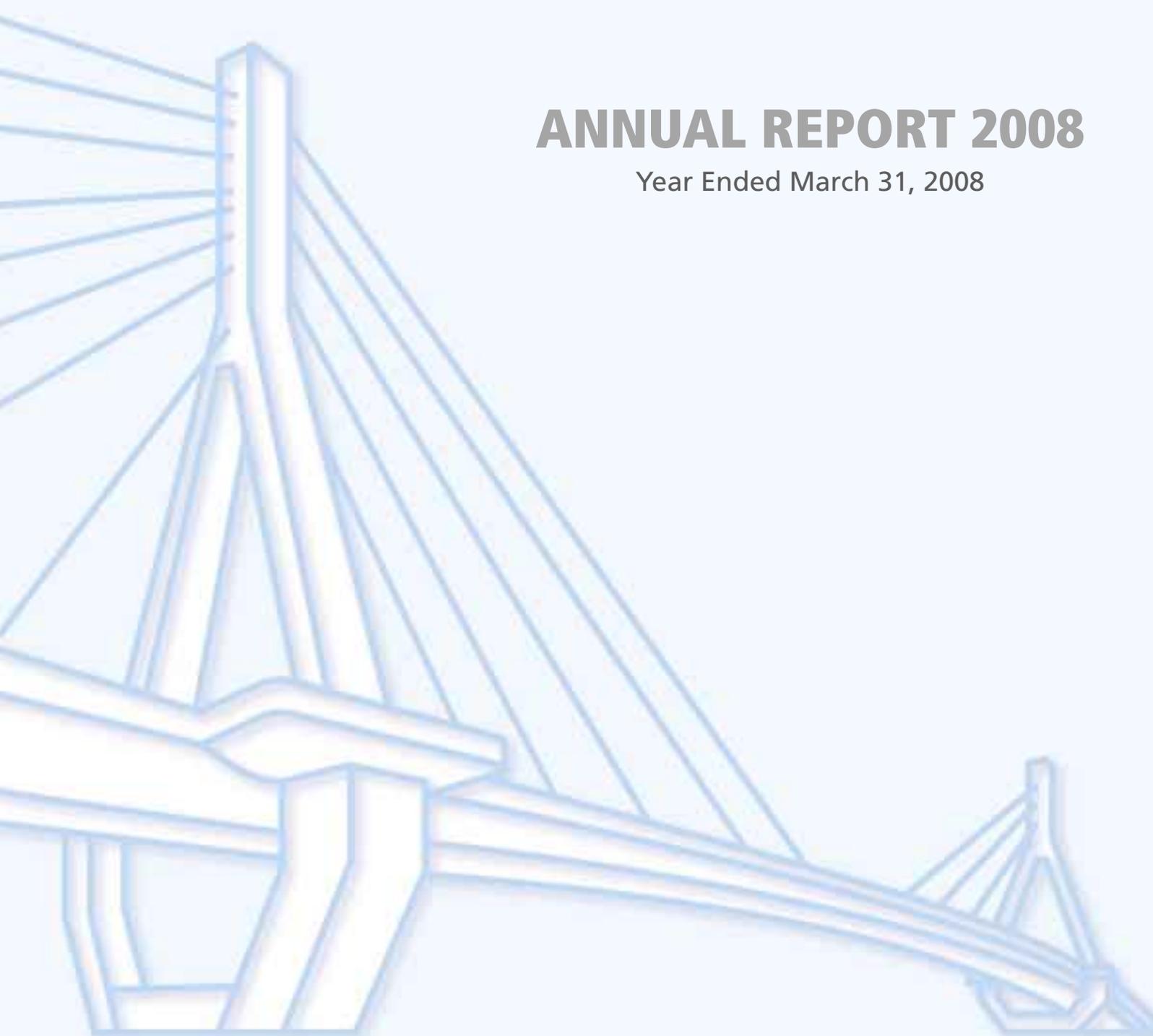




ANNUAL REPORT 2008

Year Ended March 31, 2008



O B A Y A S H I ANNUAL REPORT 2008

Contents

- 1 Financial Highlights
- 2 Message to the Stakeholders / Performance Overview
- 4 Building Construction
- 12 Civil Engineering
- 18 Overseas Business
- 22 Real Estate Business
- 24 Private Finance Initiative (PFI) Business
- 25 Renovation Business
 - Engineering Business
- 26 Research & Development
- 28 Corporate Governance
- 30 Commitment to the Environment
- 31 Social Contribution Activities
- 32 Corporate Executives
- 33 Financial Section
- 56 Corporate Profile / Stock Information
- 57 Network of Companies

Disclaimer:
"Forecast," "Plan," "Target," or any other words and phrases relating to any future events shown in this Annual Report are based on assumptions as of the date of preparation of this Annual Report and contain potential risks and uncertainties. The actual results may differ significantly.

Financial Highlights

Major Management Indicators (Consolidated)

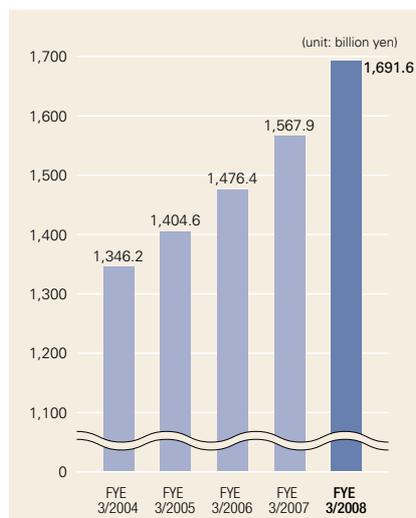
unit: million yen (unless otherwise specified)

	FYE 3/2004	FYE 3/2005	FYE 3/2006	FYE 3/2007	FYE 3/2008	FYE 3/2008 (thousand U.S.Dollars) (unless otherwise specified)
Revenue	¥ 1,346,297	¥ 1,404,640	¥ 1,476,424	¥ 1,567,960	¥ 1,691,635	\$ 16,884,278
Operating income	37,974	43,356	46,658	47,538	28,667	286,128
Net income	21,193	25,076	34,489	40,652	18,595	185,604
Orders received	1,269,559	1,478,252	1,533,215	1,552,727	1,513,380	15,105,108
Net assets	¥ 344,273	¥ 364,301	¥ 486,017	¥ 565,456	¥ 477,504	\$ 4,765,992
Total assets	1,821,883	1,842,262	1,977,295	2,066,984	1,854,071	18,505,550
Net assets per share (yen / US \$)	¥ 477.80	¥ 505.81	¥ 674.94	¥ 753.78	¥ 625.06	\$ 6.24
Net income per share (yen / US \$)	29.42	34.81	47.89	56.46	25.83	0.26
Dividend per share (yen / US \$)	8	8	12	12	8	\$ 0.08
Dividend payout ratio (%)	27.2	23.0	25.1	21.3	31.0	31.0
Return on equity: ROE (%)	7.0	7.1	8.1	7.9	3.7	3.7
Equity ratio (%)	18.9	19.8	24.6	26.3	24.3	24.3

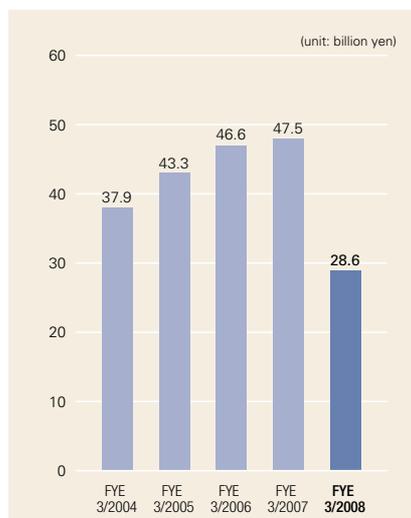
Notes:

1. Japanese yen amounts were computed based on the generally accepted accounting principles in Japan, and all the amounts less than ¥1 million were omitted.
2. U.S. dollar amounts were translated from yen, for convenience only, at the approximate exchange rate of US\$1=¥100.19 at the close of the fiscal year ending March 31, 2008.
3. Net income per share was computed based on the weighted average number of shares of common stock outstanding during the year.

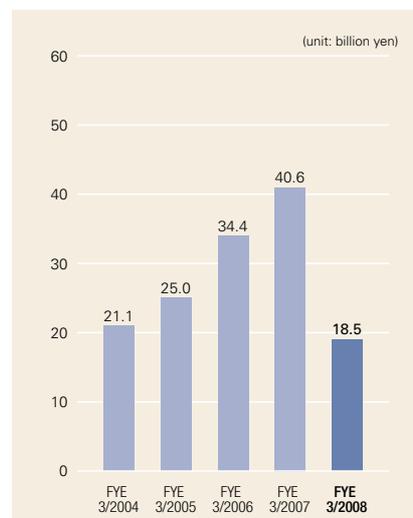
Revenue



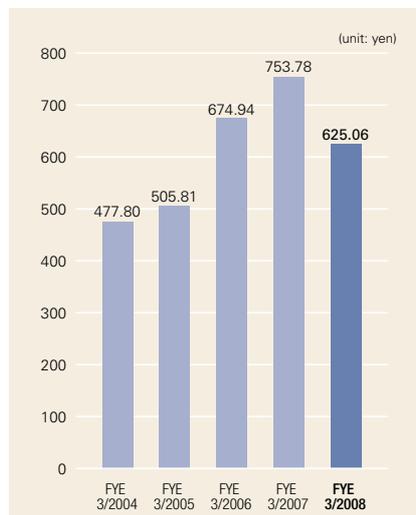
Operating income



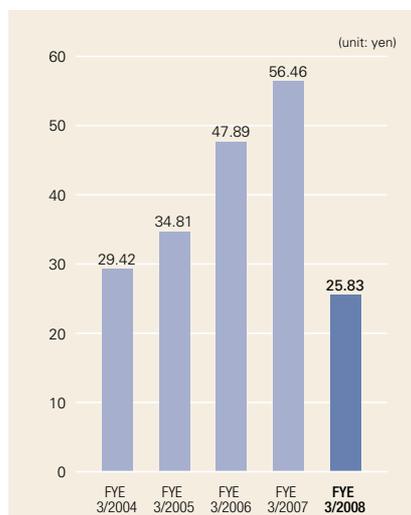
Net income



Net assets per share



Net income per share



ROE



Message to the Stakeholders / Performance Overview

Please find below an overview of our business results for the fiscal year beginning April 1, 2007 and ending March 31, 2008.

The Obayashi Group Today Business operations and results

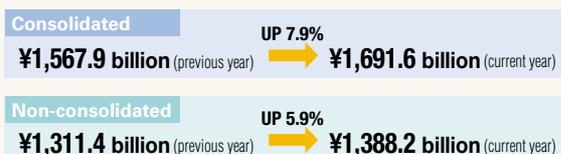
For the year the Japanese economy continued to recover, supported by private capital investment, however, since the start of the new calendar year the outlook is becoming increasingly less clear. This is due in part to the sustained lackluster public investment and slowing down of private consumption at home and the deceleration of the US economy triggered by the sub-prime loan crisis and soaring crude oil prices.

Against this background, the domestic construction market

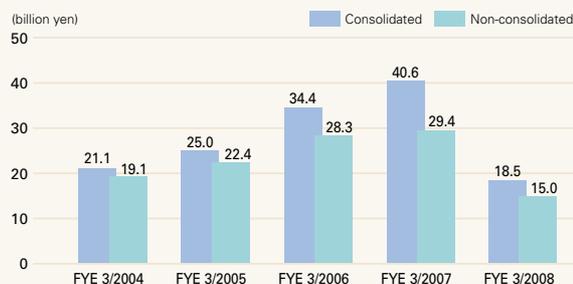
generally faced challenging circumstances as it continued to be affected by declining public sector orders and a slowing down of the growth in private sector orders.

Under these circumstances, the Group's consolidated business results recorded a 7.9% increase in revenue to approximately ¥1,691.6 billion compared to the previous year. On the earnings front, however, operating income decreased 39.7% to approximately ¥28.6 billion due partly to harsh competition for new orders and a decline in profitability due to rising cost of construction materials. Ordinary income decreased 39.4% to approximately ¥32.3 billion and net income decreased 54.3% to approximately ¥18.5 billion.

Revenue



Net income



The overview of performance by business group is as follows:

Construction Business

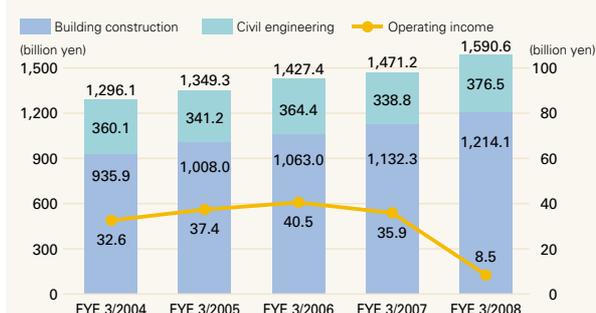
The construction business recorded a 1.0% decrease in orders over the previous year to approximately ¥1,431.2 billion. This was due to the decline in orders received by Obayashi Corporation and domestic subsidiaries while orders for overseas subsidiaries increased.

The company's orders received (non-consolidated basis) decreased 4.5% to approximately ¥1,141.1 billion over the previous year. The breakdown is as follows: civil engineering decreased by 8.1% to approximately ¥184.9 billion while building construction decreased by 3.7% to approximately ¥956.2 billion.

On the other hand, the consolidated revenue of building construction increased by 8.1% to approximately ¥1,590.6 billion over the previous year. This was due to increase in revenue of Obayashi USA, primarily as a result of the acquisition of Webcor Builders. The operating income decreased by 76.3% to approximately ¥8.5 billion due to reduced profitability driven by, among other factors, increasingly com-

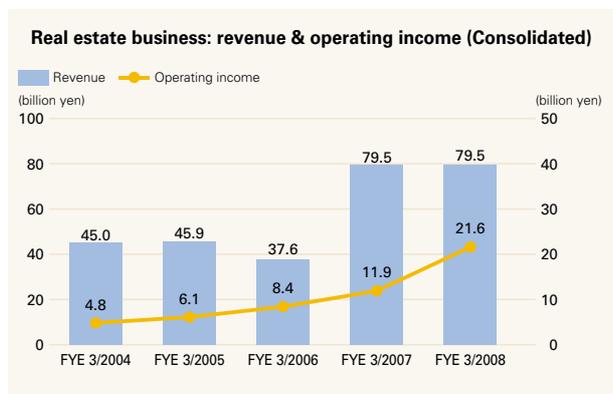
petitive order taking and rising construction material costs. Obayashi Corporation's non-consolidated construction revenue recorded an increase of 7.7% to approximately ¥1,336.2 billion. The breakdown: civil engineering, an increase of 16.5% to approximately ¥315.1 billion and building construction, an increase of 5.3% to approximately ¥1,021 billion.

Building construction: revenue & operating income (consolidated)



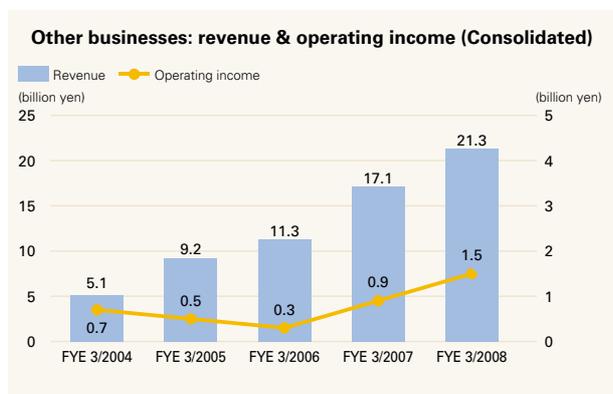
Real Estate Business

The Group recorded revenue of approximately ¥79.5 billion, on par with the previous year, with operating income recording an increase of 82.1% to approximately ¥21.6 billion over the previous year. This was due primarily to the contribution from a large scale redevelopment project undertaken by Urawa Stream, a limited liability company (a Special Purpose Company) notwithstanding the decrease in non-consolidated real estate revenue.



Other Businesses

In other businesses the Group recorded a 24.5% increase in revenue to approximately ¥21.3 billion and an operating income increase of 69.0% to approximately ¥1.5 billion, most owing to an increase in income from facility operation and management including PFI (Private Finance Initiative) business operated by subsidiaries.



By business: revenue & operating income (Consolidated)

Category	Construction	Real estate	Other businesses	Total	Elimination	Consolidated
Revenue	1,590,657	79,597	21,380	1,691,635	—	1,691,635
Operating income	8,547	21,675	1,568	31,791	△ 3,124	28,667

Notes:

- Internal transactions between businesses have been eliminated from revenue for each business.
- Operating income for each business includes inter-business transactions. Amount accrued from inter-business transaction that should be eliminated is listed in "Elimination" section.

Medium Term Business Plan

It is Obayashi Group's immediate task to recover and improve its profitability. With this in mind, we have developed a Medium Term Business Plan 2008—"Grow by Leveraging our Technology"—a 5-year program beginning this fiscal year.

The Plan aims at improving the profitability of our key businesses—construction and real estate development—by enhancing our core competence, "technology", as well as expanding business areas of Obayashi Group.

More specifically, we will build up strategies by construction types and methods, develop "market-oriented technologies" that meet the needs of our clients in accordance with these strategies and thereby keep our competitive advantage with our technologies at the core. This will enable us to further improve the quality of our proposals for more customer satisfaction, acquire more design/build projects and expand our customer base, all while strengthening the relations with our existing customers. In addition, we will generate new sources of profit and expand business areas by, including through M&A, developing new businesses where a synergy effect with our key businesses—civil engineering, building construction and real estate development—is expected.

With achieving ¥80 billion of ordinary income by the fiscal year ending March 2013 as our foremost goal, Obayashi Group will focus all its strength to execute this Medium Term Business Plan.

