

OBUYASHI CORPORATE REPORT 2012

Financial, Social and Environmental Performance

Year Ended March 31, 2012



Toward a Brighter Future



OBUYASHI CORPORATION

Obayashi's Vision, Values and Commitments

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

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

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

VISION: Who We Want to Be

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

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

SOCIAL RESPONSIBILITY: Our Unique Approach

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

E—Engagement with customers

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

G—Global perspective

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

A—Amenity and associates

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

O—Open communication with stakeholders

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

ACTION COMMITMENTS: How We Do Things

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

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

VALUES: What We Believe In

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

- Ambition** We pursue personal growth and continuously reach for our dreams.
- Innovation** We are proactive in our quest for constant improvement and innovation.
- Speed** We think creatively and act quickly.
- Teamwork** We combine our individual strengths to maximize our impact as a team.
- Integrity** We act with integrity as responsible citizens of the Earth and all the nations where we live.

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About This Report

To date, Obayashi has issued two reports annually: the *Annual Report* focused on economic aspects such as management policy and strategy, business results, and financial conditions, and the *CSR Report* focused on social and environmental initiatives toward realizing a sustainable society.

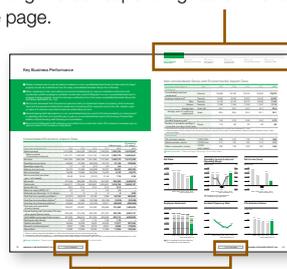
From this year, we have decided to issue both as a single, comprehensive *Corporate Report*, this year's being *Obayashi Corporate Report 2012*, to present our activities in such economic, social, and environmental aspects over one year in a unified and easy-to-understand format, aiming for unified promotion of our growth strategy and CSR management, as well as understanding of our overall global business activities.

We have positioned this report as an important communication tool for having our stakeholders understand our business activities.

We list our detailed editorial policies for this report on page 118.

Readers' Guide to This Report

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



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

[➡ Further details](#) [➡ Related information](#)

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

Caution Regarding Forward-Looking Statements

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

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Profile

OUR HISTORY

120 Years

Shaping the Times with Care

The year 2012 will be the 121st year of operations for Obayashi. Since our founding, we have cherished the care every employee takes in building things. We will continue to bring sincerity, courtesy, mindfulness, and enthusiasm to everything we build.

➔ **Further details** Please refer to the website for further details.
<http://www.obayashi.co.jp/english/about/history/>

1914 Tokyo Central Station (currently: Tokyo Station)



After the then head of the Railway Bureau, Shimpei Goto, proposed building "a station that would amaze the world," the Renaissance-style, red-brick station building designed by Kingo Tatsuno was constructed, with a total floor space of 10,000 square meters and a front facade 335 meters long. It was the largest structure of its time using a steel skeleton. Construction took some 730,000 workers in total about six and a half years to complete. This station building on the Marunouchi side of Tokyo Station is now an Important Cultural Property as designated by the Japanese government.

1931 Main Tower of Osaka Castle



Reconstruction of the main tower, known to many as the symbol of Osaka, was made possible through large sums of donations from citizens.

It is made of steel-reinforced concrete, which was a brand-new technique at the time, and was an unprecedented high-rise construction for Japan back in 1931, rising 55 meters above the ground. The Heisei renovation of 1997 was a project that required the latest techniques for augmenting the use of existing old materials with added new materials, and high construction accuracy.

1964 Yoyogi National Stadium Second Gymnasium



Building of infrastructure such as roads and railways, and construction of stadiums and other facilities, were pushed forward in order to host the Tokyo Olympics, greatly changing the look of postwar Tokyo. The total cost of Olympics-related construction was ¥1,019.5 billion. This gymnasium, which was built for competitions, features a roof suspended from one main pillar, creating a curved exterior that is still interesting today.

1970 Expo '70: Theme Pavilion



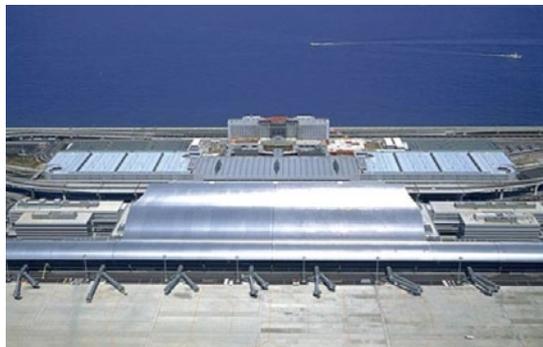
Expo '70, held under the theme of "Progress and Harmony for Mankind," was the first World's Fair held in Asia. The roof over the theme pavilion, connected with cast-iron pipes which were 290.8 meters long, 108 meters wide, and weighed 4,204 tons, was assembled on the ground, after which the whole roof was lifted up. This was the first attempt in the world of lifting up such a large structure, and attracted attention from many quarters.

The Timeless and Enduring Obayashi Spirit

Centered around Obayashi Corporation, one of Japan's largest general contractors, the Obayashi Group has 85 subsidiaries and 26 affiliated companies. Obayashi also has a long history of overseas expansion, dating back to 1962 when the Company became the first Japanese general contractor to take on an overseas construction project. The Company later moved into the United States, and in 1979 was the first Japanese construction company to win a public civil engineering contract on the U.S. mainland. In addition to the United States, Obayashi has been involved in a number of projects around the world, from the main stadium for the Sydney Olympics to Taiwan's high-speed railway, making it a truly global business.



1994 Kansai International Airport: Creation of Airport Island and Passenger Terminal



Kansai International Airport is Japan's first offshore airport, entirely situated on a man-made island. Its construction, including connecting bridges, has been rated highly around the world, with the American Society of Civil Engineers selecting it in the Airport Design and Development category of its Monuments of the Millennium rankings, which selected the 10 greatest engineering achievements of the 20th century, including the Panama Canal in the Water Transportation category, and the Empire State Building in the Skyscrapers category.

2012 TOKYO SKYTREE®



The main objective of construction was to transmit digital terrestrial broadcasting signals around the Kanto area including the Tokyo metropolitan area without being affected by the large number of high-rise buildings. Its height of 634 meters, taken from the old Japanese number reading of "mu-sa-shi" for Musashi Province, the former name of Tokyo and Saitama, makes it the tallest free-standing broadcasting tower in the world. TOKYO SKYTREE, the culmination of current construction technologies, will remain for generations as a monument to this era.

