



**OBAYASHI  
CORPORATION  
ANNUAL  
REPORT  
2001**



## CORPORATE PROFILE

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

Obayashi has a head office, a main office, nine branches and 69 business offices, a technical research institute, two machinery works, and 32 affiliates and subsidiaries in Japan. It has 19 offices and 29 affiliates and subsidiaries overseas.

As of March 31, 2001, Obayashi had 10,979 employees, comprising 782 architects, 3,261 construction engineers, 1,910 civil engineers, 210 research scientists and technicians, 49 computer systems engineers, 1,607 other technicians, and 3,160 support staff.

Obayashi business:

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

## CORPORATE STANCE

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

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

### Management Stance

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

### Personnel Stance

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

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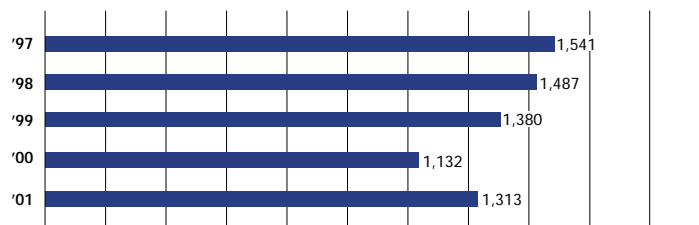
# FINANCIAL HIGHLIGHTS

	2001	2000	1999	2001
	(million)			(thousand)
Total revenues	¥ 1,313,348	¥ 1,132,028	¥ 1,379,840	\$10,600,065
Net income	(6,466)	5,711	8,893	(52,187)
Orders received	1,224,103	1,271,722	1,244,829	9,879,766
Backlog at year end*	1,993,872	2,063,706	1,930,250	16,092,591
<b>At year end</b>				
Total assets	2,197,081	2,060,935	2,070,469	17,732,696
Long-term debt	228,570	260,609	252,049	1,844,794
Shareholders' equity	405,322	329,431	309,670	3,271,364
<b>Per share data</b>				
				(unit=1)
Net Income per share	¥ (8.78)	¥ 7.66	¥ 11.93	\$ (0.07)
Cash dividend per share	8.03	8.00	8.00	0.06
Shareholders' equity per share	550.48	442.09	415.57	4.44
Number of common shares outstanding	727,813,544	745,173,544	745,173,544	

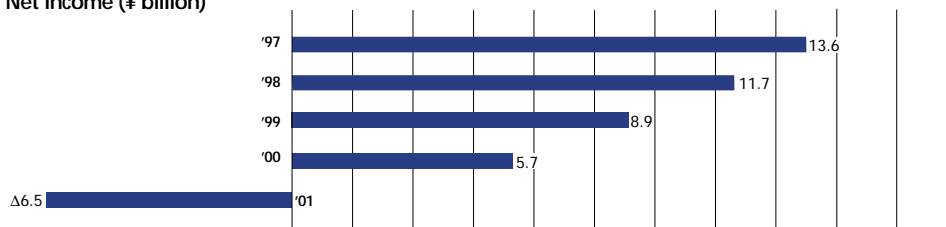
Obayashi Corporation and consolidated subsidiaries, years ended March 31, 1999 to 2001. All figures have been translated into US\$, at the rate of ¥123.9/\$1.00, solely for the convenience of the reader. For details, see the Notes to the Financial Statements. The Obayashi Corporation fiscal year runs from April 1 through March 31. The fiscal year ending March 31, 2001, is referred to as FY2001.

\*Non-consolidated figure.

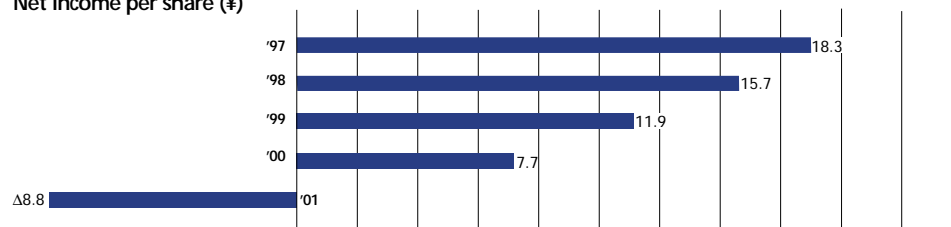
## Revenues (¥ billion)



## Net income (¥ billion)



## Net income per share (¥)



## TO OUR SHAREHOLDERS

**M**ay we express our heartfelt gratitude for the continued support from our shareholders, and report on our business operations in fiscal year 2001, which ended March 31, 2001.

The past year saw a slight improvement in Japan's overall economic performance, but individual consumption remained lackluster. In addition, as the new calendar year began, the manufacturing industry moved into a period of adjustment, caused by the slowing down of the U.S. economy. As a result, private capital investment, which had been the engine of Japan's efforts toward resurgence, showed signs of a slowdown, pushing the entire economy into the doldrums.

In the construction industry, orders from the manufacturing industry in the private sector slowed and those from non-manufacturing industries dropped considerably. In the public sector, orders continued to decrease. This created an extremely severe business environment and hampered our efforts to win new contracts.

Through strenuous efforts to secure new work in these adverse circumstances, Obayashi ended the fiscal year with ¥1.224 trillion (US\$9,880 million) in orders received, down 3.7% from the previous year.

Our revenues for the year reached ¥1.313 trillion (US\$10,600 million), an increase of 16.0% over FY2000. In terms of profits, operating income were ¥33.4 billion (US\$270 million), up 22.2% compared to last year, thanks to the increase in projects completed. However, in order to put our financial position on a more secure basis, we

set up an allowance for retirement payments resulting in an extraordinary amortization of ¥37.6 billion (US\$304 million). In addition, we wrote off ¥7.6 billion (US\$61 million) to adjust country club memberships held from purchase price to current worth. As a result of these extraordinary depreciation, our net profit figure ended in a loss for the year of some ¥6.4 billion (US\$52 million).

We place top priority on returning a dividend to our shareholders. Our principle is to share profits with our shareholders according to our business results, while bolstering the financial strength of our company, funding future technological development, and ensuring ample reserves for capital investment. Therefore, the Board of Directors declared a second semester dividend of ¥4.0 (US\$0.03) per share of common stock, bringing the year's total dividend to ¥8.0 (US\$0.06) per share.

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

Looking to future trends in the Japanese economy, we expect corporate capital outlays to gradually decline, which may adversely affect both consumer spending and corporate profits. The outlook for the immediate future calls for careful observation, to say the least.

In the construction industry, we cannot expect great increases in private sector capital investments, and public works will surely continue to

decrease. As a result, severe competition for new orders will continue, meaning that our company must further increase its efforts in this regard.

The most important issue in this harsh business environment will be securing sufficient orders to maintain our current business scale while sustaining our profitability. Therefore, we plan to strengthen price competitiveness by promoting cost reductions through technological development, by initiating even more efficient and systematic operations. We will also boost our total planning capabilities, including promoting the innovative use of software. In addition, we will strengthen our competitiveness in areas showing particular growth potential, such as renovation, medical care, telecommunications, and environment-related fields as well as our private finance initiative (PFI). We plan to make maximum use of proprietary technology and know-how to facilitate our quest for new orders. We will continue in our efforts to make better use of information technology as well as instigating reforms in our operations. Our final objective is a firm financial standing and a strong profit base.

Our medium-term targets, considering the current state of capital investment in construction, are to achieve new orders worth ¥1.2 trillion (US\$9,685 million) and operating profits of over ¥20.0 billion (US\$161 million). We will work to establish a solid managerial foundation to ensure profits even under the current intense competition for new orders.

Further, we place environmental issues high on our agenda. In this respect, we inaugurated a model site program that seeks "Zero Emis-



*Standing from left to right: Norio Wakimura, Kenichi Yamashita, and Tadashi Uehara  
Seated from left to right: Shinji Mukasa, Yoshiro Obayashi, and Takeo Ohbayashi*

sions” from construction sites by completely recycling all waste. We also work to reduce construction waste of all kinds. And we develop and implement numerous environmental technologies including energy saving and soil purification techniques. At Obayashi, we hope to continue contributing to viable solutions for environmental issues.

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

*Yoshiro Obayashi*  
Yoshiro Obayashi, Chairman & CEO

*Shinji Mukasa*  
Shinji Mukasa, President

## The Board of Directors

**CHAIRMAN & CHIEF EXECUTIVE OFFICER**  
Yoshiro Obayashi

**VICE CHAIRMAN**  
Takeo Ohbayashi

**PRESIDENT**  
Shinji Mukasa

**EXECUTIVE VICE PRESIDENTS**  
Kenichi Yamashita  
Tadashi Uehara  
Norio Wakimura

**SENIOR MANAGING DIRECTORS**  
Yoshihisa Obayashi  
Yoshisato Kurata  
Shoji Kuwahara  
Masao Ishihara  
Eiji Noma  
Yoshihiko Tamiya  
Norio Iguchi  
Jumpei Morimoto

**MANAGING DIRECTORS**  
Yoshiaki Sugita  
Masatoshi Fujinawa  
Keiji Koizumi  
Yoshio Yamaguchi  
Masaaki Yamamoto  
Tetsuya Mizoguchi  
Takekazu Mizumaki  
Shiro Takagi  
Sumikichi Ito  
Toshikatsu Nishino  
Tomoyuki Masuda  
Tsuneo Mitsuta  
Akira Nakatani  
Kunio Matsumoto  
Shigeru Kumagai  
Yoshitaka Hara

**DIRECTORS**  
Shotaro Ito  
Chikafusa Sato  
Yutaro Omote  
Haruo Tsukagoshi  
Hirofumi Inagaki  
Akiuori Furusho  
Shuhei Tabo  
Shigeo Morii  
Shigeyoshi Cho  
Masashi Honjo  
Yuji Nakamura  
Yoichi Ito  
Toru Shiraishi  
Ryuichi Irahara

**CORPORATE AUDITORS**  
Tadashi Nishimura  
Kotaro Hioki  
Teruo Okouchi  
Teizo Tsuda  
Harumichi Hanashima

*(as of June 28, 2001)*

## NEWS BOX

### Long shield tunnel reaches breakthrough point – Bangkok subway project

Obayashi has been working on the Bangkok subway project (MRTA Initial System Project) since 1997. The project, which we also engineered, is for a 6.45 m diameter 10 km long shield tunnel. Although there were many difficulties to overcome in the process, the shield machine broke through in November 2000.



*Everyone celebrates at the breakthrough ceremony.*

The Thai capital of Bangkok, along with its surrounding areas, is home to some 10 million people. And with the sudden increase in motorization that began in the 1980s, road infrastructure became increasingly inadequate. With traffic congestion as it is in Bangkok, the citizens of the city and its surrounding areas look forward with great anticipation to the opening of the new subway.

Today, work is underway on the subway stations and facilities, which will take a year or more to finish. But Obayashi is putting all its resources together to help this project reach a satisfactory conclusion.

*The Applied Materials technology center*



### Obayashi lands turnkey project for semiconductor manufacturing equipment maker's advanced technology center

Obayashi was recently awarded a turnkey contract to produce an advanced technology center for Applied Materials, Inc., the world's largest supplier of semiconductor manufacturing equipment. The project also includes a production line.

