)	¥ (237)	¥ (237)	¥ -	\$ (2,306)	\$ (2,306)	\$ -

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

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

Assets

Cash and deposits

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

Notes and accounts receivable from completed construction contracts and other

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

Short-term investment securities and investment securities

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

Information on securities classified by holding purpose is disclosed in Note 13 "Securities."

Accounts receivable—other

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

Liabilities

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

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

Bonds payable

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

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

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

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

Derivative transactions

See Note 14 "Derivative Transactions."

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

	Millions of yen		Thousands of U.S. dollars	
	2014	2013	2014	2013
Non-listed stocks	¥16,752	¥18,532	\$162,769	\$180,070
Non-listed preferred equity securities	1,913	1,913	18,587	18,587
Investments in silent partnerships	—	669	—	6,503
Stocks of affiliates	3,229	3,671	31,378	35,673
Investments in capital of affiliates	7	16	77	163
Total	¥21,902	¥24,803	\$212,812	\$240,997

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

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

	Millions of yen			
	Due in 1 year or less	Due after 1 year through 5 years	Due after 5 years through 10 years	Due after 10 years
At March 31, 2014				
Cash and deposits				
Deposits	¥121,187	¥ -	¥ -	¥ -
Notes and accounts receivable from completed construction contracts and other	600,409	49,181	1,846	3,341
Short-term investment securities and investment securities				
Held-to-maturity securities				
Government bonds and municipal bonds	-	176	482	-
Corporate bonds	16	58	-	-
Accounts receivable—other	71,510	-	-	-
Total	¥793,123	¥49,416	¥2,329	¥3,341

	Thousands of U.S. dollars			
	Due in 1 year or less	Due after 1 year through 5 years	Due after 5 years through 10 years	Due after 10 years
At March 31, 2014				
Cash and deposits				
Deposits	\$1,177,491	\$ -	\$ -	\$ -
Notes and accounts receivable from completed construction contracts and other	5,833,745	477,859	17,945	32,462
Short-term investment securities and investment securities				
Held-to-maturity securities				
Government bonds and municipal bonds	-	1,712	4,684	-
Corporate bonds	157	570	-	-
Accounts receivable—other	694,820	-	-	-
Total	\$7,706,214	\$480,142	\$22,629	\$32,462

	Millions of yen			
	Due in 1 year or less	Due after 1 year through 5 years	Due after 5 years through 10 years	Due after 10 years
At March 31, 2013				
Cash and deposits				
Deposits	¥ 99,360	¥ -	¥ -	¥ -
Notes and accounts receivable from completed construction contracts and other	448,714	73,131	5,657	3,693
Short-term investment securities and investment securities				
Held-to-maturity securities				
Government bonds and municipal bonds	20	29	480	-
Corporate bonds	6	45	-	-
Accounts receivable—other	66,411	-	-	-
Total	¥614,512	¥73,206	¥6,138	¥3,693

	Thousands of U.S. dollars			
	Due in 1 year or less	Due after 1 year through 5 years	Due after 5 years through 10 years	Due after 10 years
At March 31, 2013				
Cash and deposits				
Deposits	\$ 965,413	\$ -	\$ -	\$ -
Notes and accounts receivable from completed construction contracts and other	4,359,833	710,565	54,969	35,891
Short-term investment securities and investment securities				
Held-to-maturity securities				
Government bonds and municipal bonds	194	288	4,669	-
Corporate bonds	60	437	-	-
Accounts receivable—other	645,272	-	-	-
Total	\$5,970,775	\$711,291	\$59,639	\$35,891

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

	Millions of yen					
	Due in 1 year or less	Due after 1 year through 2 years	Due after 2 years through 3 years	Due after 3 years through 4 years	Due after 4 years through 5 years	Due after 5 years
At March 31, 2014						
Short-term loans payable	¥ 90,585	¥ -	¥ -	¥ -	¥ -	¥ -
Commercial papers	22,000	-	-	-	-	-
Bonds payable	-	25,000	10,000	25,000	10,000	10,000
Long-term loans payable	69,271	21,798	48,693	7,941	5,620	5,682
PFI and other project finance loans	7,331	7,744	5,585	5,638	4,936	45,613
Lease obligations	88	63	44	31	11	0
Total	¥189,277	¥54,606	¥64,323	¥38,611	¥20,569	¥61,297

	Thousands of U.S. dollars					
	Due in 1 year or less	Due after 1 year through 2 years	Due after 2 years through 3 years	Due after 3 years through 4 years	Due after 4 years through 5 years	Due after 5 years
At March 31, 2014						
Short-term loans payable	\$ 880,151	\$ -	\$ -	\$ -	\$ -	\$ -
Commercial papers	213,758	-	-	-	-	-
Bonds payable	-	242,907	97,162	242,907	97,162	97,162
Long-term loans payable	673,061	211,801	473,118	77,157	54,609	55,210
PFI and other project finance loans	71,237	75,245	54,275	54,788	47,968	443,197
Lease obligations	860	621	432	305	115	8
Total	\$1,839,069	\$530,575	\$624,988	\$375,158	\$199,856	\$595,579

	Millions of yen					
	Due in 1 year or less	Due after 1 year through 2 years	Due after 2 years through 3 years	Due after 3 years through 4 years	Due after 4 years through 5 years	Due after 5 years
At March 31, 2013						
Short-term loans payable	¥ 80,823	¥ -	¥ -	¥ -	¥ -	¥ -
Commercial papers	5,000	-	-	-	-	-
Bonds payable	10,000	-	25,000	10,000	25,000	-
Long-term loans payable	45,798	66,177	17,616	11,780	4,297	4,828
PFI and other project finance loans	6,778	7,309	6,589	5,568	5,613	49,984
Lease obligations	127	73	45	24	14	2
Total	¥148,528	¥73,560	¥49,252	¥27,373	¥34,926	¥54,816

	Thousands of U.S. dollars					
	Due in 1 year or less	Due after 1 year through 2 years	Due after 2 years through 3 years	Due after 3 years through 4 years	Due after 4 years through 5 years	Due after 5 years
At March 31, 2013						
Short-term loans payable	\$ 785,305	\$ -	\$ -	\$ -	\$ -	\$ -
Commercial papers	48,581	-	-	-	-	-
Bonds payable	97,162	-	242,907	97,162	242,907	-
Long-term loans payable	444,995	643,001	171,168	114,463	41,760	46,913
PFI and other project finance loans	65,861	71,023	64,028	54,103	54,545	485,667
Lease obligations	1,237	710	446	241	140	27
Total	\$1,443,144	\$714,736	\$478,550	\$265,970	\$339,353	\$532,608

13. Securities

(a) Held-to-maturity securities

	Millions of yen			Thousands of U.S. dollars		
	Carrying value	Estimated fair value	Unrealized gain (loss)	Carrying value	Estimated fair value	Unrealized gain (loss)
At March 31, 2014						
Securities whose fair value exceeds their carrying value:						
Government bonds and municipal bonds	¥500	¥521	¥20	\$4,860	\$5,063	\$202
Securities whose carrying value exceeds their fair value:						
Government bonds and municipal bonds	158	156	(1)	1,535	1,524	(11)
Corporate bonds	75	75	-	728	728	-
Subtotal	233	231	(1)	2,264	2,253	(11)
Total	¥733	¥752	¥19	\$7,125	\$7,316	\$191

	Millions of yen			Thousands of U.S. dollars		
	Carrying value	Estimated fair value	Unrealized gain (loss)	Carrying value	Estimated fair value	Unrealized gain (loss)
At March 31, 2013						
Securities whose fair value exceeds their carrying value:						
Government bonds and municipal bonds	¥496	¥520	¥23	\$4,827	\$5,056	\$228
Securities whose carrying value exceeds their fair value:						
Government bonds and municipal bonds	33	32	(0)	324	320	(4)
Corporate bonds	51	51	-	497	497	-
Subtotal	84	84	(0)	822	818	(4)
Total	¥581	¥604	¥23	\$5,650	\$5,875	\$224

(b) Other securities

	Millions of yen			Thousands of U.S. dollars		
	Carrying value	Acquisition cost	Unrealized gain (loss)	Carrying value	Acquisition cost	Unrealized gain (loss)
At March 31, 2014						
Securities whose carrying value exceeds their acquisition cost:						
Stock	¥283,440	¥100,997	¥182,442	\$2,753,989	\$ 981,325	\$1,772,664
Other	333	284	48	3,240	2,765	475
Subtotal	283,774	101,282	182,491	2,757,230	984,090	1,773,139
Securities whose acquisition cost exceeds their carrying value:						
Stock	17,764	20,513	(2,748)	172,609	199,311	(26,702)
Other	3,143	3,157	(14)	30,540	30,677	(137)
Subtotal	20,908	23,670	(2,762)	203,149	229,989	(26,840)
Total	¥304,682	¥124,953	¥179,729	\$2,960,379	\$1,214,080	\$1,746,299

It is extremely difficult to determine the fair values for non-listed stocks and non-listed preferred equity securities (carrying value ¥18,665 million (US\$181,357 thousand)) since they have no quoted market prices available.

Thus, they are not included in "Other securities" above.