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



The Colorado River Bridge was constructed as a bypass for the Hoover Dam, a U.S. National Historic Landmark. A large curved arch supports the roadway deck, and construction proceeded from both ends towards the center. The bridge is 323 meters long and spans a gorge 274 meters high. This is the longest concrete arch bridge in North America and the fourth longest in the world (at the time of construction).

2050 Space Elevator Construction Concept



An Obayashi project team compiled a concept for "going to space by elevator in 2050" with expected completion in 2050. It will be constructed to replace rockets as a way to transport large amounts of people and materials into space economically. A terminal station would be located 36,000 kilometers above the Earth, about one-tenth the distance from Earth to the moon, and a spaceport located offshore on Earth, connected by a cable 96,000 kilometers long to operate elevators. This will broaden possibilities in space solar power generation, investigating and utilizing space resources, and space travel.

Business Outline

Company Name:	Obayashi Corporation
Founded:	January 1892
Established:	December 1936
President:	Toru Shiraishi
Head Office:	2-15-2 Konan, Minato-ku, Tokyo
Capital:	¥57,752 million
Employees:	8,305 (as of March 31, 2012)
Construction Business	
Permission:	Government Permit (Toku/Han-21) 3000
Real Estate Business	
License:	Government License (12) 791
Business Activities:	Construction work in and outside Japan, regional development, urban development, ocean development, environmental improvement, and other construction-related businesses, including engineering, management, consulting, and real-estate

Major Business Offices

Head Office: 2-15-2 Konan, Minato-ku, Tokyo
Sapporo Branch, Tohoku Branch (Sendai), Tokyo Main Office (Minato-ku),
Yokohama Branch, Hokuriku Branch (Niigata), Nagoya Branch, Kyoto
Branch, Osaka Main Office, Kobe Branch, Hiroshima Branch, Shikoku
Branch (Takamatsu), Kyushu Branch (Fukuoka), Overseas Business Division
(Minato-ku, Tokyo)

Research Institute

Technical Research Institute (Kiyose, Tokyo)

Offices Outside Japan

London, San Francisco, Auckland, Guam, Taipei, Manila, Jakarta, Hanoi, Singapore, Kuala Lumpur, Bangkok, Dubai, Sydney

Major Group Companies

Obayashi Road Corporation (Sumida-ku, Tokyo)
Naigai Technos Corporation (Shinjuku-ku, Tokyo)
Obayashi Facilities Corporation (Chiyoda-ku, Tokyo)
Oak Setsubi Corporation (Chiyoda-ku, Tokyo)
Obayashi Real Estate Corporation (Chiyoda-ku, Tokyo)
Seiwa Real Estate Co., Ltd. (Osaka)
OC Finance Corporation (Minato-ku, Tokyo)
Obayashi USA, LLC (San Francisco, U.S.A.)
Obayashi Canada Holdings Ltd. (Vancouver, Canada)
Thai Obayashi Corporation Limited (Bangkok, Thailand)

Key Business Performance

- Orders increased year on year as orders increased on a non-consolidated basis thanks to brisk orders for target projects, as well as contributions from the newly consolidated Kenaidan Group Ltd. of Canada.
- Sales, operating income, and ordinary income all increased year on year as completed construction and construction profits increased in domestic construction work at Obayashi on a non-consolidated basis due to progress in large projects, as well as earnings contributions from the newly consolidated Kenaidan Group Ltd. and Seiwa Real Estate Co., Ltd.
- Net income decreased from the previous year due mainly to impairment losses on property, plant and equipment and the reversal of deferred tax assets due to lowering of the corporate income tax rate, despite a gain on sales of investment securities booked as extraordinary income.
- Interest-bearing debt decreased on a non-consolidated basis as a result of funds provided by an improvement in operating cash flow, but were flat year on year on a consolidated basis due to the booking of Seiwa Real Estate's interest-bearing debt following its consolidation.
- Since most of Obayashi's CO₂ emissions are emitted from construction sites, CO₂ emissions increased year on year as a result of an increase in completions.

Consolidated Economic Aspect Data

Fiscal years ended March 31	(Millions of yen)					(Thousands of U.S. dollars)* ³
	2008	2009	2010	2011	2012	2012
Orders received	1,513,380	1,494,508	1,282,334	1,180,639	1,362,702	16,579,907
Orders received (Construction business)	1,431,271	1,438,365	1,214,745	1,108,348	1,289,779	15,692,657
Net sales	1,691,635	1,682,462	1,341,456	1,131,864	1,245,772	15,157,228
Operating income (loss)	28,667	27,363	(62,534)	23,174	31,145	378,949
Operating margin (%)	1.7	1.6	(4.7)	2.0	2.5	–
Ordinary income (loss)	32,312	31,829	(59,608)	22,207	35,241	428,780
Net income (loss)	18,595	10,966	(53,354)	15,423	5,142	62,573
Net income (loss) per share (yen / U.S. dollars)	25.83	15.24	(74.21)	21.46	7.16	0.08
Net assets	477,504	395,809	367,618	351,287	365,492	4,446,919
Total assets	1,854,071	1,725,645	1,590,667	1,505,697	1,618,748	19,695,197
Equity ratio (%)	24.3	21.5	21.5	21.6	21.0	–
Return on equity (ROE) (%)* ¹	3.7	2.7	–	4.6	1.5	–
Dividends per share (yen / U.S. dollars)	8	8	8	8	8	0.09
Cash flow from operating activities* ²	(47,631)	(39,610)	16,156	1,096	65,755	800,040
Cash flow from investing activities* ²	(18,924)	1,699	(12,746)	(33,134)	(1,919)	(23,359)
Cash flow from financing activities* ²	54,804	62,427	(15,733)	10,611	(48,949)	(595,569)
Cash and cash equivalents at end of period	128,537	143,821	132,425	108,999	121,682	1,480,503
Interest-bearing debt (excludes PFIs and other project finance loans)	242,448	314,165	309,706	321,375	320,798	3,903,137
Total liabilities and project finance loans	327,822	398,814	391,050	409,260	405,115	4,929,008
Debt/equity ratio (times)	0.73	1.07	1.14	1.26	1.19	–
Capital expenditure	38,959	16,028	9,876	49,043	17,017	207,045
Research and development	6,947	7,269	8,018	8,561	9,093	110,635
Depreciation	10,462	10,956	10,534	11,394	11,954	145,454

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

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

*3. U.S. dollar amounts are provided solely for the convenience of the reader, translated on the basis of ¥82.19 to US\$1, the prevailing rate of exchange at March 31, 2012.