The project entertained bids from engineering firms from many different countries, but Obayashi's track record of completed projects, technological prowess, quality construction, and site management in Silicon Valley helped us win the bid.

This time, as the Applied Materials technology center (which Obayashi built) structure is complete, Obayashi will construct a clean room, production process support facilities, and others. Obayashi has given overall management control of the entire project, from planning to completion, including quality control, construction, and cost management.

### Obayashi wins Global Environment Award

The Global Environment Award (sponsored by the Japan Industrial Journal Co., Ltd.) was inaugurated to help promote a balance between industrial growth and the global environment and to recognize companies and local governments with very active programs aimed at protecting the environment. This year marked the 10th



*Obayashi President Mukasa (second from the left) accepts the award.*

Annual Global Environment Awards. Obayashi Corporation was awarded the Japan Industrial Journal Award in recognition of our concern for the environment as evidenced by our setting up a Global Environment Department in 1990 and by our continuing activi-

ties since then.

In the coming years, Obayashi will continue to place a very high priority on protection of the global environment.

### Zero emissions programs at construction sites

Obayashi has zero emissions programs in place and operating at large construction sites in Tokyo, such as the Dentsu Inc. New Head Office site and the Marunouchi Building site. These programs are aimed at recycling all waste. These sites use unique ways of transporting and receiving materials and equipment, which minimize packaging or bands that must be thrown away. Any waste generated is carefully separated for recycling, and waste that cannot be separated is incinerated to produce gases usable as fuel and melted metal and other slag that can be reused. These zero emissions sites are the focus of attention from inside and outside the company as they will show how we can eliminate construction waste.



Upper: Dentsu Inc. New Head Office Building  
Lower: Marunouchi Building

- 1) Packaging, bands, and other items that must be thrown away are kept out of the site as much as possible.
- 2) Waste is separated on-site for recycling.
- 3) Aim for complete recycling of the separated waste collected from the site by waste treatment and recycling facilities.
- 4) After separation, items that are not easily recycled are incinerated in a gasification melting furnace, which produces fuel gas, metal slag, and other melted slag for reuse.



### Aim for 100% recycling

cling, and waste that cannot be separated is incinerated to produce gases usable as fuel and melted metal and other slag that can be reused. These zero emissions sites are the focus of attention from inside and outside the company as they will show how we can eliminate construction waste.

### PFI project garners attention

PFI projects are those in which private companies build, maintain, and operate facilities on behalf of national or local governments. Such PFI projects have gained a great deal of attention of late.

One such PFI project is the Health, Medical, and Welfare University at Kanagawa Prefecture. The schemes for design and construction of the facilities, the financing methodology, and so on, contained in the proposal of the Obayashi group were selected as superior.

After that, our group set up a special purpose company, which officially contracted with the Prefecture of Kanagawa for the project in July 2000. The university facility should be completed by January 2003.

### Obayashi secured order for Japan's largest desalination plant

Obayashi has received an order for the construction of a desalination plant from the Fukuoka Water Supply Authority. The facility is part of the plan to ameliorate chronic water shortages in the Fukuoka metropolitan area. The project calls for the construction of a desalination plant capable of producing 50,000 m<sup>3</sup> of fresh water per day, which will make it the largest such facility in Japan.

The project used public bids to decide on the technology to use for the project. Obayashi's technology was seen to provide a stable, high-quality supply of fresh water, thus receiving highest marks among the bids. This superior technology led to our receiving the order for the desalination plant.

A model of the finished desalination plant



A perspective view of the Health, Medical, and Welfare University at Kanagawa Prefecture

# DOMESTIC PROJECTS

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

*Universal Studios Japan™*  
 Universal elements, Universal Studios Japan™ & ©Universal Studios. All rights reserved. CR01-3619



*Below Left: The University of Tokyo Hospital, New Ward*  
*Below Right: The Nikko Tamozawa Imperial Villa Memorial Park Main House*



*Upper: Shizuoka Stadium ECOPA*  
*Lower: Kamiya-cho Underground Arcade "Shareo"*

*Tsurumi River Onmawashi-Koen Regulating Reservoir (Main Tunnel)*



*Harumi Island Triton Square*



*The Metropolitan Area Outer Discharge Channel - Tunnel Contract No.1*



*Upper: Miyakodagawa Bridge  
Lower: Tashirobae Dam*

# OVERSEAS PROJECTS

Obayashi began overseas construction in Asia in the 1960s. Later, we expanded to North America, Europe, and Australia, and are active in over 20 countries. In the 21<sup>st</sup> century, we commit to furthering development in even more nations through reliable, high-quality construction based on over a century of tradition, wide-ranging experience, and our well-earned credibility in global communities.

Melbourne CityLink [Australia]

Photography by Rick Altman  
Ace Image Photographics Pty Ltd



Left: Tongyong LNG Terminal (#1, 2 & 3)  
[South Korea]  
Right: Taiwan North-South High Speed Rail  
Project [Taiwan]



M.B.T.A. Green Line North Station [U.S.A.]



Water Garden II [U.S.A.]

*Setthathirath Hospital [Laos]*



*Upper: KCE New Factory [Thailand]  
Lower: PT. Bridgestone Tire Indonesia New Factory [Indonesia]*



*NH Techno Glass Pte Ltd New Factory [Singapore]*

# NETWORK OF COMPANIES



## DOMESTIC OFFICES

### ■ TOKYO HEAD OFFICE

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

### OSAKA MAIN OFFICE

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

### BRANCHES

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

### TECHNICAL RESEARCH INSTITUTE

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

## DOMESTIC SUBSIDIARIES, AND

### CONSTRUCTION

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

### REAL ESTATE

OBAYASHI REAL ESTATE CORPORATION  
HAKUSEI REAL ESTATE, LTD.

### BUILDING MAINTENANCE

TOYO BUILDING SERVICE CORPORATION  
OAK BUILDING SERVICE CORPORATION



## OVERSEAS OFFICES, SUBSIDIARIES, AND AFFILIATES

### THAILAND

#### 1 BANGKOK

##### ● THAILAND OFFICE

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

##### ● THAI OBAYASHI CORPORATION LIMITED

\* Refer to Thailand Office.

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

### INDONESIA

#### 2 JAKARTA

##### ● INDONESIA OFFICE

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

##### ● PT.JAYA OBAYASHI

\*Refer to Indonesia Office.

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

### SINGAPORE

#### 3 SINGAPORE

##### ● SINGAPORE OFFICE

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

##### ● OBAYASHI SINGAPORE PRIVATE LIMITED

\* Refer to Singapore Office.

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

### MALAYSIA

#### 4 KUALA LUMPUR

##### ● MALAYSIA OFFICE

Peti #5, Wisma Selangor Dredging,  
Tingkat 7, East Block, 142-B Jalan  
Ampang, 50450 Kuala Lumpur,  
Malaysia  
TEL:60-3-2164-2702  
FAX:60-3-2164-2762  
E-mail: obayashiki@ppp.nasionet.net

##### ● OBAYASHI CONSTRUCTION (MALAYSIA) SDN. BHD.

\* Refer to Malaysia Office.

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

## AFFILIATES

### GOLF CLUB & RESTAURANT

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

### OTHERS

OAK SYSTEM CORPORATION  
ATELIER G&B CORPORATION  
OC FINANCE CORPORATION  
TOYO ECO RESEARCH CORPORATION  
OAK L.C.E. CORPORATION

- Offices
- Affiliates and subsidiaries

## PHILIPPINES

### 5 MANILA

#### ● PHILIPPINES OFFICE

Unit 606, 6F, Globe Telecom Plaza,  
Pioneer Highlands Condominium,  
Pioneer Corner Madison Sts.,  
Mandaluyong City, Philippines  
TEL:63-2-687-7108,7136  
FAX:63-2-687-7110  
E-mail:nagai@obayashi-phils.com

#### ● OBAYASHI PHILIPPINES CORPORATION

\* Refer to Philippines Office.

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

## VIETNAM

### 6 HO CHI MINH

#### ● VIETNAM OFFICE

Saigon Tower - Suite 908, 29 Le Duan  
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### 7 HANOI

#### ● HANOI OFFICE

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## CHINA

### 8 SHANGHAI

#### ● CHINA OFFICE

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1912, 2200 Yan An Road (W.),  
Shanghai, People's Republic of China  
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FAX:86-21-6219-2555  
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### 9 BEIJING

#### ● BEIJING OFFICE

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DongSanhuan Beilu 5,Chaoyang-Qu,  
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E-mail:euonix@public.bta.net.cn

### 10 DALIAN

#### ● DALIAN OFFICE

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Dalian, People's Republic of China  
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## TAIWAN

### 11 TAIPEI

#### ● TAIWAN OFFICE

6F-2, 57, Fu-Hsing N. Road, Taipei,  
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E-mail:tobayash@ms24.hinet.net

#### ● TAIWAN OBAYASHI CORPORATION

\* Refer to Taiwan Office.

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

## INDIA

### 12 NEW DELHI

#### ● NEW DELHI OFFICE

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

#### ● OBAYASHI INDIA PRIVATE LIMITED

\* Refer to New Delhi Office.

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

## AUSTRALIA

### 13 SYDNEY

#### ● AUSTRALIA OFFICE

Level 21, Westpac Plaza, 60 Margaret  
Street, Sydney, NSW 2000, Australia  
TEL:61-2-9247-7911  
FAX:61-2-9247-7966  
E-mail:ocsydss@ozemail.com.au

## U.S.A.

### 14 NEW YORK

#### ● U.S. EASTERN REGIONAL OFFICE

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

#### ● E.W.HOWELL CO.,INC.

\* Refer to U.S. Eastern Regional Office.

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

### 15 LOS ANGELES

#### ● U.S.WESTERN REGIONAL OFFICE

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

#### ● OC AMERICA CONSTRUCTION, INC.

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

TEL:1-213-687-8700  
FAX:1-213-687-4317

E-mail:marketing@ocac.com

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

● **OC REAL ESTATE  
MANAGEMENT, LLC**

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

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

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

**16 SAN FRANCISCO**

● **SAN FRANCISCO OFFICE**

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

● **JAMES E. ROBERTS-OBAYASHI  
CORPORATION**

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

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

**17 HONOLULU**

● **U.S. HAWAII OFFICE**

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

● **OBAYASHI HAWAII  
CORPORATION**

\* Refer to U.S. Hawaii Office.

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

**MEXICO**

**18 MEXICO CITY**

● **OBAYASHI DE MEXICO S. A.  
de C. V.**

\* Refer to U.S. Western Regional  
Office.

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

**U.K.**

**19 LONDON**

● **EUROPE OFFICE**

2nd Floor, 25/28 Old Burlington Street,  
London W1S 3AN, United Kingdom  
TEL:44-20-7434-9595  
FAX:44-20-7494-3249  
E-mail:mitskw@ma.kew.net

**POLAND**

**20 WARSZAWA**

● **OBAYASHI POLAND SPOLKA  
Z O.O.**

\* Refer to Europe Office.