We, Obayashi Group, aim to be a highly respected corporate group, while improving corporate value by ensuring sufficient profit and living up to the expectation of our stakeholders. We thank you for your continued support and understanding.



Toru Shiraishi

Toru Shiraishi, President & CEO

Building Construction

Obayashi Corporation responds to the diverse needs of its customers, from building energy-saving and environmentally-friendly offices, plants with high productivity, hospitals and schools applying our earthquake-resistant and disaster-prevention technologies, to preservation and restoration of cultural properties. All our departments, from sales, design, equipment, purchasing and construction to technology development, work as a single unit to execute projects. With our experience, know-how, technological expertise and management resources, we deliver high value-add proposals to our clients in a speedy and efficient manner.

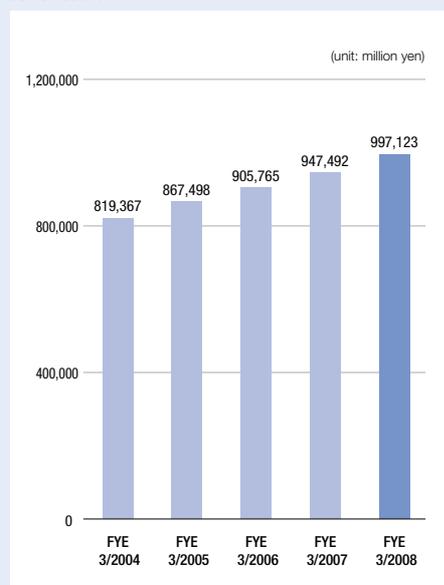
Performance

Revenue for fiscal 2007 is ¥997.1 billion, up 5.2% over the previous year, while orders received amounted to ¥912.5 billion, down 6.5% from the previous year. The major factor for the revenue increase is expanded application of the scope of work-in-progress. On the other hand, the decline in orders received is due to our strict decision not to accept orders for projects which, in these competitive times, appear unprofitable from inception.

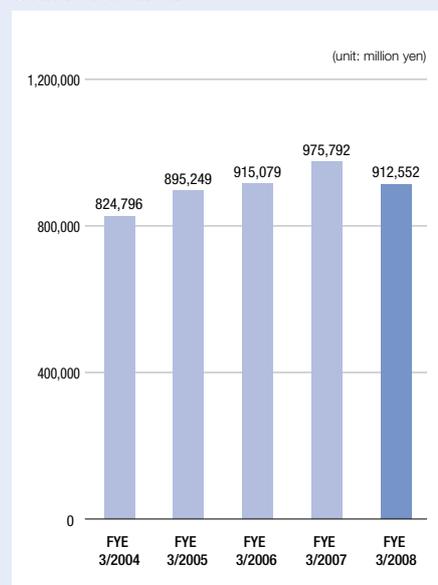
Strategy

The trend in public investment continues to be discouraging, but our main market consisting of investment in private nonhousing construction is solid. We will continue to be profit-oriented and pursue projects that can add value and satisfaction both to our clients and to us. As to our response to rising construction costs, which is a factor in our deteriorating profitability, we will sign contracts that take into account cost-increases and that have clauses dealing with future cost escalation; while for already-signed contracts, we will negotiate for the execution of escalation clauses in order to recover profitability. To hone our competitive edge we will strengthen price competitiveness, propose and acquire more design/build contracts, and focus on our specialties. We will also improve our understanding of and respond with unique suggestions to our customers' needs and differentiate ourselves from our competitors with our technological prowess.

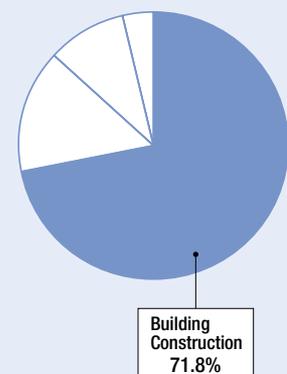
Revenue



Orders received



Building construction revenue as a percent of total revenue



* Data represents non-consolidated actual performances



**Urawa Station East Exit Area
Redevelopment Project** ('07)

Location: Urawa-ku, Saitama-City

The commercial complex at the East Gate of Urawa Station contains a cinema complex and a library. The large scale redevelopment has invigorated the East Gate and its vicinity. It is expected that both the East and West Gates of the station will form an attractive gateway to the capital city of Saitama Prefecture in the future.



CITYPLAZA OSAKA ('06)

Location: Chuo-ku, Osaka-City



Art Village Osaki ('06)

Left: View Tower

Right: Central Tower

Location: Shinagawa-ku, Tokyo



Canon Inc. Takeshi Mitarai Memorial Hall ('08)

Location: Ota-ku, Tokyo



Omotesando Hills ('06)

Location: Shibuya-ku, Tokyo

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



**Kumamoto Castle
Hommaru-Goten Palace** ('08)
Location: Kumamoto-City, Kumamoto

The famous Kumamoto Castle was built by Lord Kato Kiyomasa. After 400 years, Hommaru-Goten Palace (Lord's residence and guest house) has been restored to its previous grandeur. Traditional building techniques were used to faithfully reconstruct 25 rooms (580 tatami mats) including grand halls, kitchen and Sukiya tea house. The inside is decorated with numerous Urushi (Japanese lacquer) pieces, golden ornaments and tatami mats made of local rush to create a uniquely luxurious space.



Nippon Life Insurance Company Sapporo Building ('06)
Location: Chuo-ku, Sapporo-City



Bando Chemical Industries, Ltd. Head Office ('07)
Location: Chuo-ku, Kobe-City



SAPIA Tower ('07)
Location: Chiyoda-ku, Tokyo



Sumitomo Fudosan Mita Twin Building West ('06)
Location: Minato-ku, Tokyo

Uminakamichi Nata Sea Water Desalination Center ('05)

Location: Higashi-ku, Fukuoka-City

Ensuring its water supply has become a major challenge for the Fukuoka metropolitan area given the unstable weather and recent increase in water demand. To ensure a stable water supply, the Uminakamichi Nata Sea Water Desalination Center was established. Here seawater is passed through a filter of sea bottom sand and then drawn into the plant. The system is called Sand Filtration Seawater Intake System. The center processes and supplies 50,000m³ a day of clean, safe drinking water.





Ario Otori Shopping Center ('08)
Location: Nishi-ku, Sakai-City



Onishi Hall ('05)
Location: Fujioka-City, Gumma

Onishi Hall is a restful park-like space with curving glass walls fronting a gently rising lawn. It is an integrated facility made up of three independent structures: gymnasium, multi-purpose hall and administrative wing, each connected by narrow path. Designed by the internationally renowned architect Kazuyo Sejima, the hall offers people in the town a new place for communication, giving them the feeling of being outdoors even in the hall.



KOMATSU Ltd. Kanazawa Plant ('06)
Location: Kanazawa-City, Ishikawa



TOKYU Harvest Club VIALA Hakone-Hisui ('08)

Location: Ashigarashimo-gun, Kanagawa



Kyoto State Guest House ('05)

Location: Kamigyo-ku, Kyoto

Sukiya style buildings with gambrel roof atop are placed around the Japanese garden in the center, inviting guests to enjoy changing seasons from any spot. The complex was built to entertain foreign guests in authentic Japanese space to experience the Japanese culture and history. Skills of traditional artisans and state of the art architectural technology have been fused in this architectural masterpiece of the Heisei era.



The University of Tokyo Hospital Central Clinical Service Building ('06)

Location: Bunkyo-ku, Tokyo



SONY ATSUGI Technology Center No. 105 ('06)

Location: Atsugi-City, Kanagawa



MODE GAKUEN Spiral Towers ('08)
Location: Nakamura-ku, Nagoya-City



SHISEIDO BEAUTY ACADEMY ('06)
Location: Itabashi-ku, Tokyo



FUJISOFT Akihabara Building ('07)
Location: Chiyoda-ku, Tokyo

Civil Engineering

Obayashi Corporation applies its technological prowess to a wide variety of civil engineering projects including tunnels, bridges, dams, riparian works, city redevelopment and railroads. The group is also aggressively involved in environment related fields and has proven track records in, for example, construction of neighborhood environment-friendly closed-system waste disposal facilities and soil decontamination. We satisfy customers' needs with accuracy by advancing solution-based technical marketing that integrates our sales, technology, construction, and research and development departments for maximum efficiency.

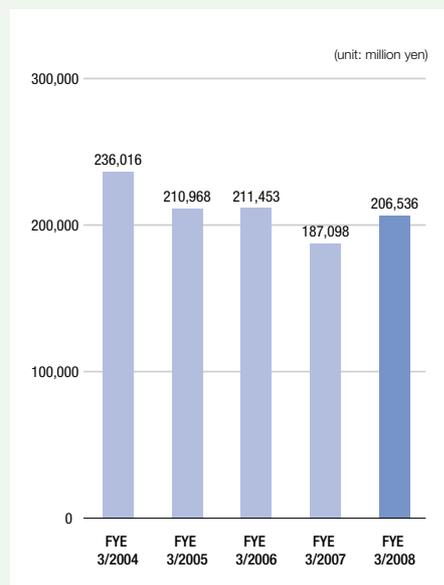
Performance

Fiscal 2007 revenue recorded was ¥206.5 billion, up 10.4% over the previous year; orders received amounted to ¥122.4 billion, down 8.7% compared to the previous year. The major factor for the revenue increase is expanded application of the scope of work-in-progress. On the other hand, the decline in orders received is due to our strict decision not to accept orders for projects which, in these competitive times, appear unprofitable from inception.

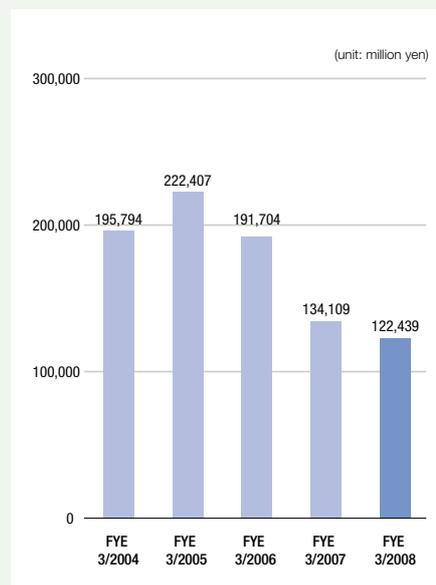
Strategy

Public sector investment, the main market for our civil engineering business, continues to shrink. However, Obayashi, integrating its strength in its time-tested technical prowess and ability to conduct comprehensive project management, will focus on winning technology/proposal-based bids and design/build bids. We will improve profitability by concentrating our management resources on our specialties such as shielded tunnels, railways and environment related projects.

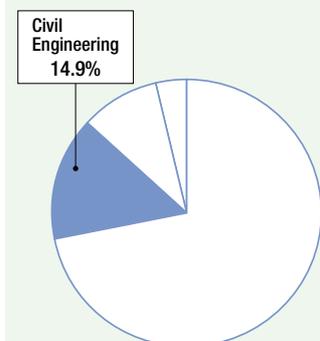
Revenue



Orders received



Civil engineering revenue as a percent of total revenue



* Data represents non-consolidated actual performances



Minoh-shinmachi ('07)
Location: Minoh-City, Osaka

Minoh-shinmachi, a newly developed residential town in the north of Minoh-City, is Japan's first property development and infrastructure construction/management project using PFI method. Such infrastructure as roads, bridges, water works and sewers, and parks were developed. The new town is expected to hold up to 2,900 subdivisions. As the PFI coordinator, Obayashi is responsible for maintaining and managing infrastructure after completion of the construction.



Tokaido Shinkansen, Shinagawa Station ('03)
Location: Minato-ku, Tokyo



Photo by: Incorporated Administrative Agency Japan Water Agency

Tokuyama Dam ('08)
Location: Ibi-gun, Gifu

The rock-fill dam boasts a bank volume of 13,700,000m³, a 161m bank height and a total reservoir capacity of 660,000,000m³, the largest in Japan and twice the capacity of Lake Hamana, the tenth largest lake in Japan. Obayashi mainly constructed the spillway of this dam.



Usuki City Disposal Factory ('04)
Location: Usuki-City, Oita

This is Japan's largest closed (roofed) general waste disposal facility that totally controls waste leachate in addition to infiltration of rainwater and groundwater with maximum consideration to the surrounding environment. Obayashi contributed to this ambitious project with its technologies such as the water leak detection system and work environment management system.



Annaka City General Waste Final Processing Plant ('06)
Location: Annaka-City, Gunma



The San-en Tunnel of Hourai area ('08)
Location: Shinshiro-City, Aichi



**Kansai International Airport,
2nd-phase Airport Island** ('05)
Location: Izumisano-City, Osaka



**Metropolitan Expressway Central
Circular Shinjuku Route Naka-ochiai
Shield Tunnel (outbound)** ('07)
Location: Toshima-ku and Shinjuku-ku, Tokyo

The Metropolitan Expressway Central Circular Route Project is now in progress. It is expected to ease chronic traffic congestion in the center of Tokyo when completed. Obayashi constructed approximately 2km of the Shinjuku Route using the world's largest earth pressure balance shield machine. The company has contributed to the construction of Tokyo's underground transportation network with its reliable technology and project management.



The New Tomei Expressway Onohara-bridge ('06)

Location: Gotenba-City, Shizuoka



Nakakoba Dam ('07)

Location: Kashima-City, Saga



Fukutoshin Line (Tokyo Metro Subway Line No.13) Minami-ikebukuro Shield Tunnel (A Line) ('07)

Location: Toshima-ku, Tokyo



Chuo Expressway Hachioji Junction ('05)

Location: Hachioji-City, Tokyo



The New Tomei Expressway Sarutagawa-bridge and Tomoegawa-bridge ('06)

Location: Shizuoka-City, Shizuoka

The world's most advanced prestressed concrete (PC) Hybrid Truss Bridge methodology was used on bridges over the Sarutagawa River and the Tomoegawa River. This new bridge technology links the upper and lower PC floor slabs with the steel truss as opposed to using the conventional box girder method. The result is a smaller volume of concrete used achieving a 15% weight reduction. This improves seismic resistance while achieving overall economy of the bridge including the substructure and foundation. The truss bridge has a graceful design and fits in well with the landscape of the beautiful tea gardens.

Overseas Business

Obayashi Corporation's world renowned earthquake-resistant engineering, shield construction and its other technologies have been selected for many national projects across the globe. Recent international projects include the Dubai Urban Rail Transit System, the Taiwan High Speed Rail and the Thanh Tri Bridge in Vietnam. Having started its construction business in Asia some forty years ago, Obayashi has pursued "locally-rooted and confidence-building technologies" respecting local and regional industry characteristics. While adopting construction methods and technologies that suit the indigenous conditions, we work to foster trust through, among other ways, personal relationships in every country in which we are present.

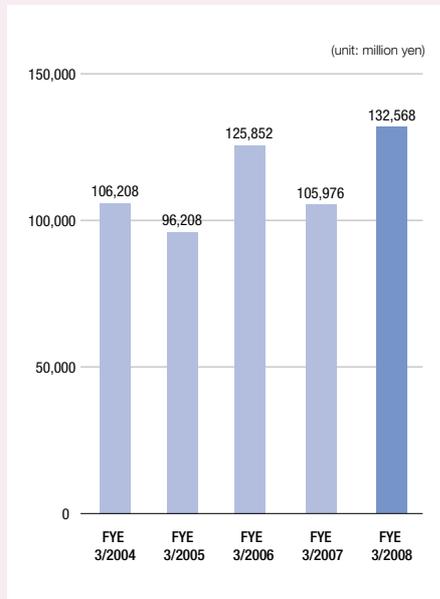
Performance

Fiscal 2007 revenue was ¥132.5 billion, up 25.1% over the previous year, while orders received recorded ¥106.2 billion, up 25.3% over the previous year. The increase in revenue generally resulted from our participation in a period of substantial overseas construction activity, while the increase in orders received resulted from a large construction order in Singapore, where construction is booming.

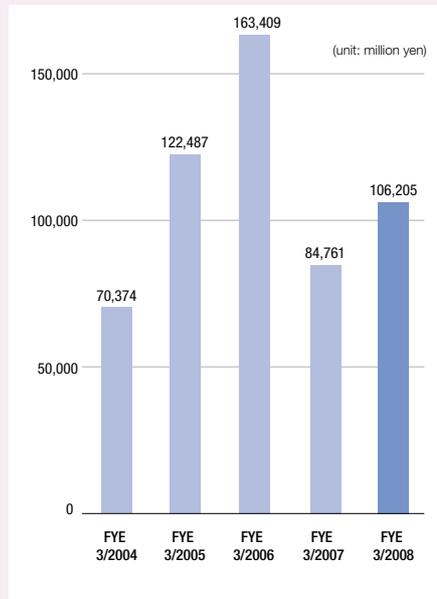
Strategy

Obayashi Corporation directly operates its overseas civil engineering business where the advanced technology it has is a competitive edge, and handles its overseas building construction business mainly through its overseas subsidiaries to be most competitive in local markets. In April 2008, we established the Overseas Business Division to effectively share information, knowledge and technical expertise, to reinforce profit management and risk control, and to carry out an effective utilization of personnel, both Japanese and local talents, more than ever before. With these developments in place we will further bolster our effectiveness and profitability.

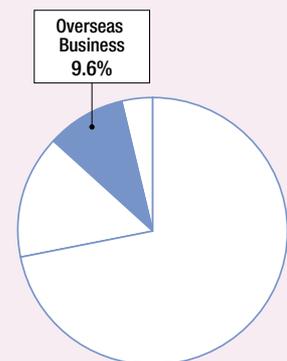
Revenue



Orders received



Overseas business revenue as a percent of total revenue



* Data represents non-consolidated actual performances



Taiwan High Speed Rail ('06)

Location: Taipei City and Taoyuan County, Taiwan

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



California Academy of Sciences ('07)

Location: San Francisco, California, U.S.A.