➤ **Related information** Please refer to the Consolidated Financial Summary on page 63 for further details.

Non-consolidated Social and Environmental Aspect Data

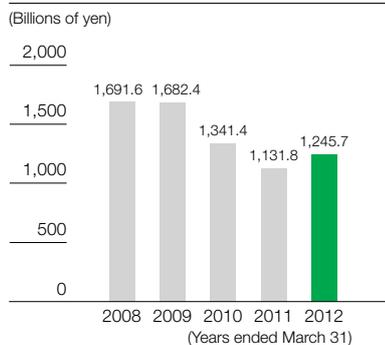
Fiscal years ended March 31	Unit	2008	2009	2010	2011	2012
Employees						
Consolidated employee headcount*1	Persons	15,088	15,150	14,476	14,639	12,870
Employee headcount*1	Persons	9,280	9,294	9,222	9,246	8,305
Men	Persons	8,100	8,140	8,070	8,089	7,193
Women	Persons	1,180	1,154	1,152	1,157	1,112
Average age	Years old	44.4	44.5	44.3	44.3	42.4
Average years of continuous employment	Years	20.5	20.5	20.2	20.1	18.1
Safety						
Accident frequency rate*2	-	1.03	0.79	0.56	0.50	0.70
Number of accidents resulting in more than four days of lost work	Cases	119	80	52	42	68
Environment						
CO ₂ emission volume	1,000 t-CO ₂	222	210	176	170	200
Waste emission volume	10,000 tons	217	197	162	214	213
Water consumption volume	10,000 cubic meters	202	178	232	297	249

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

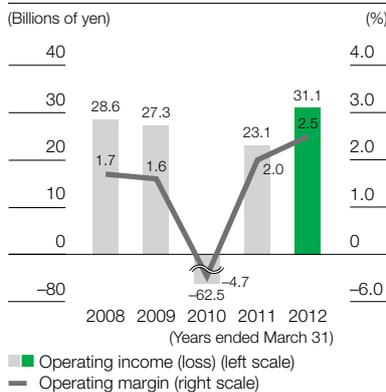
*2. Accident frequency rate: An indicator of the frequency of accidents measured as the number of accidental labor deaths and injuries recorded for every 1 million man-hours of labor

[Related information](#) Please view pages 103 through 115 for further details.

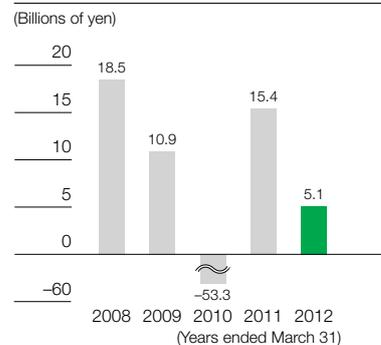
Net Sales



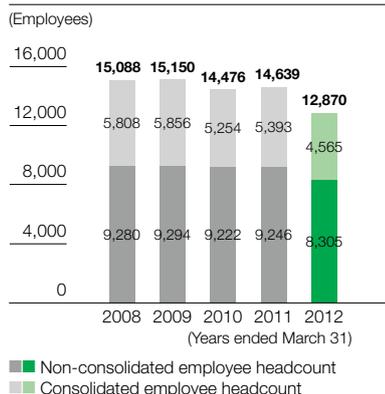
Operating Income (Loss) and Operating Margin



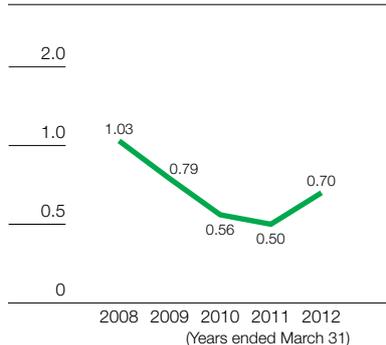
Net Income (Loss)



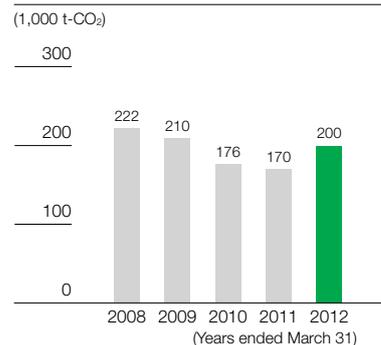
Employee Headcount



Accident Frequency Rate



CO₂ Emission Volume



A Brighter Future

Toward the Realization of
a Sustainable Society

Obayashi aims to create a safe, secure and comfortable society that coexists in harmony with the environment.

By rising to meet the new challenges this poses for us each day, we constantly refine and enhance our technologies.

All this we do to create a brighter future.





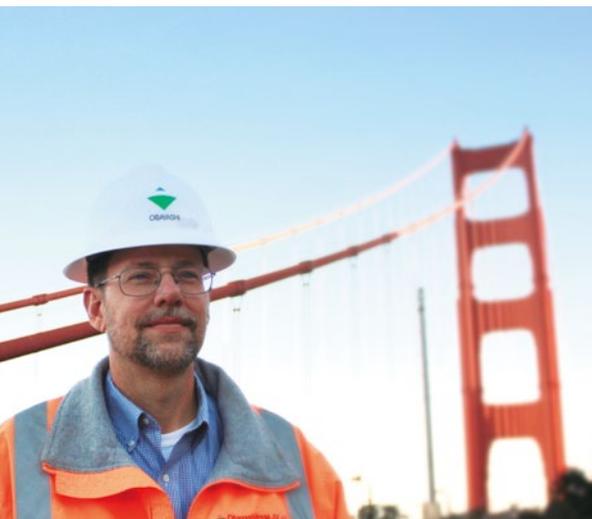
Technological Brilliance

Each day we take on new challenges to create a better society.

Drawing on the technologies and know-how Obayashi has cultivated over the years, we constantly take on new challenges to develop safe and secure infrastructure that will not only protect people's livelihoods and business environment in the event of a natural disaster, but bring to fruition a more prosperous society overall.

Obayashi will continue to tackle new challenges in order to achieve a brighter future for society.





Projecting Excellence

Our refined technologies and resolute corporate ethos help bring change to society on a global scale.

Our business operations span various regions throughout the world. With our concept of construction and craftsmanship rooted firmly in seeking only the best solutions at all times, we endeavor to provide top-quality buildings across national borders to contribute to regional and social development.

In the face of natural disasters such as flooding and drought and problems such as chronic traffic congestion, there exists a global demand for infrastructure, a market to which we can make a valuable contribution through our advanced technologies.