At March 31, 2013	Millions of yen			Thousands of U.S. dollars		
	Carrying value	Acquisition cost	Unrealized gain (loss)	Carrying value	Acquisition cost	Unrealized gain (loss)
Securities whose carrying value exceeds their acquisition cost:						
Stock	¥272,178	¥102,480	¥169,698	\$2,644,567	\$ 995,729	\$1,648,837
Other	446	400	45	4,334	3,889	445
Subtotal	272,624	102,880	169,744	2,648,901	999,618	1,649,283
Securities whose acquisition cost exceeds their carrying value:						
Stock	19,818	23,658	(3,840)	192,562	229,876	(37,314)
Other	2,662	2,677	(14)	25,873	26,011	(138)
Subtotal	22,481	26,336	(3,854)	218,435	255,888	(37,452)
Total	¥295,106	¥129,216	¥165,889	\$2,867,337	\$1,255,507	\$1,611,830

It is extremely difficult to determine the fair values for non-listed stocks and non-listed preferred equity securities (carrying value ¥21,115 million (US\$205,160 thousand)) since they have no quoted market prices available. Thus, they are not included in "Other securities" above.

(c) Sales of securities classified as other securities

For the year ended March 31, 2014	Millions of yen			Thousands of U.S. dollars		
	Sales proceeds	Aggregate gain	Aggregate loss	Sales proceeds	Aggregate gain	Aggregate loss
Stock	¥12,089	¥7,136	¥16	\$117,464	\$69,341	\$155
Other	1,389	7	0	13,501	72	7
Total	¥13,478	¥7,144	¥16	\$130,965	\$69,414	\$163

Non-listed stocks, for which fair value was extremely difficult to determine, are included in "Stock" above. (Sales proceeds: ¥404 million (US\$3,926 thousand), aggregate gain: ¥297 million (US\$2,887 thousand) and aggregate loss: ¥16 million (US\$155 thousand))

For the year ended March 31, 2013	Millions of yen			Thousands of U.S. dollars		
	Sales proceeds	Aggregate gain	Aggregate loss	Sales proceeds	Aggregate gain	Aggregate loss
Stock	¥9,066	¥4,303	¥33	\$88,088	\$41,810	\$326
Other	548	3	–	5,324	34	–
Total	¥9,614	¥4,306	¥33	\$93,412	\$41,844	\$326

Non-listed stocks, for which fair value was extremely difficult to determine, are included in "Stock" above. (Sales proceeds: ¥35 million (US\$345 thousand) and aggregate gain: ¥18 million (US\$176 thousand))

(d) Write down of securities

For the years ended March 31	Millions of yen		Thousands of U.S. dollars	
	2014	2013	2014	2013
"Stock" of other securities	¥ 0	¥123	\$ 3	\$1,203
Non-listed stocks included in "Stock" of other securities above	–	123	–	1,203
"Other" of other securities	15	–	154	–

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

14. Derivative Transactions

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

Currency-related transactions

	Millions of yen				Thousands of U.S. dollars			
	Contract amount	Contract amount of more than 1 year	Estimated fair value	Unrealized loss	Contract amount	Contract amount of more than 1 year	Estimated fair value	Unrealized loss
At March 31, 2014								
Foreign exchange forward contract								
Sell								
EURO	¥ 173	¥173	¥ 8	¥ 8	\$ 1,690	\$1,690	\$ 86	\$ 86
Buy								
EURO	359	171	(29)	(29)	3,489	1,664	(282)	(282)
US\$	497	330	(59)	(59)	4,834	3,214	(576)	(576)
AUS\$	240	138	(35)	(35)	2,341	1,349	(342)	(342)
JPY	79	23	(28)	(28)	772	229	(276)	(276)
Total	¥1,351	¥838	¥(143)	¥(143)	\$13,128	\$8,148	\$(1,391)	\$(1,391)

	Millions of yen				Thousands of U.S. dollars			
	Contract amount	Contract amount of more than 1 year	Estimated fair value	Unrealized loss	Contract amount	Contract amount of more than 1 year	Estimated fair value	Unrealized loss
At March 31, 2013								
Foreign exchange forward contract								
Sell								
EURO	¥ 148	¥ 148	¥ 5	¥ 5	\$ 1,441	\$ 1,441	\$ 54	\$ 54
Buy								
EURO	1,419	246	(75)	(75)	13,788	2,395	(738)	(738)
US\$	550	444	(33)	(33)	5,348	4,315	(329)	(329)
AUS\$	389	248	(12)	(12)	3,787	2,412	(119)	(119)
JPY	101	58	(22)	(22)	988	569	(220)	(220)
Total	¥2,609	¥1,145	¥(139)	¥(139)	\$25,354	\$11,134	\$(1,354)	\$(1,354)

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

Compound financial instruments

	Millions of yen				Thousands of U.S. dollars			
	Contract amount	Contract amount of more than 1 year	Estimated fair value	Unrealized loss	Contract amount	Contract amount of more than 1 year	Estimated fair value	Unrealized loss
At March 31, 2014								
Derivative-embedded deposits:								
(Special policy of cancellation before expiry date/ Condition fulfillment type deposits) . . .	¥300	¥300	¥(10)	¥(10)	\$2,914	\$2,914	\$(97)	\$(97)

	Millions of yen				Thousands of U.S. dollars			
	Contract amount	Contract amount of more than 1 year	Estimated fair value	Unrealized loss	Contract amount	Contract amount of more than 1 year	Estimated fair value	Unrealized loss
At March 31, 2013								
Derivative-embedded deposits:								
(Special policy of cancellation before expiry date/ Condition fulfillment type deposits) . . .	¥300	¥300	¥(14)	¥(14)	\$2,914	\$2,914	\$(144)	\$(144)

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

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

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

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

		Millions of yen			Thousands of U.S. dollars		
		Contract amount	Contract amount of more than 1 year	Estimated fair value	Contract amount	Contract amount of more than 1 year	Estimated fair value
At March 31, 2014	Hedged item						
Benchmark method:							
Foreign exchange forward contract (Buy US\$)	Accounts payable for construction contracts (Forecasted transaction) . . .	¥ 68	¥ -	¥ 20	\$ 663	\$ -	\$ 196
	Imports of materials (Forecasted transaction) . . .	4,114	342	118	39,975	3,326	1,154
Translated at the contracted rate:							
Foreign exchange forward contract (Sell S\$)	Accounts receivable from completed construction contracts	125	-	[*1]	1,219	-	[*1]
Total		¥4,308	¥342	¥139	\$41,858	\$3,326	\$1,350

		Millions of yen			Thousands of U.S. dollars		
		Contract amount	Contract amount of more than 1 year	Estimated fair value	Contract amount	Contract amount of more than 1 year	Estimated fair value
At March 31, 2013	Hedged item						
Benchmark method:							
Foreign exchange forward contract (Buy US\$)	Accounts payable for construction contracts (Forecasted transaction) . . .	¥ 716	¥68	¥130	\$ 6,959	\$663	\$1,267
	Imports of materials (Forecasted transaction) . . .	117	-	12	1,143	-	122
Translated at the contracted rate:							
Foreign exchange forward contract (Sell US\$)	Accounts receivable from completed construction contracts	10,516	-	[*1]	102,181	-	[*1]
Total		¥11,350	¥68	¥143	\$110,283	\$663	\$1,389

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

[*1] Since the foreign exchange forward contract, which is translated at the contract amount, is treated with accounts receivable from completed construction contracts, the fair value of the contract is included in the fair value of accounts receivable from completed construction contracts.

Interest-related transactions

		Millions of yen			Thousands of U.S. dollars		
		Contract amount	Contract amount of more than 1 year	Estimated fair value	Contract amount	Contract amount of more than 1 year	Estimated fair value
At March 31, 2014	Hedged item						
Benchmark method:							
Interest rate swaps: Payment fixed/Receive floating	PFI and other project finance loans (Forecasted transaction)	¥ 6,000	¥ 5,632	¥(283)	\$ 58,297	\$ 54,730	\$(2,750)
Short-cut method:							
Interest rate swaps: Payment fixed/Receive floating	Long-term loans payable	32,579	22,092	[*2]	316,546	214,659	[*2]
	PFI and other project finance loans	14,423	13,419	[*2]	140,143	130,385	[*2]
Total		¥53,002	¥41,144	¥(283)	\$514,987	\$399,775	\$(2,750)

At March 31, 2013	Hedged item	Millions of yen			Thousands of U.S. dollars			
		Contract amount	Contract amount of more than 1 year	Estimated fair value	Contract amount	Contract amount of more than 1 year	Estimated fair value	
Benchmark method:								
	Interest rate swaps: Payment fixed/Receive floating	PFI and other project finance loans (Forecasted transaction)	¥11,490	¥11,487	¥(189)	\$111,640	\$111,610	\$(1,837)
Short-cut method:								
	Interest rate swaps: Payment fixed/Receive floating	Long-term loans payable	46,034	25,248	[*2]	447,279	245,321	[*2]
		PFI and other project finance loans	3,530	3,062	[*2]	34,303	29,755	[*2]
		PFI and other project finance loans of affiliate company's [*3]	354	–	(3)	3,443	–	(30)
	Interest rate swaps: Payment floating/Receive fixed	PFI and other project finance loans of affiliate company's [*3]	354	–	3	3,443	–	32
Total			¥61,763	¥39,797	¥(188)	\$600,110	\$386,687	\$(1,835)

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

[*2] Since these interest rate swaps, which are not remeasured at market value but the differential paid or received under the swap agreements is charged to income, are treated with long-term loans payable or PFI and other project finance loans payable, the fair values of the contracts are included in the fair value of long-term loans payable or PFI and other project finance loans payable presented in Note 12 "Financial Instruments (2) Fair value of financial instruments."