Contractor: Webcor Builders (Obayashi Group)

This is a building construction project of US Webcor Builders which joined Obayashi Group in 2007. It is a big project that integrates exhibition facilities such as a planetarium, aquarium, and natural history museum into a state of the art structure that matches the surrounding natural environment and showcases environmental concerns by incorporating roof greenery and solar power generation.



One Raffles Quay ('06)

Location: Singapore

This is the first building at the entrance to Singapore's Marina area where a large scale development is taking place. The building complex has a 50-story above ground North Tower and 29-story South Tower, forming a landmark bridging the present business district and the Marina area.



SIAM PARAGON ('05)

Location: Bangkok, Thailand

Contractor: Thai Obayashi Corporation Limited (Obayashi Group)



**Brookhaven National Laboratory
Center for Functional Nanomaterials** ('07)

Location: Upton, New York, U.S.A.

Contractor: E.W. Howell (Obayashi Group)



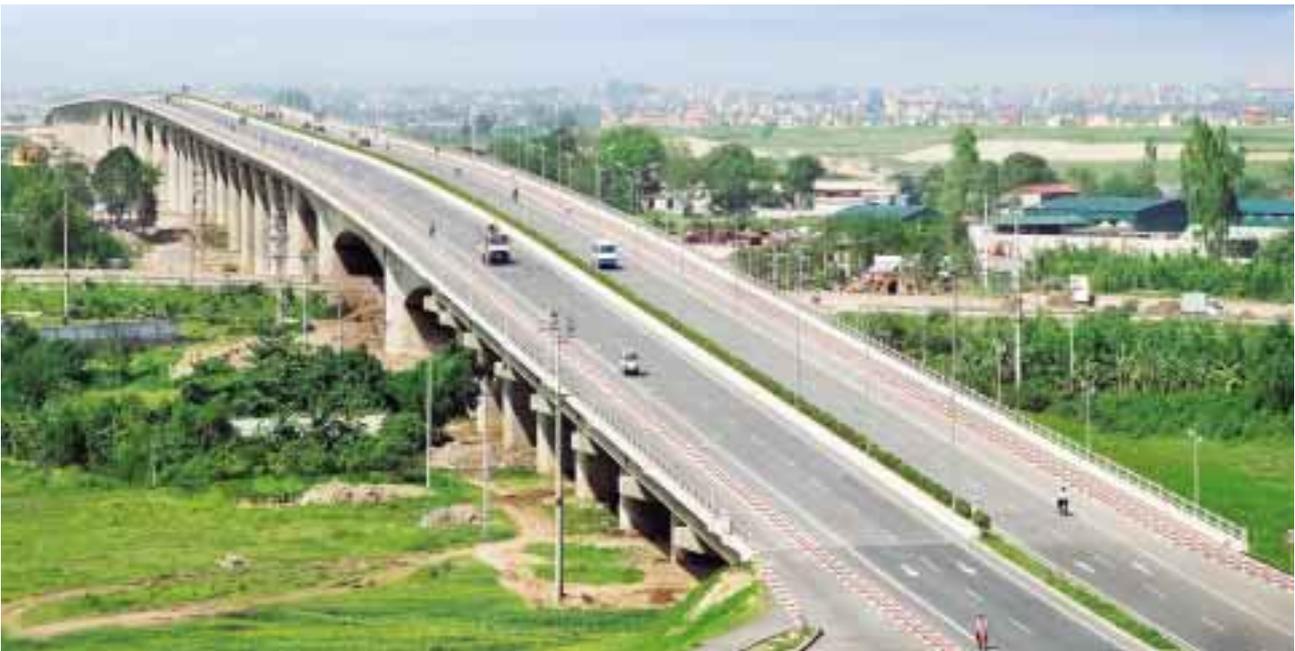
**Toyota Motor Thailand Co., Ltd.
Ban Pho Plant** ('06)

Location: Chachoengsao, Thailand

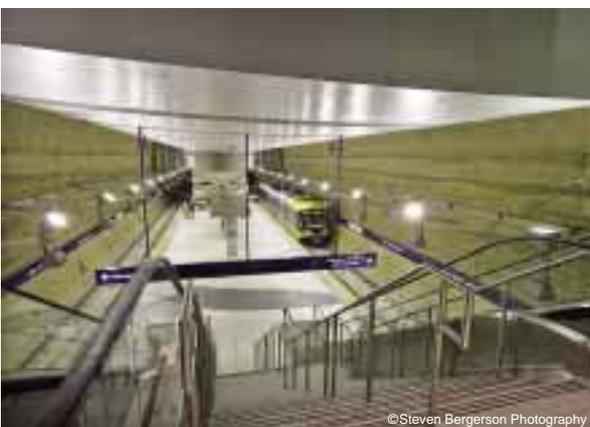
Contractor: THAI OBAYASHI CORPORATION LIMITED
(Obayashi Group)



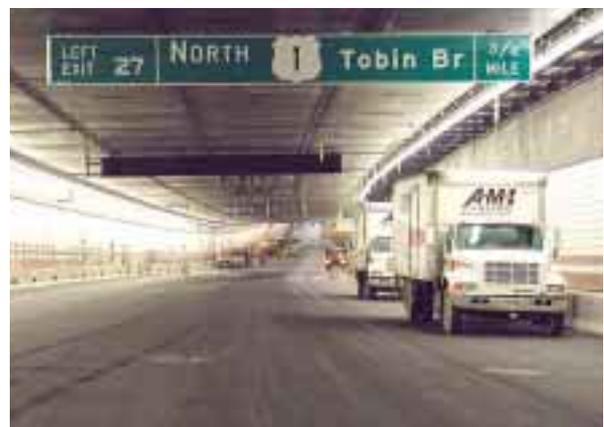
CANON 06A Tien Son Factory ('07)
Location: Bac Ninh, Vietnam



Thanh Tri Bridge ('06)
Location: Hanoi, Vietnam



MSP LRT Tunnel and Station ('05)
Location: Minneapolis, Minnesota, U.S.A.



**Central Artery / Tunnel project-I-93 Tunnel
Finishes (C17AA) in the City of Boston** ('06)
Location: Boston, Massachusetts, U.S.A.

Real Estate Business

Committed to offering excellent development projects

Revitalizing Urban Area Redevelopment Projects

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

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

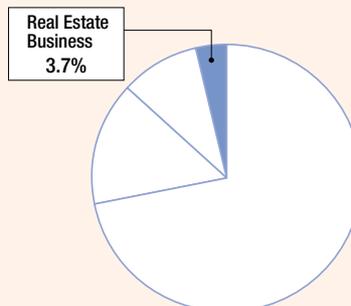
Securitization of Real Estate for Development

Obayashi is also actively involved in the securitization of development-oriented real estate, in which the company undertakes large-scale development businesses on its own initiative, based on its expertise in structuring SPCs, procuring financing for businesses and providing risk analysis drawn upon its extensive experience. The successful Urawa Station East Exit Area Redevelopment Project is a case in point. Usually, development projects take a long time from initiating a study to completion. We were successful in expeditiously completing the project with minimal risk through scheduling and cost management, regulatory compliance, partnering with local landowners, due consideration for the surrounding environment, and constructing a business plan that involves investors and financiers. Our intent is to maintain and enhance our reputation as a first-tier developer so that our projects will continue to attract the necessary take-out capital, most often under pre-sale agreements such as we have previously consummated with REIT's.

Revenue



Real estate business revenue as a percent of total revenue



* Data represents non-consolidated actual performances of Real Estate Business etc.

Urban Development Business

Utilizing an "Exclusive System Entrusting Specific Task to Agents"* to facilitate smooth and expeditious business management

Osaki Station East Exit Area Redevelopment Project ('06)

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

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



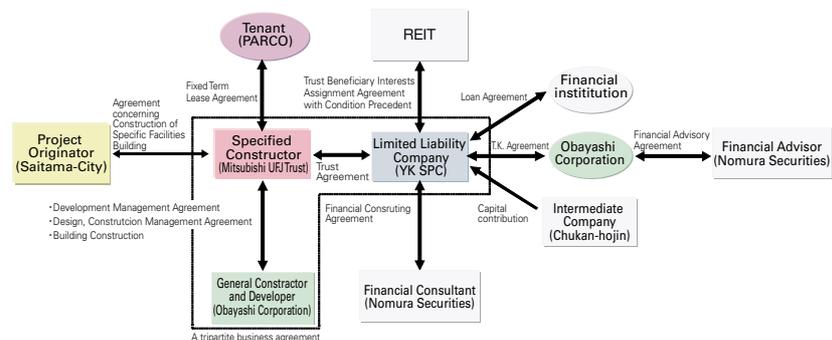
A first in Japan the “development-oriented securitization plan”

Urawa Station East Exit Area Redevelopment Project ('07)

The project involved the construction of a triple complex facility comprising commercial and public spaces and a parking area, acting on behalf of the redevelopment client, the Saitama City. The specified builder (Mitsubishi UFJ Trust and Banking) concluded an agreement with the City and was responsible for the completion of the project, then commissioned the whole project to Obayashi Corporation which actually undertook all works. Obayashi was involved in coordinating the entire development project and the design and construction of the buildings.

Also, the funding required by the specified builder was raised from financial institutions by an SPC that Obayashi organized, with the funds kept in trust at the Mitsubishi UFJ Trust and Banking. The SPC in turn was issued a trust beneficiary right which was sold on completion of the project to the investors to recover the funds.

The biggest feature of the scheme was the conclusion of the purchase contract of the trust beneficiary right between the investors expected to purchase the pending space and the SPC prior to the acquisition of construction approval. In this case, a 20-year lease was concluded with the tenant (PARCO), a fixed NOI (before interest and profit amortization) was agreed to, and the sales contract provided for a possible fluctuation of interest in the future. As a result, we were able to raise funds under advantageous terms.



Property Development

Offering high-quality living space in comfortable urban settings applying rich experience and a proven track record

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

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

Toyosatodai

Utsunomiya-City, Tochigi
Approx. 1,600-unit residential development ('90~)*



Toyosatodai is an expansive 730,000m² project we developed taking advantage of the land's natural contours on the southern slope of the hill. Nestled in a gentle hillside, it is one of the most beautiful urban areas of the Tokyo metropolitan region acclaimed for its beauty as a cultural and academic city.



Sakura Someino

Sakura-City, Chiba
Approx. 1,100-unit residential development ('92~)*



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

Fujieda Kiyosato

Fujieda-City, Shizuoka
Approx. 780-unit residential development ('95~)*



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

* Year when sales started

Private Finance Initiative (PFI) Business

Pursuing VFM (Value For Money) as one of Japan's leading PFI project implementers

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

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

27 out of the 28 projects, and are taking initiatives in maximizing Value For Money (VFM).

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

Looking ahead, we will continue to enhance our management expertise with the goal of establishing the premier position in the PFI market.

Kanagawa University of Human Services ('00)*

BTO (Build-Transfer-Operate) Scheme



Kanagawa University of Human Services drew attention as the first large-scale PFI project in Japan. Obayashi participates as the general coordinator of the project, the 100% investing company to Special Purpose Company PFI Kanagawa and the builder of the facility. The facility was completed in January 2003 and it is now in the sixth year of maintenance and management.

In executing the project we established a review committee within the company and employed external financial, legal and insurance advisors to manage construction, maintenance and fund raising risks. This was a milestone project in successfully procuring the 30-year long-term project financing.

Suginami Koukaidou Hall Reconstruction, Management and Operation Project ('03)*

BOT (Build-Operate-Transfer) Scheme



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

Nagaoka Prefectural Indoor Pool Construction and Operation Project ('05)*

BTO (Build-Transfer-Operate) Scheme



This is Niigata Prefecture's first large-scale PFI project, symbolizing the recovery from the 2004 Niigata-Chuetsu Earthquake. The facility will be the main venue for the swimming events in the 2009 Japan National Athletic Meet and will later serve as the prefecture's main sports facility for promoting physical fitness through swimming. Obayashi's operation and management will span a period of fifteen years. Our participation includes overall management as well as investment in the special purpose company (SPC) and construction of the facility.

New Office for the Members of the House of Representatives ('05)*

BTO (Build-Transfer-Operate) scheme



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

Shimane Asahi Rehabilitation Program Center Operation Project ('06)*

BOT (Build-Operate-Transfer) Scheme



This private public joint management prison will be operated with the objective of building a supportive community for social rehabilitation by fusing community power and facility management. Opening is scheduled for October 2008.

*Year that SPC was established

Renovation Business

Creating new property value from the perspective of life cycle management Improving asset value of buildings

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

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

Complete removal of 30,000m² of Asbestos at the National Yoyogi Stadium

Asbestos Removal ('07)

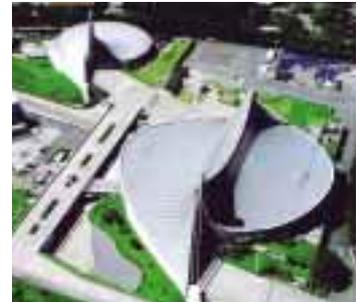
Obayashi completely removed the approximately 30,000m² of asbestos used as insulation under the roof of the first and second gymnasias at the Yoyogi National Stadium. This, the largest-scale asbestos removal in Japan, was successfully conducted with our expertise and innovative technology using dry ice to strip off the asbestos while monitoring asbestos leaks around the clock and ensuring the safety of the vicinity. *

** Awarded second prize in the 10th Infrastructure Technology Award (by Ministry of Land, Infrastructure and Transportation)*

Before removal



After removal



Engineering Business

To meet increasingly sophisticated and complex customer needs

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

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

DHC Saitama Iwatsuki Plant ('08)

The Saitama Iwatsuki Plant is DHC Corporation's first cosmetic plant. It was a turnkey project where Obayashi not only constructed the factory building but also installed the production equipment. The facility's equipment meets the requirements of Pharmaceutical Affairs Law and Cosmetics GMP (Good Manufacturing Practice). An automated transportation system is contributing to reduction of manpower. It is a bright, open and friendly cosmetics plant which has a special passageway for visitors to enjoy watching the production process.



Kyoto Eco-Energy Research Center ('06)

The full operation of the Center began in January 2006. A daily maximum of 4,500m³ of bio gas (methane) is generated by high temperature methane fermentation of 23 tons of residue from food processing plants. The biogas generates 1,088,470kWh of electricity annually and it is calculated that it contributes the equivalent of 292 tons of CO₂ reduction, ameliorating global warming.



Research & Development

Developing pioneering technologies for the world

Pioneering Technologies Developed in our Advanced Technical Research Institute

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

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



The Main Building (The Super Energy-Conservation Building)



Fire Protection Engineering Laboratory



The Tri-axial Shaking Table

Capable of simulating quakes twice the magnitude of the 1995 Great Hanshin Earthquake

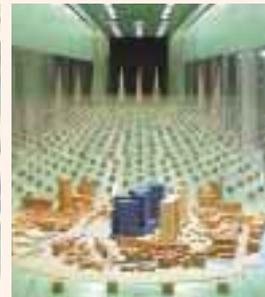


Japan's Largest Multipurpose Fire Resistance Test Furnace



Numerical Simulator for Wind Environment

Predicts wind dynamics around a building complex



Multipurpose Wind Tunnel

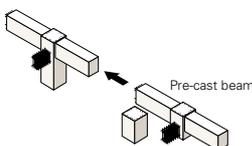
Pre-Cast Method responding to low cost, short period and high-quality requirements

Left Right Vertical Installation Method

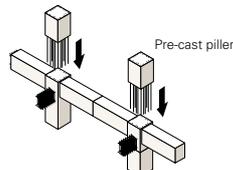
Obayashi successfully developed the LRV (Left Right Vertical Installation Pre-Cast) Method for building reinforced concrete high-rise condominiums. The method is based on pre-casting* all parts, thereby greatly reducing the on-site pouring of concrete and complex pillar/beam connection reinforcement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

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

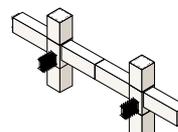
1) Pre-cast beam is horizontally inserted and joined



2) Pre-cast pillar is vertically inserted and joined



3) Assembly completed

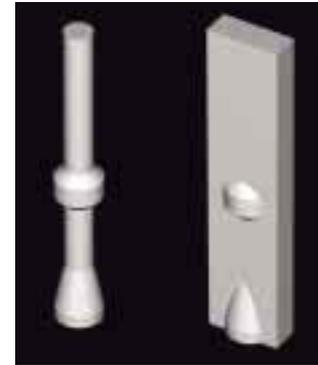


High load bearing pile OWS-SOLETANCHE method, the most proven method in Japan

Cast-in-place Concrete Nodular Pile Construction Method (Knuckle Pile and Knuckle Wall)

With buildings becoming ever taller, it is vital to construct piles that can prevent the buildings from being twisted and inclined when compressive and uplift forces are exerted on the foundation during an earthquake. Obayashi has developed and commercialized a "nodular pile" designed to cope with large compressive and uplift forces.

A "knuckle pile" is a cylindrical pile with nodules. A "knuckle wall" is a wall with nodules. These inventive piles enable us to shorten the construction period and lower costs by employing an economy of design, taking into consideration local conditions such as soil types.



(Left) Knuckle pile
(Right) Knuckle wall

Fire-resistant screens without corner pillar mounted guide rails

Corner Jointed Fire-resistant Screens

The screens are an innovative fire-prevention device built in the corners where fire compartment walls cross at right angles. In case of fire, screens descend and form L or U-shaped fire compartment walls. By mounting emergency doors on the screen, it makes open spaces without steel escape doors or corner pillars. Corner jointed screens are adopted at commercial complexes and underground rail platforms to realize attractive design around fire compartment walls.