Obayashi will continue to take on new challenges in order to deliver a brighter future across and beyond borders.





Focusing on Sustainability

Doing what we can today to build a future for the children of tomorrow—that is our corporate mission.

Obayashi is currently embarking on a major new challenge—to step beyond the existing framework of our construction businesses to date and actively promote new-energy businesses such as solar, wind and geothermal power generation, as well as environmentally friendly residential communities such as smart cities. By contributing to the establishment of low-carbon, recycling-oriented, and nature-compatible communities, we continue to strive for the realization of a sustainable society overall.

We believe that in emphasizing the link between our actions today and a sustainable tomorrow, we can achieve a brighter future for all members of society, both in the present day and in the many years to come.



A Message to Our Stakeholders



Toru Shiraishi
President
Representative Director

Toward a Brighter Future

Since our founding in 1892, the Obayashi Group has successfully been through many turning points in history, and the issues we face today may well be another crucial change for us to adapt to and overcome. The challenges accumulating both in Japan and internationally are many and complex. They include the prolonged recession here in Japan, the financial crisis in Europe, and various natural disasters and environmental issues in other parts of the world. By making whole-hearted contributions to solving the challenges that societies face in construction and other related fields, the Obayashi Group aims to achieve continued, sustainable growth together with all our stakeholders.

Looking Back at the Past Year

Taking on the challenge of multiple natural disasters

The year 2011 saw major natural disasters spanning several different regions around the world.

Here in Japan, the Great East Japan Earthquake occurred in March, with many homes and businesses, including manufacturing facilities and factories, being damaged in the initial earthquake and crucial infrastructure such as roads and railroads unable to function. The tsunami that immediately followed also resulted in enormous damage across a wide expanse stretching down Japan's Pacific coast from the Tohoku region in the northeast to the Kanto region, home to Japan's capital, Tokyo.

As one of Japan's leading construction companies, Obayashi began responding immediately following the disaster. The scope of the Group's activities during the aftermath included recovery of production facilities and crucial public infrastructure—highlighting our strengths as a construction company in procuring personnel, materials, and transportation methods—and concentrated on supporting the lives of the people affected to our fullest capacity as a construction company.

Specifically, we sent emergency dispatches of support staff to the disaster-affected areas and conducted on-site surveys, investing our fullest efforts into the recovery operations based on the needs of affected businesses and local government. We also procured materials and facilities that had been in short supply at the disaster locations, such as portable toilets and fuel, from all over Japan and delivered them to evacuation centers and wherever else they were needed, and built temporary medical facilities to provide sites for emergency medical care.

The Great East Japan Earthquake has also had an impact on several nuclear power plants. Obayashi was entrusted with a decontamination model project from a government organization in 2011, and worked to accumulate related know-how while also testing the effectiveness of our numerous existing technologies (➔ p.15). Furthermore, Obayashi intends to continue to work on such decontamination projects so that people in contaminated areas will be able to return to their homes and lives as soon as possible.

The summer of 2011 also saw tremendous damage wreaked by a series of typhoons in western Japan. Record rains triggered huge landslides in mountainous areas, with debris blocking roads and rivers, not only cutting off transport networks but also creating landslide dams. This in turn exposed many communities to the risk of secondary damage in the event one of the embankments burst. In response, Obayashi sent emergency staff as well as materials and equipment to

affected areas, and worked to prevent the collapse of these landslide dams (➔ p.42).

Looking abroad, record flooding occurred in Thailand, with numerous production facilities run by Japanese companies, some of whom are our customers, flooded and forced to halt operations over indefinite periods of time. The Obayashi Group, led by Thai Obayashi, worked with our respective Japan and Singapore headquarters on realizing the speediest recovery possible under the circumstances (➔ p.42).

In responding to the major disasters in Japan and overseas, I believe that we were able to provide the response we did because all employees across the Group share the same sense of conviction—that our mission is to provide a safe and secure social foundation not only in the affected areas, but to society as a whole.

Sales increase achieved despite a harsh orders environment

Many corporations suffered damage from the Great East Japan Earthquake and Thai floods of 2011. This resulted in a temporary drop in companies looking to make capital investments. Although production activity has gradually recovered since, it has not resulted in a full-scale recovery in capital investment sentiment, meaning that the current orders climate remains harsh.

Even in this climate, however, orders, sales, and operating income in the fiscal year ended March 31, 2012 all increased from the previous year, thanks to the continuation of a policy of winning orders that prioritize profitability, and the welcoming of Kenaidan Group, Ltd., a Canadian construction company, and Seiwa Real Estate Co., Ltd. into the Group.

Net income decreased from the previous year primarily due to impairment losses on property, plant and equipment related to large development projects, as well as a reversal of deferred tax assets due to lowering of the corporate income tax rate.

Fiscal years ended March 31	2011	2012
Orders received:	¥1,180.6 billion ➔	¥1,362.7 billion (+182.0 billion)
Net sales:	¥1,131.8 billion ➔	¥1,245.7 billion (+113.9 billion)
Operating income: ¥	23.1 billion ➔	¥ 31.1 billion (+ 7.9 billion)
Net income: ¥	15.4 billion ➔	¥ 5.1 billion (– 10.2 billion)

➔ **Related information** Please refer to the Consolidated Financial Summary on page 63 for more details.

Economic trends remain unpredictable because of uncertainty regarding the European economic outlook and concerns about domestic electric power supply. That said, we remain focused on working to improve our earnings.

Changes in the Economic and Global Ecological Environment

The business environment surrounding the Obayashi Group

The business environment surrounding the Obayashi Group continues to look harsh, as previously mentioned. The Japanese economy remains in the same slump it has seen since the global financial crisis that began in September 2008, and the shift of production sites overseas by the manufacturing industry because of a prolonged yen appreciation is accelerating now more than ever. This slump in the domestic economy together with the accelerated overseas shift by manufacturing industry businesses will have a major impact on earnings at Obayashi, where domestic private-sector business accounts for 70% to 80% of all orders and sales.

In addition, the Japanese construction industry faces many concerns regarding its future, including a shrinking Japanese economy due to a graying society, attendant stagnation of construction market growth, and a decrease in the number of people working in the construction sector overall. Global changes in weather patterns, a phenomenon that has been occurring in recent years and has contributed to huge typhoons and heavy flooding, not only raise fears in society but also pose significant risks for Obayashi in terms of on-site safety and scheduling management.