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

**HUNGARY**

**21 BUDAPEST**

● **OBAYASHI HUNGARY  
CONSTRUCTION KFT.**

\* Refer to Europe Office.

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

**NETHERLANDS**

**22 AMSTERDAM**

● **OBAYASHI FINANCE  
INTERNATIONAL  
(NETHERLANDS) B.V.**

\* Refer to Europe Office.

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

**FRANCE**

**23 PARIS**

● **PARIS OFFICE**

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

# OBAYASHI HISTORY

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



From Top:  
 - Tokyo Station  
 - Nukabira Dam  
 - U.S. Embassy Office Building  
 - U.S.S.R. Embassy Building

## 1892-1945 From foundation through WWII

In 1892, Yoshigoro Ohbayashi won the bid for construction of the Abe Paper Mill, and founded his company. For those times in Osaka, it was a very large project, but Yoshigoro realized that how the job was done meant the future to his fledgling company, so he put everything he and his employees had into the construction. When they finished, the owners were more than satisfied with the results. And Obayashi Corporation made its first powerful step forward.

The Fifth National Industry Fair was held in 1901. Obayashi Corporation was the only Osaka company requested to bid on the project. And the company won most of the major bids. Thus, only a decade after our founding, Obayashi was already recognized as a major construction company and had become well-known throughout Japan.

In 1904, Obayashi opened an office in Tokyo. Then, in 1911, we were awarded the contract to build Tokyo Station, a project that was then the highest steel-frame building ever attempted in Japan. The project was finished in 1914, with such high-quality precision workmanship that there was not a single gap in the entire structure. This cemented Obayashi's reputation as a top-class construction company in Tokyo, and that led to a succession of new orders for construction work.

In 1918, Obayashi became a limited stock company, and management moved toward modernization. We went on to handle the construction of major landmarks

Yoshigoro Ohbayashi



Osaka Shosen  
Kobe Branch building



such as the Osaka Shosen Kobe branch, the Mainichi Newspaper office in Osaka, the Osaka Shochikuza, and other structures that ushered in the era of modern buildings in Japan. In addition, we participated in constructing the Meiji Jingu Gaien Stadium and the Koshien Stadium, two major projects in East and West Japan, respectively.

In the '20s and '30s, Obayashi grew very rapidly, gaining considerable ground over other construction companies and making our way to the top of the industry.

## 1946-1998 From post-war recovery

During Japan's postwar reconstruction, there came a rush to construct dams for hydroelectric power. The first was the Nukabira Dam, followed in quick succession by the Yakuwa, Amagase, Miwa, and other dams. Reflecting the high pace of the Japanese economy during these years, we constructed the award-winning National Gymnasium Annex as well as the Hotel Empire, Japan's first real high-rise building. During these years, Obayashi constructed many high-rise office buildings and hotels, at home and abroad.



Osaka's Expo '70

Obayashi built many of the pavilions at Expo '70 in Osaka, where we were able to showcase our technology to the world. An



era of surprising growth followed.

In 1970, we designated our Tokyo Head Office to run the company under a single management policy via headquarters in Tokyo and Osaka. The Obayashi Main Office in Osaka was completed in 1973, the first ultra-high-rise building in Western Japan.

In 1976, we completed both the U.S. Embassy Office Building and the U.S.S.R. Embassy Building in Tokyo. And in 1982, we displayed our leadership in environmental issues with the completion of our Technical Research Institute, which was certified the most energy-efficient building in the world. The '80s also saw the completion of the Seikan Tunnel between Japan's main island of Honshu and the northernmost island of Hokkaido, and the start of the North and South Bisan-Seto Bridges, which connect Honshu with the island of Shikoku. With the completion of these projects, Japan's main islands were all linked by land transportation routes.

After 1986, Japan's bubble economy heated up and investment in construction grew significantly. Many of the large projects that had been planned, such as urban redevelopment and waterfront development, were completed during that era. Obayashi participated in construction of the Kansai International Airport, the Tokyo International Forum Glass Hall, the Osaka Dome, the Kyoto Station Building, the Tokyo Wan



*Tokyo Wan Aqua-Line*



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

Aqua-Line, the Akashi Straits Bridge, and other large projects.

### **Overseas activities**

In 1964, we were the first Japanese construction company to open an overseas representative office, in Bangkok, Thailand. And after 1970, we were very active in opening representative offices and establishing local subsidiaries, both in Southeast Asia and in the United States.

In 1979, Obayashi became the first Japanese construction company in the U.S. to successfully bid for a public works project, when we were awarded the North Shore Outfalls Consolidation Contract in San Francisco, California. We also garnered the contract for the Air Traffic Control Tower for Southeast Asia's largest airport, the Changi International Airport in Singapore, along with other large projects in the region.

In 1993, we received a contract from the U.S. Army Corps of Engineers for the San Antonio River Tunnel. And we completed construction of the Stadium Australia and Sydney Super Dome for the Sydney Olympic Games.

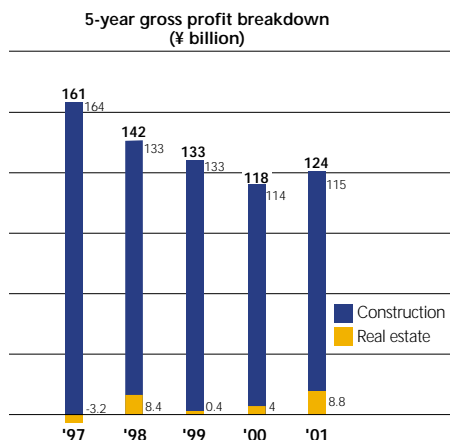
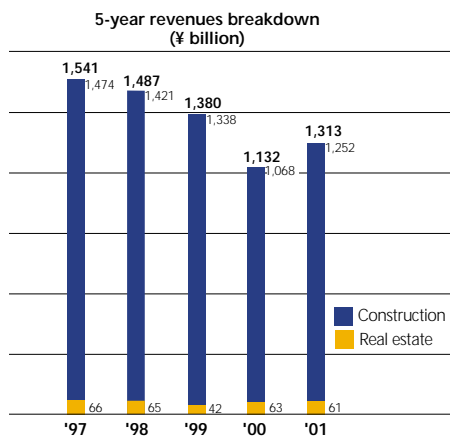
Today, Obayashi Corporation is active in over 20 countries in Southeast Asia, Australia, Europe, and North America.

### **Gaining power in the 21st century**

In 1999, Obayashi moved its Tokyo Head Office to Shinagawa Intercity, where Obayashi will work on solutions for the future of human kind and the earth.

In 2001, Obayashi celebrates its 110th anniversary with a commitment to aim for even greater successes and societal contributions in the new century.

## REVIEW OF OPERATIONS



### Results for the year

Japan's economy showed a slight shift toward recovery during the year, but individual consumption remained lackluster. And since the first of the year 2001, the decelerating U.S. economy affected Japan's manufacturing sector, stifling corporate capital investments, which had been the economy's driver. As a result, Japan's economy began to slip into a holding pattern. In the construction industry, private sector capital investment bottomed out and public works orders decreased. Overall, the severe business environment mirrored that of last year, again preventing any increase in new orders.

In the construction industry, orders from private sector manufacturing leveled off and those from non-manufacturing companies declined significantly. Also, public works orders again decreased during the year. Overall, the severe business environment continued, making new orders very difficult to come by.

In these severe conditions, consolidated revenues for fiscal year 2001 totaled ¥1.313 trillion (US\$10,600 million), an increase of 16.0% over the previous fiscal year. Broken down, this figure represented ¥1.252 trillion (US\$10,102 million) in construction projects, or 95.4%, and real estate and other transactions accounted for ¥61.6 billion (US\$498 million) or 4.6% of the total.

Concerning profit and loss, operating income stood at ¥33.4 billion (US\$270 million) at the end of the year, up 22.2% over the previous year. However, in a move to further the healthy state of the company's finances, we amortized ¥37.6 billion (US\$304 million) in setting up allowances in preparation for lump-sum retirement payments, and some ¥7.5 billion (US\$61 million) in adjusted values of country club memberships, held by the company, etc. As a result, the after-tax profit column showed a loss of about ¥6.4 billion (US\$52 million).

Operations resulted in a positive cash flow of some ¥69.4 billion (US\$561 million) and an additional positive flow of about ¥21.3 billion (US\$172 million) was generated through the sale of negotiable securities and other investment activities. These moneys were used to repay loans, so the total amount of interest-bearing debt at year end decreased by some ¥84 billion (US\$678 million) compared to year-end FY2000.

Non-consolidated results included new orders worth ¥1.178 trillion (US\$9,508 million), a decrease of about 2.5% from the previous year. Of this figure, construction projects accounted for 97.4% and real estate and other transactions for 2.6%. Of the construction orders, 25.7% was for civil engineering projects and 74.3% was for building construction projects. Overseas orders accounted for 6.9% of the total.

Non-consolidated revenues reached ¥1.248 trillion (US\$10,072 million) for the year, an increase of 16.1% over FY2000. The breakdown was 97.5% for construction and 2.5% for real estate and other transactions. Construction projects were 26.9% civil engineering and 73.1% building construction. Overseas projects accounted for 5.2% of all construction revenues.

Finished projects increased during the year, bringing operating profits to some ¥30.7 billion, an increase of 26.5% over last year. However, in a move to further the healthy state of the company's finances, we amortized ¥37.0 billion (US\$299 million) in setting up allowances in preparation for lump-sum retirement payments and some ¥17.6 billion (US\$142 million) in readjustments of affiliate investment values, etc. As a result, the year showed a non-consolidated net loss of about ¥15.0 billion (US\$122 million) after taxes.

In addition, Obayashi decided to repurchase 20 million shares of the company's stock with the aim of amortizing up to ¥10 billion worth. As of the end of the fiscal

year, ¥7.5 billion in own shares had been amortized.

#### Major orders received

- Canon Headquarters
- Fukuoka Desalination Plant
- Izumi City General Activities Center
- Health, Medical, and Welfare University at Kanagawa Prefecture
- Minneapolis-St.paul International Airport MSP LRT Tunnel and Station (U.S.A.)

#### Major projects completed

- Harumi Island Triton Square Office Tower Z
- Shiba Koen First Bldg. and La Tour Shiba Koen
- Garden City Towers
- The Metropolitan Area Outer Discharge Channel – Tunnel Contract No.1
- NTT East Kanto Medical Center

#### Outlook for FY2002

The future for the Japanese economy shows expected slowing in the rate of private sector capital investment. And economists are less than confident about the state of individual consumption and corporate profits. In other words, we cannot expect significant improvements in the economic situation during fiscal 2002.

In the construction industry, we cannot expect a significant increase in work from the private sector, and public works projects will certainly continue to decline, resulting in increasingly severe conditions in which to vie for new orders. Getting orders for new projects and making a profit on them will require even greater effort than ever before. Therefore, Obayashi Corporation places the utmost emphasis on garnering sufficient new orders to maintain our present business scale while improv-

ing our profitability.