[*3] Since these interest rate swaps, which are not remeasured at market value but the differential paid or received under the swap agreements is charged to income, and borrowings held by affiliates are not accounted for in the consolidated balance sheets, the fair values of the contracts are not included in the fair value of derivative transactions presented in Note 12 "Financial Instruments (2) Fair value of financial instruments."

15. Retirement Benefit Plans

For the year ended March 31, 2014

The Company and its subsidiaries have defined benefit pension plans (cash balance plan in the Company and its certain subsidiaries), in addition to lump-sum payments covering the remainder. Certain subsidiaries have defined contribution pension plans.

The following tables show the funded and accrued status of the plans and the amounts recognized in the consolidated balance sheet at March 31, 2014 of the Company and its subsidiaries.

(Additional information)

An agreement between labor and management of the Company was reached on November 19, 2013, by adopting the defined contribution pension plan partially instead of the defined benefit pension plan on or after April 1, 2014. This transition is accounted for in accordance with the "Revision of Accounting Standard for Accrued Retirement Benefits (Implementation Guidance on Accounting Standards; Guidance No. 1)" and other income of ¥2,450 million (US\$23,805 thousand) is to be posted for the year ending March 31, 2015.

(1) Defined benefit pension plans

The changes in projected benefit obligations during the year ended March 31, 2014 were as follows:

At March 31, 2014	Millions of yen	Thousands of U.S. dollars
At the beginning of current period	¥132,579	\$1,288,182
Service cost	4,573	44,435
Interest cost	3,238	31,464
Actuarial gain (loss)	(137)	(1,340)
Retirement benefits paid	(11,845)	(115,091)
Other	55	543
At the end of current period	¥128,463	\$1,248,192

Certain consolidated subsidiaries adopted a simplified method to compute their projected benefit obligations.

The changes in plan assets during the year ended March 31, 2014 were as follows:

At March 31, 2014	Millions of yen	Thousands of U.S. dollars
At the beginning of current period	¥68,662	\$667,147
Expected return on plan assets	1,684	16,365
Actuarial gain (loss)	2,874	27,926
Contributions by the Company	4,905	47,661
Retirement benefits paid	(7,288)	(70,820)
Other	(2)	(28)
At the end of current period	¥70,834	\$688,250

Certain consolidated subsidiaries adopted a simplified method.

The following table sets forth the funded status of the plans and the amounts recognized in the consolidated balance sheet as of March 31, 2014 for the Company's and the consolidated subsidiaries' defined benefit plans:

At March 31, 2014	Millions of yen	Thousands of U.S. dollars
Retirement benefit obligations under the funded plans	¥ 80,012	\$ 777,423
Plan assets at fair value	(70,834)	(688,250)
	9,177	89,173
Retirement benefit obligations under the unfunded plans	48,451	470,768
Net liability for retirement benefits in the balance sheet	57,629	559,942
	57,785	561,465
Liability for retirement benefits	57,785	561,465
Asset for retirement benefits	(156)	(1,523)
Net liability for retirement benefits in the balance sheet	¥ 57,629	\$ 559,942

The components of retirement benefit expenses for the year ended March 31, 2014 were as follows:

At March 31, 2014	Millions of yen	Thousands of U.S. dollars
Service cost	¥ 4,573	\$ 44,435
Interest cost	3,238	31,464
Expected return on plan assets	(1,684)	(16,365)
Amortization of actuarial loss	(79)	(771)
Amortization of prior service cost	126	1,232
Retirement benefit expenses	¥ 6,174	\$ 59,994

Certain consolidated subsidiaries adopted a simplified method.

Unrecognized prior service cost and unrecognized actuarial loss included in other comprehensive income (before tax effect) for the year ended March 31, 2014 were as follows:

At March 31, 2014	Millions of yen	Thousands of U.S. dollars
Unrecognized prior service cost	¥ 195	\$ 1,896
Unrecognized actuarial loss	(1,228)	(11,939)
Total	¥(1,033)	\$(10,043)

The fair value of plan assets, by major category, as a percentage of total plan assets as of March 31, 2014 were as follows:

At March 31, 2014	%
General accounts	27.9%
Stocks	26.4
Bonds	20.0
Cash on hand and in banks	10.1
Other	15.6
Total	100.0%

The expected return on assets has been estimated based on the present and anticipated allocation to each asset class and the expected long-term returns on asset held in each category.

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

At March 31, 2014	%
Discount rates	1.8% or 2.5%
Expected rates of return on plan assets	1.8% or 2.5%

(2) Defined contribution pension plans

Pension expenses of the consolidated subsidiaries for defined contribution plans were ¥881 million (US\$8,563 thousand), including expenses for small and medium enterprise retirement benefit mutual aid schemes and multi-employer pension plans of foreign subsidiaries.

For the year ended March 31, 2013

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

The following tables show the funded and accrued status of the plans and the amounts recognized in the consolidated balance sheet at March 31, 2013 of the Company and its domestic subsidiaries.

At March 31, 2013	Millions of yen	Thousands of U.S. dollars
Projected benefit obligations	¥(132,579)	\$(1,288,182)
Plan assets at fair value	68,662	667,147
Unfunded projected benefit obligations	(63,916)	(621,034)
Unrecognized actuarial loss	1,726	16,775
Unrecognized prior service cost	269	2,621
Amount reported on the consolidated balance sheet	(61,920)	(601,637)
Prepaid pension costs	173	1,684
Provision for retirement benefits	¥ (62,093)	\$ (603,321)

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

The components of retirement benefit expenses for the year ended March 31, 2013 are outlined as follows:

For the year ended March 31, 2013	Millions of yen	Thousands of U.S. dollars
Service cost	¥ 4,666	\$ 45,343
Interest cost	3,352	32,578
Expected return on plan assets	(1,631)	(15,853)
Amortization of actuarial differences	1,909	18,550
Amortization of prior service cost	31	301
Total	¥ 8,328	\$ 80,919

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

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

At March 31	2013
Method of attributing the projected benefit obligations to periods of service	Straight-line method
Discount rates	1.8% or 2.5%
Expected rates of return on plan assets	1.8% or 2.5%
Amortization period for prior service cost	10 years (Prior service cost (PSC) is amortized by the straight-line method over a period of 10 years, which is shorter than the average remaining years of service of the employees, while PSC of certain subsidiaries is expensed as incurred.)
Amortization period for actuarial differences	5 to 10 years (Actuarial differences are amortized commencing in the year or in the following year after the difference is recognized primarily by the straight-line method over periods (5 to 10 years) which are shorter than the average remaining years of service of the employees.)

16. Deferred Tax Accounting

The major components of deferred tax assets and liabilities at March 31, 2014 and 2013 are summarized as follows:

At March 31	Millions of yen		Thousands of U.S. dollars	
	2014	2013	2014	2013
Deferred tax assets:				
Tax loss carryforwards	¥ 28,242	¥ 31,525	\$ 274,415	\$ 306,310
Impairment loss	23,021	23,531	223,679	228,638
Provision for retirement benefits	—	22,696	—	220,525
Liability for retirement benefits	20,616	—	200,319	—
Provision for loss on construction contracts	2,558	2,326	24,860	22,608
Loss on valuation of real estate for sale	1,209	1,704	11,755	16,556
Other	18,495	21,763	179,709	211,457
	94,145	103,547	914,740	1,006,097
Valuation allowance	(18,407)	(21,911)	(178,848)	(212,896)
Total deferred tax assets	75,737	81,636	735,891	793,201
Deferred tax liabilities:				
Valuation difference on available-for-sale securities	(63,762)	(57,161)	(619,531)	(555,396)
Reserve for advanced depreciation of noncurrent assets	(2,072)	(1,624)	(20,139)	(15,782)
Other	(1,700)	(3,286)	(16,523)	(31,930)
Total deferred tax liabilities	(67,535)	(62,072)	(656,193)	(603,109)
Net deferred tax assets	¥ 8,202	¥ 19,564	\$ 79,697	\$ 190,092

Net deferred tax assets are included in the following items on the consolidated balance sheets:

At March 31	Millions of yen		Thousands of U.S. dollars	
	2014	2013	2014	2013
Current assets—Deferred tax assets	¥ 17,315	¥20,753	\$ 168,245	\$201,650
Noncurrent assets—Deferred tax assets	1,829	3,881	17,772	37,712
Current liabilities—Deferred tax liabilities	(391)	(592)	(3,800)	(5,758)
Noncurrent liabilities—Deferred tax liabilities	(10,551)	(4,478)	(102,520)	(43,512)

In addition to the above, the Companies recognized deferred tax liabilities related to revaluation reserve for land on the consolidated balance sheets:

At March 31	Millions of yen		Thousands of U.S. dollars	
	2014	2013	2014	2013
	¥27,354	¥28,687	\$265,779	\$278,733

A reconciliation between the statutory tax rates and the effective tax rates for the years ended March 31, 2014 and 2013 are summarized as follows:

For the years ended March 31	2014	2013
Statutory tax rates	37.8%	37.8%
Reconciliation:		
Permanent non-deductible items	2.6	2.9
Permanent non-taxable items	(3.0)	(2.5)
Per-capita inhabitant tax	1.2	1.0
Change in valuation allowance	(7.6)	18.7
Change in tax rate	3.5	-
Other	(3.1)	0.7
Effective tax rates	31.4%	58.6%

The "Act for Partial Revision of the Income Tax Act etc." (Act No. 10 of 2014) was promulgated on March 31, 2014 and a special reconstruction corporate tax will be abolished from the fiscal year beginning on April 1, 2014.