An example of installation around an escalator (CG image)



Before screens are activated



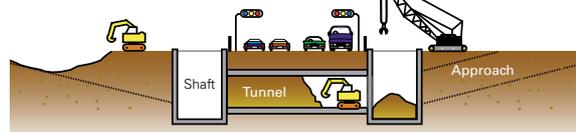
After the screens are in place

Realizing rapid construction of road and railway underpasses to ease urban traffic congestion

Ultra-Rapid Underpass (URUP) Method

Obayashi developed the URUP method to facilitate and speed construction of urban road and rail underground crossings. This first-in-the-world advanced technology enables us to complete a shielded tunnel without digging shafts. The construction period has been reduced to one third of that using conventional methods, traffic congestion significantly eased, and noise during the work lessened. In 2008 we received orders for a shielded tunnel using the URUP method for the construction of the Metropolitan Expressway Central Circular Shinagwa Route.

Conventional Construction Method
Construction Period: 3 Years



URUP Method
Construction Period: 10 Months



Real time shape and quality management system in fill construction

Intelligent Construction System using 3D CAD and α system

The group has developed a new construction management system, using information and communication technology, which can manage the shape and quality (compaction) of earth moving in real time, 3-dimensionally. This system can be applied to large-scale fill construction and fill dam projects.

The control system is based on 3D-CAD with earthmoving machinery linked to the database server that manages 3-dimensional construction information by wireless LAN. This safe and rational execution management is achieved by using a vibrating roller fitted with GPS, an acceleration sensor, and an analytical device (the α system).



Antimonopoly Act Compliance Program

Classification*	Specific programs
Fostering a corporate culture of absolute compliance (COSO: control environment)	<ol style="list-style-type: none"> 1. Declaration by top management of strict compliance with the Antimonopoly Act at every opportunity 2. Strict corporate penalties for violations 3. Declaration of top management resolve, timely disclosure of information about penalties for violations 4. Distribution of a Corporate Ethics card to all employees
Risk assessment and response (COSO: risk assessment)	<ol style="list-style-type: none"> 1. Production of a manual about managing Antimonopoly Act violation risk 2. Establishment of a consultation office to advise on the Antimonopoly Act (Legal Department, Tokyo Headquarters)
Putting in place a process of risk avoidance (COSO: control activities)	<ol style="list-style-type: none"> 1. Formulation of a Principle for ensuring Antimonopoly Act compliance, enhancing the process <ul style="list-style-type: none"> ● Formulation and review of the Obayashi Corporation Code of Conduct ● Establishment and operation of a Corporate Ethics Committee (Chairman: President) (Members include one or more eminent persons outside the company and the Head of the Employees Union) ● Enhancement of the Corporate Ethics Promotion System Corporate Ethics Supervisor: Division Heads, Branch Heads Corporate Ethics Promoters: Department Heads 2. Circulation of Antimonopoly Act compliance manuals and monitoring their implementation 3. Regular and continuous education and training for officers and employees <ul style="list-style-type: none"> ● Corporate Ethics Promoters' education and training implemented by a Corporate Ethics Supervisor ● Workplace Corporate Ethics education and training implemented by Corporate Ethics Promoters ● Follow-up e-learning sessions after Corporate Ethics education and training sessions to assess their effectiveness ● Antimonopoly Act compliance education and training at each level of the corporation 4. Specific Control and Management <ul style="list-style-type: none"> ● Submission of pledges to comply with the Antimonopoly Act from all employees at the level of division manager and above (They will be punished not only for any misconduct of their own but also of their subordinates.) ● Report all meetings with any officer or employee of any other major general contractors (including telephone conversations and emails) to superiors ● Regularly relocate sales representatives in charge of clients ● Provide for a written acknowledgement by each employee confirming that employee's pledge of compliance with the Antimonopoly Act on every internal document prepared for public bidding ● Exchange among partners of a joint venture prior to participation in a bid offer, a document pledging to comply with all laws and regulations ● Check before taking membership in any external association to ensure there are no provisions in their rules that violate the Antimonopoly Act ● Submit a written report when dining with public officials subject to the National Public Service Ethics Law (national, local and presumed officials)
Timely and appropriate information disclosure and communication (COSO: information and communication)	<p>Strengthening the system for ensuring timely and appropriate information disclosure and communication</p> <ul style="list-style-type: none"> ● Establishment of a Corporate Ethics Reporting System as a part of the internal reporting system (The internal contact window of the Compliance Office under the Audit Committee independent of the operating departments and the external contact window of the external law office were established)
Monitoring and Improvement (COSO: monitoring)	<ol style="list-style-type: none"> 1. Regular audit to ensure compliance with the Antimonopoly Act <ul style="list-style-type: none"> ● Monitoring by Auditors, the Audit Committee and the Compliance Office based on the "Bid-rigging Monitoring Program" ● Monitoring from the third party perspective by one or more eminent persons from outside the company, the Head of the Employees Union, both of who are the members of the Corporate Ethics Committee 2. Implementing Self-checks by the Corporate Ethics Supervisor and Promoters <ul style="list-style-type: none"> ● Regular self-checks conducted by Corporate Ethics Promoters ● The Corporate Ethics Supervisor is responsible for undertaking workplace Corporate Ethics education and training and making sure that self-checks are conducted as required. ● The Corporate Ethics Promotion Department shall conduct an annual self-check for each item indicated and duly submit a report to the Corporate Ethics Committee, and review as needed. 3. Implementation of self-check and monitoring using J-SOX method <ul style="list-style-type: none"> ● Sales departments are to conduct self-check in every operational process in accordance with Risk Control Matrix (RCM) to prevent potential risk of bid-rigging. ● In addition to the above self-check by the sales departments, Internal Audit Department is to monitor if the self-check and control are properly conducted.

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

Commitment to the Environment

Environmental Preservation

Company-wide environmental preservation in the “Century of the Environment”

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

In 1999, all Obayashi branches and organizations achieved ISO 14001 certification to systematically and continuously promote these activities.

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

◆Obayashi Corporation Environmental Policy

Principles

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

◆Five Priority Issues

Mitigating global warming

Minimizing construction waste

Managing chemical substances

Preserving the ecosystem

Green purchasing

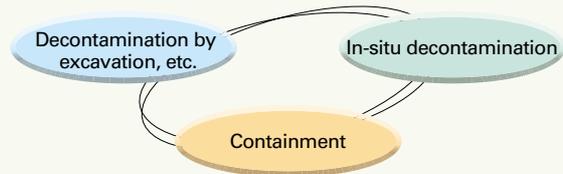
Environmental Business

We proudly offer a wide range of proven environmental technologies

Coping with all types of toxic substances and soil conditions

Decontamination of Soil and Underground Water

Soil and underground water contamination is a serious issue not just from the point of view of protecting the value of property but also from the perspectives of the preservation of a sound environment as well as corporate social responsibility. Obayashi has developed decontamination technologies for a wide range of pollutants and soil conditions. We have a track record of implementing preventive and decontamination measures for a total area exceeding 3.70million m³, including on-site plant and in-situ treatment. With our total system of surveying, analyzing and managing contaminated soil we provide comprehensive support from preventing contamination to advising appropriate use of the soil.

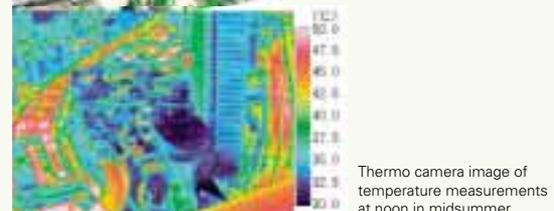


Toxic substances	Decontamination by excavation, etc.	In-situ decontamination
Heavy metals	High-precision immobilization treatment Classified washing	In-situ immobilization
Volatile Organic compounds	Mixing and volatilization Biological treatment	In-situ soil washing and biological treatment Chemical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

Rooftop greening to provide dramatic cooling effect

Dissipating Heat Island Phenomenon

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



Thermo camera image of temperature measurements at noon in midsummer

Social Contribution Activities

We will contribute to local communities and society through various initiatives and activities

Coexisting with local communities

◆Organizing tours to our Technical Research Institute

Obayashi conducts tours for local primary school pupils to our Technical Research Institute, hoping that they learn construction technology that provides the safety in everyday life. Being exposed to the effects of anti-seismic technologies and strong winds in the latest experimentation facilities, young people learn a great deal about construction work.



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

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

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



Citizens visit a new elevated station



Promoting Sports Activities

◆Sponsoring table tennis tournaments organized by the Japan Table Tennis Association

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



Japan's top 12 players compete for "The Chairman's Cup, Japan's Top 12 Table Tennis Tournament"

Supporting Academic Research

◆Supporting Academic Research on Cities

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



Recipient of the Fourth Obayashi Prize (2006), Prof. Dr. Karl Ganser



A commemorative prize-giving symposium attended by 450 people.

◆Our executives and employees serving as university lecturers

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



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

Cultural Projects

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

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



A photographic exhibition was held to give thoughts to urban space and architecture

Corporate Executives



President & CEO

Toru Shiraishi



Executive Vice President & CFO

Eiji Noma



Executive Vice President

Shigeyoshi Cho



Executive Vice President

Masashi Honjo



Senior Managing Director

Yuji Nakamura



Senior Managing Director

Ryuichi Irahara



Senior Managing Director

Takehiko Totsuka



Senior Managing Director

Tadahiko Noguchi



Managing Director

Makoto Kanai



Managing Director

Makoto Kishida



Managing Director

Shozo Harada



Managing Director

Akihisa Miwa



Managing Director

Kenichi Shibata



Director

Takeo Obayashi

Auditors

Corporate Auditors

Shunruoku Yasui

Tamio Akiyama

Outside Auditors

Masakazu Matsuo

Masayuki Matsushita

Naohiro Tsuda

Executive Officers

Managing Officers

Ryuhei Funano

Hiromichi Uchida

Hiroshi Sakamoto

Hitoshi Tobuchi

Kazuyoshi Uehara

Kunihiro Kagami

Yasuji Tomohiro

Hiroshi Hasegawa

Mitsuyasu Kaihara

Hiromichi Tanaka

Shigehisa Kage

Masahito Hayashi

Kazuo Yagi

Executive Officers

Yuji Inoue

Hiroki Umehara

Takashi Nishiyama

Yutaka Hachinohe

Ikuo Koyanagi

Yukihiro Aizawa

Tatsuro Ishimaru

Kunio Isozaki

Hideo Kawamura

Teruo Kobayashi

Takashi Shiokawa

Nao Sugiyama

Munenori Nakamura

Shuji Nakamoto

Yoichi Noda

Hitoshi Hasegawa

Takafumi Hanai

Takashi Matsuda

Hirotohi Yamamoto

Mitsuo Ikeuchi

Shingo Ura

Yuichi Kashima

Nobuo Tsuruta

Katsuji Fukumoto

Masaru Mizuno

Isamu Kakeno

Haruki Kasuga

Mikio Takatsuki

Kozaburo Tsuchiya

Shigeru Torii

Shuji Yamane

FINANCIAL SECTION

34	Consolidated Financial Summary
36	Consolidated Balance Sheets
38	Consolidated Statements of Income
39	Consolidated Statements of Changes in Net Assets
40	Consolidated Statements of Cash Flows
41	Notes to Consolidated Financial Statements
55	Report of Independent Auditors

Disclaimer:
"Outlook," "Target," "Forecast," "Plan," or any other words and phrases relating to any future events shown in this Financial Section are based on assumptions as of the date of preparation of this Annual Report and contain potential risks and uncertainties. The actual result may differ significantly.

Consolidated Financial Summary

					(million yen)	(thousand US\$)
	FYE 3/2004	FYE 3/2005	FYE 3/2006	FYE 3/2007	FYE 3/2008	FYE 3/2008
Revenues (Construction)	1,296,121	1,349,384	1,427,493	1,471,201	1,590,658	\$ 15,876,415
Revenues (Real estate and other businesses)	50,177	55,256	48,932	96,759	100,978	1,007,863
Revenues (Total)	1,346,298	1,404,640	1,476,425	1,567,960	1,691,636	16,884,278
Cost of revenues	1,227,666	1,285,377	1,354,716	1,446,524	1,584,679	15,816,740
Gross profit	118,632	119,263	121,709	121,436	106,957	1,067,538
Selling, general and administrative expenses	80,657	75,907	75,051	73,898	78,290	781,410
Operating income	37,975	43,356	46,658	47,538	28,667	286,128
Ordinary income	41,940	52,576	50,859	53,320	32,312	322,515
Net income	21,194	25,077	34,489	40,652	18,596	185,604
Total assets	1,821,884	1,842,262	1,977,295	2,066,985	1,854,071	\$ 18,505,550
Total liabilities	1,458,891	1,458,502	1,471,124	1,501,527	1,376,566	13,739,558
Minority interests	18,720	19,459	20,154	22,804	27,628	275,761
Shareholders' equity	344,273	364,301	486,017	542,654	449,876	4,490,231
Net income per share (yen / US\$)	29.42	34.81	47.89	56.46	25.83	\$ 0.26
Dividends (yen / US\$)	8.00	8.00	12.00	12.00	8.00	0.08
Net assets per share (yen / US\$)	477.80	505.81	674.94	753.78	625.06	6.24

* The numbers above were computed based on the audited financial statements (English version) attached herewith and may not coincide with those in "Financial Highlights" on page 1 where all the amounts less than ¥1 million were omitted.

* Ordinary income represents income before minority interests, income taxes and extraordinary items.

* Dividends of ¥12 for the year ended March 2006 and 2007 include special dividends of ¥4 per share.

Cash Flow Indicators

	FYE 3/2004	FYE 3/2005	FYE 3/2006	FYE 3/2007	FYE 3/2008
Equity ratio	18.9%	19.8%	24.6%	26.3%	24.3%
Equity ratio based on market values	22.5%	25.8%	34.9%	26.5%	16.2%
Years to debt redemption	9.8 years	6.3 years	15.7 years	12.5 years	—
Interest coverage ratio	9.2	15.0	5.5	7.6	—

(Notes) Equity ratio: (net asset-number of subscription warrants-minority interests) / total assets

Equity ratio based on market values: total market value of shares / total assets

Years to debt redemption: interest-bearing liabilities / operating cash flow

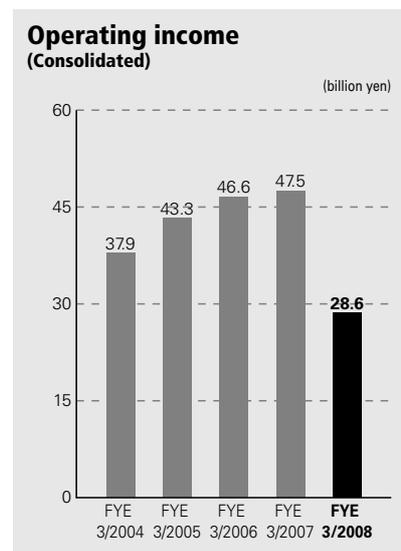
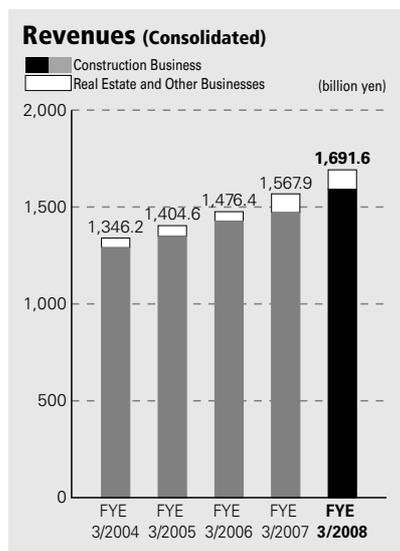
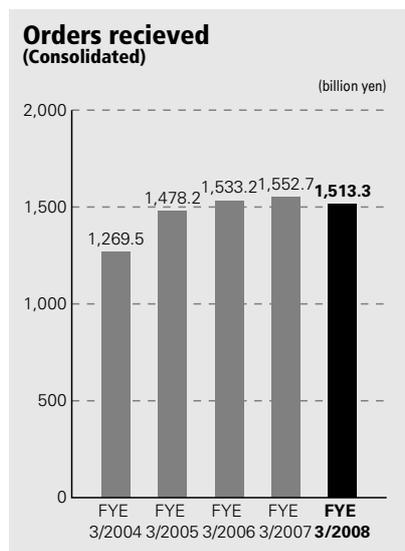
Interest coverage ratio: operating cash flow / interest payments

* Indicators were calculated using consolidated financial figures

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

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

* Years to debt redemption and Interest Coverage Ratio for FYE 3/2008 are not shown due to the negative operating cash flow for the fiscal year



Overview

During the year under review the Japanese economy continued to recover, supported by private capital investment, however, since the start of the new calendar year the outlook is becoming increasingly less clear. This is due in part to the sustained lackluster public investment and slowing down of private consumption at home and the deceleration of the US economy triggered by the sub-prime loan crisis and soaring crude oil prices.

Against this background, the domestic construction market generally faced challenging circumstances as it continued to be affected by declining public sector orders and a slowing down of the growth in private sector orders.

(1) Financial Conditions

As of the end of the consolidated fiscal year ended March 2008, our total assets decreased by ¥212.9 billion (10.3%) to ¥1,854 billion compared to the end of the previous year, due mainly to a decrease in expenditure for uncompleted construction as well as a decrease in market value of investment securities.

Total liabilities as of the end of the consolidated fiscal year decreased by ¥124.9 billion (8.3%) to ¥1,376.5 billion. The principal reason for this was a decrease in advances received for uncompleted construction contracts, as well as a decrease in deferred tax payable accompanying the valuation losses in investment securities.

Net Assets as of the end of the consolidated fiscal year reflected a decrease to ¥477.5 billion. This reduction was largely due to a decrease in unrealized holding gains on investment securities resulting from a downward valuation adjustment taken during the year. The impact of this valuation loss on shareholders' equity was partially offset by positive net income, but as a result the year-on-year equity ratio decreased by 2.0 points to 24.3%.