We set a target of ¥1.34 trillion (US\$10,815 million) for consolidated revenues, ¥28 billion (US\$226 million) for consolidated operating income, and ¥15 billion (US\$121 million) for consolidated net income.

We anticipate ¥1.20 trillion (US\$9,685 million) in non-consolidated orders received in the next fiscal year, including ¥30 billion (US\$ 242 million) from real estate. We expect non-consolidated revenues to reach ¥1.27 trillion (US\$10,250 million), including ¥30 billion (US\$242 million) from real estate, and operating profit to total ¥25 billion (US\$202 million). Non-consolidated net income for FY2002 is expected to be about ¥13 billion (US\$105 million).

## SIX-YEAR FINANCIAL SUMMARY

Obayashi Corporation and Consolidated Subsidiaries Years Ended March 31, 2001 to 1996.

	2001	2000	1999	1998	1997	1996	2001
<b>Operating results:</b>	(million)						(thousand)
Revenues							
Construction	<b>¥1,251,699</b>	¥1,068,579	¥1,338,243	¥1,421,531	¥1,474,970	¥1,184,199	<b>\$10,102,494</b>
Real estate	<b>61,649</b>	63,449	41,597	65,964	66,515	60,082	<b>497,571</b>
Total	<b>1,313,348</b>	1,132,028	1,379,840	1,487,495	1,541,485	1,244,281	<b>10,600,065</b>
Cost of sales	<b>1,189,235</b>	1,013,774	1,246,493	1,345,920	1,379,891	1,079,598	<b>9,598,346</b>
Gross profit	<b>124,113</b>	118,254	133,347	141,575	161,594	164,683	<b>1,001,719</b>
Selling, general and administrative expenses	<b>88,799</b>	89,452	97,626	101,779	117,759	122,769	<b>716,699</b>
Operating income	<b>35,314</b>	28,802	35,721	39,796	43,835	41,914	<b>285,020</b>
Interest expenses	<b>(6,619)</b>	(8,013)	(8,028)	(8,619)	(10,681)	(14,900)	<b>(53,422)</b>
Net income	<b>(6,466)</b>	5,711	8,893	11,723	13,622	12,013	<b>(53,187)</b>
<b>Financial position:</b>							
Total assets	<b>¥2,197,081</b>	¥2,060,935	¥2,070,469	¥2,267,861	¥2,430,025	¥2,468,883	<b>\$17,732,696</b>
Total liabilities	<b>1,791,759</b>	1,731,504	1,760,799	1,960,852	2,128,467	2,174,698	<b>14,461,332</b>
Shareholders' equity	<b>405,322</b>	329,431	309,670	307,009	301,558	294,185	<b>3,271,364</b>
<b>Per share amounts:</b>							(unit=1)
Net income	<b>¥(8.78)</b>	¥7.66	¥11.93	¥15.73	¥18.28	¥16.12	<b>\$(0.07)</b>
Dividends	<b>8.03</b>	8.00	8.00	8.00	8.00	8.00	<b>0.06</b>
Shareholders' equity	<b>550.48</b>	442.09	415.57	412.00	404.68	394.80	<b>4.44</b>
<b>Number of employees*</b>	<b>10,979</b>	11,261	11,584	11,721	12,014	12,204	

Notes: 1. Dollar amounts represent translations at ¥129.0=US\$1, the rate prevailing on March 31, 2001.

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

\* Non-consolidated figure

# CONSOLIDATED FINANCIAL STATEMENTS FOR FISCAL 2001

## Consolidated Balance Sheets

OBAYASHI CORPORATION March 31, 2001 and 2000

	ASSETS			
	Japanese Yen (million)		U.S.Dollars (thousand)	
	FY 2001	FY 2000	FY 2001	FY 2000
<b>CURRENT ASSETS:</b>				
Cash and deposits (Note 2) .....	¥ 91,162	¥ 97,198	\$ 735,771	\$ 784,487
Notes and accounts receivable, trade .....	303,498	243,162	2,449,540	1,962,567
Allowance for doubtful receivables (Note 2) .....	(1,601)	(1,360)	(12,922)	(10,977)
Marketable securities (Notes 2 and 4) .....	14,033	157,176	113,261	1,268,571
Inventories (Notes 2 and 5) .....	679,251	727,207	5,482,252	5,869,306
Receivables from affiliates .....	2,082	1,979	16,804	15,973
Other current assets (Notes 2 and 9) .....	145,146	128,109	1,171,477	1,033,971
Total current assets .....	1,233,571	1,353,471	9,956,183	10,923,898
<b>PROPERTY AND EQUIPMENT (Notes 2 and 7):</b>				
Land .....	295,011	290,432	2,381,041	2,344,084
Buildings .....	246,143	243,181	1,986,626	1,962,720
Machinery and equipment .....	66,848	69,234	539,532	558,789
Construction in progress .....	9,785	17,188	78,975	138,725
Accumulated depreciation .....	(141,929)	(135,635)	(1,145,513)	(1,094,713)
Total property and equipment .....	475,858	484,400	3,840,661	3,909,605
<b>INVESTMENT AND OTHER ASSETS:</b>				
Investment securities (Notes 2 and 4) .....	392,608	108,350	3,168,749	874,496
Investments in affiliates (Notes 1 and 4) .....	14,275	14,711	115,214	118,733
Long-term loans receivable (Note 7) .....	37,283	37,561	300,912	303,156
Long-term loans receivable from affiliates .....	996	2,964	8,039	23,923
Other (Notes 2 and 9) .....	67,923	78,298	548,208	631,945
Allowance for doubtful receivables (Note 2) .....	(25,433)	(22,106)	(205,270)	(178,419)
Total investments and other assets .....	487,652	219,778	3,935,852	1,773,834
<b>FOREIGN EXCHANGE TRANSLATION ADJUSTMENTS (Note 2):</b> .....	—	3,286	—	26,521
<b>TOTAL ASSETS</b> .....	¥ 2,197,081	¥ 2,060,935	\$17,732,696	\$ 16,633,858

## LIABILITY AND SHAREHOLDERS' EQUITY

	Japanese Yen (million)		U.S.Dollars (thousand)	
	FY 2001	FY 2000	FY 2001	FY 2000
<b>CURRENT LIABILITIES:</b>				
Short-term borrowings (Note 6) .....	¥ 228,443	¥ 275,722	\$ 1,843,769	\$ 2,225,359
Current portion of long-term debt (Notes 6 and 7) .....	48,300	53,064	389,831	428,281
Notes and accounts payable, trade .....	469,525	358,452	3,789,548	2,893,075
Accrued income taxes .....	9,275	13,318	74,859	107,490
Advances received on construction projects in progress .....	493,103	551,087	3,979,847	4,447,837
Advances received on real estate for sale .....	2,792	3,536	22,534	28,539
Accrued expenses .....	18,530	17,910	149,556	144,552
Payables to affiliates .....	15,507	10,639	125,157	85,868
Other current liabilities .....	122,511	104,729	988,789	845,270
Total current liabilities .....	1,407,986	1,388,457	11,363,890	11,206,271
<b>LONG-TERM LIABILITIES:</b>				
Long-term debt (Notes 6 and 7) .....	228,570	260,609	1,844,794	2,103,382
Reserve for retirement benefits (Notes 2 and 8) .....	68,676	37,281	554,286	300,896
Payables to affiliates .....	3,698	252	29,847	2,034
Other long-term liabilities (Notes 2 and 9) .....	82,743	44,806	667,821	361,630
Total long-term liabilities .....	383,687	342,948	3,096,748	2,767,942
<b>MINORITY INTERESTS</b> .....	86	99	694	799
<b>COMMITMENTS AND CONTINGENT LIABILITIES (Note 14)</b>				
<b>SHAREHOLDERS' EQUITY:</b>				
Common stock, par value ¥50 per Share (Note 11):				
Authorized: 1,248,000,000 Shares				
Issued: 745,173,544 Shares (2000) .....	—	57,752	—	466,118
727,813,544 Shares (2001) .....	57,752	—	466,118	—
Additional paid-in capital (Note 11) .....	41,694	41,694	336,513	336,513
Reserve for land revaluation (Note 2) .....	4,326	4,270	34,915	34,463
Retained earnings (Notes 2 and 11) .....	205,521	225,717	1,658,765	1,821,768
Unrealized holding gains on securities (Note 2) .....	97,600	—	787,732	—
Foreign Exchange Translation Adjustment (Note 2) .....	(1,569)	—	(12,663)	—
Treasury stock .....	(2)	(2)	(16)	(16)
Total shareholders' equity .....	405,322	329,431	3,271,364	2,658,846
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b> .....	¥ 2,197,081	¥ 2,060,935	\$17,732,696	\$ 16,633,858

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

# Consolidated Statements of Operations

OBAYASHI CORPORATION For the years ended March 31, 2001 and 2000

	Japanese Yen (million)		U.S.Dollars (thousand)	
	FY 2001	FY 2000	FY 2001	FY 2000
<b>REVENUES</b> (Notes 2 and 12):				
Construction .....	¥ 1,251,699	¥ 1,068,579	\$10,102,494	\$ 8,624,528
Real estate and other .....	61,649	63,449	497,571	512,098
	<b>1,313,348</b>	<b>1,132,028</b>	<b>10,600,065</b>	<b>9,136,626</b>
<b>COST OF SALES</b> (Note 2):				
Construction .....	1,136,382	954,520	9,171,768	7,703,955
Real estate and other .....	52,853	59,254	426,578	478,240
	<b>1,189,235</b>	<b>1,013,774</b>	<b>9,598,346</b>	<b>8,182,195</b>
Gross profit .....	<b>124,113</b>	<b>118,254</b>	<b>1,001,719</b>	<b>954,431</b>
<b>SELLING, GENERAL AND ADMINISTRATIVE EXPENSES</b> (Note 2) .....	<b>88,799</b>	<b>89,452</b>	<b>716,699</b>	<b>721,969</b>
Operating income .....	<b>35,314</b>	<b>28,802</b>	<b>285,020</b>	<b>232,462</b>
<b>OTHER INCOME (EXPENSES):</b>				
Interest and dividend income .....	5,445	5,281	43,947	42,623
Interest expenses .....	(6,619)	(8,013)	(53,422)	(64,673)
Equity in earnings of affiliates .....	(294)	483	(2,373)	3,898
Amortization of transition difference arising from initial adoption of the new accounting standard for retirement benefits (Notes 2 and 8) .....	(37,650)	—	(303,874)	—
Other, net .....	(6,635)	(13,817)	(53,551)	(111,517)
Total .....	<b>(45,753)</b>	<b>(16,066)</b>	<b>(369,273)</b>	<b>(129,669)</b>
<b>(LOSS) INCOME BEFORE INCOME TAXES</b> .....	<b>(10,439)</b>	<b>12,736</b>	<b>(84,253)</b>	<b>102,793</b>
<b>INCOME TAXES</b> (Notes 2 and 9):				
Current .....	14,409	15,818	116,295	127,667
Deferred .....	(18,379)	(8,793)	(148,337)	(70,968)
	<b>(3,970)</b>	<b>7,025</b>	<b>(32,042)</b>	<b>56,699</b>
<b>MINORITY INTERESTS</b> .....	<b>3</b>	<b>—</b>	<b>24</b>	<b>—</b>
<b>NET (LOSS) INCOME</b> .....	<b>¥ (6,466)</b>	<b>¥ 5,711</b>	<b>\$ (52,187)</b>	<b>\$ 46,094</b>
<b>PER SHARE DATA</b> (Note 11):				
Net income (loss):				
Assuming no dilution .....	¥ (8.78)	¥ 7.66	\$ (0.07)	\$ 0.06
Assuming full dilution .....	(8.78)	7.66	(0.07)	0.06
Cash dividends .....	8.03	8.00	0.06	0.06