New Growth Opportunities

Nevertheless, even in this climate, it is true that there are business fields in which growth can be expected through concerted efforts by the Obayashi Group.

One of these fields is environmental business. By steadily implementing “Obayashi Green Vision 2050,” our medium-to-long-term plan for the environmental sector drawn up in 2011 (➡ p.18), I believe we can achieve a sustainable society as well as create enhanced value for the Obayashi Group.

For example, Clean-Crete (➡ p.39) can reduce CO₂ emissions in the concrete manufacturing process by up to 80%. Seawater concrete (➡ p.39) allows materials to be easily procured even in domestic and overseas coastal areas and remote islands where securing fresh water and inland sand is difficult. In turn, this contributes to a reduction in concrete construction costs by 10% and in CO₂ emissions related to transportation of materials by 40%.

Elsewhere, the Obayashi Group is leveraging its many years of accumulated technological, procurement, and coordination capabilities to enter the solar power generation business. As an initial step in achieving this,

we constructed a mega solar power generation facility on the roof of one of our distribution warehouses, and commenced operations shortly after (➡ p.17). Through this project, we will accumulate know-how ranging from design to procurement, construction and operation, and, in the future, we plan to not only provide this know-how to our customers, but also to turn power generation itself into a new source of sustainable revenue.

We believe the Obayashi Group can also contribute significantly to society in terms of safety and security.

Firstly, there is disaster prevention and mitigation. Even with the slumping economy, the importance of protecting Japan and the people who live here remains unchanged. Nationwide moves toward disaster prevention and mitigation are being seen as a result of lessons learned from the natural disasters of 2011, and we believe we can contribute to the building of communities that can withstand natural disasters by providing safety and security technologies we currently possess, such as the Vertical Telescopic Breakwater, which rises from the seabed during times of emergency (➡ p.24), and the Dual Frame System, which greatly reduces swaying in high-rise condominiums while ensuring that space is utilized effectively (➡ p.24).

Next, there is the maintenance and replacement of public infrastructure. Japan built many highways and railroads during its high-growth era, and these will age going forward, thereby increasing the importance of maintenance and replacement projects. By carrying out maintenance and replacement work without halting the functions of crucial public infrastructure so indispensable to people's daily lives, we believe we can provide safety and security as well as effectively stimulate economic activity. At the Obayashi Group, we believe we possess the necessary technology to make this happen.

In addition, there will be opportunities to make societal contributions through technology not only in Japan, but also overseas. For example, the building of infrastructure to realize safe, secure and comfortable lives is still needed in many other countries around the world, including highway and railroad overpasses and underpasses to alleviate traffic congestion, and waste water tunnels to assist in flood prevention.

Furthermore, construction of environmentally friendly production facilities and communities will become increasingly important due to climate change and rising interest in biodiversity. This is another phase in which we can utilize our technological capabilities.



Management Strategy That Takes into Account the Business Environment

Formulation of “Medium-Term Business Plan ‘12”

Four years have passed since “Medium-Term Business Plan ‘08” was formulated in 2008. However, there were large changes in the external environment for Obayashi during this time, such as the Lehman bankruptcy and historic yen appreciation, which prompted us to review our medium-term business plan. Therefore, we drew up a three-year plan starting in 2012, “Medium-Term Business Plan ‘12,” with an eye to the future business environment (➡ p.20).

While continuing to secure stable profitability in our core areas of building construction, civil engineering, and real estate development, we will pursue diversification of our revenue structure from a medium-to-long-term viewpoint by promoting the three pillars of “further strategic global expansion,” “creation of new enterprises through business innovation,” and “development of technology into direct sources of profit.” The aforementioned conversion of solar power generation into a business is one example of the ongoing diversification of our revenue structure.

To grow as a company while eyeing the present and future business environment—I believe that this is precisely what will prove to be crucial for the Obayashi Group in order to survive as a sustainable company into the future.

Toward the Realization of a Sustainable Society

The Obayashi Group must seek growth opportunities in areas that contribute to realizing an environmentally friendly society that is safe and secure, and then focus on them to achieve growth as a company. This growth can then provide opportunities to heighten our existing technologies through us rising to meet challenges in solving ever more sophisticated problems. In addition to this, we must realize a more affluent and sustainable society, continue to achieve growth ourselves, and create value for all our stakeholders. I believe that this is the overall mission of the Obayashi Group.

The Obayashi Group will thus continue to steadily implement the “Obayashi Green Vision 2050” medium-to-long-term environmental plan and “Medium-Term Business Plan ‘12” under Obayashi’s Vision, Values and Commitments, while still striving to contribute to the realization of a sustainable society.

July 2012

Toru Shiraishi
President
Representative Director

Efforts in Response to the Great East Japan Earthquake

As a company with a public mission to provide safety and security in society, we will continue to do everything within our capacity to develop technologies and provide services for protecting people's daily lives and ensuring the continuation of business, to effectively help Japan recover from the disaster.

Response to Nuclear Power Station Incident

An Obayashi joint venture (JV)* was in charge of the three towns of Okuma, Naraha and Hirono and the village of Kawauchi, all in Fukushima Prefecture, during a decontamination model test project implemented by the Japan Atomic Energy Agency at the request of the Cabinet Office. The project was conducted across a designated off-limits area within a 20 kilometers radius of the Fukushima Daiichi Nuclear Power Station, and 12 cities, towns and villages in an adjacent planned evacuation area.

The objective of this test project was to analyze effective decontamination methods for later full-scale decontamination, confirm the decontamination effects, construct temporary sites to store debris created through the decontamination process, and establish work safety for operations conducted under high radiation levels.

Target areas for decontamination totaled up to 123 hectares and included forests, farmland, residential land, large buildings, and roads. First, advance monitoring was conducted in locations to be decontaminated and optimal decontamination methods were studied and implemented based on the results. Specifically, these included cutting of grass or trees through manual labor, removal of topsoil using heavy equipment, cleaning using high pressure cleaning equipment, and wiping of building roofs and window frames.

Following this work, monitoring was again conducted to measure how much radiation levels had dropped and analyze the effects.

Temporary sites to store debris created through the decontamination process were constructed at the same time, with debris transported and stored there temporarily as well as undergoing monitoring for radiation.

With many limitations due to work sites being located in restricted areas and planned evacuation areas, Obayashi combined both its human resources and technological capabilities to carry out this test project, which was a first step toward the full-scale decontamination crucial for reconstruction, in order to achieve maximum results in a short period of time.