Consolidated cash flow from operating activities was a negative ¥47.6 billion reflecting deterioration of the balance in construction business. Cash flow from investment activities was negative ¥18.9 billion accounting for the purchase of land for development. Cash flow from financial activities rose to ¥54.8 billion due to an increase in borrowing. As a result, the total interest-bearing liabilities as of the end of the fiscal year increased by ¥70 billion to ¥327.8 billion compared to the end of the previous fiscal year.

(2) Business Performance

Compared to the previous fiscal year, revenue for the consolidated fiscal year from construction business increased by ¥119.4 billion (8.1%) to ¥1,590.6 billion, while revenue from real estate business remained almost the same at ¥79.5 billion. Revenue from other businesses increased by ¥4.2 billion (24.5%) to ¥21.3 billion for the consolidated fiscal year ended March 2008. All in all, total revenue increased by ¥123.6 billion (7.9%) to ¥1,691.6 billion.

On the earnings front, however, operating income decreased by 39.7% to ¥28.6 billion due partly to harsh

competition for order receipts and a decline in profitability due to rising costs of construction materials. Ordinary income decreased by 39.4% to ¥32.3 billion and net income decreased by 54.3% to ¥18.5 billion.

Outlook for the fiscal year ending March 2009

Regarding our consolidated performance for the year ending March 2009, we expect orders received to be ¥1,700 billion (of which the real estate business will contribute ¥50 billion) and to achieve revenue of ¥1,830 billion (¥70 billion of which is from real estate), an operating income of ¥35 billion, an ordinary income of ¥40 billion and net income of ¥21 billion.

Regarding non-consolidated performance for the year ending March 2009, we expect orders received to be ¥1,310 billion (of which real estate will contribute ¥20 billion); revenue, ¥1,440 billion (of which real estate will contribute ¥30 billion), operating income, ¥21 billion; ordinary income, ¥26 billion and net income of ¥16 billion.

Basic Policy regarding the allocation of profits and dividend payout plan for the fiscal year ending March 2009

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

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

We expect to provide an annual dividend of ¥8 per share for the next fiscal year ending March 2009, or ¥4 per share at mid-term and the same at the end of the year.

Consolidated Balance Sheets

OBUYASHI CORPORATION
At March 31, 2008 and 2007

ASSETS

	Japanese Yen (million)		U.S.Dollars (thousand)	
	FY 2008	FY 2007	FY 2008	FY 2007
CURRENT ASSETS:				
Cash and deposits (Notes 6 and 11)	¥ 129,680	¥ 134,985	\$ 1,294,342	\$ 1,347,289
Notes and accounts receivable, trade (Note 6)	434,412	390,689	4,335,878	3,899,479
Marketable securities (Note 4 and 11)	1,835	6,131	18,318	61,190
Inventories (Notes 5 and 6)	389,715	486,545	3,889,757	4,856,228
Deferred tax assets (Note 10)	40,342	36,228	402,652	361,588
Other current assets	102,514	112,017	1,023,200	1,118,053
Allowance for doubtful receivables	(776)	(877)	(7,742)	(8,754)
Total current assets	1,097,722	1,165,718	10,956,405	11,635,073
PROPERTY AND EQUIPMENT:				
Land (Notes 7 and 20)	249,757	225,913	2,492,830	2,254,843
Buildings and structures (Notes 6, 7 and 20)	175,357	179,566	1,750,240	1,792,257
Machinery, equipment and vehicles (Notes 6 and 20)	73,094	72,395	729,557	722,577
Construction in progress	1,113	3,932	11,108	39,244
Accumulated depreciation	(158,276)	(155,903)	(1,579,753)	(1,556,069)
Net property and equipment	341,045	325,903	3,403,982	3,252,852
INVESTMENTS AND OTHER ASSETS:				
Investment securities (Notes 4 and 7)	371,380	538,751	3,706,761	5,377,289
Investments in affiliates	3,074	2,768	30,679	27,628
Long-term loans receivable	8,762	1,273	87,457	12,701
Deferred tax assets (Note 10)	3,523	4,717	35,163	47,076
Other	31,622	31,607	315,615	315,480
Allowance for doubtful receivables	(3,057)	(3,752)	(30,512)	(37,447)
Total investments and other assets	415,304	575,364	4,145,163	5,742,727
TOTAL ASSETS	¥ 1,854,071	¥ 2,066,985	\$ 18,505,550	\$ 20,630,652

LIABILITIES AND NET ASSETS

	Japanese Yen (million)		U.S.Dollars (thousand)	
	FY 2008	FY 2007	FY 2008	FY 2007
CURRENT LIABILITIES:				
Short-term borrowings (Note 6)	¥ 61,633	¥ 56,684	\$ 615,157	\$ 565,769
Current portion of long-term debt (Notes 6 and 7)	29,883	31,602	298,265	315,420
Current portion of PFI and other project finance loan (Note 6) ..	10,641	15,284	106,208	152,548
Commercial paper (Note 6)	31,000	—	309,412	—
Notes and accounts payable, trade	524,009	572,016	5,230,152	5,709,309
Income taxes payable	13,023	6,192	129,982	61,802
Advances received on uncompleted construction contracts, real estate and other	212,482	307,621	2,120,786	3,070,378
Allowance for losses on construction contracts	14,573	7,664	145,458	76,496
Accrued expenses	22,220	16,975	221,782	169,427
Deposits received	71,145	71,278	710,103	711,429
Other current liabilities	39,545	43,018	394,701	429,369
Total current liabilities	1,030,154	1,128,334	10,282,006	11,261,947
LONG-TERM LIABILITIES:				
Long-term debt (Notes 6 and 7)	119,933	95,168	1,197,051	949,879
PFI and other project finance loan (Note 6)	74,733	59,012	745,912	589,002
Deferred tax liabilities (Note 10)	27,870	93,366	278,168	931,890
Deferred income taxes on reserve for land revaluation (Note 10)	28,469	28,380	284,150	283,262
Reserve for retirement benefits (Note 8)	68,256	70,347	681,261	702,136
Other long-term liabilities	27,151	26,920	271,010	268,691
Total long-term liabilities	346,412	373,193	3,457,552	3,724,860
NET ASSETS:				
SHAREHOLDERS' EQUITY (Note 12):				
Common stock:				
Authorized; 1,224,335,000 shares				
Issued; 721,509,646 shares	57,753	57,753	576,431	576,431
Capital surplus	41,751	41,751	416,715	416,715
Retained earnings (Note 21)	198,507	183,600	1,981,309	1,832,515
Treasury stock, at cost :				
1,778,809 shares in 2008 and				
1,602,421 shares in 2007	(919)	(810)	(9,173)	(8,087)
Total shareholders' equity	297,092	282,294	2,965,282	2,817,574
VALUATION, TRANSLATION ADJUSTMENTS AND OTHER:				
Reserve for land revaluation	25,946	32,001	258,972	319,401
Unrealized holding gains on securities	125,500	227,991	1,252,617	2,275,583
Net unrealized losses on hedges	(90)	(67)	(901)	(669)
Foreign currency translation adjustments	1,429	435	14,261	4,346
Total valuation, translation adjustments and other	152,785	260,360	1,524,949	2,598,661
MINORITY INTERESTS	27,628	22,804	275,761	227,610
Total net assets	477,505	565,458	4,765,992	5,643,845
CONTINGENT LIABILITIES (Note 17)				
TOTAL LIABILITIES AND NET ASSETS				
	¥ 1,854,071	¥ 2,066,985	\$ 18,505,550	\$ 20,630,652

The accompanying notes to the consolidated financial statements are an integral part of these statements.
U.S. dollar amounts are translated from yen, for convenience only, at the rate of US\$1=¥100.19.

Consolidated Statements of Income

OBAYASHI CORPORATION
For the years ended March 31, 2008 and 2007

	Japanese Yen (million)		U.S.Dollars (thousand)	
	FY 2008	FY 2007	FY 2008	FY 2007
REVENUES (Note 13):				
Construction.....	¥ 1,590,658	¥ 1,471,201	\$ 15,876,415	\$ 14,684,106
Real estate and other.....	100,978	96,759	1,007,863	965,760
	1,691,636	1,567,960	16,884,278	15,649,866
COST OF REVENUES:				
Construction.....	1,513,868	1,369,284	15,109,968	13,666,869
Real estate and other.....	70,811	77,240	706,772	770,939
	1,584,679	1,446,524	15,816,740	14,437,808
Gross profit.....	106,957	121,436	1,067,538	1,212,058
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES (Note 9).....	78,290	73,898	781,410	737,577
Operating profit.....	28,667	47,538	286,128	474,481
OTHER INCOME / (EXPENSES):				
Interest and dividend income.....	9,213	8,297	91,952	82,813
Exchange (losses) / gains, net.....	(1,826)	446	(18,223)	4,453
Interest expense.....	(3,581)	(2,815)	(35,740)	(28,096)
Gain on sales of investment securities.....	5,179	9,617	51,689	95,984
Gain on sales or disposal of fixed assets.....	10,966	10,603	109,456	105,829
Loss on sales or disposal of fixed assets.....	(2,174)	(2,679)	(21,699)	(26,737)
Impairment loss on fixed assets (Note 20).....	(1,091)	(3,229)	(10,888)	(32,232)
Loss on write-down of real estate for sale.....	(5,262)	(356)	(52,521)	(3,551)
Loss on restructuring of real estate business.....	—	(3,666)	—	(36,592)
Other, net.....	(794)	(1,051)	(7,930)	(10,493)
Total.....	10,630	15,167	106,096	151,378
INCOME BEFORE INCOME TAXES AND MINORITY INTERESTS	39,297	62,705	392,224	625,859
INCOME TAXES (Note 10):				
Current.....	18,692	16,330	186,563	162,992
Deferred.....	(1,027)	4,163	(10,250)	41,551
Total.....	17,665	20,493	176,313	204,543
MINORITY INTERESTS	(3,036)	(1,560)	(30,307)	(15,566)
NET INCOME	¥ 18,596	¥ 40,652	\$ 185,604	\$ 405,750
PER SHARE DATA (Note 19):				
Net income:				
Basic.....	¥ 25.83	¥ 56.46	\$ 0.26	\$ 0.56
Diluted.....	¥ —	¥ —	\$ —	\$ —

The accompanying notes to the consolidated financial statements are an integral part of these statements.
U.S. dollar amounts are translated from yen, for convenience only, at the rate of US\$1=¥100.19.

Consolidated Statements of Changes in Net Assets

OBAYASHI CORPORATION
For the years ended March 31, 2008 and 2007

	Japanese Yen (million)		U.S.Dollars (thousand)	
	FY 2008	FY 2007	FY 2008	FY 2007
SHAREHOLDERS' EQUITY				
COMMON STOCK (Note 12):				
Balance at beginning of year.....	¥ 57,753	¥ 57,753	\$ 576,431	\$ 576,431
Balance at end of year.....	57,753	57,753	576,431	576,431
CAPITAL SURPLUS (Note 12):				
Balance at beginning of year.....	41,751	41,738	416,715	416,597
Gains on sales of treasury stock.....	—	13	—	118
Balance at end of year.....	41,751	41,751	416,715	416,715
RETAINED EARNINGS (Note 12):				
Balance at beginning of year.....	183,600	151,817	1,832,515	1,515,285
Net income for the year.....	18,596	40,652	185,604	405,750
Cash dividends paid.....	(7,199)	(10,080)	(71,850)	(100,612)
Bonuses to directors and corporate auditors.....	—	(1)	—	(13)
Reversal of reserve for land revaluation.....	3,510	1,212	35,040	12,105
Balance at end of year.....	198,507	183,600	1,981,309	1,832,515
TREASURY STOCK, AT COST:				
Balance at beginning of year.....	(810)	(655)	(8,087)	(6,537)
Purchases of treasury stock.....	(109)	(170)	(1,086)	(1,700)
Sales of treasury stock.....	—	15	—	150
Balance at end of year.....	(919)	(810)	(9,173)	(8,087)
TOTAL SHAREHOLDERS' EQUITY	297,092	282,294	2,965,282	2,817,574
VALUATION, TRANSLATION ADJUSTMENTS AND OTHER				
RESERVE FOR LAND REVALUATION:				
Balance at beginning of year.....	32,001	34,205	319,401	341,408
Reversal of reserve for land revaluation.....	(3,510)	(1,212)	(35,040)	(12,105)
Increase in valuation allowance for deferred tax assets on reserve for land revaluation.....	(2,545)	(992)	(25,389)	(9,902)
Balance at end of year.....	25,946	32,001	258,972	319,401
UNREALIZED HOLDING GAINS ON SECURITIES:				
Balance at beginning of year.....	227,991	202,086	2,275,583	2,017,024
(Decrease) / Increase.....	(102,491)	25,905	(1,022,966)	258,559
Balance at end of year.....	125,500	227,991	1,252,617	2,275,583
NET UNREALIZED GAINS ON HEDGES:				
Balance at beginning of year.....	(67)	—	(669)	—
Decrease.....	(23)	(67)	(232)	(669)
Balance at end of year.....	(90)	(67)	(901)	(669)
FOREIGN CURRENCY TRANSLATION ADJUSTMENTS:				
Balance at beginning of year.....	435	(927)	4,346	(9,249)
Increase.....	994	1,362	9,915	13,595
Balance at end of year.....	1,429	435	14,261	4,346
TOTAL VALUATION, TRANSLATION ADJUSTMENTS AND OTHER	152,785	260,360	1,524,949	2,598,661
MINORITY INTERESTS:				
Balance at beginning of year.....	22,804	20,154	227,610	201,153
Increase.....	4,824	2,650	48,151	26,457
Balance at end of year.....	27,628	22,804	275,761	227,610
TOTAL NET ASSETS	¥ 477,505	¥ 565,458	\$ 4,765,992	\$ 5,643,845

The accompanying notes to the consolidated financial statements are an integral part of these statements.
U.S. dollar amounts are translated from yen, for convenience only, at the rate of US\$1=¥100.19.

Consolidated Statements of Cash Flows

OBAYASHI CORPORATION
For the years ended March 31, 2008 and 2007

Japanese Yen
(million)

U.S. Dollars
(thousand)

	Japanese Yen (million)		U.S. Dollars (thousand)	
	FY 2008	FY 2007	FY 2008	FY 2007
OPERATING ACTIVITIES:				
Income before income taxes and minority interests	¥ 39,297	¥ 62,705	\$ 392,224	\$ 625,859
Adjustments to reconcile income before income taxes and minority interests to net cash (used in) / provided by operating activities:				
Depreciation and amortization	10,484	10,394	104,639	103,747
Allowance for doubtful receivables	(793)	(781)	(7,910)	(7,794)
Provision for losses on construction contracts	6,909	3,067	68,962	30,617
Reserve for retirement benefits	(2,091)	(1,913)	(20,875)	(19,098)
Net gain on sales and disposal of fixed assets and marketable and investment securities	(13,716)	(17,375)	(136,901)	(173,417)
Loss on write-down of real estate for sale	5,262	356	52,521	3,551
Impairment loss on fixed assets	1,091	3,229	10,888	32,232
Changes in assets and liabilities:				
Trade receivables	(15,051)	(54,521)	(150,226)	(544,172)
Inventories	96,018	(12,319)	958,357	(122,954)
Other current assets	17,367	10,979	173,344	109,582
Trade payables	(72,641)	48,479	(725,030)	483,872
Advances received on uncompleted construction contracts, real estate and other	(98,250)	(143)	(980,636)	(1,423)
Accrued expenses	5,245	266	52,355	2,658
Other current liabilities	(12,346)	(16,534)	(123,228)	(165,029)
Other	(8,347)	5,128	(83,316)	51,166
Sub total	(41,562)	41,017	(414,832)	409,397
Interest and dividend received	9,150	8,373	91,323	83,568
Interest paid	(3,358)	(2,697)	(33,512)	(26,917)
Income taxes paid	(11,862)	(26,128)	(118,393)	(260,784)
Net cash (used in) / provided by operating activities	(47,632)	20,565	(475,414)	205,264
INVESTING ACTIVITIES:				
Purchases of marketable and investment securities and investments in affiliates	(9,489)	(6,113)	(94,711)	(61,010)
Proceeds from sales of marketable and investment securities and investments in affiliates	10,552	18,883	105,324	188,468
Proceeds from sales of property and equipment	20,309	28,521	202,705	284,667
Purchases of property and equipment	(39,155)	(12,108)	(390,812)	(120,854)
Proceeds from collection of loans	2,336	24,625	23,319	245,787
Loans receivables made	(7,361)	(680)	(73,475)	(6,784)
Net proceeds from acquisition of subsidiaries	4,984	—	49,749	—
Net payment for sales of subsidiaries	—	(51)	—	(512)
Other	(1,101)	(40)	(10,986)	(400)
Net cash (used in) / provided by investing activities	(18,925)	53,037	(188,887)	529,362
FINANCING ACTIVITIES:				
Increase / (decrease) in short-term borrowings	2,641	(13,302)	26,359	(132,770)
Increase / (decrease) in commercial paper	31,000	(10,000)	309,412	(99,810)
Proceeds from long-term debt	54,334	5,300	542,305	52,899
Repayment of long-term debt	(21,712)	(29,796)	(216,704)	(297,399)
Redemption of bonds	(10,000)	(10,000)	(99,810)	(99,810)
Proceeds from PFI and other project finance loan debt	33,100	33,838	330,368	337,735
Repayment of PFI and other project finance loan debt	(22,022)	(3,935)	(219,798)	(39,271)
Cash dividends	(7,199)	(10,080)	(71,850)	(100,612)
Dividends and other payments for the former shareholders of newly consolidated subsidiaries	(4,829)	—	(48,201)	—
Other	(508)	(350)	(5,076)	(3,488)
Net cash provided by / (used in) financing activities	54,805	(38,325)	547,005	(382,526)
Effect of exchange rate changes on cash and cash equivalents	347	2,013	3,459	20,089
Net increase / (decrease) in cash and cash equivalents	(11,405)	37,290	(113,837)	372,189
Cash and cash equivalents at beginning of the year	139,943	101,528	1,396,774	1,013,353
Increase due to inclusion of new subsidiaries in consolidation	—	1,125	—	11,232
Cash and cash equivalents at end of the year (Note 11)	¥ 128,538	¥ 139,943	\$ 1,282,937	\$ 1,396,774

The accompanying notes to the consolidated financial statements are an integral part of these statements.
U.S. dollar amounts are translated from yen, for convenience only, at the rate of US\$1=¥100.19.