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

# Consolidated Statements of Shareholders' Equity

OBAYASHI CORPORATION For the years ended March 31, 2001 and 2000

	Japanese Yen (million)		U.S.Dollars (thousand)	
	FY 2001	FY 2000	FY 2001	FY 2000
<b>COMMON STOCK</b> (Note 11):				
Balance at beginning of year .....	¥ 57,752	¥ 57,752	\$ 466,118	\$ 466,118
Balance at end of year .....	¥ 57,752	¥ 57,752	\$ 466,118	\$ 466,118
<b>ADDITIONAL PAID-IN CAPITAL</b> (Note 11):				
Balance at beginning of year .....	¥ 41,694	¥ 41,694	\$ 336,513	\$ 336,513
Balance at end of year .....	¥ 41,694	¥ 41,694	\$ 336,513	\$ 336,513
<b>RESERVE FOR LAND REVALUATION</b> (Note 2):				
Balance at beginning of year .....	¥ 4,270	¥ —	\$ 34,463	\$ —
Reversal of reserve for land revaluation .....	62	—	501	—
Other .....	(6)	—	(49)	—
Balance at end of year .....	¥ 4,326	¥ 4,270	\$ 34,915	\$ 34,463
<b>RETAINED EARNINGS</b> (Notes 2 and 11):				
Balance at beginning of year .....	¥ 225,717	¥ 210,228	\$ 1,821,768	\$ 1,696,755
Cumulative effect of initial adoption of tax-effect accounting .....	—	16,888	—	136,303
Adjustment of newly consolidated subsidiaries and application of equity method .....	—	(894)	—	(7,215)
Cash dividends paid .....	(5,910)	(5,961)	(47,700)	(48,111)
Bonuses to directors and corporate auditors .....	(229)	(255)	(1,848)	(2,058)
Reversal of reserve for land revaluation .....	(62)	—	(501)	—
Retirement of treasury stock .....	(7,529)	—	(60,767)	—
Net income (loss) for the year .....	(6,466)	5,711	(52,187)	46,094
Balance at end of year .....	¥ 205,521	¥ 225,717	\$ 1,658,765	\$ 1,821,768
<b>UNREALIZED HOLDING GAINS ON SECURITIES</b> (Note 2):				
Balance at beginning of year .....	¥ —	¥ —	\$ —	\$ —
Increase .....	97,600	—	787,732	—
Balance at end of year .....	¥ 97,600	¥ —	\$ 787,732	\$ —
<b>FOREIGN EXCHANGE TRANSLATION ADJUSTMENTS</b> (Note 2):				
Balance at beginning of year .....	¥ —	¥ —	\$ —	\$ —
Increase .....	(1,569)	—	(12,663)	—
Balance at end of year .....	¥ (1,569)	¥ —	\$ (12,663)	\$ —
<b>TREASURY STOCK:</b>				
Balance at beginning of year .....	¥ (2)	¥ (4)	\$ (16)	\$ (32)
Purchased .....	(7,625)	(114)	(61,542)	(920)
Retirement .....	7,529	—	60,767	—
Sold .....	96	116	775	936
Balance at end of year .....	¥ (2)	¥ (2)	\$ (16)	\$ (16)
<b>NUMBER OF SHARES:</b>				
	(thousand of shares)			
Balance at beginning of year .....	745,168	745,168		
Retirement of treasury stock .....	(17,360)	—		
Sold of treasury stock .....	1	—		
Balance at end of year .....	727,809	745,168		

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

# Consolidated Statements of Cash Flows

OBAYASHI CORPORATION For the years ended March 31, 2001 and 2000

	Japanese Yen (million)		U.S. Dollars (thousand)	
	FY 2001	FY 2000	FY 2001	FY 2000
<b>OPERATING ACTIVITIES:</b>				
Net (loss) income	¥ (6,466)	¥ 5,711	\$ (52,187)	\$ 46,094
Adjustments reconcile net (loss) income to net cash provided by operating activities:				
Depreciation and amortization	14,561	14,858	117,522	119,919
Allowance for doubtful receivables	3,561	(631)	28,741	(5,093)
Reserve for retirement benefits	31,395	(750)	253,390	(6,053)
Loss (Gain) on sales and disposal of property, equipment and marketable and investment securities	2,030	(4,765)	16,384	(38,458)
Write down of marketable and investment securities	1,917	4,768	15,472	38,483
Loss on revaluation of real estate for sale	—	13,285	—	107,224
Loss on revaluation of golf club membership	2,500	—	20,178	—
Deferred income taxes	(18,379)	(8,793)	(148,337)	(70,969)
Undistributed earnings of affiliates	294	(736)	2,373	(5,940)
Changes in assets and liabilities:				
Trade receivables	(61,016)	35,114	(492,462)	283,406
Inventories	46,931	8,565	378,781	69,128
Other current assets	(20,108)	22,536	(162,292)	181,889
Trade payables	114,870	(30,166)	927,119	(243,471)
Accrued income taxes	(4,046)	4,122	(32,655)	33,269
Advances received on construction projects in progress	(56,911)	13,663	(459,330)	110,274
Advances received on real estate for sale	(939)	1,848	(7,579)	14,915
Accrued expenses	747	(2,581)	6,029	(20,831)
Other current liabilities	15,135	1,289	122,155	10,404
Other, net	4,358	(1,336)	35,176	(10,783)
Total adjustments	76,900	70,290	620,665	567,313
Net cash provided by operating activities	70,434	76,001	568,478	613,407
<b>INVESTING ACTIVITIES:</b>				
Purchases of marketable and investment securities	(6,775)	(9,619)	(54,681)	(77,635)
Proceeds from sales of marketable and investment securities	29,953	11,453	241,751	92,437
Proceeds from sales of property and equipment	5,155	576	41,606	4,649
Purchases of property and equipment	(13,697)	(13,577)	(110,549)	(109,580)
Proceeds from repayment of loans	7,328	18,235	59,144	147,175
New loans receivable made	(599)	(2,966)	(4,835)	(23,939)
Net cash provided by investing activities	21,365	4,102	172,436	33,107
<b>FINANCING ACTIVITIES:</b>				
Proceeds from short-term and long-term debt	12,279	45,818	99,104	369,798
Repayment of short-term and long-term debt	(78,462)	(152,308)	(633,269)	(1,229,282)
Proceeds from issuance of bonds	5,000	31,112	40,355	251,106
Redemption of bonds	(22,837)	—	(184,318)	—
Cash dividends and bonuses to directors and corporate auditors	(6,140)	(6,217)	(49,556)	(50,178)
Purchase of treasury stock for retirement	(7,529)	—	(60,767)	—
Purchase of treasury stock	(96)	—	(775)	—
Proceeds from sales of treasury stock	96	—	775	—
Other	(0)	2	(1)	16
Net cash used in financing activities	(97,689)	(81,593)	(788,452)	(658,540)
Cash and cash equivalents increased by initial consolidation of subsidiaries	—	4,547	—	36,699
Net (decrease) increase in cash and deposits	(5,890)	3,057	(47,538)	24,673
Cash and deposits at beginning of the year	—	95,376	—	769,782
Cash and cash equivalent at beginning of the year	96,744	—	780,823	—
Decrease resulting from change in the definition of cash equivalents	—	(1,689)	—	(13,632)
Cash and cash equivalent at end of the year (Notes 2 and 10)	¥ 90,854	¥ 96,744	\$ 733,285	\$ 780,823
<b>SUPPLEMENTAL INFORMATION OF CASH FLOWS:</b>				
Cash paid during the year for:				
Interest	¥ 6,388	¥ 6,795	\$ 51,558	\$ 54,843
Income taxes	18,454	15,835	148,943	127,805



# Notes to Consolidated Financial Statements

OBAYASHI CORPORATION For the years ended March 31, 2001 and 2000

## 1. Basis of presenting consolidated financial statements

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

(b) The Parent Company had 46 subsidiaries as of March 31, 2001 (46 as of March 31, 2000). The consolidated financial statements as of and for the years ended March 31, 2001 included the accounts of the Parent Company and all subsidiaries (together "the Companies"). Investments in affiliated companies are accounted for using the equity method.

## 2. Summary of significant accounting policies

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

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

### (b) Foreign currency translation

The balance sheet accounts of the foreign consolidated subsidiaries are translated into yen at the rates of exchange in effect at the balance sheet date, except for the components of shareholders' equity which are translated at their historical exchange rates. Revenue and expense accounts are translated at the rate of exchange in effect at the balance sheet date. A revised accounting standard for foreign currency translation, which requires all foreign currency denominated receivables and payables be translated at the rate of exchange in effect at the balance sheet date, became effective April 1, 2000. The effect of the adoption of the revised standard on the consolidated financial statements was to increase loss before income taxes by ¥28 million from the amount which would have been under the method applied in the prior year. Due to a change effective the year ended March 31, 2001 in the regulations relating to the presentation of translation adjustments, the Company has presented translation adjustments as a component of shareholders' equity and minority interests in consolidated subsidiaries (instead of as a component of assets or liabilities) in its consolidated financial statements for the year ended March 31, 2001.

### (c) Cash and cash equivalents

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

### (d) Marketable securities and investment securities

Until the year ended March 31, 2000, marketable securities had been valued principally at the lower of cost or market, cost being determined by the moving average method, and investment securities other than marketable securities had been stated at cost determined by the moving average method. A new accounting standard for financial instruments, which became effective April 1, 2000, requires that securities be classified into three categories: trading, held-to-maturity or other securities. Under the new standard, trading securities are carried at fair value and held-to-maturity securities are carried at amortized cost. Marketable securities classified as other securities are carried at fair value with changes in unrealized holding gain or loss, net of the applicable income taxes, included directly in shareholders' equity. Non-marketable securities classified as other securities are carried at cost. Cost of securities sold is determined by the moving average method. As of April 1, 2000, the Company and its subsidiaries assessed their intent to hold their investments in securities and classified their investments as "held-to-maturity securities" or "other securities" and accounted for the securities at March 31, 2001 in accordance with the new standard referred to above. As a result, marketable securities of ¥122,812 million (\$991,224 thousand), which had been included in short-term investments, were reclassified to investment securities as of April 1, 2000. The effect of the adoption of this new standard for financial instruments was to increase loss before income taxes by ¥1,003 million (\$8,099 thousand) for the year ended March 31, 2001.