* JV members: Obayashi Corporation, Toda Corporation, ATOX Co., Ltd., Hitachi Zosen Corporation, Daiki Ataka Engineering Co., Ltd.



Decontamination work removing topsoil using heavy equipment



Identifying decontamination status using a buggy-type radiation measurement system equipped with GPS



Temporary storage site constructed on a municipal baseball field in Okuma, an important facility for storing debris and items to be disposed of as a result of the decontamination work

Disaster Debris Disposal Operations

In the town of Watari, Miyagi Prefecture, the tsunami reached areas as far as four kilometers inland, resulting in 1.26 million tons of disaster debris. This is equivalent to about 112 years' worth of the waste produced on average by Watari itself. An Obayashi JV* is handling disaster debris disposal operations that separate, crush, and incinerate disaster debris transported from primary storage sites to a secondary storage site.

Five incinerators and an intermediate disposal facility with facilities for crushing, sifting, and separating debris were first constructed at the secondary storage site. Debris collected and transported there is currently being crushed and separated by machines and workers, and combustible products are incinerated. After disposal of all disaster debris transported to the secondary storage site is completed, the facilities will be dismantled. We aim to complete this entire schedule during fiscal 2013.

In this operation, Obayashi is also placing emphasis on improving recycling rates and contributing to local economies through material procurement and local hiring. In addition to recycling concrete and mud, we also recycle incinerator ash, which is normally used as landfill, and work to improve recycling rates. By using debris and sediment as resources for building the foundations of a reconstruction business, we will contribute to local communities into the future. We are also contributing to local economies by working with local agricultural and fisheries cooperatives and chambers of commerce to procure materials, and by hiring more than 200 local people per day as workers to help sort and separate debris.

In April 2012, we started the full-scale operation of an incinerator in disaster debris disposal operations, the first within Miyagi Prefecture. We will continue to do our utmost until the completion of operations, aiming for a swift revival of these areas into towns where people can live safely and comfortably once more.

* JV members: Obayashi Corporation, Toda Corporation, Konoike Construction Co., Ltd., Toyo Construction Co., Ltd., Hashimoto Co., Ltd., Fukamatsu-Gumi Co., Ltd., Haruyama Construction Co., Ltd.



Completed incinerator. About 222,800 tons of combustible debris is to be incinerated before disposal is completed.



Five incinerators were constructed to dispose of the huge amounts of disaster debris transported in from disaster-affected areas.

Environmental Initiatives

Message from director in charge of environmental activities



We continue to fulfill our corporate social responsibilities through our efforts in resolving important global environmental issues.

Tadahiko Noguchi

Representative Director
Executive Vice President

In charge of overall building construction and environmental activities

In recent years, global environmental issues such as global warming, the depletion of resources, and deteriorating biodiversity have been steadily worsening. Against this backdrop, there exists the reasonable expectation that corporations should get involved in initiatives that address these and related causes in the course of their business activities.

As the construction industry, which is Obayashi's core business, impacts on the global environment in various ways, we have been working to reduce the environmental burden through CO₂ emissions reduction, recycling of construction waste, and other initiatives.

However, in order to effectively resolve global environmental issues and realize a sustainable society, Obayashi also needs to secure a medium-and-long-term vision and allow its activities to evolve accordingly. In that light, Obayashi formulated the "Obayashi Green Vision 2050" in 2011. This is a medium-and-long-term vision for the direction Obayashi will take regarding future initiatives to resolve global environmental issues through its business activities. It outlines Obayashi's ideal vision for how society should be in 2050, and utilizes the backcasting method to determine a detailed action plan that includes the setting of numerical targets for CO₂ emissions reduction and other items.

Based on this medium-and-long-term vision, we rolled out our ZEC ("net Zero Energy Construction") initiative (→ p.58) to reduce the amount of energy consumption in the construction business to zero by 2020, with the realization of a low-carbon society as a primary objective. The initiative aims to reduce energy consumption in the construction business to zero through a combination of on-site energy conservation efforts at construction sites and "energy creation," which includes mega solar power generation at off-site locations and other similar strategies. To this end, Obayashi has already entered the field of energy creation as part of its entry into the renewable energy business. Going forward, we will work to create environmentally friendly urban areas, including smart cities and other smart communities.

Furthermore, Obayashi is engaged in efforts to dispose of the enormous amounts of disaster debris created by the Great East Japan Earthquake. This debris is sorted into concrete, metal, wood and other categories and recycled where possible, with some finding uses as construction materials in the rebuilding of areas affected by the earthquake and tsunami.

Obayashi also aims to resolve global environmental issues through its activities in construction and related peripheral businesses, and boost corporate value through the realization of a sustainable society.



Our newly introduced mega solar power generation facility, which utilizes the entire roof area of a distribution warehouse.