As a result, the statutory corporate tax rate used to measure the Company's deferred tax assets and liabilities was changed from 37.8% to 35.5% for temporary differences expected to reverse and tax loss carryforwards expected to be utilized in the fiscal years beginning on or after April 1, 2014. The effect of the reduction of the statutory corporate tax rate was to decrease deferred tax assets, net by ¥1,364 million (US\$13,253 thousand) and increase deferred income taxes by ¥1,367 million (US\$13,288 thousand) as of and for the year ended March 31, 2014.

17. Asset Retirement Obligations

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

Estimated total unrefundable deposits and periods of use of the rental properties are as follows:

(1) Estimated total unrefundable deposits

At March 31	Millions of yen		Thousands of U.S. dollars	
	2014	2013	2014	2013
	¥4,334	¥4,128	\$42,112	\$40,116

(2) Estimated period of use

At March 31	2014	2013
	20-38 years from the initial day of the contract	7-38 years from the initial day of the contract

18. Investment and Rental Properties

The Company and certain of its subsidiaries hold office buildings (including land), lands for redevelopment projects, etc., mainly in Tokyo and Osaka.

Profit and impairment loss from these real estate properties for the year ended March 31, 2014 were ¥10,053 million (US\$97,682 thousand) and ¥5,378 million (US\$52,257 thousand), respectively. Profit and impairment loss from these real estate properties for the year ended March 31, 2013 were ¥7,979 million (US\$77,535 thousand) and ¥2,133 million (US\$20,729 thousand), respectively. Sales and costs on real estate are recorded as "Net sales on real estate business and other" and "Cost of sales on real estate business and other," respectively. Impairment loss is included in "Other income (expenses)."

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

At March 31	Millions of yen		Thousands of U.S. dollars	
	2014	2013	2014	2013
Carrying value				
At the beginning of current period	¥241,406	¥222,296	\$2,345,578	\$2,159,893
Increase (decrease)—net	20,572	19,110	199,888	185,685
At the end of current period	261,979	241,406	2,545,467	2,345,578
Fair value at the end of current period	300,592	274,963	2,920,646	2,671,619

1. The carrying value represents the acquisition cost less the accumulated depreciation.
2. "Increase (decrease)—net" for the year ended March 31, 2014 mainly consists of: increase in purchase of office buildings for lease (including land) and other in the amount of ¥40,943 million (US\$397,813 thousand) and decrease in impairment loss in the amount of ¥5,378 million (US\$52,257 thousand) and depreciation cost in the amount of ¥3,242 million (US\$31,504 thousand).
"Increase (decrease)—net" for the year ended March 31, 2013 mainly consists of: increase in purchase of office buildings for lease (including land) and other in the amount of ¥26,221 million (US\$254,775 thousand) and decrease in depreciation cost in the amount of ¥2,774 million (US\$26,962 thousand) and impairment loss in the amount of ¥2,133 million (US\$20,729 thousand).
3. Fair value at March 31, 2014 and 2013 was estimated in accordance with the "Real estate evaluation standards" and was adjusted using official indices.

19. Segment Information

(1) Segment information

(a) Overview of reportable segments

The reportable segments of the Companies are components for which discrete financial information is available and whose operating results are regularly reviewed by the Executive Committee to make decisions about resource allocation and to assess performance.

The Building Construction, Civil Engineering and Real Estate Development divisions at the Company are responsible for strategic planning and business development of the building construction, civil engineering and real estate development businesses, respectively. Business operations of the building construction and civil engineering divisions are classified geographically with headquarters and each branch as separate operating units and evaluated individually. The Company's subsidiaries are also evaluated on an individual basis. The building construction and civil engineering businesses are segmented based on domestic and overseas areas.

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

The overview of each reportable segment is as follows:

Domestic building construction: Execution of building construction contracts and related businesses within Japan

Overseas building construction: Execution of building construction contracts and related businesses outside Japan

Domestic civil engineering: Execution of civil engineering construction contracts and related businesses within Japan

Overseas civil engineering: Execution of civil engineering construction contracts and related businesses outside Japan

Real estate: Purchase, sale and rent of real estate properties, development of land parcels and related businesses

(b) Accounting treatment for net sales, income (loss), assets, liabilities and others by each segment

The accounting methods of the segments are substantially the same as those described in Note 3 "Summary of Significant Accounting Policies." Segment performance is evaluated based on operating income or loss. Intersegment sales are recorded at the same prices used in transactions with third parties.

(c) Reportable segment information (net sales and income (loss))

For the year ended March 31, 2014	Reporting segment							Total
	Domestic building construction	Overseas building construction	Domestic civil engineering	Overseas civil engineering	Real estate	Subtotal	Others (Note 1)	
	Millions of yen							
Net sales:								
Sales to third parties	¥902,488	¥243,393	¥321,005	¥54,186	¥51,668	¥1,572,742	¥40,014	¥1,612,756
Inter-segment sales and transfers	46,121	61	25,112	-	1,828	73,125	7,537	80,662
Segment sales	948,610	243,455	346,118	54,186	53,497	1,645,867	47,551	1,693,419
Operating income (loss):								
Operating income (loss) from sales to third parties (Note 2)	5,109	6,273	11,419	(3,615)	11,222	30,409	1,582	31,991
Inter-segment operating income and transfers . . .	(393)	-	134	(1)	(0)	(261)	(168)	(429)
Segment income (loss) . . .	¥ 4,716	¥ 6,273	¥ 11,553	¥ (3,616)	¥11,221	¥ 30,148	¥ 1,414	¥ 31,562

For the year ended March 31, 2014	Reporting segment							Total
	Domestic building construction	Overseas building construction	Domestic civil engineering	Overseas civil engineering	Real estate	Subtotal	Others (Note 1)	
	Thousands of U.S. dollars							
Net sales:								
Sales to third parties	\$8,768,838	\$2,364,882	\$3,118,979	\$526,488	\$502,025	\$15,281,213	\$388,790	\$15,670,004
Inter-segment sales and transfers	448,129	600	244,003	-	17,769	710,503	73,237	783,741
Segment sales	9,216,967	2,365,483	3,362,982	526,488	519,795	15,991,717	462,028	16,453,745
Operating income (loss):								
Operating income (loss) from sales to third parties (Note 2)	49,648	60,950	110,957	(35,131)	109,042	295,467	15,372	310,839
Inter-segment operating income and transfers . . .	(3,823)	-	1,303	(10)	(8)	(2,538)	(1,632)	(4,171)
Segment income (loss) . . .	\$ 45,824	\$ 60,950	\$ 112,261	\$ (35,142)	\$109,033	\$ 292,928	\$ 13,739	\$ 306,667

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

This includes PFI (Private Finance Initiative), finance, operation of golf courses and other businesses.

2. "Operating income (loss) from sales to third parties" was computed by subtracting "Inter-segment operating income and transfers" from "Segment income (loss)." The total "Operating income (loss) from sales to third parties" is equal to "Operating income" as shown in the consolidated statement of income.

3. The amounts of the assets are not shown since the assets are not divided by the segments.

For the year ended March 31, 2013	Reporting segment							Total
	Domestic building construction	Overseas building construction	Domestic civil engineering	Overseas civil engineering	Real estate	Subtotal	Others (Note 1)	
	Millions of yen							
Net sales:								
Sales to third parties	¥822,936	¥196,110	¥283,591	¥40,544	¥66,687	¥1,409,870	¥38,435	¥1,448,305
Inter-segment sales and transfers	44,967	21	14,815	-	1,926	61,731	7,470	69,202
Segment sales	867,904	196,131	298,406	40,544	68,613	1,471,601	45,905	1,517,507
Operating income (loss):								
Operating income (loss) from sales to third parties (Note 2)	11,067	6,429	8,411	(1,742)	10,150	34,315	837	35,153
Inter-segment operating income and transfers . . .	195	-	(252)	(1)	(0)	(59)	(224)	(284)
Segment income (loss) . . .	¥ 11,262	¥ 6,429	¥ 8,158	¥ (1,743)	¥10,149	¥ 34,255	¥ 612	¥ 34,868

For the year ended March 31, 2013	Reporting segment						Others (Note 1)	Total
	Domestic building construction	Overseas building construction	Domestic civil engineering	Overseas civil engineering	Real estate	Subtotal		
Thousands of U.S. dollars								
Net sales:								
Sales to third parties	\$7,995,887	\$1,905,463	\$2,755,455	\$393,942	\$647,950	\$13,698,699	\$373,448	\$14,072,148
Inter-segment sales and transfers	436,921	210	143,951	–	18,720	599,803	72,586	672,389
Segment sales	8,432,808	1,905,673	2,899,407	393,942	666,671	14,298,503	446,034	14,744,538
Operating income (loss):								
Operating income (loss) from sales to third parties (Note 2)	107,530	62,470	81,725	(16,927)	98,623	333,422	8,138	341,560
Inter-segment operating income and transfers	1,901	–	(2,457)	(17)	(8)	(582)	(2,183)	(2,766)
Segment income (loss)	\$ 109,431	\$ 62,470	\$ 79,267	\$ (16,944)	\$ 98,615	\$ 332,840	\$ 5,954	\$ 338,794

- Notes: 1. Businesses that cannot be classified into the reportable segments are shown as "Others." This includes PFI (Private Finance Initiative), finance, operation of golf courses and other businesses.
2. "Operating income (loss) from sales to third parties" was computed by subtracting "Inter-segment operating income and transfers" from "Segment income (loss)." The total "Operating income (loss) from sales to third parties" is equal to "Operating income" as shown in the consolidated statement of income.
3. The amounts of the assets are not shown since the assets are not divided by the segments.