### (e) Inventories

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

### (f) Property and equipment

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

Buildings: 3 - 50 years

Machinery and equipment: 3 - 15 years

### (g) Reserve for retirement benefits

Until the year ended March 31, 2000, The Company provides for lump-sum severance indemnities at 40% of the amount which would be required to be paid if all employees voluntarily terminated their service at the balance sheet date. In accordance with a new accounting standard for retirement benefits which became effective April 1, 2000, reserve for retirement benefits for employees at March 31, 2001 has been provided mainly at an amount calculated based on the retirement benefit obligation and the fair value of the pension plan assets as of March 31, 2001, as adjusted for unrecognized actuarial gain or loss. The retirement benefit obligation at transition was expensed upon transition. Actuarial gain or loss is attributed to each period by the straight-line method over 10 years. The effect of the adoption of the new standard for retirement benefits was to increase loss before income taxes by ¥34,931 million (\$281,931 thousand) for the year ended March 31, 2001.

### (h) Income taxes

Effective the year ended March 31, 2000, the Company and its consolidated subsidiaries fully adopted deferred tax accounting for income taxes in accordance with a new accounting standard. This standard 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 was provided at maximum amount allowable for income tax purposes plus an estimate of the amount of specific uncollectible accounts for the year ended March 31, 2000. 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 for the year ended March 31, 2001.

### (k) Lease

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

### (l) Land revaluation

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

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

The excess of the revalued carrying amount over the market value at March 31, 2001, was ¥16,975 million(\$137,008 thousand).

**(m) Derivative financial instruments**

The Company and certain consolidated subsidiaries have entered into various derivative transactions in order to manage certain risks arising from adverse fluctuations in foreign currency exchange rates and interest rates. In accordance with a new accounting standard for financial instruments which became effective April 1, 2000, derivative financial instruments are carried at fair value with changes in unrealized gain or loss charged or credited to operations, except for those which meet the criteria for the deferral hedge accounting under which unrealized gain or loss is deferred as an asset or a liability. As for interest rate swaps, used for converting receipts or payments of interest on an asset or a liability, if principal terms of the interest rate swaps such as notional amount, index of interest rates, date and interval of interest payments, contract period are essentially the same as those of the hedged asset or 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 asset or liability on an accrual basis.

**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 ¥123.9=\$1, the approximate exchange rate prevailing on March 31, 2001.

**4. Securities**

**(a) Information regarding marketable securities classified as held-to-maturity debt securities and other securities as of March 31, 2001 is as follows:**

**Marketable held-to-maturity debt securities**

Year ended March 31, 2001	Japanese Yen (million)			U.S. Dollars (thousand)		
	Carrying value	Estimated fair value	Unrealized gain (loss)	Carrying value	Estimated fair value	Unrealized gain (loss)
Securities whose fair value exceeds their carrying value:						
Government bonds .....	¥ 20	¥ 20	¥ 0	\$ 162	\$ 163	\$ 1
Corporate bonds .....	488	534	46	3,940	4,314	374
<b>Total .....</b>	<b>¥ 508</b>	<b>¥ 554</b>	<b>¥ 46</b>	<b>\$ 4,101</b>	<b>\$ 4,477</b>	<b>\$ 375</b>

**Marketable other securities**

Year ended March 31, 2001	Japanese Yen (million)			U.S. Dollars (thousand)		
	Acquisition cost	Carrying value	Unrealized gain (loss)	Acquisition cost	Carrying value	Unrealized gain (loss)
Securities whose carrying value exceeds their acquisition cost:						
Stocks .....	¥ 143,960	¥ 315,486	¥ 171,525	\$ 1,161,911	\$ 2,546,300	\$ 1,384,389
Bonds .....	9	9	0	80	80	0
Subtotal .....	143,970	315,496	171,525	1,161,991	2,546,380	1,384,389
Securities whose acquisition cost exceeds their fair value:						
Stocks .....	¥ 19,771	¥ 16,214	¥ (3,556)	\$ 159,577	\$ 130,871	\$ (28,706)
Bonds .....	30	30	—	249	249	—
Subtotal .....	19,802	16,245	(3,556)	159,827	131,120	(28,706)
<b>Total .....</b>	<b>¥ 163,773</b>	<b>¥ 331,742</b>	<b>¥ 167,969</b>	<b>\$ 1,321,817</b>	<b>\$ 2,677,500</b>	<b>\$ 1,355,683</b>

**(b) Sales of securities classified as other securities amounted to ¥5,746 million(\$46,376 thousand) with an aggregate gain of ¥340 million(\$2,744 thousand) and aggregate loss of ¥504 million(\$4,070 thousand) for the year ended March 31, 2001.**

**(c) In addition to the securities above, the Company held investment securities with no market value available at March 31, 2001 as follows:**

Year ended March 31, 2001	Japanese Yen (million)		U.S. Dollars (thousand)	
	Carrying value		Carrying value	
Securities held to maturity				
Non-listed foreign bonds .....	¥ 61,969		\$ 500,160	
Other securities				
Non-listed stocks .....	11,850		95,646	
Preferred equity securities .....	500		4,036	
Medium-term government bond funds .....	69		561	

**(d) The redemption schedule for securities with maturity dates classified as other securities and held-to-maturity debt securities as of March 31, 2001 is summarized as follows:**

Year ended March 31, 2001	Japanese Yen (million)			U.S. Dollars (thousand)		
	Due in one year or less	Due after one year through three years	Due after three years through five years	Due in one year or less	Due after one year through three years	Due after three years through five years
Government bonds .....	¥ 1	¥ 7	¥ 23	\$ 12	\$ 57	\$ 186
Corporate bonds .....	4,000	—	—	32,284	—	—
Other debt securities .....	10,000	40,872	8,000	80,710	329,882	64,568
<b>Total .....</b>	<b>¥ 14,001</b>	<b>¥ 40,879</b>	<b>¥ 8,023</b>	<b>\$ 113,006</b>	<b>\$ 329,939</b>	<b>\$ 64,754</b>

**(e) The carrying value and related fair value of current and noncurrent marketable securities at March 31, 2000 were as follows:**

Year ended March 31, 2000	Japanese Yen (million)			U.S. Dollars (thousand)		
	Carrying value	Estimated fair value	Net unrealized gain (loss)	Carrying value	Estimated fair value	Net unrealized gain (loss)
Current:						
Stocks .....	¥ 81,317	¥ 135,541	¥ 54,223	\$ 656,312	\$ 1,093,955	\$ 437,643
Bonds .....	0	0	0	0	0	0
Subtotal .....	81,317	135,541	54,223	656,312	1,093,955	437,643
Noncurrent						
Stocks .....	95,320	241,419	146,099	769,331	1,948,501	1,179,170
Other .....	151	151	(0)	1,225	1,220	(5)
Subtotal .....	95,471	241,570	146,098	770,556	1,949,721	1,179,165
<b>Total .....</b>	<b>¥ 176,789</b>	<b>¥ 377,111</b>	<b>¥ 200,322</b>	<b>\$ 1,426,868</b>	<b>\$ 3,043,676</b>	<b>\$ 1,616,808</b>

## 5. Inventories

Inventories comprised the following:

	Japanese Yen (million) March 31		U.S. Dollars (thousand) March 31	
	FY 2001	FY 2000	FY 2001	FY 2000
Construction projects in progress .....	¥ 531,349	¥ 576,380	\$ 4,288,531	\$ 4,651,977
Real estate for sale .....	90,900	68,342	733,656	551,590
Development projects in progress .....	54,357	79,211	438,717	639,314
Materials and supplies .....	2,645	3,274	21,348	26,425
	¥ 679,251	¥ 727,207	\$ 5,482,252	\$ 5,869,306

## 6. Short-term borrowings and long-term debt

Short-term bank loans are represented generally by 180-day or 365-day notes issued by the Companies to banks and overdrafts with banks and bore interest at the average annual rate of 0.96 per cent. at March 31, 2001 (0.77 per cent. at March 31, 2000).

Long-term loans bore interest at the average annual rate of 2.02 per cent. at March 31, 2001. ( 2.14per cent. at March 31, 2000).

(a) Short-term borrowings comprised the following:

	Japanese Yen (million) March 31		U.S. Dollars (thousand) March 31	
	FY 2001	FY 2000	FY 2001	FY 2000
Short-term bank loans .....	¥ 228,443	¥ 275,722	\$ 1,843,769	\$ 2,225,359
	¥ 228,443	¥ 275,722	\$ 1,843,769	\$ 2,225,359

(b) Long-term debt comprised the following:

	Japanese Yen (million) March 31		U.S. Dollars (thousand) March 31	
	FY 2001	FY 2000	FY 2001	FY 2000
2.55 per cent. bonds due September, 2001 .....	¥ 10,000	¥ 10,000	\$ 80,710	\$ 80,710
2.9 per cent. bonds due September, 2002 .....	10,000	10,000	80,710	80,710
1.6 per cent. bonds due August, 2004 .....	20,000	20,000	161,421	161,421
2.03 per cent. bonds due August, 2006 .....	10,000	10,000	80,710	80,710
2.1 per cent. convertible bonds due March, 2002 .....	1,443	1,443	11,646	11,646
1.6 per cent. convertible bonds due March, 2001 .....	—	9,969	—	80,460
1.6 per cent. convertible bonds due March, 2004 .....	9,969	9,969	80,460	80,460
Bonds, due 2001-2005 .....	46,043	53,911	371,614	435,117
Loans from Japanese banks .....	103,654	111,652	836,694	901,146
Loans from Japanese insurance companies .....	61,036	72,243	492,623	583,076
Loans from other financial institutions .....	4,725	4,486	38,137	36,207
	276,870	313,673	2,234,625	2,531,663
Less: Current portion of long-term debt .....	48,300	53,064	389,831	428,281
	¥ 228,570	¥ 260,609	\$ 1,844,794	\$ 2,103,382

The 2.1 per cent. convertible bonds in the amount of ¥20,000 million due March 29, 2002, which were issued in Japan on December 24, 1986, are convertible into common stock at the option of the holders during the period from February 2, 1987 to March 28, 2002 at ¥906.7(\$7.318) per share, subject to adjustment in certain circumstances. The company has been restricted from paying dividends as stipulated in the debt covenant agreement until these convertible bonds are fully redeemed.

The 1.6 per cent. convertible bonds in the amount of ¥10,000 million due March 30, 2001, which were issued in Japan on March 31, 1989, are convertible into common stock at the option of the holders during the period from May 1, 1989 to March 29, 2001 at ¥1,865.7 (\$15.058) per share, subject to adjustment in certain circumstances. The bonds have been redeemed in full.

The 1.6 per cent. convertible bonds in the amount of ¥10,000 million due March 31, 2004, which were issued in Japan on March 31, 1989, are convertible into common stock at the option of the holders during the period from May 1, 1989 to March 30, 2004 at ¥1,865.7 (\$15.058) per share, subject to adjustment in certain circumstances. The company has been restricted from paying dividends as stipulated in the debt covenant agreement until these convertible bonds are fully redeemed.

The overseas-consolidated subsidiary issued bonds, due 2001-2005, partly at a fixed interest rate, partly at an interest rate linked to the actual London inter-bank offered rate.