Entering the Renewable Energy Business Kumiyama Solar Power Generation Business

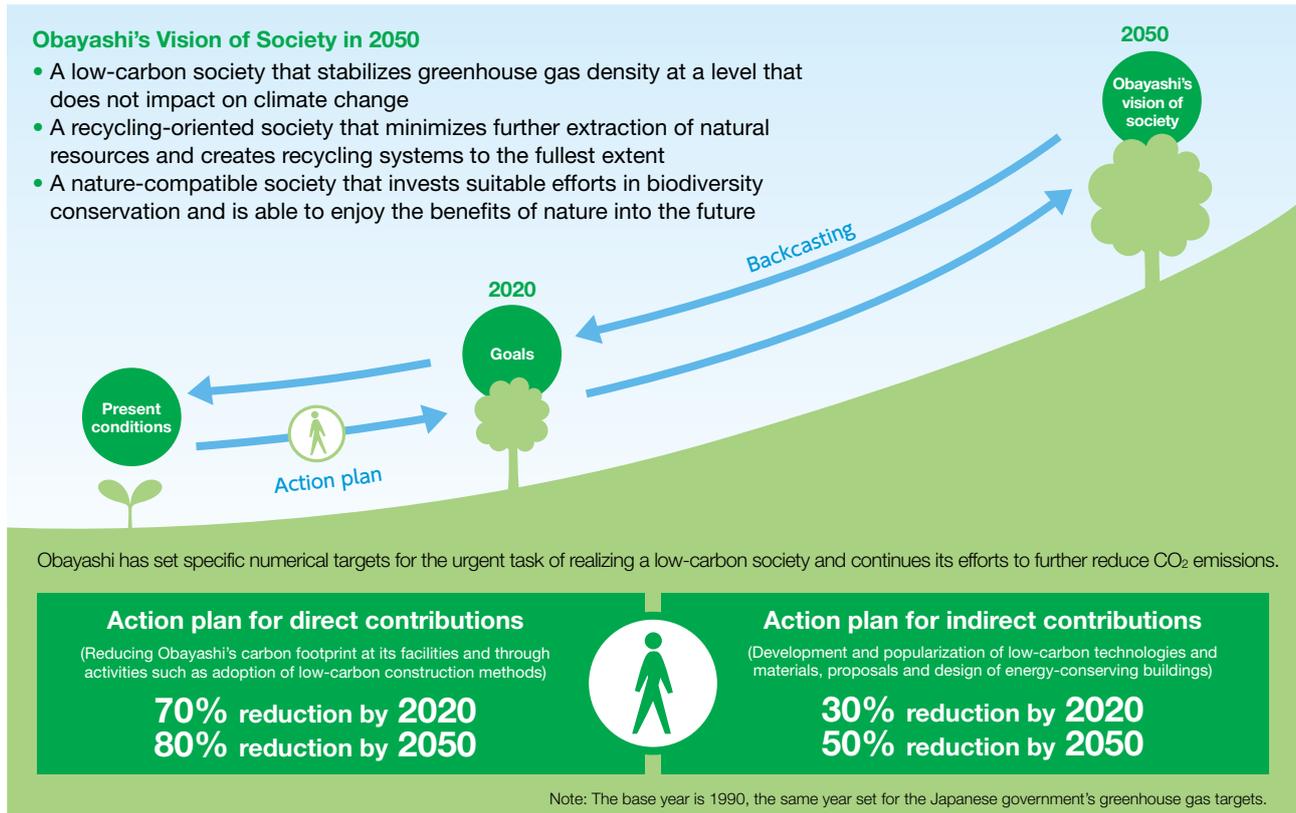
As part of our initiative to realize a low-carbon society under our medium-to-long-term vision and current activities to expand into other business fields peripheral to construction, we have utilized the entire roof surface area of a newly constructed distribution warehouse in the town of Kumiyama in Kyoto's Kuze district, to launch a large-scale solar power generation business, effective July 2012. Electric power generated by the approximately 1,000 kilowatts solar panels is then sold.

The valuable knowledge we obtain on mega solar power generation through this new venture is also proving valuable when offering support to our customers in the solar power generation business.

Medium-to-long-term environmental vision

Obayashi Green Vision 2050 [➔ Further details](#)

Obayashi formulated “Obayashi Green Vision 2050” in February 2011 in order to resolve global environmental issues such as the response to global warming-induced climate change, with the aim of achieving a sustainable society. To realize to achieve our vision for society in 2050, Obayashi will continue to implement its action plan with a view to expanding into other business fields peripheral to its main business in construction.



In fiscal 2011, Obayashi established an action plan that focuses on three visions of society in three business areas, and rolled out related initiatives centered on activities for realizing a low-carbon society, including energy conservation in buildings and renewable energy business.

Main initiatives in fiscal 2011

Business areas	Low-carbon society	Recycling-oriented society	Nature-compatible society
Building and urban construction	Announcement of LCZ^{*1} concept Aim to achieve zero energy usage throughout entire building life cycles, including in regard to materials production and construction	Participation in environmentally responsible development projects Apply new technology such as Clean-Crete in the Aoyama Obayashi Building, and acquire S-rank certification in the Comprehensive Assessment System for Building Environmental Efficiency (CASBEE).	
Provision of services	Announcement of ZEC^{*2} concept Aim to achieve zero energy usage during construction phases by 2020	Soil and groundwater remediation business Advance remediation business for soil contaminated with VOC, heavy metals, or oil.	Quantitative assessment of the preservation of ecosystems Create an assessment program for index organisms in urban green areas.
Infrastructure construction	Enter the renewable energy business Establish the Kumiya solar power generation business		

*1 Please refer to Topics “Life Cycle Net Zero Energy Buildings (LCZ)” on page 58.

*2 Please refer to “Making Construction Activities Low-Carbon” on page 58.

Management Strategies

Toward further growth of the Obayashi Group

In order for the Obayashi Group to maintain an established position in the construction industry, it is essential that we move quickly and decisively to implement growth strategies, including those regarding our expansion into new business fields.

In that light, and with the Obayashi Group beginning its 120th year since its founding, we have formulated a new three-year plan—"Medium-Term Business Plan 2012."

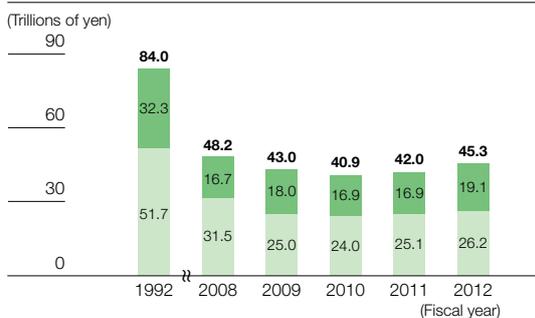
Business Environment

Construction investment in Japan, which at its peak reached about ¥84 trillion, has since been contracting and has currently dropped to approximately half of that amount, although there are signs of recovery in both the private and government sectors (Diagram 1).

Regarding the mid- to long-term, there is increasing awareness in the private sector about disaster prevention and environment and energy conservation, with demand for capital investment being anticipated in these and related areas. In the government sector, investment is similarly projected in the areas of disaster prevention and mitigation, and the maintenance and replacement of aging infrastructure (Diagram 2).

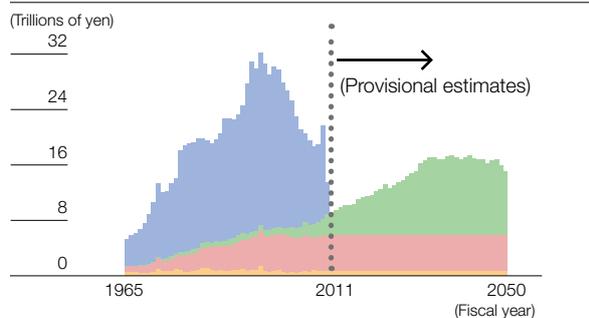
In regard to risk factors, private sector capital investment may be curbed, mainly due to uncertainty about the European economy and appreciating yen, while there is also the risk of public budget cuts being implemented.