(d) Reconciliation of the difference between total reportable segment income and operating income as shown in the consolidated statement of income

For the year ended March 31, 2014	Millions of yen	Thousands of U.S. dollars
Income		
Total reportable segment	¥30,148	\$292,928
Income from "Others"	1,414	13,739
Elimination of inter-segment transactions	429	4,171
Operating income in the consolidated statement of income	¥31,991	\$310,839

For the year ended March 31, 2013	Millions of yen	Thousands of U.S. dollars
Income		
Total reportable segment	¥34,255	\$332,840
Income from "Others"	612	5,954
Elimination of inter-segment transactions	284	2,766
Operating income in the consolidated statement of income	¥35,153	\$341,560

(2) Related information

(a) Information by product or service

As the same information is disclosed in "(1) Segment information," this information has not been presented.

(b) Information by region

Net sales by region

For the year ended March 31, 2014					For the year ended March 31, 2013				
Millions of yen					Thousands of U.S. dollars				
Japan	North America	Asia	Others	Total	Japan	North America	Asia	Others	Total
¥1,312,840	¥157,029	¥135,104	¥7,781	¥1,612,756	\$12,755,935	\$1,525,743	\$1,312,716	\$75,608	\$15,670,004

For the year ended March 31, 2013					For the year ended March 31, 2012				
Millions of yen					Thousands of U.S. dollars				
Japan	North America	Asia	Others	Total	Japan	North America	Asia	Others	Total
¥1,209,602	¥120,219	¥113,276	¥5,206	¥1,448,305	\$11,752,843	\$1,168,090	\$1,100,623	\$50,591	\$14,072,148

Tangible assets by region

As Japan-based tangible assets account for over 90% of total tangible assets at March 31, 2014 and 2013, therefore this information has not been presented.

(c) Information by major customers

Of sales to external customers, sales to any specific customer account for less than 10% of net sales in the consolidated financial statements, and therefore this information has not been presented for the year ended March 31, 2014 and 2013.

(3) Impairment loss on noncurrent assets by reportable segment

Millions of yen							
	Domestic building construction	Overseas building construction	Domestic civil engineering	Overseas civil engineering	Real estate	Others (Note)	Total
For the year ended March 31, 2014	¥4	¥10	¥14	¥-	¥5,373	¥481	¥5,885

Thousands of U.S. dollars							
	Domestic building construction	Overseas building construction	Domestic civil engineering	Overseas civil engineering	Real estate	Others (Note)	Total
For the year ended March 31, 2014	\$46	\$101	\$141	\$-	\$52,208	\$4,683	\$57,180

Note: Impairment loss of real estate reclassified as "held for development" in the amount of ¥481 million (US\$4,683 thousand), which is not divided by reporting segment, is included in "Others."

Millions of yen							
	Domestic building construction	Overseas building construction	Domestic civil engineering	Overseas civil engineering	Real estate	Others (Note)	Total
For the year ended March 31, 2013	¥-	¥-	¥216	¥-	¥2,232	¥724	¥3,173

Thousands of U.S. dollars							
	Domestic building construction	Overseas building construction	Domestic civil engineering	Overseas civil engineering	Real estate	Others (Note)	Total
For the year ended March 31, 2013	\$-	\$-	\$2,101	\$-	\$21,694	\$7,042	\$30,838

Note: Impairment loss of real estate reclassified as "held for development" in the amount of ¥724 million (US\$7,042 thousand), which is not divided by reporting segment, is included in "Others."

(4) Amortization and balance of goodwill by reportable segment

Millions of yen							
	Domestic building construction	Overseas building construction	Domestic civil engineering	Overseas civil engineering	Real estate	Others	Total
For the year ended March 31, 2014							
Amortization amount	¥-	¥-	¥1	¥316	¥-	¥-	¥318
Balance	-	-	-	633	-	-	633

Thousands of U.S. dollars							
	Domestic building construction	Overseas building construction	Domestic civil engineering	Overseas civil engineering	Real estate	Others	Total
For the year ended March 31, 2014							
Amortization amount	\$-	\$-	\$16	\$3,079	\$-	\$-	\$3,096
Balance	-	-	-	6,154	-	-	6,154

Millions of yen							
	Domestic building construction	Overseas building construction	Domestic civil engineering	Overseas civil engineering	Real estate	Others	Total
For the year ended March 31, 2013							
Amortization amount	¥-	¥238	¥0	¥312	¥-	¥-	¥552
Balance	-	-	-	938	-	-	938

Thousands of U.S. dollars							
	Domestic building construction	Overseas building construction	Domestic civil engineering	Overseas civil engineering	Real estate	Others	Total
For the year ended March 31, 2013							
Amortization amount	\$-	\$2,321	\$2	\$3,039	\$-	\$-	\$5,364
Balance	-	-	-	9,116	-	-	9,116

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

None.

20. Related Party Transactions

(1) Transactions of the Company with related parties

Details of transactions with related parties and the respective balances as of and for the years ended March 31, 2014 and 2013 were as follows:

For the year ended March 31, 2014

None.

For the year ended March 31, 2013

Classification	Related party	Address	Capital	Type of business	% of voting rights held (held by others)	Relationship	Nature of transaction	Amount of transaction ^(*)		Accounts	Balance at the end of the year	
			Millions of yen					Millions of yen	Thousands of U.S. dollars		Millions of yen	Thousands of U.S. dollars
Director's close relative	Takako Obayashi	—	¥—	Close relative of a Company director	—	Purchase of real estate	Purchase of land	¥23	\$230	—	¥—	\$—

^(*) Purchase price is based on real estate appraisal.

(2) Transactions of the Company's consolidated subsidiaries with related parties

Details of transactions with related parties and the respective balances as of and for the years ended March 31, 2014 and 2013 were as follows:

For the year ended March 31, 2014

Classification	Related party	Address	Capital	Type of business	% of voting rights held (held by others)	Relationship	Nature of transaction	Amount of transaction ^(*)		Accounts	Balance at the end of the year	
			Millions of yen					Millions of yen	Thousands of U.S. dollars		Millions of yen	Thousands of U.S. dollars
Company which director's close relative owns a majority of the voting rights	Jubal ^(*)	Minato-ku, Tokyo	¥290	Design and manufacture of musical instruments	—	Purchase of real estate	Purchase of real estate by NAIGAI TECHNOS ⁽²⁾	¥62	\$607	—	¥—	\$—

*1 A close relative of a Company director owns a majority of the voting share of Jubal.

*2 Purchase price is based on real estate appraisal.

For the year ended March 31, 2013

Classification	Related party	Address	Capital	Type of business	% of voting rights held (held by others)	Relationship	Nature of transaction	Amount of transaction ^(*)		Accounts	Balance at the end of the year	
			Millions of yen					Millions of yen	Thousands of U.S. dollars		Millions of yen	Thousands of U.S. dollars
Director's close relative	Takako Obayashi	—	¥—	Close relative of a Company director	—	Purchase of real estate	Purchase of land by Obayashi Real Estate	¥254	\$2,467	—	¥—	\$—

^(*) Purchase price is based on real estate appraisal.

21. Amounts per Share

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

Diluted net income per share was not presented for the years ended March 31, 2014 and 2013 because the Company had no potentially dilutive shares outstanding as of these balance sheet dates.

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

Net assets and net income per share for the years ended March 31, 2014 and 2013 were as follows:

For the years ended March 31	Yen		U.S. dollars	
	2014	2013	2014	2013
Net assets per share	¥574.32	¥535.67	\$5.58	\$5.20
Basic net income per share	30.11	18.37	0.29	0.17

(1) Net assets per share

At March 31	Millions of yen		Thousands of U.S. dollars	
	2014	2013	2014	2013
Net assets	¥448,108	¥414,650	\$4,353,945	\$4,028,858
Amounts deducted from net assets (minority interests)	35,651	29,919	346,398	290,706
Net assets applicable to shareholders of common stock	412,456	384,730	4,007,546	3,738,152
Number of shares of common stock at the year end (thousands of shares)	718,168	718,220	718,168	718,220

(2) Basic net income per share

For the years ended March 31	Millions of yen		Thousands of U.S. dollars	
	2014	2013	2014	2013
Net income	¥ 21,627	¥ 13,195	\$210,134	\$128,210
Net income not attributable to shareholders of common stock	-	-	-	-
Net income attributable to shareholders of common stock	21,627	13,195	210,134	128,210
Average number of shares issued and outstanding during the period (thousands of shares)	718,195	718,240	718,195	718,240