The aggregate annual maturities of long-term debt (including current portion) subsequent to March 31, 2001 were as follows:

Year ended March 31,	Japanese Yen (million)	U.S. Dollars (thousand)
2002 .....	¥ 48,300	\$ 389,831
2003 .....	72,717	586,901
2004 .....	78,009	629,612
2005 .....	38,341	309,451
2006 and thereafter .....	39,503	318,830
	¥ 276,870	\$ 2,234,625

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

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

## 7. Pledged assets

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

	Japanese Yen (million) March 31		U.S. Dollars (thousand) March 31	
	FY 2001	FY 2000	FY 2001	FY 2000
<b>ASSETS PLEDGED AS COLLATERAL:</b>				
Land*	¥ 18,377	¥ 18,071	\$ 148,321	\$ 145,851
Buildings	40,688	41,216	328,394	332,655
Machinery and equipment	1,347	1,434	10,872	11,574
Long-term loans receivable (Real estate convertible loan)	25,718	26,012	207,571	209,944
	¥ 86,130	¥ 86,733	\$ 695,158	\$ 700,024
<b>LIABILITIES SECURED THEREBY:</b>				
Current portion of long-term debt	¥ 1,169	¥ 1,169	\$ 9,435	\$ 9,435
Long-term debt	17,119	16,727	138,167	135,004
Long-term debt of Sanyu Building Corporation*	234	277	1,889	2,236

\* Obayashi Real Estate, Ltd. pledged its land in the amount of ¥498 million (\$4,019 thousand) to secure the long-term debt of Sanyu Building Corporation.

## 8. Retirement Benefit Plans

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

The following table sets forth the funded and accrued status of the plans, and the amounts recognized in the consolidated balance sheet as of March 31, 2001 for the Company's and the consolidated subsidiaries' defined benefit plans:

Year ended March 31,	Japanese Yen (million)	U.S. Dollars (thousand)
Retirement benefit obligation	¥ (137,022)	\$ (1,105,908)
Plan assets at fair value	61,386	495,448
Unfunded retirement benefit obligation	(75,636)	(610,460)
Unrecognized actuarial gain or loss	6,959	56,166
Net retirement benefit obligation	(68,677)	(554,294)
Reserve for retirement benefits	¥ (68,677)	\$ (554,294)

The components of retirement benefit expenses for the year ended March 31, 2001 are outlined as follows:

Year ended March 31,	Japanese Yen (million)	U.S. Dollars (thousand)
Service cost	¥ 5,060	\$ 40,839
Interest cost	4,649	37,522
Expected return on plan assets	(1,529)	(12,340)
Amortization of net retirement benefit obligation at transition	37,650	303,874
Total	¥ 45,830	\$ 369,895

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

Year ended March 31,	Domestic companies
Discount rates	3.5%
Expected return on assets	2.5%

## 9. Income taxes

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

The major components of deferred tax assets and liabilities as of March 31, 2001 and 2000 are summarized as follows:

	Japanese Yen (million) March 31		U.S. Dollars (thousand) March 31	
	FY 2001	FY 2000	FY 2001	FY 2000
<b>Deferred tax assets:</b>				
Reserve for retirement benefits	¥ 17,281	¥ 3,514	\$ 139,475	\$ 28,362
Allowance for doubtful receivables	5,852	6,476	47,232	52,268
Loss on revaluation of real estate for sale	3,933	5,566	31,743	44,923
Reserve for employees' bonuses	3,303	2,185	26,659	17,635
Intercompany unrealized profits on sale of property and equipment	1,847	1,937	14,907	15,634
Intercompany unrealized profits on inventories	1,476	1,604	11,913	12,946
Reserve for land revaluation	1,316	1,350	10,621	10,896
Loss on revaluation of golf club membership	819	—	6,610	—
Accrued enterprise tax	758	1,183	6,118	9,548
Other	14,070	7,987	113,559	64,463
	50,655	31,802	408,838	256,675
Valuation allowance	(512)	(677)	(4,133)	(5,464)
Total deferred tax assets	50,143	31,125	404,705	251,211
<b>Deferred tax liabilities:</b>				
Unrealized holding gains on securities	(70,449)	—	(568,596)	—
Reserve for land revaluation	(4,184)	(4,200)	(33,769)	(33,898)
Deferred gain with respect to property for tax purposes	(233)	(169)	(1,881)	(1,364)
Other	(616)	(101)	(4,971)	(815)
Total deferred tax liabilities	(75,482)	(4,470)	(609,217)	(36,077)
Net deferred tax assets (liabilities)	¥ (25,339)	¥ 26,655	\$ (204,512)	\$ 215,134

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

Year ended March 31,	FY2000
Statutory income tax rate .....	41.9%
Reconciliation:	
Permanent non-deductible items .....	16.7
Permanent non-recognized income .....	(8.3)
Inhabitants' per capita taxes and other .....	2.8
Other .....	2.0
Effective income tax rate .....	55.1%

Reconciliation between the statutory tax rate and the effective tax rate for the year ended March 31, 2001 is not presented, as permitted, since the Company incurred a loss before income taxes for the year then ended.

## 10. Supplementary Cash Flow Information

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

	Japanese Yen (million) March 31		U.S. Dollars (thousand) March 31	
	FY 2001	FY 2000	FY 2001	FY 2000
Cash and deposits .....	¥ 91,162	¥ 97,198	\$ 735,771	\$ 784,487
Time deposits with a maturity of more than three months .....	(308)	(454)	(2,486)	(3,664)
Cash and cash equivalents .....	¥ 90,854	¥ 96,744	\$ 733,285	\$ 780,823

## 11. Shareholders' equity and per share data

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

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

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

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

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

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

At the shareholders' meeting held on June 29, 2000, a clause was added to the Company's Article that the Board of Directors may decide to purchase treasury stocks up to 70,000,000 shares for retirement on and after June 30, 2000. Until June 28, 2001, 17,360,000 shares have been purchased for that purpose.

The number of shares used in computing net income per share assuming no dilution and full dilution for the years ended March 31, 2001 and 2000 were as follows:

Year ended March 31,	FY2001	FY2000
Assuming no dilution .....	727,809	745,168
Assuming full dilution .....	727,809	745,168

(thousand of shares)

## 12. Segment Information

### (a) Business Segments

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

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

Year ended March 31, 2001	Japanese Yen (million)					Adjustments and Eliminations	Consolidated
	Construction	Real estate	Others	Total			
Revenues:							
From outside customers .....	¥ 1,261,468	¥ 44,225	¥ 7,655	¥ 1,313,348	¥ —	¥ 1,313,348	
Intersegment .....	2,595	701	3,735	7,031	(7,031)	—	
Total .....	1,264,063	44,926	11,390	1,320,379	(7,031)	1,313,348	
Operating expenses .....	1,233,294	41,160	10,592	1,285,046	(7,012)	1,278,034	
Operating income .....	¥ 30,769	¥ 3,766	¥ 798	¥ 35,333	¥ (19)	¥ 35,314	
Total Assets .....	¥ 1,635,300	¥ 476,998	¥ 120,595	¥ 2,232,893	¥ (35,812)	¥ 2,197,081	
Depreciation .....	8,184	6,250	254	14,688	(157)	14,531	
Capital expenditures .....	6,705	5,058	154	11,917	—	11,917	

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

Year ended March 31, 2001	U.S. Dollars (thousand)					
	Construction	Real estate	Others	Total	Adjustments and Eliminations	Consolidated
Revenues:						
From outside customers .....	\$ 10,181,340	\$ 356,941	\$ 61,784	\$ 10,600,065	\$ —	\$ 10,600,065
Intersegment .....	20,944	5,658	30,145	56,747	(56,747)	—
Total .....	10,202,284	362,599	91,929	10,656,812	(56,747)	10,600,065
Operating expenses .....	9,953,947	332,203	85,488	10,371,638	(56,593)	10,315,045
Operating income .....	\$ 248,337	\$ 30,396	\$ 6,441	\$ 285,174	\$ (154)	\$ 285,020
Total Assets .....	\$ 13,198,547	\$ 3,849,863	\$ 973,325	\$ 18,021,735	\$ (289,039)	\$ 17,732,696
Depreciation .....	66,053	50,444	2,050	118,547	(1,267)	117,280
Capital expenditures .....	54,116	40,823	1,243	96,182	—	96,182

Year ended March 31, 2000	U.S. Dollars (thousand)					
	Construction	Real estate	Others	Total	Adjustments and Eliminations	Consolidated
Revenues:						
From outside customers .....	\$ 8,668,354	\$ 408,184	\$ 60,088	\$ 9,136,626	\$ —	\$ 9,136,626
Intersegment .....	63,874	36,497	30,097	130,468	(130,468)	—
Total .....	8,732,228	444,681	90,185	9,267,094	(130,468)	9,136,626
Operating expenses .....	8,525,045	425,068	84,552	9,034,665	(130,501)	8,904,164
Operating income .....	\$ 207,183	\$ 19,613	\$ 5,633	\$ 232,429	\$ 33	\$ 232,462
Total Assets .....	\$ 11,883,503	\$ 3,862,494	\$ 1,074,899	\$ 16,820,896	\$ (187,038)	\$ 16,633,858
Depreciation .....	68,273	49,726	2,219	120,218	—	120,218
Capital expenditures .....	42,228	66,255	266	108,749	—	108,749

#### Change in business segments

##### Change in the presentation of segments in 2000

In connection with an increase in consolidated subsidiaries resulting from a change in accounting standards for consolidation, the Company and its consolidated subsidiaries had changed the criteria of business segments to reflect more accurately their actual business by dividing the former real estate and other segment into the two segments: real estate segment and other segment whose components described above, for the year ended March 31, 2000.

With reference to the real estate segment, the effect of this change was to decrease revenues by ¥9,978 million (\$80,533 thousand), operating expenses by ¥9,280 million (\$74,899 thousand), total assets by ¥117,496 million (\$948,313 thousand), depreciation by ¥275 million (\$2,219 thousand) and capital expenditures by ¥32 million (\$258 thousand), respectively for the year ended or as of March 31, 2000 from the amounts which would have been presented by the segments in the previous year.

##### Change in the method of allocation of operating expenses in 2000

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

The effect of this change was to increase operating expenses in the Construction segment and the Real estate segment by ¥15,596 million (\$125,876 thousand) and ¥805 million (\$6,497 thousand), respectively for the year ended March 31, 2000 from the amounts which would have been recorded under the method followed in the previous year.

##### Change in the method of allocation of total assets in 2000

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

The effect of this change was to increase total assets, depreciation and capital expenditures in the Construction segment by ¥251,928 million (\$2,033,317 thousand), ¥277 million (\$2,236 thousand) and ¥231 million (\$1,864 thousand), and to increase total assets, depreciation and capital expenditures in the Real estate segment by ¥8,027 million (\$64,786 thousand), ¥15 million (\$121 thousand) and ¥14 million (\$113 thousand), respectively, for the year ended March 31, 2000 from the amounts which would have been recorded under the method followed in the previous year.