Notes to Consolidated Financial Statements

OBAYASHI CORPORATION for the years ended March 31, 2008 and 2007

1. Basis of presenting consolidated financial statements

- (a) The accompanying consolidated financial statements of OBAYASHI CORPORATION (the "Parent Company" or the "Company") and subsidiaries are prepared on the basis of accounting principles generally accepted in Japan, which are different in certain respects as to the application and disclosure requirements of International Financial Reporting Standards, and are compiled from the consolidated financial statements prepared by the Company as required by the Financial Instruments and Exchange Law of Japan. For the purposes of this report, certain reclassifications have been made to present the accompanying consolidated financial statements in a format which is familiar to readers outside Japan. In addition, certain amounts in the prior year's financial statements have been reclassified to conform to the current year's presentation. The Parent Company has prepared the consolidated statements of shareholders' equity and certain additional financial information for the purpose of inclusion in this report although such statements and information are not customarily prepared in Japan.
- (b) The Parent Company had 79 subsidiaries as of March 31, 2008 (70 as of March 31, 2007). The consolidated financial statements as of and for the years ended March 31, 2008 and 2007 included the accounts of the Parent Company and all subsidiaries (together the "Companies").
- All significant intercompany accounts and transactions have been eliminated. Investments in all affiliates (25 companies for 2008, and 26 companies for 2007) are accounted for by the equity method of accounting. Differences between the cost and underlying net equity of investments in consolidated subsidiaries and other companies accounted for by the equity method are charged or credited to income as they occur.

2. Summary of significant accounting policies

- (a) Recognition of revenues and related costs
Revenues from construction contracts and the related costs are recorded on the completed-contract method, except for those related to the contracts with the construction period exceeding 1 year which are recognized by the percentage-of-completion method. (Change in accounting principle)
- Effective for the construction started on or after April 1, 2007, the Company changed the scope of the construction contracts to apply the percentage-of-completion method from those with construction period of 2 years or more and contracted amounts of ¥5 billion or more to those with the construction period exceeding 1 year. This change is due to reinforce business management all the more by reflecting progress of contract work into results of operations in a timely manner considering the trend of accounting standard concerning the constructor accounting.
- As a result, revenues for the year ended March 31, 2008 increased by ¥71,430 million (\$712,945 thousand) compared with what would have been recorded under the previous accounting policy. Consequently, gross profit, operating profit and income before income taxes and minority interests for the year ended March 31, 2008 increased by ¥2,422 million (\$24,174 thousand) compared with what would have been recorded under the previous accounting policy.
- (b) Foreign currency translation
The balance sheet accounts of the foreign consolidated subsidiaries are translated into yen at the rates of exchange in effect at the balance sheet date, except for shareholders' equity which is translated at historical rates. Revenue and expense accounts are translated at the rates of exchange in effect at the balance sheet date.
- (c) Cash equivalents
All highly liquid investments, generally with a maturity of three months or less when purchased, which are readily convertible into known amounts of cash and are so near maturity that they

represent only an insignificant risk of any change in value attributable to changes in interest rates, are considered cash equivalents.

- (d) Marketable securities and investment securities
Securities are classified into two categories: held-to-maturity and other securities.
Held-to-maturity securities are carried at amortized cost. Marketable securities classified as other securities are carried at fair value with changes in unrealized holding gain or loss, net of the applicable income taxes, included directly in net assets. Non-marketable securities classified as other securities are carried at cost. Cost of securities sold is determined by the moving average method.
- (e) Inventories
Inventories other than materials and supplies are stated at cost as determined on a specific project basis. Materials and supplies are stated at cost as determined by the first-in first-out method.
- (f) Property and equipment
Property and equipment are stated principally at cost. Depreciation is computed principally by the declining-balance method over the estimated useful lives of the respective assets as follows:
Buildings and structures: 3-50 years
Machinery, equipment and vehicles: 3-15 years
(Change in accounting principle)
Due to the amendment of the Corporation Tax Law of Japan in 2007, the Company changed its method of depreciation of buildings purchased on or after April 1, 2007 to the straight-line method at rates prescribed in the amended Corporation Tax Law and its method of depreciation of other tangible fixed assets purchased on or after April 1, 2007 to the declining-balance method at rates prescribed in the amended Corporation Tax Law. As a result, operating profit decreased by ¥263 million (\$2,625 thousand) and income before income taxes and minority interests decreased by ¥263 million (\$2,625 thousand) compared with those would have been reported under the previous accounting policy. (Additional information)
Pursuant to the amendment to the Corporation Tax Law, the Company and its domestic consolidated subsidiaries now depreciate the difference between 5% of the acquisition cost and the memorandum price of tangible fixed assets acquired on or before March 31, 2007. From the year following the year in which a tangible fixed asset is depreciated to the previous allowable 5% limit using a method based on the preamended Corporation Tax Law, this difference is depreciated evenly over a period of 5 years and included in depreciation and amortization.
As a result, compared with the previous method, operating income decreased ¥541 million (\$5,400 thousand), and income before income taxes and minority interests decreased ¥542 million (\$5,410 thousand).
- (g) Reserve for retirement benefits
Reserve for retirement benefits for employees is provided mainly at an amount calculated based on the retirement benefit obligation and the fair value of the pension plan assets, as adjusted for unrecognized actuarial gain and loss and unrecognized prior service cost. Actuarial gain and loss are amortized in the year following the year in which the gain or loss is recognized primarily by the straight-line method over periods (5 years or 10 years) which are shorter than the average remaining years of service of the employees. Prior service cost ("PSC") is being amortized by the straight-line method over 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.

(h) Income taxes

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

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

(i) Appropriations of retained earnings

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

(j) Allowance for doubtful receivables

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

(k) Lease

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

(l) Land revaluation

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

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

(m) Derivative financial instruments

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

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

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

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

(n) Allowance for losses on construction contracts

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

3. United States dollar amounts

The United States dollar amounts included herein are presented solely for convenience. The translations should not be construed as representations that Japanese yen have been, could have been or could in the future be converted into United States dollars. Such dollar amounts have been translated from yen at the exchange rate of ¥100.19=\$1, the approximate exchange rate prevailing on March 31, 2008.

4. Securities

(a) Information regarding marketable securities classified as held-to-maturity debt securities and other securities as of March 31, 2008 and 2007 is as follows:
Marketable held-to-maturity debt securities

Year ended March 31, 2008	Japanese Yen (million)			U.S. Dollars (thousand)		
	Carrying value	Estimated fair value	Unrealized gain / (loss)	Carrying value	Estimated fair value	Unrealized gain / (loss)
Securities of which fair value exceeds their carrying value:						
Government bonds and Municipal bonds	¥ 60	¥ 60	¥ 0	\$ 595	\$ 597	\$ 2
Subtotal	60	60	0	595	597	2
Securities of which fair value does not exceed their carrying value:						
Government bonds and Municipal bonds	30	29	(1)	301	285	(16)
Subtotal	30	29	(1)	301	285	(16)
Total	¥ 90	¥ 89	¥ (1)	\$ 896	\$ 882	\$ (14)

Year ended March 31, 2007	Japanese Yen (million)			U.S. Dollars (thousand)		
	Carrying value	Estimated fair value	Unrealized gain / (loss)	Carrying value	Estimated fair value	Unrealized gain / (loss)
Securities of which fair value exceeds their carrying value:						
Government bonds and Municipal bonds	¥ —	¥ —	¥ —	\$ —	\$ —	\$ —
Subtotal	—	—	—	—	—	—
Securities of which fair value does not exceed their carrying value:						
Government bonds and Municipal bonds	110	109	(1)	1,100	1,089	(11)
Subtotal	110	109	(1)	1,100	1,089	(11)
Total	¥ 110	¥ 109	¥ (1)	\$ 1,100	\$ 1,089	\$ (11)

Marketable other securities

Year ended March 31, 2008	Japanese Yen (million)			U.S. Dollars (thousand)		
	Acquisition cost	Carrying value	Unrealized gain / (loss)	Acquisition cost	Carrying value	Unrealized gain / (loss)
Securities of which carrying value exceeds their acquisition cost:						
Stock	¥ 123,662	¥ 340,460	¥ 216,798	\$ 1,234,276	\$ 3,398,143	\$ 2,163,867
Other	72	78	6	715	776	61
Subtotal	123,734	340,538	216,804	1,234,991	3,398,919	2,163,928
Securities of which carrying value does not exceed their acquisition cost:						
Stock	19,949	14,496	(5,453)	199,115	144,688	(54,427)
Other	193	188	(5)	1,924	1,880	(44)
Subtotal	20,142	14,684	(5,458)	201,039	146,568	(54,471)
Total	¥ 143,876	¥ 355,222	¥ 211,346	\$ 1,436,030	\$ 3,545,487	\$ 2,109,457

The Companies recognized losses on write-down of ¥96 million (\$958 thousand) on its marketable other securities for the year ended March 31, 2008.

Year ended March 31, 2007	Japanese Yen (million)			U.S. Dollars (thousand)		
	Acquisition cost	Carrying value	Unrealized gain / (loss)	Acquisition cost	Carrying value	Unrealized gain / (loss)
Securities of which carrying value exceeds their acquisition cost:						
Stock	¥ 134,804	¥ 518,760	¥ 383,956	\$ 1,345,488	\$ 5,177,764	\$ 3,832,276
Other	173	176	3	1,720	1,753	33
Subtotal	134,977	518,936	383,959	1,347,208	5,179,517	3,832,309
Securities of which carrying value does not exceed their acquisition cost:						
Stock	4,079	3,671	(408)	40,712	36,642	(4,070)
Other	52	52	(0)	520	516	(4)
Subtotal	4,131	3,723	(408)	41,232	37,158	(4,074)
Total	¥ 139,108	¥ 522,659	¥ 383,551	\$ 1,388,440	\$ 5,216,675	\$ 3,828,235

The Companies recognized losses on write-down of ¥50 million (\$495 thousand) on its marketable other securities for the year ended March 31, 2007.

(b) Sales of securities classified as other securities

	Japanese Yen (million)		U.S. Dollars (thousand)	
	FY 2008	FY 2007	FY 2008	FY 2007
Sales amount	¥ 16,049	¥ 29,585	\$ 160,181	\$ 295,286
Aggregate gain	¥ 5,179	¥ 9,617	\$ 51,689	\$ 95,984
Aggregate loss	¥ 28	¥ 81	\$ 280	\$ 807

(c) In addition to the securities above, the Companies held investment securities with no available market value at March 31, 2008 and 2007 as follows:

Year ended March 31, 2008	Japanese Yen (million)		U.S. Dollars (thousand)	
	Carrying value		Carrying value	
Held-to-maturity securities				
Non-listed domestic bonds	¥	20	\$	200
Non-listed foreign bonds	¥	1,074	\$	10,716
Other securities				
Non-listed stocks	¥	12,693	\$	126,689
Non-listed preferred equity securities	¥	2,340	\$	23,356
Beneficiary rights in monetary trusts	¥	—	\$	—
Others	¥	1,777	\$	17,736
Year ended March 31, 2007				
	Japanese Yen (million)		U.S. Dollars (thousand)	
	Carrying value		Carrying value	
Held-to-maturity securities				
Non-listed foreign bonds	¥	1,024	\$	10,223
Other securities				
Non-listed stocks	¥	14,088	\$	140,611
Non-listed preferred equity securities	¥	2,000	\$	19,962
Beneficiary rights in monetary trusts	¥	5,000	\$	49,905
Others	¥	—	\$	—

(d) The redemption schedule for other securities with maturity dates and held-to-maturity debt securities as of March 31, 2008 and 2007 is summarized as follows:

Year ended March 31, 2008	Japanese Yen (million)				U.S. Dollars (thousand)			
	Due in one year or less	Due after one year through five years	Due after five years through ten years	Due after ten years	Due in one year or less	Due after one year through five years	Due after five years through ten years	Due after ten years
Government bonds and Municipal bonds	¥ 58	¥ 50	¥ —	¥ 30	\$ 582	\$ 495	\$ —	\$ 301
Corporate bonds	—	1,092	—	—	—	10,904	—	—
Beneficiary rights in monetary trusts	—	—	—	—	—	—	—	—
Total	¥ 58	¥ 1,142	¥ —	¥ 30	\$ 582	\$ 11,399	\$ —	\$ 301
Year ended March 31, 2007								
	Japanese Yen (million)				U.S. Dollars (thousand)			
	Due in one year or less	Due after one year through five years	Due after five years through ten years	Due after ten years	Due in one year or less	Due after one year through five years	Due after five years through ten years	Due after ten years
Government bonds and Municipal bonds	¥ 108	¥ 46	¥ —	¥ 30	\$ 1,074	\$ 460	\$ —	\$ 301
Corporate bonds	1,023	20	—	—	10,211	201	—	—
Beneficiary rights in monetary trusts	5,000	—	—	—	49,905	—	—	—
Total	¥ 6,131	¥ 66	¥ —	¥ 30	\$ 61,190	\$ 661	\$ —	\$ 301

5. Inventories

Inventories comprised the following:

	Japanese Yen (million)		U.S. Dollars (thousand)	
	FY 2008	FY 2007	FY 2008	FY 2007
Construction projects in progress	¥ 276,983	¥ 365,886	\$ 2,764,577	\$ 3,651,923
Real estate for sale	41,851	52,540	417,714	524,409
Development projects in progress	6,693	10,695	66,800	106,752
PFI and other projects	61,994	55,096	618,770	549,911
Materials and supplies	2,194	2,328	21,896	23,233
Total	¥ 389,715	¥ 486,545	\$ 3,889,757	\$ 4,856,228

6. Short-term borrowings and long-term debt

Short-term bank loans are represented generally by 180-day or 365-day notes issued by the Companies to banks and overdrafts with banks and bore interest at the average annual rate of 1.30 per cent. at March 31, 2008 (1.08 per cent. at March 31, 2007).

Long-term loans bore interest at the average annual rate of 1.56 per cent. at March 31, 2008 (1.48 per cent. at March 31, 2007).

(a) Short-term borrowings comprised the following:

	Japanese Yen (million)		U.S. Dollars (thousand)	
	FY 2008	FY 2007	FY 2008	FY 2007
Short-term borrowings from banks	¥ 61,633	¥ 56,684	\$ 615,157	\$ 565,769
Total	¥ 61,633	¥ 56,684	\$ 615,157	\$ 565,769

(b) Long-term debt comprised the following:

	Japanese Yen (million)		U.S. Dollars (thousand)	
	FY 2008	FY 2007	FY 2008	FY 2007
0.9 per cent. bond	¥ —	¥ 10,000	\$ —	\$ 99,810
0.49 per cent. bond due June 2008	10,000	10,000	99,810	99,810
1.07 per cent. bond due June 2013	10,000	10,000	99,810	99,810
1.48 per cent. bond due November 2010	10,000	10,000	99,810	99,810
0.85 per cent. bond due June 2009	10,000	10,000	99,810	99,810
0.89 per cent. bond due October 2009	10,000	10,000	99,810	99,810
1.34 per cent. bond due October 2011	10,000	10,000	99,810	99,810
Loans from Japanese banks	40,717	25,802	406,398	257,531
Loans from Japanese insurance companies	35,158	28,793	350,913	287,384
Loans from other financial institutions	13,941	2,175	139,145	21,714
	149,816	126,770	1,495,316	1,265,299
Less: Current portion of long-term debt	(29,883)	(31,602)	(298,265)	(315,420)
	¥ 119,933	¥ 95,168	\$ 1,197,051	\$ 949,879

The aggregate annual maturities of long-term debt (including current portion) subsequent to March 31, 2008 were as follows:

Year ending March 31,	Japanese Yen (million)		U.S. Dollars (thousand)	
2009	¥ 29,883		\$ 298,265	
2010	40,207		401,305	
2011	15,994		159,634	
2012	16,348		163,169	
2013 and thereafter	47,384		472,943	
Total	¥ 149,816		\$ 1,495,316	

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

(c) Commercial paper

	Japanese Yen (million)		U.S. Dollars (thousand)	
	FY 2008	FY 2007	FY 2008	FY 2007
Commercial paper (which matures within one year)	¥ 31,000	¥ —	\$ 309,412	\$ —

(d) PFI and other project finance loan

	Japanese Yen (million)		U.S. Dollars (thousand)	
	FY 2008	FY 2007	FY 2008	FY 2007
PFI and other project finance loan	¥ 85,374	¥ 74,296	\$ 852,120	\$ 741,550
	85,374	74,296	852,120	741,550
Less: current portion	(10,641)	(15,284)	(106,208)	(152,548)
	¥ 74,733	¥ 59,012	\$ 745,912	\$ 589,002

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

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

	Japanese Yen (million)		U.S. Dollars (thousand)	
	FY 2008	FY 2007	FY 2008	FY 2007
Cash and deposits	¥ 6,737	¥ 6,957	\$ 67,247	\$ 69,441
Notes and accounts receivable, trade	12,139	11,718	121,160	116,961
Inventories	61,994	55,096	618,770	549,911
Buildings and structures	5,890	6,116	58,786	61,040
Machinery, equipment and vehicles	796	963	7,941	9,609
Total	¥ 87,556	¥ 80,850	\$ 873,904	\$ 806,962

The aggregate annual maturities of PFI and other project finance loan subsequent to March 31, 2008 were as follows:

Year ending March 31,	Japanese Yen (million)		U.S. Dollars (thousand)	
2009	¥ 10,641		\$ 106,208	
2010	7,230		72,165	
2011	7,325		73,108	
2012	7,458		74,443	
2013 and thereafter	52,720		526,196	
Total	¥ 85,374		\$ 852,120	

7. Pledged assets

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

	Japanese Yen (million)		U.S. Dollars (thousand)	
	FY 2008	FY 2007	FY 2008	FY 2007
ASSETS PLEDGED AS COLLATERAL:				
Land	¥ 384	¥ 401	\$ 3,832	\$ 3,998
Buildings and structures	757	776	7,559	7,745
Investment securities	3,444	5,364	34,369	53,539
Total	4,585	6,541	45,760	65,282
LIABILITIES SECURED THEREBY:				
Current portion of long-term debt	¥ 556	¥ 556	\$ 5,552	\$ 5,549
Long-term debt	3,295	3,890	32,889	38,824
Total	¥ 3,851	¥ 4,446	\$ 38,441	\$ 44,373

8. Retirement benefit plans

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

The following table sets forth the funded and accrued status of the plans, and the amounts recognized in the consolidated balance sheets as of March 31, 2008 and 2007 for the Company's and the subsidiaries' defined benefit plans:

	Japanese Yen (million)		U.S. Dollars (thousand)	
	FY 2008	FY 2007	FY 2008	FY 2007
Retirement benefit obligation	¥ (158,506)	¥ (161,897)	\$ (1,582,056)	\$ (1,615,899)
Plan assets at fair value	80,156	88,246	800,046	880,785
Unfunded retirement benefit obligation	(78,350)	(73,651)	(782,010)	(735,114)
Unrecognized actuarial loss	10,619	3,700	105,986	36,931
Unrecognized prior service cost	(525)	(396)	(5,237)	(3,953)
Reserve for retirement benefits	¥ (68,256)	¥ (70,347)	\$ (681,261)	\$ (702,136)

The components of retirement benefit expenses for the years ended March 31, 2008 and 2007 are outlined as follows:

	Japanese Yen (million)		U.S. Dollars (thousand)	
	FY 2008	FY 2007	FY 2008	FY 2007
Service cost	¥ 5,341	¥ 5,432	\$ 53,312	\$ 54,215
Interest cost	4,001	4,039	39,939	40,316
Expected return on plan assets	(2,196)	(2,143)	(21,914)	(21,392)
Amortization of actuarial loss	1,484	1,496	14,807	14,932
Amortization of prior service cost	(46)	(46)	(456)	(455)
Special retirement and severance benefits	24	—	228	—
Total	¥ 8,608	¥ 8,778	\$ 85,916	\$ 87,616

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

	FY 2008	FY 2007
Discount rates	1.8% or 2.5%	1.8% or 2.5%
Expected return on assets	1.8% or 2.5%	1.8% or 2.5%

9. Research and Development Costs

Research and development costs included in selling, general and administrative expenses for the years ended March 31, 2008 and 2007 amounted to ¥6,948 million (\$ 69,345 thousand) and ¥6,793 million (\$ 67,802 thousand), respectively.

10. Income taxes

Income taxes applicable to the Company comprised corporation tax, inhabitants' taxes and enterprise tax which, in the aggregate, resulted in a statutory tax rate of approximately 40.5% in 2008 and 2007.

Reconciliation between the statutory tax rates and the effective tax rates for the year ended March 31, 2008 and 2007 are summarized as follows:

	FY 2008	FY 2007
Statutory tax rates	40.5 %	40.5 %
Reconciliation:		
Permanent non-deductible items	4.1	2.8
Permanent non-taxable items	(3.0)	(1.9)
Increase / (decrease) in valuation allowance	5.0	(9.5)
Other	(1.6)	0.8
Effective tax rates	45.0 %	32.7 %

The major components of deferred tax assets and liabilities as of March 31, 2008 and 2007 are summarized as follows:

	Japanese Yen (million)		U.S. Dollars (thousand)	
	FY 2008	FY 2007	FY 2008	FY 2007
Deferred tax assets:				
Impairment loss on fixed assets	¥ 32,899	¥ 33,791	\$ 328,370	\$ 337,268
Loss on revaluation of real estate for sale	16,035	16,585	160,041	165,537
Reserve for retirement benefits	27,500	28,415	274,474	283,608
Tax loss carryforwards	2,271	2,254	22,662	22,493
Other	30,435	26,737	303,780	266,866
	109,140	107,782	1,089,327	1,075,772
Valuation allowance	(6,287)	(3,990)	(62,746)	(39,826)
Total deferred tax assets	102,853	103,792	1,026,581	1,035,946
Deferred tax liabilities:				
Unrealized holding gains on securities	(85,483)	(155,274)	(853,212)	(1,549,798)
Other	(1,375)	(939)	(13,722)	(9,374)
Total deferred tax liabilities	(86,858)	(156,213)	(866,934)	(1,559,172)
Net deferred tax assets / (liabilities)	¥ 15,995	¥ (52,421)	\$ 159,647	\$ (523,226)

In addition to the above, the Companies recognized a deferred tax liability of ¥28,469 million (\$284,150 thousand) and ¥28,380 million (\$283,262 thousand) related to reserve for land revaluation at March 31, 2008 and 2007, respectively.

11. Supplementary cash flow information

The following table represents a reconciliation of cash and deposits to cash and cash equivalents as of March 31, 2008 and 2007:

	Japanese Yen (million)		U.S. Dollars (thousand)	
	FY 2008	FY 2007	FY 2008	FY 2007
Cash and deposits	¥ 129,680	¥ 134,985	\$ 1,294,342	\$ 1,347,289
Time deposits with a maturity of more than three months	(1,142)	(42)	(11,405)	(420)
Beneficiary rights in monetary trusts	—	5,000	—	49,905
Cash and cash equivalents	¥ 128,538	¥ 139,943	\$ 1,282,937	\$ 1,396,774

12. 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 by the Board of Directors if certain conditions are met.

The retained earnings account in the accompanying consolidated balance sheet at March 31, 2008 included a legal reserve of ¥14,438 million (\$144,107 thousand).

13. Segment information

(a) Business segments

Year ended March 31, 2008	Japanese Yen (million)					
	Construction	Real estate	Others	Total	Eliminations or Corporate	Consolidated
Revenues:						
From outside customers	¥ 1,590,658	¥ 79,598	¥ 21,380	¥ 1,691,636	¥ —	¥ 1,691,636
Intersegment	50,260	2,397	8,085	60,742	(60,742)	—
Total	1,640,918	81,995	29,465	1,752,378	(60,742)	1,691,636
Operating expenses	1,632,371	60,320	27,896	1,720,587	(57,618)	1,662,969
Operating profit	¥ 8,547	¥ 21,675	¥ 1,569	¥ 31,791	¥ (3,124)	¥ 28,667
Total Assets	¥ 1,466,425	¥ 283,055	¥ 162,883	¥ 1,912,363	¥ (58,292)	¥ 1,854,071
Depreciation	¥ 7,270	¥ 2,364	¥ 1,093	¥ 10,727	¥ (243)	¥ 10,484
Impairment loss on fixed assets	¥ 82	¥ 1,009	¥ —	¥ 1,091	¥ —	¥ 1,091
Capital expenditures	¥ 5,266	¥ 33,083	¥ 680	¥ 39,029	¥ (69)	¥ 38,960

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

Year ended March 31, 2008	U.S. Dollars (thousand)					
	Construction	Real estate	Others	Total	Eliminations or Corporate	Consolidated
Revenues:						
From outside customers	\$ 15,876,415	\$ 794,467	\$ 213,396	\$ 16,884,278	\$ —	\$ 16,884,278
Intersegment	501,645	23,930	80,696	606,271	(606,271)	—
Total	16,378,060	818,397	294,092	17,490,549	(606,271)	16,884,278
Operating expenses	16,292,750	602,055	278,434	17,173,239	(575,089)	16,598,150
Operating profit	\$ 85,310	\$ 216,342	\$ 15,658	\$ 317,310	\$ (31,182)	\$ 286,128
Total Assets	\$ 14,636,439	\$ 2,825,180	\$ 1,625,743	\$ 19,087,362	\$ (581,812)	\$ 18,505,550
Depreciation	\$ 72,562	\$ 23,599	\$ 10,903	\$ 107,064	\$ (2,425)	\$ 104,639
Impairment loss on fixed assets	\$ 817	\$ 10,071	\$ —	\$ 10,888	\$ —	\$ 10,888
Capital expenditures	\$ 52,562	\$ 330,205	\$ 6,786	\$ 389,553	\$ (693)	\$ 388,860

Year ended March 31, 2007	U.S. Dollars (thousand)					
	Construction	Real estate	Others	Total	Eliminations or Corporate	Consolidated
Revenues:						
From outside customers	\$ 14,684,106	\$ 794,400	\$ 171,360	\$ 15,649,866	\$ —	\$ 15,649,866
Intersegment	187,798	22,352	78,672	288,822	(288,822)	—
Total	14,871,904	816,752	250,032	15,938,688	(288,822)	15,649,866
Operating expenses	14,512,678	697,965	240,765	15,451,408	(276,023)	15,175,385
Operating profit	\$ 359,226	\$ 118,787	\$ 9,267	\$ 487,280	\$ (12,799)	\$ 474,481
Total Assets	\$ 16,790,045	\$ 3,132,565	\$ 1,376,982	\$ 21,299,592	\$ (668,940)	\$ 20,630,652
Depreciation	\$ 73,032	\$ 20,748	\$ 10,484	\$ 104,264	\$ (517)	\$ 103,747
Impairment loss on fixed assets	\$ 869	\$ 3,848	\$ 27,515	\$ 32,232	\$ —	\$ 32,232
Capital expenditures	\$ 56,505	\$ 87,829	\$ 9,176	\$ 153,510	\$ (15,208)	\$ 138,302

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

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

2. Change in accounting principle

Effective for the construction started on or after April 1 2007, the Company changed the scope of the construction contracts to apply the percentage-of-completion method from those with construction period of 2 years or more and contracted amounts of ¥5 billion or more to those with the construction period exceeding 1 year. As a result, in "Construction segment", sales increased by ¥71,430 million (\$712,945 thousand), operating profit increased by ¥2,422 million (\$24,174 thousand).

(b) Geographic segments

Year ended March 31, 2008	Japanese Yen (million)						Eliminations or Corporate	Consolidated
	Japan	North America	Asia	Other Regions	Total			
Revenues:								
From outside customers	¥ 1,521,981	¥ 130,724	¥ 38,892	¥ 39	¥ 1,691,636	¥ —	¥ 1,691,636	
Intersegment	186	8	1,166	1	1,361	(1,361)	—	
Total	1,522,167	130,732	40,058	40	1,692,997	(1,361)	1,691,636	
Operating expenses	¥ 1,498,319	¥ 128,261	¥ 37,729	¥ 24	¥ 1,664,333	¥ (1,364)	¥ 1,662,969	
Operating profit	¥ 23,848	¥ 2,471	¥ 2,329	¥ 16	¥ 28,664	¥ 3	¥ 28,667	
Total Assets	¥ 1,755,010	¥ 71,282	¥ 32,518	¥ 1,688	¥ 1,860,498	¥ (6,427)	¥ 1,854,071	

Year ended March 31, 2008	U.S. Dollars (thousand)						Eliminations or Corporate	Consolidated
	Japan	North America	Asia	Other Regions	Total			
Revenues:								
From outside customers	\$ 15,190,951	\$ 1,304,764	\$ 388,179	\$ 384	\$ 16,884,278	\$ —	\$ 16,884,278	
Intersegment	1,856	82	11,633	12	13,583	(13,583)	—	
Total	15,192,807	1,304,846	399,812	396	16,897,861	(13,583)	16,884,278	
Operating expenses	\$ 14,954,773	\$ 1,280,182	\$ 376,579	\$ 229	\$ 16,611,763	\$ (13,613)	\$ 16,598,150	
Operating profit	\$ 238,034	\$ 24,664	\$ 23,233	\$ 167	\$ 286,098	\$ 30	\$ 286,128	
Total Assets	\$ 17,516,821	\$ 711,464	\$ 324,564	\$ 16,853	\$ 18,569,702	\$ (64,152)	\$ 18,505,550	

- Countries are classified by the geographical proximity.
- The above region outside Japan represents the following countries and regions:
 - North America: USA
 - Asia: Thailand, Vietnam and Indonesia
 - Other regions: Netherlands
- Change in accounting principle

Effective for the construction started on or after April 1 2007, the Company changed the scope of the construction contracts to apply the percentage-of-completion method from those with construction period of 2 years or more and contracted amounts of ¥5 billion or more to those with the construction period exceeding 1 year. As a result, in "Japan segment", sales increased by ¥71,430 million (\$712,945 thousand), operating profit increased by ¥2,422 million (\$24,174 thousand).

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

(c) Revenues by region

Information of revenues by region for the years ended March 31, 2008 and 2007 was as follows:

Year ended March 31, 2008	Japanese Yen (million)			
	Asia	North America	Other regions	Total
I Overseas revenues	¥ 136,801	¥ 166,360	¥ 2,761	¥ 305,922
II Consolidated revenues				1,691,636
III Overseas revenues as a percentage of consolidated revenues	8.1 %	9.8 %	0.2 %	18.1 %

Year ended March 31, 2008	U.S. Dollars (thousand)			
	Asia	North America	Other regions	Total
I Overseas revenues	\$ 1,365,415	\$ 1,660,446	\$ 27,561	\$ 3,053,422
II Consolidated revenues				16,884,278
III Overseas revenues as a percentage of consolidated revenues	8.1 %	9.8 %	0.2 %	18.1 %

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

Year ended March 31, 2007	U.S. Dollars (thousand)			
	Asia	North America	Other regions	Total
I Overseas revenues	\$ 1,179,479	\$ 910,862	\$ 34,638	\$ 2,124,979
II Consolidated revenues				15,649,866
III Overseas revenues as a percentage of consolidated revenues	7.6 %	5.8 %	0.2 %	13.6 %

- Countries are classified by the geographical proximity.
- The above region represents the following countries and regions:
 - Asia: Thailand, UAE, Singapore, Vietnam and Taiwan
 - North America: USA
 - Other regions: Britain
- Overseas revenues represent those in the countries and regions outside Japan by the Parent Company and its subsidiaries.
- Change in accounting principle

Effective for the construction started on or after April 1 2007, the Company changed the scope of the construction contracts to apply the percentage-of-completion method from those with construction period of 2 years or more and contracted amounts of ¥5 billion or more to those with the construction period exceeding 1 year. As a result, in the "Asia" and "North America" segments overseas sales increased by ¥789 million (\$7,875 thousand), and ¥289 million (\$2,885 thousand), respectively.

14. Derivative financial instruments

(1) Status of Derivative Transactions

The Company and its subsidiaries utilize derivative financial instruments only for the purpose of hedging future risks of fluctuation of foreign currency exchange rates or interest rates.

The Company and its subsidiaries utilize forward foreign exchange contracts and currency option transaction to hedge risk of fluctuation of foreign exchange rates.

They also utilize interest swaps and interest rate currency swaps to hedge fluctuation risk in interest rates or foreign exchange rates.

The Company and its subsidiaries utilize structured products, as a long term investment purpose. The products, derivative-embedded deposits, are free from negative interest rate with principal guaranteed.

The interest swaps, interest rate currency swaps, forward foreign exchange contracts and currency option transaction have a risk by the market interest rate and the change of the exchange rate.

Since derivative-embedded deposit is the variable rate fixed deposit which linked with an exchange rate, it has a risk that deposit interest rate will become less than a market interest rate.

The Company and its subsidiaries trade derivative transactions with the major financial institutions and therefore consider there is no credit risk among those transactions.

The derivative financial instruments are carried out as according to a company's internal rules, and the status of the transactions are reported regularly to the Board of Directors.

(2) Market Value of Derivative Transactions

(a) Interest-rate segment

Year ended March 31, 2008

	Japanese Yen (million)				U.S. Dollars (thousand)			
	Contract amounts	Notional amount of more than 1 year	Estimated fair value	Unrealized loss	Contract amounts	Notional amount of more than 1 year	Estimated fair value	Unrealized loss
Interest-rate swaps :								
Payment fixed / Receive floating	¥ 2,470	¥ —	¥ (1)	¥ (1)	\$ 24,653	\$ —	\$ (15)	\$ (15)
Total	2,470	—	(1)	(1)	24,653	—	(15)	(15)

1. Calculation method of estimated fair value

The above price is presented by the financial institution.

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

(b) Compound financial instruments segment

Year ended March 31, 2008

	Japanese Yen (million)				U.S. Dollars (thousand)			
	Contract amounts	Notional amount of more than 1 year	Estimated fair value	Unrealized loss	Contract amounts	Notional amount of more than 1 year	Estimated fair value	Unrealized loss
Derivative-embedded deposits:								
(Special policy of cancellation before time limit / Condition fulfillment type deposit)	¥ 300	¥ 300	¥ (52)	¥ (52)	\$ 2,994	\$ 2,994	\$ (517)	\$ (517)
Total	300	300	(52)	(52)	2,994	2,994	(517)	(517)

1. Calculation method of Estimated fair value

The above price is presented by the financial institution.

2. Estimated fair value of derivative-embedded deposits are arising from that of derivative included in compound financial instruments.

3. Contract amounts are notional amounts in the derivative-embedded deposits and do not show market risk in all derivative instruments.