22. Corporate Bonds

Issued by	Issue type	Issue date	Millions of yen		Thousands of U.S. dollars		Interest rate (%)	Collateral	Maturity
			2014	2013	2014	2013			
Obayashi Corp.	9th unsecured straight bond	Jun. 3, 2003	¥ -	¥ 10,000 (10,000)	\$ -	\$ 97,162 (97,162)	1.07	None	Jun. 3, 2013
Obayashi Corp.	14th unsecured straight bond	Aug. 30, 2010	15,000	15,000	145,744	145,744	0.85	None	Aug. 28, 2015
Obayashi Corp.	15th unsecured straight bond	Oct. 26, 2010	10,000	10,000	97,162	97,162	0.68	None	Oct. 23, 2015
Obayashi Corp.	16th unsecured straight bond	Oct. 26, 2010	15,000	15,000	145,744	145,744	0.96	None	Oct. 26, 2017
Obayashi Corp.	17th unsecured straight bond	Sep. 13, 2011	10,000	10,000	97,162	97,162	0.624	None	Sep. 13, 2016
Obayashi Corp.	18th unsecured straight bond	May. 9, 2012	10,000	10,000	97,162	97,162	0.588	None	May 9, 2017
Obayashi Corp.	19th unsecured straight bond	May. 9, 2013	10,000	-	97,162	-	0.440	None	May 9, 2018
Obayashi Corp.	20th unsecured straight bond	May. 9, 2013	10,000	-	97,162	-	0.970	None	May 9, 2023
Total			¥80,000	¥ 70,000 (10,000)	\$777,302	\$680,139 (97,162)			

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

2. The annual repayment schedule of corporate bonds subsequent to March 31, 2014 is as follows:

	Millions of yen	Thousands of U.S. dollars
Less than 1 year	¥ -	\$ -
Over 1 year less than 2 years	25,000	242,907
Over 2 years less than 3 years	10,000	97,162
Over 3 years less than 4 years	25,000	242,907
Over 4 years less than 5 years	10,000	97,162

23. Loans

At March 31	Millions of yen		Thousands of U.S. dollars		Average interest rate (%)	Maturity
	2014	2013	2014	2013		
Short-term loans payable	¥ 90,585	¥ 80,823	\$ 880,151	\$ 785,305	0.53	-
Current portion of long-term loans payable	69,271	45,798	673,061	444,995	1.20	-
Current portion of PFI and other project finance loans	7,331	6,778	71,237	65,861	2.17	-
Current portion of lease obligations	88	127	860	1,237	-	-
Long-term loans payable (excluding current portion)	89,735	104,701	871,898	1,017,307	0.72	2015-2023
PFI and other project finance loans (excluding current portion)	69,519	75,066	675,474	729,368	2.13	2015-2037
Lease obligations (excluding current portion)	152	161	1,483	1,565	-	2015-2019
Commercial paper	22,000	5,000	213,758	48,581	0.09	-
Total	¥348,685	¥318,457	\$3,387,925	\$3,094,223		

1. The "Average interest rate" is the weighted average interest rate for the average balance of loans during the given fiscal year.
2. The annual repayment schedule of long-term loans payable, PFI and other project finance loans and lease obligations subsequent to March 31, 2014 is as follows:

	Millions of yen	Thousands of U.S. dollars
Long-term loans payable		
Over 1 year less than 2 years	¥21,798	\$211,801
Over 2 years less than 3 years	48,693	473,118
Over 3 years less than 4 years	7,941	77,157
Over 4 years less than 5 years	5,620	54,609
PFI and other project finance loans		
Over 1 year less than 2 years	¥ 7,744	\$ 75,245
Over 2 years less than 3 years	5,585	54,275
Over 3 years less than 4 years	5,638	54,788
Over 4 years less than 5 years	4,936	47,968
Lease obligations		
Over 1 year less than 2 years	¥ 63	\$ 621
Over 2 years less than 3 years	44	432
Over 3 years less than 4 years	31	305
Over 4 years less than 5 years	11	115

3. The amounts in the "Average interest rate" column for "Current portion of lease obligations" and "Lease obligations (excluding current portion)" are left blank, as the lease obligations stated on the consolidated balance sheet include the interest portion of the lease payments.

24. Subsequent Event

None.

Independent Auditor's Report



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Independent Auditor's Report

The Board of Directors
OBAYASHI CORPORATION

We have audited the accompanying consolidated financial statements of OBAYASHI CORPORATION and its consolidated subsidiaries, which comprise the consolidated balance sheet as at March 31, 2014, and the consolidated statements of income, comprehensive income, changes in net assets, and cash flows for the year then ended and a summary of significant accounting policies and other explanatory information, all expressed in Japanese yen.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in Japan, and for designing and operating such internal control as management determines is necessary to enable the preparation and fair presentation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. The purpose of an audit of the consolidated financial statements is not to express an opinion on the effectiveness of the entity's internal control, but in making these risk assessments the auditor considers internal controls relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of OBAYASHI CORPORATION and its consolidated subsidiaries as at March 31, 2014, and their consolidated financial performance and cash flows for the year then ended in conformity with accounting principles generally accepted in Japan.

Convenience Translation

We have reviewed the translation of these consolidated financial statements into U.S. dollars, presented for the convenience of readers, and, in our opinion, the accompanying consolidated financial statements have been properly translated on the basis described in Note 2.

Ernst & Young ShinNihon LLC

June 30, 2014
Tokyo, Japan

Outcome of EGAO Initiatives in the Fiscal Year Ended March 31, 2014

We have sorted the priority areas that Obayashi should work on to realize a sustainable society into four aspects: “E” for Engagement with customers, “G” for Global perspective, “A” for Amenity and associates, and “O” for Open communication with stakeholders. Based on this, we have set activity themes and are promoting initiatives corresponding to each aspect.

Main Results of Activities in the Fiscal Year Ended March 31, 2014 and Goals Going Forward

	Activity Theme
E (Engagement with customers)	Provide High-Quality Buildings and Structures <ul style="list-style-type: none"> • Provide services that accurately respond to customer needs • Promote various educational and informative initiatives related to quality control and technology • Promote and popularize quality management methods utilizing ICT • Expand projects applying BIM^{*1}
	Develop Technologies that Solve Societal Issues <ul style="list-style-type: none"> • Research and development of technology for realizing environmental responsibility and ensuring safety and security (technology that realizes a low-carbon society, a recycling-oriented society, and a society in harmony with nature) (natural disaster countermeasures and the development of technology that contributes to disaster recovery) (renovation technology related to operation and maintenance of existing buildings and public infrastructure) • Appropriate management and use of intellectual property
	Work that Gives Reassurance to Customers and Local Communities <ul style="list-style-type: none"> • Construction management with regard for customers and areas surrounding construction sites
	Support Customers in Efforts to Minimize Disaster Risk <ul style="list-style-type: none"> • Inspect and enhance emergency readiness through drills based on BCP^{*2} for the event of an earthquake • Strengthen services for supporting BCM^{*3} of customers
G (Global perspective)	Create a Low-Carbon Society <ul style="list-style-type: none"> • Promote energy-saving designs toward realization of ZEB^{**1} • Conserve energy at the construction stage • Promote the renewable energy business • Promote environmentally responsible real estate development projects • Continue to promote the use of Clean-Crete, low-carbon concrete
	Create a Recycling-Oriented Society <ul style="list-style-type: none"> • Commercialize recycled aggregate concrete • Promote the soil decontamination business • Promote zero-emission activities for construction waste • Promote resource conservation at the construction stage
	Create a Society in Harmony with Nature <ul style="list-style-type: none"> • Quantify the assessment of ecosystem preservation • Promote regard for the ecosystem at every stage of proposing, designing and constructing projects
	Steadily Promote Environmental Initiatives <ul style="list-style-type: none"> • Compliance with environmental laws and regulations • Improve environmental awareness • Promote green procurement
	Promote CSR Activities <ul style="list-style-type: none"> • Promote activities based on the Obayashi Social Responsibility Policy
A (Amenity and associates)	Utilize Diverse Human Resources <ul style="list-style-type: none"> • Propagate the Obayashi Statement on Human Rights • Build a workplace environment where diverse human resources can succeed
	Promote Human Resource Development <ul style="list-style-type: none"> • Initiatives in educational priority areas • Develop national (locally hired) staff overseas
	Promote Work-Life Balance <ul style="list-style-type: none"> • Reduce overall work time (reducing overtime work and improving the rate of employees taking yearly paid vacations) • Practice the Fourth Action Plan for work-life balance that provides support for nurturing the next generation, while enhancing childcare and nursing care • Promote healthy minds and bodies of employees and their families
	Strengthen Relationships with Suppliers <ul style="list-style-type: none"> • Secure and train skilled construction workers • Support training sessions held by suppliers • Observe the Obayashi Group CSR Procurement Guidelines
	Prevent Occupational Accidents <ul style="list-style-type: none"> • Eliminate fatal accidents
O (Open communication with stakeholders)	Enforcement of Internal Controls <ul style="list-style-type: none"> • Secure the propriety of business operations with properly managed internal control systems
	Strict Application of Corporate Ethics <ul style="list-style-type: none"> • Practice corporate ethics throughout the Group while emphasizing priority areas • Strict application and strengthening of information security
	Proactive Disclosure of Information and Enhanced Communications <ul style="list-style-type: none"> • Transmit information and enhance communications with stakeholders

*1 BIM: Building Information Modeling. BIM not only provides a two-dimensional blueprint of a building but also adds specification information, such as materials and performance, to create a three-dimensional building model on the computer so that it “can be seen.”