As mentioned in Note 2-(g), the Company and its consolidated subsidiaries have adopted a new accounting standard for retirement benefits for employees. The effects of the adoption of the new standard was to increase operating income in the construction business segment by ¥2,577 million (\$20,803 thousand), in the real estate business segment by ¥149 million (\$1,210 thousand), and to decrease operating income in others by ¥8 million (\$71 thousand), respectively, for the year ended March 31, 2001.

#### (b) Geographic Segments

Information by geographic segments is not presented as domestic sales and assets exceeded 90 per cent. of all segments for the years ended March 31, 2001 and 2000.

#### (c) Sales by region

Information on sales by region is not presented as domestic sales exceeded 90 per cent. of revenues for the years ended March 31, 2001 and 2000.

### 13. Derivative financial instruments

Information as to derivative instruments as at March 31, 2000 is as follows:

Year ended March, 2000	Japanese Yen (million)				U.S. Dollars (thousand)			
	Contract/notional amount		Fair value	Unrealized gain	Contract/notional amount		Fair value	Unrealized gain
	Total	Due after one year			Total	Due after one year		
<b>(a) Currency related</b>								
Forward exchange contracts:								
Bought								
U.S. dollars .....	¥ 287	¥ —	¥ 287	¥ 0	\$ 2,316	\$ —	\$ 2,316	\$ 0
Total .....	287	—	287	0	2,316	—	2,316	0
<b>(b) Interest related:</b>								
Interest rate swap transactions:								
Receive-fix/pay-float .....	52,900	46,200	2,502	2,502	426,957	372,881	20,194	20,194
Receive-float/pay-fix .....	11,200	8,200	(334)	(334)	90,395	66,183	(2,696)	(2,696)
Receive-float/pay-float .....	10,300	9,000	(1)	(1)	83,132	72,639	(8)	(8)
Currency-interest rate swap transactions:								
Receive-fix/pay-float .....	5,000	2,000	316	316	40,355	16,142	2,550	2,550
Receive-float/pay-fix .....	3,000	3,000	2	2	24,213	24,213	16	16
Receive-float/pay-float .....	1,000	—	(22)	(22)	8,071	—	(177)	(177)
Interest cap transactions:								
Bought .....	250	—	0	0	2,018	—	0	0
Total .....	¥ 83,650	¥ 68,400	¥ 2,463	¥ 2,463	\$ 675,141	\$ 552,058	\$ 19,879	\$ 19,879

Because all derivative instruments held by the Company at 31st March, 2001 were for hedging purposes, the related information on their respective market is not presented as permitted.

### 14. Commitments and contingent liabilities

#### (a) Contingent liabilities

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

	Japanese Yen (million)		U.S. Dollars (thousand)	
	March 31		March 31	
	FY 2001	FY 2000	FY 2001	FY 2000
Trade notes receivable endorsed .....	¥ 317	¥ 47	\$ 2,559	\$ 379
Guarantees of long-term debt of customers and affiliates .....	2,115	2,617	17,070	21,122
Commitments of guarantees for short-term and long-term debt of customers and affiliates .....	1,030	1,998	8,313	16,126

#### (b) Commitments

Future minimum lease payments (including the interest portion thereon) subsequent to March 31, 2001 and 2000 for finance lease transactions accounted for as operating leases, except for lease agreements which stipulate the transfer of ownership of the leased property to the Company and its subsidiaries, are summarized as follows:

	Japanese Yen (million)		U.S. Dollars (thousand)	
	March 31		March 31	
	FY 2001	FY 2000	FY 2001	FY 2000
Finance lease with no ownership transaction:				
Due within one year .....	¥ 1,878	¥ 1,519	\$ 15,157	\$ 12,260
Due after one year .....	2,458	2,086	19,839	16,836
Total future payments .....	¥ 4,336	¥ 3,605	\$ 34,996	\$ 29,096
Operating lease:				
Due within one year .....	¥ 23	¥ 34	\$ 185	\$ 274
Due after one year .....	24	38	194	307
Total future payments .....	¥ 47	¥ 72	\$ 379	\$ 581

### 15. Subsequent event

On June 28, 2001, the following appropriations of retained earnings were approved at the shareholders' meeting of the Parent company.

	Japanese Yen (million)	U.S. Dollars (thousand)
Cash dividends .....	¥ 2,911	\$ 23,495
Bonuses to directors .....	160	1,291

# Report of the Independent Public Accountants



■ Certified Public Accountants ■ Phone: 03 3503-1100  
Hibiya Kokusai Bldg. Fax: 03 3503-1197  
2-2-3, Uchisaiwai-cho  
Chiyoda-ku, Tokyo 100-0011  
C.P.O. Box 1196, Tokyo 100-0041

The Board of Directors  
OBAYASHI CORPORATION

We have audited the consolidated balance sheets of OBAYASHI CORPORATION and consolidated subsidiaries as of March 31, 2001 and 2000 and the related consolidated statements of operations, shareholders' equity, and cash flows for the years then ended, expressed in yen. Our audits were made in accordance with auditing standards, procedures and practices generally accepted and applied in Japan and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the accompanying consolidated financial statements, expressed in yen, present fairly the consolidated financial position of OBAYASHI CORPORATION and consolidated subsidiaries at March 31, 2001 and 2000, and the consolidated results of their operations and their cash flows for the years then ended, in conformity with accounting principles and practices generally accepted in Japan applied on a consistent basis.

As described in Note 2 to the consolidated financial statements, OBAYASHI CORPORATION and consolidated subsidiaries have adopted new accounting standards for employees' retirement benefits, financial instruments and foreign currency translations in the preparation of their consolidated financial statements for the year ended March 31, 2001.

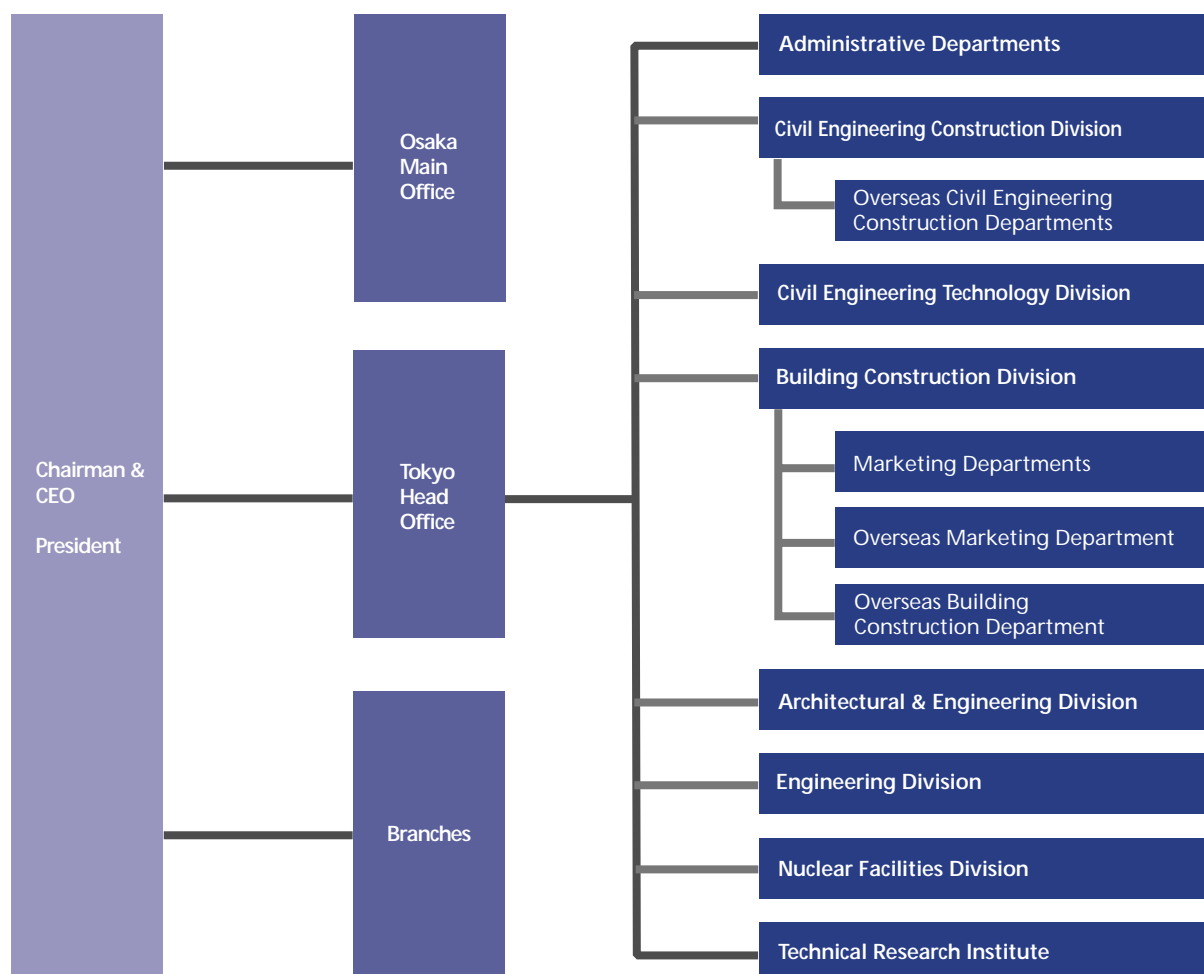
The U.S. dollar amounts in the accompanying consolidated financial statements are presented solely for convenience of the reader. Our audit also included the translation of yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 3 to the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

June 29, 2001

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



# ORGANIZATION CHART/CORPORATE DATA



As of March 31, 2001

## HEAD OFFICE

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15-2, 2-chome, Konan,  
Minato-ku, Tokyo 108-8502, Japan  
TEL: 81-3-5769-1111  
FAX : 81-3-5769-1910  
URL : <http://www.obayashi.co.jp/>

**Founded:** January 25, 1892

**Established:** December 19, 1936

**Paid-In Capital:** ¥57,752,171,493

**Authorized Shares:** 1,248,000,000

**Shares Issued:** 727,813,544

**Number of Employees:** 10,979

**Number of Shareholders:** 69,082

**General Meeting of Shareholders:** Late June

**Transfer Agent:** The Toyo Trust and Banking Co., Ltd.

**Listing:** Five stock exchanges: Tokyo, Osaka, Nagoya, Fukuoka, and Kyoto

## Major Shareholders

Shareholders	Holding Shares	
	Shares Held (Thousand)	Percentage of Total
Yoshiro Obayashi	64,585	8.87
Japan Trustee Service Bank, Ltd. (Trust Account)	52,288	7.18
Nippon Life Insurance Company	33,143	4.55
The Sanwa Bank, Limited.	25,628	3.52
The Toyo Trust and Banking Company Limited (Trust Account)	21,766	2.99
Hakuyo-Kai	19,886	2.73
The Mitsubishi Trust and Banking Corporation (Trust Account)	15,793	2.17
Obayashi Employee Share-Holding Association	12,114	1.66
The Chuo Mitsui Trust and Banking Co., Ltd. (Trust Account)	11,939	1.64
Nippon Life Insurance Company (Special Account)	8,508	1.17



**OBUYASHI**

*110th Anniversary*