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

15. Related Party Transactions

Transactions with related party for the years ended March 31, 2008 and 2007 and the respective balances as of March 31, 2008 and 2007 were as follows:

Year ended March 31, 2007											Amounts of transaction (*1)		Balance at the end of the year	
Related party	Attribution	Address	Capital Japanese Yen (million)	Type of business	% of voting right held (held by others)	Relationship			Nature of transaction	Japanese Yen (million) FY2008	U.S. Dollars (thousand) FY2008	Accounts	Japanese Yen (million) FY2008	U.S. Dollars (thousand) FY2008
						Concurrent director	Business relationship							
Naniwabashi lawyer's firm (*2)	Companies with majority of voting rights owned by the directors	Kita-ku,Osaka	—	Lawyer's firm	—	—	The Company	Legal service make a legal adviser contract	¥29	\$289	—	—	—	

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

*2 Lawyer's firm managed by a near relative of Mr. Naohiro Tsuda, a statutory auditor of the Company.

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

Year ended March 31, 2007											Amounts of transaction		Balance at the end of the year	
Related party	Attribution	Address	Capital Japanese Yen (million)	Type of business	% of voting right held (held by others)	Relationship			Nature of transaction	Japanese Yen (million) FY2007	U.S. Dollars (thousand) FY2007	Accounts	Japanese Yen (million) FY2007	U.S. Dollars (thousand) FY2007
						Concurrent director	Business relationship							
Takeo Obayashi	Director	—	—	—	3.71	—	—	sales of assets (*2)	¥2	\$21	—	—	—	
Obayashi Kosan Ltd (*3)	Companies with majority of voting rights owned by the directors	Minato-ku,Tokyo	5	Tenement management	—	Concurrent 1person	The Company	Housing construction contract (*4)	¥617(*5)	\$6,155	—	—	—	
Naniwabashi lawyer's firm (*6)	Companies with majority of voting rights owned by the directors	Kita-ku,Osaka	—	Lawyer's firm	—	—	The Company	Legal service make a legal adviser contract (*7)	¥18	\$176	—	—	—	

1 Consumption taxes were not included in the transaction amounts.

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

*3 Housing construction work was contracted with a director of the Company, Mr. Takeo Obayashi dated on January 17, 2006, but the construction owner was succeeded from Mr. Takeo Obayashi to Obayashi Kosan Ltd with 100 percentage voting rights directly owned by Mr. Takeo Obayashi.

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

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

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

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

16. Lease transactions

(a) Lessee's accounting

The following pro forma amounts represent the acquisition costs, accumulated depreciation and net book value of the leased assets at March 31, 2008 and 2007, which would have been reflected in the consolidated balance sheets if finance lease accounting had been applied to the finance leases currently accounted for as operating leases:

At March 31, 2008	Japanese Yen (million)			U.S. Dollars (thousand)		
	Acquisition costs	Accumulated depreciation	Net book value	Acquisition costs	Accumulated depreciation	Net book value
Buildings and structures	¥ —	¥ —	¥ —	\$ —	\$ —	\$ —
Machinery, equipment and vehicles	2,264	1,117	1,147	22,597	11,149	11,448
Other	293	136	157	2,921	1,351	1,570
Total	¥ 2,557	¥ 1,253	¥ 1,304	\$ 25,518	\$ 12,500	\$ 13,018

At March 31, 2007	Japanese Yen (million)			U.S. Dollars (thousand)		
	Acquisition costs	Accumulated depreciation	Net book value	Acquisition costs	Accumulated depreciation	Net book value
Buildings and structures	¥ 6	¥ 5	¥ 1	\$ 61	\$ 52	\$ 9
Machinery, equipment and vehicles	1,667	912	755	16,639	9,106	7,533
Other	206	83	123	2,052	824	1,228
Total	¥ 1,879	¥ 1,000	¥ 879	\$ 18,752	\$ 9,982	\$ 8,770

Future minimum lease payments subsequent to March 31, 2008 and 2007 on no cancelable operating leases and finance leases accounted for as operating leases are summarized as follows:

At March 31, 2008

Year ending March 31	Japanese Yen (million)		U.S. Dollars (thousand)	
	Finance leases	Operating leases	Finance leases	Operating leases
2009	¥ 508	¥ 2,691	\$ 5,073	\$ 26,862
2010 and thereafter	803	5,334	8,014	53,242
Total	¥ 1,311	¥ 8,025	\$ 13,087	\$ 80,104

At March 31, 2007

Year ending March 31	Japanese Yen (million)		U.S. Dollars (thousand)	
	Finance leases	Operating leases	Finance leases	Operating leases
2008	¥ 358	¥ 1,311	\$ 3,576	\$ 13,083
2009 and thereafter	528	4,104	5,267	40,968
Total	¥ 886	¥ 5,415	\$ 8,843	\$ 54,051

Lease payments relating to finance leases accounted for as operating leases in the accompanying consolidated financial statements amounted to ¥562 million (\$5,605 thousand) and ¥395 million (\$3,940 thousand) for the years ended March 31, 2008 and 2007, respectively.

Depreciation of the leased assets computed by the straight-line method over the respective lease terms with no residual value and the interest portion included in lease payments amounted to ¥554 million (\$5,525 thousand) and ¥8 million (\$82 thousand), respectively, for the year ended March 31, 2008, and ¥387 million (\$3,869 thousand) and ¥8 million (\$80 thousand), respectively, for the year ended March 31, 2007.

(b) Lessors' accounting

The following pro forma amounts represent the acquisition costs, accumulated depreciation and net book value of the leased assets relating to finance leases accounted for as operating leases at March 31, 2008 and 2007:

At March 31, 2008

	Japanese Yen (million)			U.S. Dollars (thousand)		
	Acquisition costs	Accumulated depreciation	Net book value	Acquisition costs	Accumulated depreciation	Net book value
Buildings and structures	¥ 650	¥ 85	¥ 565	\$ 6,493	\$ 846	\$ 5,647
Other	1	0	1	7	2	5
Total	¥ 651	¥ 85	¥ 566	\$ 6,500	\$ 848	\$ 5,652

At March 31, 2007

	Japanese Yen (million)			U.S. Dollars (thousand)		
	Acquisition costs	Accumulated depreciation	Net book value	Acquisition costs	Accumulated depreciation	Net book value
Buildings and structures	¥ 650	¥ 51	¥ 599	\$ 6,493	\$ 507	\$ 5,986
Other	1	0	1	7	2	5
Total	¥ 651	¥ 51	¥ 600	\$ 6,500	\$ 509	\$ 5,991

Future minimum lease income (including the interest portion thereon) subsequent to March 31, 2008 and 2007 for the operating leases and finance leases accounted for as operating leases is summarized as follows:

At March 31, 2008

Year ending March 31	Japanese Yen (million)		U.S. Dollars (thousand)	
	Finance leases	Operating leases	Finance leases	Operating leases
2009	¥ 41	¥ 3,490	\$ 412	\$ 34,829
2010 and thereafter	682	23,365	6,800	233,214
Total	¥ 723	¥ 26,855	\$ 7,212	\$ 268,043

At March 31, 2007

Year ending March 31	Japanese Yen (million)		U.S. Dollars (thousand)	
	Finance leases	Operating leases	Finance leases	Operating leases
2008	¥ 41	¥ 3,211	\$ 412	\$ 32,050
2009 and thereafter	723	25,399	7,213	253,503
Total	¥ 764	¥ 28,610	\$ 7,625	\$ 285,553

Lease income relating to finance leases accounted for as operating leases in the accompanying consolidated financial statements amounted to ¥41million (\$412 thousand) for the years ended March 31, 2008 and 2007, respectively.

Depreciation of the assets leased under finance leases accounted for as operating leases amounted to ¥34million (\$340 thousand) for the years ended March 31, 2008 and 2007, respectively.

17. Contingent liabilities

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

	Japanese Yen (million)		U.S. Dollars (thousand)	
	FY 2008	FY 2007	FY 2008	FY 2007
Guarantees of long-term debt of customers, affiliates and employees	¥ 2,985	¥ 3,689	\$ 29,796	\$ 36,816
Repurchase obligation for notes receivable sold.....	¥ 3,222	¥ —	\$ 32,159	\$ —

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

(a) Type and number of outstanding shares

Type of shares	Year ended March 31, 2008			
	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
Total	721,509,646	—	—	721,509,646
Treasury stock:				
Common stock	1,602,421	176,388	—	1,778,809
Total	1,602,421	176,388	—	1,778,809

* Treasury stock increased by 176,388 shares due to the repurchase of shares less than one unit.

Type of shares	Year ended March 31, 2007			
	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
Total	721,509,646	—	—	721,509,646
Treasury stock:				
Common stock	1,425,927	216,654	40,160	1,602,421
Total	1,425,927	216,654	40,160	1,602,421

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

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

(b) Dividends

(1) Dividends paid to shareholders

Date of approval	Resolution approved by	Type of shares	Amount (Millions of Yen)	Amount (Thousands of U.S.dollars)	Amount per share (Yen)	Amount per share (U.S.dollars)	Shareholders' cut-off date	Effective date
June 28, 2007	Annual general meeting of shareholders	Common stock	4,319	43,113	6	0.06	March 31, 2007	June 29, 2007
November 13, 2007	Board of directors	Common stock	2,880	28,742	4	0.04	September 30, 2007	December 10, 2007
June 29, 2006	Annual general meeting of shareholders	Common stock	5,716	57,497	8	0.08	March 31, 2006	June 30, 2006
November 10, 2006	Board of directors	Common stock	4,320	43,120	6	0.06	September 30, 2006	December 8, 2006

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

Date of approval	Resolution approved by	Type of shares	Amount (Millions of Yen)	Amount (Thousands of U.S.dollars)	Paid from	Amount per share (Yen)	Amount per share (U.S.dollars)	Shareholders' cut-off date	Effective date
June 26, 2008	Annual general meeting of shareholders	Common stock	2,879	28,735	Retained earnings	4	0.04	March 31, 2008	June 27, 2008

Date of approval	Resolution approved by	Type of shares	Amount (Millions of Yen)	Amount (Thousands of U.S.dollars)	Paid from	Amount per share (Yen)	Amount per share (U.S.dollars)	Shareholders' cut-off date	Effective date
June 28, 2007	Annual general meeting of shareholders	Common stock	4,319	43,113	Retained earnings	6	0.05	March 31, 2007	June 29, 2007

19. Amounts per share

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

Diluted net income per share has not been presented for the years ended March 31, 2008 and 2007 because the Company had no potentially dilutive shares outstanding as of these balance sheet dates.

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

Net income and net assets per share for the years ended March 31, 2008 and 2007 are as follows:

	Japanese Yen		U.S. Dollars	
	FY 2008	FY 2007	FY 2008	FY 2007
Net income per share of common stock				
Basic	¥ 25.83	¥ 56.46	\$ 0.26	\$ 0.56
Diluted	¥ —	¥ —	\$ —	\$ —
Net assets per share of common stock	¥ 625.06	¥ 753.78	\$ 6.24	\$ 7.52

The following table sets forth the computation of net income per share of common stock for the years ended March 31, 2008 and 2007:

	Year ended March 31, 2008		Year ended March 31, 2007	
	(Millions of yen, except share)	(Thousands of U.S.dollar, except share)	(Millions of yen, except share)	(Thousands of U.S.dollar, except share)
Net income available to shareholders of common stock (numerator)				
Net income	¥ 18,569	\$ 185,604	¥ 40,652	\$ 405,750
Less: appropriation of bonuses to directors and statutory auditors	—	—	—	—
	¥ 18,569	\$ 185,604	¥ 40,652	\$ 405,750
Weighted average shares of common stock outstanding (denominator)	719,813		720,017	

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

20. Impairment loss on fixed assets

For the year ended March 31, 2008, the Company and its domestic subsidiaries recognized losses on the impairment of unused buildings and land.

For the assessment of the impairment on these assets, each asset is deemed as separate group.

As a result of a recent unexpected decline in real estate value, and other, the carrying value of the above assets has been reduced to their recoverable amounts.

Accordingly, an impairment loss of ¥1,091 million (\$10,888 thousand) was recognized which consisted of ¥410 million (\$4,087 thousand) on buildings, ¥1 million (\$10 thousand) on structures, and ¥680 million (\$6,791 thousand) on land.

The recoverable amount utilized in the calculation was the net selling price.

The net selling price is mainly the appraisal value less the costs of disposal.

For the year ended March 31, 2007, the Company and its domestic subsidiaries recognized losses on the impairment of asphalt plants, unused buildings and land, golf link, and land for sale currently but for use originally. For the assessment of the impairment on these assets, each asset is deemed as separate group. As a result of a recent unexpected decline in real estate value, profitability and other, the carrying value of the above assets has been reduced to their recoverable amounts. Accordingly, an impairment loss of ¥3,229 million (\$32,232 thousand) was recognized which consisted of ¥833 million (\$8,315 thousand) on buildings, ¥538 million (\$5,371 thousand) on structures, ¥63 million (\$630 thousand) on machinery and equipment, and ¥1,795 million (\$17,916 thousand) on land. The recoverable amount utilized in the calculation was the net selling price. The net selling price is mainly the appraisal value less the costs of disposal.

21. Subsequent event

(a) Cash dividends

On June 26, 2008, the following appropriation of retained earnings was approved at the shareholders' meeting of the Company.

	Japanese Yen (million)	U.S. Dollars (thousand)
Cash dividends	¥ 2,879	\$ 29,735



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Report of Independent Auditors

The Board of Directors
OBAYASHI CORPORATION

We have audited the accompanying consolidated balance sheets of OBAYASHI CORPORATION and consolidated subsidiaries as of March 31, 2008 and 2007, and the related consolidated statements of income, changes in net assets, and cash flows for the years then ended, all expressed in yen. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of OBAYASHI CORPORATION and consolidated subsidiaries at March 31, 2008 and 2007, and the consolidated results of their operations and their cash flows for the years then ended in conformity with accounting principles generally accepted in Japan.

Supplemental Information

As discussed in Note 2(a) to the consolidated financial statements, effective for the construction started on or after April 1, 2007, the Company changed the scope of the construction contracts to apply the percentage-of-completion method.

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the years ended March 31, 2008 and 2007 are presented solely for convenience. Our audit also included the translation of yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 3.

June 27, 2008

A MEMBER OF ERNST & YOUNG GLOBAL

Corporate Profile / Stock Information

Corporate Profile

Founded: January, 1892

Company Established: December, 1936

Paid-in-Capital: ¥57,752,671,801 (as of March 31, 2008)

Number of Shares Authorized: 1,224,335,000 shares

Total Number of Shares Issued and Outstanding:

721,509,646 shares

Number of Shareholders: 54,563 (as of March 31, 2008)

Number of Employees: 9,280 (as of March 31, 2008)

Scope of Business

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

Stock Information

Transfer Agent:

Mitsubishi UFJ Trust and Banking Corporation
4-5, Marunouchi 1-chome, Chiyoda-ku, Tokyo 100-8212,
Japan

General Meeting of Shareholders: Late June

Listed on: Four stock exchanges: Tokyo, Osaka, Nagoya
and Fukuoka

Major shareholders

as of March 31, 2008

	Holding Shares	
	Shares held (Thousand)	Investment ratio (%)
Japan Trustee Services Bank, Ltd. (Trust Account)	59,034	8.20
The Master Trust Bank of Japan, Ltd. (Trust Account)	38,372	5.33
Takeo Obayashi	26,557	3.69
Nippon Life Insurance Company	26,131	3.63
OM04 SSB Client Omnibus	22,759	3.16
Japan Trustee Services Bank, Ltd. (Trust Account 4)	21,121	2.93
Hakuyo-kai	18,886	2.62
Obayashi Employee Share-holding Association	10,069	1.40
Sumitomo Realty & Development Co., Ltd.	9,159	1.27
The Sumitomo Trust & Banking Co., Ltd. (Trust B Account)	7,468	1.04

(Notes) Equity Position was calculated after subtracting treasury stocks (1,778,809 stocks)

Network of Companies

Domestic Offices

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OSAKA MAIN OFFICE

4-33, Kitahamagishi, Chuo-ku, Osaka 540-8584, Japan
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BRANCHES

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

TECHNICAL RESEARCH INSTITUTE

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

Domestic Subsidiaries and Affiliates

CONSTRUCTION

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

REAL ESTATE

OBAYASHI REAL ESTATE CORPORATION

BUILDING MAINTENANCE

OBAYASHI FACILITIES CORPORATION

GOLF CLUBS & RESTAURANTS

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

OTHER

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

Overseas Offices, Subsidiaries, and Affiliates

THAILAND

• THAI OBAYASHI CORPORATION LIMITED

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• THAILAND OFFICE

*Refer to THAI OBAYASHI CORPORATION LIMITED

INDONESIA

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• INDONESIA OFFICE

*Refer to PT. JAYA OBAYASHI

VIETNAM

• OBAYASHI VIETNAM CORPORATION

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CAMBODIA

• PHNOM PENH OFFICE

#802, Prek Eang Commune, Kean Svay District, Taprum Village, Kandal Province, Cambodia. (Street to Tiger Beer Factory)
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PHILIPPINES

• MANILA OFFICE

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CHINA

• OBAYASHI (SHANGHAI) CONSTRUCTION CO., LTD.

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TAIWAN

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• TAIWAN OFFICE

*Refer to TAIWAN OBAYASHI CORPORATION

U.S.A.

• OBAYASHI USA, LLC

420 East Third Street, Suite 906, Los Angeles, California 90013, U.S.A.
TEL: +1-213-687-8700 FAX: +1-213-687-3700

• E.W. HOWELL CO., INC.

113 Crossways Park Drive, Woodbury, New York 11797, U.S.A.
TEL: +1-516-921-7100 FAX: +1-516-921-0119

• JOHN S. CLARK COMPANY, LLC

210 Airport Road, Mt. Airy, North Carolina 27030, U.S.A.
TEL: +1-336-789-1000 FAX: +1-336-789-7609

• WEBCOR, LP

951 Mariners Island Blvd., 7th Floor, San Mateo, California 94404, U.S.A.
TEL: +1-650-349-2727 FAX: +1-650-524-7399

• OC REAL ESTATE MANAGEMENT, LLC

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• DUBAI MANAGEMENT OFFICE

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• Offices • Subsidiaries and Affiliates

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