*2 BCP: Business Continuity Plan

*3 BCM: Business Continuity Management

Main Achievements in the Fiscal Year Ended March 31, 2014		Page Listing
<ul style="list-style-type: none"> Operation of quality management system (ISO 9001) Use of tablets (launch of cameras with a built-in electronic clapperboard) Expanded projects applying BIM (application rate of BIM to construction projects: 63%) Promoted internal dissemination of information using the intranet (concerning improvements, non-compliance, construction methods, technologies) 	<ul style="list-style-type: none"> Held briefings and training seminars on quality and technology, including production technology and technological development presentations 	35 – 36
<ul style="list-style-type: none"> Completion of Multipurpose Laboratory 2, a new experimental facility at Obayashi Technical Research Institute Developed concrete mixed with seawater using concrete rubble from the earthquake Used construction material Upcycle Block for the first time in disaster debris disposal operations (Miyagi Prefecture) Developed the Tireless Suit for alleviating worker fatigue 	<ul style="list-style-type: none"> Developed OTO Judge, a sound level monitoring system for construction sites Developed a method to quantitatively assess the soundness of existing piles in the ground, etc. 	31 – 32
<ul style="list-style-type: none"> Selected construction methods and technologies in consideration of areas surrounding construction sites 		—
<ul style="list-style-type: none"> Held earthquake drills based on BCP Emergency Risk Discriminators posted nationwide 		36
<ul style="list-style-type: none"> Promoted the renewable energy business (decided to commercialize 100 megawatts in the solar power generation business) Determined and implemented environmentally friendly repair plans for Obayashi Corporation's leasing buildings to increase their value Determined and promoted strategies expanding applications for Clean-Crete 	<ul style="list-style-type: none"> Energy conservation at Obayashi's own facilities (Completed Source ZEB^{*4} construction at Techno Station, the Obayashi Technical Research Institute's main building) Reduced CO₂ emissions 	39
<ul style="list-style-type: none"> Commercialized recycled aggregate concrete Progressed in the soil decontamination business Applied use of the Upcycle Block for effectively recycling earthquake debris for the first time Reduced the volume of waste materials 	<ul style="list-style-type: none"> Developed and promoted use of longevity technologies for infrastructure reuse Promoted resource conservation involving the use of existing piles and underground skeleton work 	39
<ul style="list-style-type: none"> Promoted a technical proposal to use ecosystem-friendly technologies 		40
<ul style="list-style-type: none"> Operation of environmental management system (ISO 14001) Commendation of Obayashi Environmental Awards 	<ul style="list-style-type: none"> Practiced green procurement (construction materials and machinery, office supplies) 	—
<ul style="list-style-type: none"> Global Environmental Responsibility (kinran orchid viewing walk at the Obayashi Technical Research Institute, Ecocap movement) Disaster Readiness and Post-Disaster Reconstruction (volunteer work in areas affected by the earthquake by newly recruited civil engineers, disaster recovery assistance) 	<ul style="list-style-type: none"> Good Citizenship in Local Communities (construction site tours, cleaning activities in the vicinity of construction sites) Inspiration for the Next Generation (experiences in the workplace, KidZania pavilion) 	41 – 42
<ul style="list-style-type: none"> Held training sessions for increasing human rights awareness Implemented fair personnel evaluations Continued employment and skill enhancement of people with disabilities 		—
<ul style="list-style-type: none"> Implemented global leadership training Implemented training for each business field and functional area Promoted the acquisition of priority qualifications Implemented training in Japan for national staff (Thailand, Vietnam, Indonesia, Taiwan, Canada) 		44
<ul style="list-style-type: none"> Held labor-management council meetings on work hour reduction Initiatives reducing overall work time (No Overtime Days and encouraging employees to take their yearly paid vacations) Enriched systems related to childcare and nursing care 	<ul style="list-style-type: none"> Implemented mental health training 	—
<ul style="list-style-type: none"> Ongoing operation of the Obayashi Excellent Site Supervisor Certification Program (Recipients of Excellent Site Supervisor certification: 125 in FY2014.3, 194 in FY2015.3) Opened the Obayashi Rin-yu-kai Vocational Training School (April 2014) 	<ul style="list-style-type: none"> Dispatched instructors to training sessions held by suppliers on subjects like occupational health and safety and corporate ethics 	44
<ul style="list-style-type: none"> Ongoing operation of the Occupational Safety and Health Management System Ongoing implementation of safety patrols and the three major campaigns for the prevention of occupational accidents 		43
<ul style="list-style-type: none"> Performed internal audits at 16 sites, including overseas offices and subsidiaries Held e-learning sessions on Internal Control for employees 		—
<ul style="list-style-type: none"> Held meetings of the Corporate Ethics Promotion Committee Held training sessions on corporate ethics within the workplace Formulated the Obayashi Group Anti-Bribery Program 	<ul style="list-style-type: none"> Held e-learning sessions on information security and privacy for employees Administered a questionnaire on information security checks 	45 – 46
<ul style="list-style-type: none"> Disclosed earnings-related information Held financial results briefings, presentations for analysts and one-on-one meetings Held tours of the Obayashi Technical Research Institute 	<ul style="list-style-type: none"> Held construction site tours Published OBAYASHI CORPORATE REPORT 2013 	46

*4 ZEB: net Zero Energy Building. Buildings designed to consume net zero energy in operation through energy conservation and the generation of renewable energy.

*5 Source ZEB: Source Zero Energy Building. Buildings designed to reduce the overall net consumption of primary energy to zero throughout the year with the use of renewable energy and other means.

Corporate Data

Business Outline

Company Name : OBAYASHI CORPORATION

Founded : January 1892

Established : December 1936

President : Toru Shiraishi

Head Office : Shinagawa Intercity Tower B,
2-15-2, Konan, Minato-ku,
Tokyo 108-8502, Japan

Capital : 57,752 million yen

Employees : 8,329 (as of March 31, 2014)

Construction Business Permission : Government Permit (Toku/Han-21) 3000

Real Estate Business License : Government License (13) 791

Business Activities : Construction work in and outside Japan, regional development, urban development, ocean development, environmental improvement, and other construction-related businesses, including engineering, management, consulting, real estate, etc.

Major Business Offices:

Head Office: 2-15-2, Konan, Minato-ku, Tokyo
Sapporo Branch, Tohoku Branch (Sendai City), Tokyo Main Office, Yokohama Branch, Hokuriku Branch (Niigata City), Nagoya Branch, Kyoto Branch, Osaka Main Office, Kobe Branch, Hiroshima Branch, Shikoku Branch (Takamatsu City), Kyushu Branch (Fukuoka City), Overseas Business Division (Tokyo)

Research Institute:

Technical Research Institute (Tokyo)

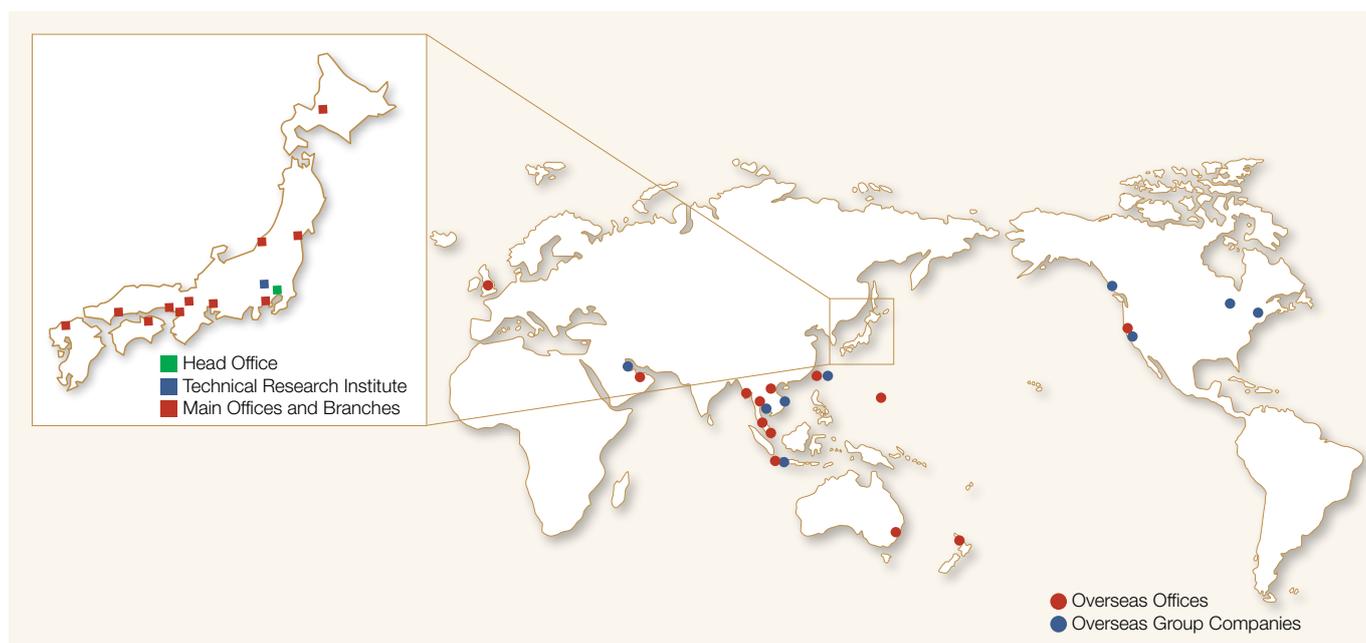
Overseas Offices:

London, San Francisco, Auckland, Sydney, Guam, Taipei, Jakarta, Hanoi, Singapore, Kuala Lumpur, Bangkok, Yangon, Dubai

Major Group Companies:

Obayashi Road Corporation (Tokyo)
Naigai Technos Corporation (Tokyo)
Obayashi Facilities Corporation (Tokyo)
Oak Setsubi Corporation (Tokyo)
Obayashi Real Estate Corporation (Tokyo)*
Seiwa Real Estate Co., Ltd. (Osaka)*
OC Finance Corporation (Tokyo)
Obayashi USA, LLC (San Francisco, U.S.)
Obayashi Canada Holdings Ltd. (Vancouver, Canada)
PT. JAYA OBAYASHI (Jakarta, Indonesia)
Thai Obayashi Corporation Ltd. (Bangkok, Thailand)
Taiwan Obayashi Corporation (Taipei, Taiwan)

* Obayashi Real Estate Corporation and Seiwa Real Estate Co., Ltd. are scheduled to merge in October 2014 to form Obayashi Shinseiwa Real Estate Corporation.



Stock Information/Editorial Policy

Stock Information (As of March 31, 2014)

Number of Shares Authorized:	1,224,335,000 shares (No change from the end of the previous fiscal year)
Total Number of Shares Issued and Outstanding:	721,509,646 shares (No change from the end of the previous fiscal year)
Number of Shareholders:	45,872
Transfer Agent:	Mitsubishi UFJ Trust and Banking Corporation 1-4-5, Marunouchi, Chiyoda-ku, Tokyo 100-8212, Japan
General Meeting of Shareholders:	June
Stock Listings:	Tokyo, Osaka and Fukuoka

Major Shareholders (As of March 31, 2014)

	Shareholdings	
	Shares held (Thousands)	Shareholding ratio (%)
Japan Trustee Services Bank, Ltd. (Trust Account)	72,670	10.12
The Master Trust Bank of Japan, Ltd. (Trust Account)	55,826	7.77
Nippon Life Insurance Company	23,518	3.27
Takeo Obayashi	18,264	2.54
State Street Bank and Trust Company	14,453	2.01
NORTHERN TRUST COMPANY (AVFC) ACCOUNT NON TREATY	13,586	1.89
Obayashi Employee Shareholding Association	11,238	1.56
Japan Trustee Services Bank, Ltd. (Trust Account 1)	9,781	1.36
Sumitomo Realty & Development Co., Ltd.	9,159	1.28
Japan Trustee Services Bank, Ltd. (Trust Account 6)	8,767	1.22

Note: Shareholding ratios exclude treasury stock (3,341,212 shares).

Editorial Policy

Starting in 2012, we decided to issue an Obayashi Corporate Report each year, as a single, comprehensive document to present our economic, social, and environmental activities over one year in a unified and clear format, providing an overall picture of our globally expanding business activities for stakeholders to understand.

This report consists of an opening chapter titled About Obayashi Corporation, which summarizes our company history and the trends in its main indices. This is followed by Management Policy, which is a message from our president, and two reporting chapters outlining our major activities and achievements titled Business Overview and Together with Stakeholders. Next, we include a section entitled Corporate Governance, which details our initiatives to enhance sound, transparent management, and in the back is a Corporate Data chapter showing trends in Obayashi's financial performance indicators.

Of the two reporting chapters, the Business Overview provides a status report on the business strategy and medium-term business plan objectives for each of Obayashi's business segments. In contrast, the Together with Stakeholders chapter describes the Group's major activities from the perspective of four key elements: 1) Engagement with customers, 2) Global perspective, 3) Amenity and associates, and 4) Open communication with stakeholders.

Consideration Given to Coverage and Importance:

Obayashi announces the economic, social, and environmental aspects of activities covered in this report more broadly on the Company website in a concise and timely manner.

This report features the initiatives Obayashi considers important to both society and the Company. Along with the references and guidelines listed to the right, Obayashi turns to shareholder opinions for guidance for those initiatives. Information not published in this report due to page limitations is posted on the Company website.

• Organizations Covered:

The economic section covers Obayashi Corporation and the Obayashi Group, while social and environmental sections cover Obayashi Corporation (initiatives at some Group companies also listed).

• Period Covered:

Fiscal 2014.3 (April 1, 2013–March 31, 2014, and coverage of some activities in fiscal 2015.3)

• Scope of Activities:

Economic, social and environmental activities of Obayashi Corporation and Group companies

• References and Guidelines:

- *Environmental Report Guidelines 2012* by the Ministry of the Environment of Japan
- *ISO 26000* by Japan Standards Association
- *Sustainability Reporting G3.1 Guidelines* by Global Reporting Initiative (GRI)

• Published:

October 2014
Previous issue: October 2013
Next issue: Scheduled for October 2015

• Prepared by:

CSR Department, Head Office

• Contact:

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For Additional Information:

- **Homepage to Obayashi's website:**
<http://www.obayashi.co.jp/english/>
- **Financial information on Obayashi's website:**
<http://www.obayashi.co.jp/english/ir/>
- **CSR activities on Obayashi's website:**
<http://www.obayashi.co.jp/english/csr/>

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External Evaluation

Major Awards from External Organizations



Dokkyo University Student Center



TOKYO SKYTREE®



Obayashi Technical Research Institute Main Building



Namba Parks



Osaka Energy Service, Second Plant



URIP (Ultra Rapid Under Pass) Method

Award Name	Award Sponsor	Award-Winning Object/Party
Good Design Award 2013	Japan Institute of Design Promotion	Ohkuraya Kojimachi Building (office building) Dokkyo University Student Center (Student-Participated Campus Project), etc.
54th BCS (Building Contractors Society) Award	Japan Federation of Construction Contractors	Obayashi Technical Research Institute Main Building Tokyo Denki University Tokyo Senju Campus (100th Anniversary Campus)
52nd Awards of the Society of Heating, Air-Conditioning and Sanitary Engineers of Japan (SHASE) Award of Technology of the Society Ten Years Award of Specialty Renovation Award of Specialty	The Society of Heating, Air-Conditioning and Sanitary Engineers of Japan	Award of Technology of the Society: Facilities Construction of Osaka Energy Service, Second Plant—Integrated heat source system design and pursuit of efficient plant operation— Ten Years Award of Specialty: Canon S Tower Renovation Award of Specialty: Obayashi Technical Research Institute Materials & Chemical Engineering Laboratory—Conversion of the office building into an “attractive laboratory”—
Japan Concrete Institute Awards 2014 Best Structure Award Encouragement Award	Japan Concrete Institute	Best Structure Award: ARK Hills Sengokuyama Mori Tower Encouragement Award: Research into evaluation of the segregation resistance of flowable concrete (general category)
Japanese Society of Steel Construction, Outstanding Achievement Award 2013	Japanese Society of Steel Construction	Design and Construction of TOKYO SKYTREE
Construction Excellence Award 2014	Building and Construction Authority (Singapore)	Industrial Buildings Category: Halliburton HCT Sing 3—Phase 1
JSCE Awards Fiscal 2012 Outstanding Civil Engineering Achievement (OCEA) Award Environmental Award Innovative Technique Award	Japan Society of Civil Engineers (JSCE)	OCEA Award: Improvement of an underground railway terminal station under a national highway in an urban area, accompanied by the removal of 10,000 tons in tunnel lining concrete from around a railway in operation—Compiled new station improvement technologies (Hanshin Electric Railway, Kobe—Sannomiya Station) Environmental Award: Creation of a large-scale green roof with biodiversity consciousness in an urban area (Namba Parks) Innovative Technique Award: Development of Inclined-Braceless Excavation Support
Fifth Monodzukuri (Manufacturing) Nippon Grand Award Prime Minister's Prize	Ministry of Land, Infrastructure, Transport and Tourism; Ministry of Health, Labour and Welfare; Ministry of Economy, Trade and Industry and Ministry of Education, Culture, Sports, Science and Technology	URIP method (an innovative tunneling technology for launching and retrieving a Tunnel Boring Machine (TBM) at ground level)
15th Infrastructure Technology Development Award 2013 Award for Excellence	Japan Institute of Country-ology and Engineering Coastal Development Institute of Technology	Dual Anchored Sheet Pie Wall Method (Method for increasing front water depth and seismic resistance of existing quay)
Fiscal 2013 Engineering Commendation Award Commendation Award	Engineering Advancement Association of Japan	Blast Silencer (low-frequency blasting sound reducer for tunnel construction)
Fiscal 2013 Awards for Achievement in Promoting Reduce, Reuse, Recycle Activities (3R Awards) Minister of Land, Infrastructure, Transport and Tourism Award	Reduce, Reuse, Recycle Promotion Association	Reduction of waste sludge and suppression of impact on crossing expressway in the excavation of a tunnel under a small overburden (URIP Wangan Funabashi Project Office)
Fiscal 2013 Minister of Health, Labour and Welfare Awards for Safety and Health Award for Excellence	Ministry of Health, Labour and Welfare	Construction of facilities at Umeda Kita Yard C-Block Yubari Lake Syuparo Dam Aggregate Structure Construction Stage 1 to 3

SRI Indexes

Obayashi is listed in the FTSE4 Good Global Index, which is a global socially responsible investment (SRI) index. In Japan, Obayashi is also listed in the Morningstar Socially Responsible Investment Index.



OBAYASHI CORPORATION

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Shaping the Times with Care



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- The printing method is water-free and involves no discharge of harmful effluents.

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