Diagram 1 Transition of Construction Investment



Source: "Prospect of Construction Investment in Fiscal 2012," Ministry of Land, Infrastructure, Transport and Tourism (published June 2012).
 Figures are nominal figures.
 Fiscal 2010 and fiscal 2011 show provisional amounts; fiscal 2012 shows forecast amounts.
 Years shown in the diagram are based on the period the survey was conducted. Obayashi Corporation is solely responsible for the translation of the diagram and related notes from the Japanese original.

Diagram 2 Future Prospects Regarding Maintenance and Replacement Costs of National Infrastructure Stock



Source: "Long-term Outlook Regarding Land and Infrastructure" interim report, Ministry of Land, Infrastructure, Transport and Tourism (published February 2011).
 Notes 1: Costs for new development from 2011 onward are assumed to be zero (0).
 2: New infrastructure development and improvement costs for the years 2008 through 2010 are provisional.
 3: Years shown in the diagram are based on the period the survey was conducted.
 4: Obayashi Corporation is solely responsible for the translation of the diagram and related notes from the Japanese original.

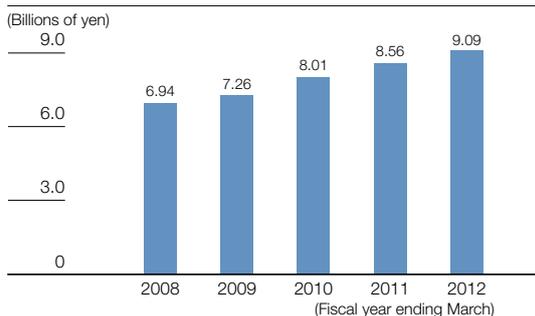
Current Situation and Strengths of Obayashi

As one of the leading companies in the industry, Obayashi possesses advanced construction technologies together with an abundant track performance and a wealth of expertise in both the building construction and civil engineering businesses.

In order to further solidify this strong position, Obayashi also engages in cutting-edge technological research and development at its Technical Research Institute, which has incorporated energy-conservation and environment-related technologies into its design and operations (Diagram 3). We have also actively introduced BIM (Building Information Modeling) (p.37) and are currently accepting orders from customers, including for production facilities requiring advanced construction technology.

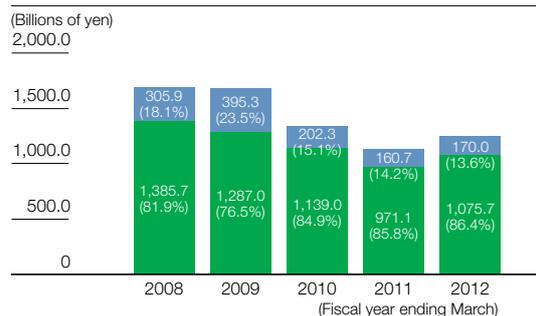
Obayashi is also aggressively developing business overseas, and possesses both an abundant track record in construction and solid and robust overseas Group companies (Diagram 4).

Diagram 3 Research and Development Costs (Consolidated)



(Figures in parentheses are the composition breakdown)

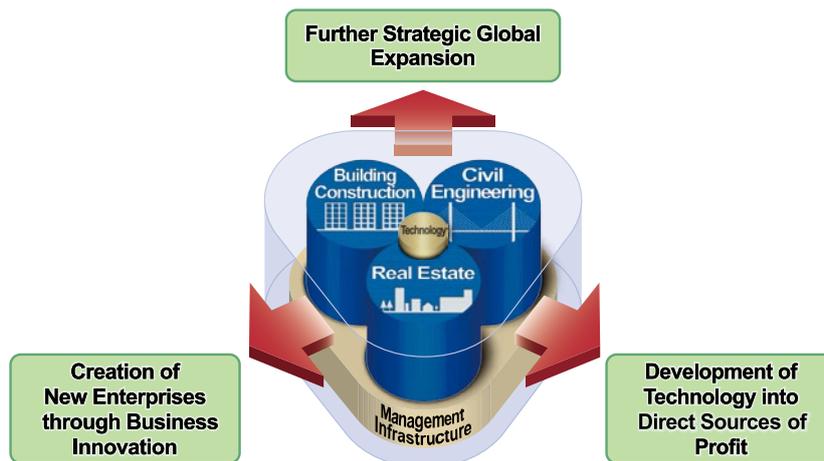
Diagram 4 Net Sales in Japan and Overseas (Consolidated)



(Figures in parentheses are the composition breakdown)

Medium-Term Business Plan 2012

In addition to further growth in core businesses, Obayashi is pushing ahead with the diversification of its earnings base and striving as a Group to enhance profitability.



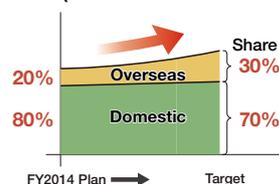
Overview of Consolidated Business Plan

	FY2011 Results	FY2014 Plan (in 3 years)
Net sales	¥1,245.7 billion	¥1,500.0 billion
Construction business	¥1,170.1 billion	¥1,400.0 billion
Domestic	86%	80%
Overseas	14%	20%
Real estate business, etc.	¥75.6 billion	¥90.0 billion
New businesses	-	¥10.0 billion
Operating income (Operating margin)	¥31.1 billion (2.5%)	¥45.0 billion (3.0%)
Domestic construction	66%	60%
Other than the above (overseas construction, real estate, new businesses etc.)	34%	40%

* FY2007-2011 average (excluding FY2009)

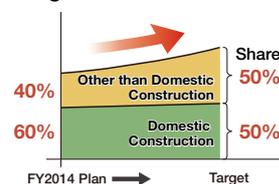
Beyond FY2014

Net sales (construction business)



New businesses **¥30.0 billion or more**

Operating income



Consolidated Target Indices for FY2014

Management indicators	Target
Net sales	¥1,500.0 billion
Operating income (Operating margin)	¥45.0 billion (3.0%)
Ordinary income (Ordinary margin)	¥47.0 billion (3.1%)
Interest-bearing debt balance	¥360.0 billion or less

Management indicators	Target
Debt/equity ratio	0.9 times or less
Return on equity (ROE)	8.0% or more
Dividend payout ratio	20% to 30%

Business Strategies

Building Construction Business



Enhancing our share of orders in the Tokyo metropolitan area while emphasizing profitability

Nao Sugiyama

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

Domestic

In the fiscal year ended March 2012, corporate capital investment was unable to stage a convincing recovery despite signs of improving capital investment sentiment among businesses. Corporate capital investment was hindered chiefly by the impact of the Great East Japan Earthquake, power shortages, and the yen's historic appreciation. Amid this challenging environment, the Obayashi Group has maintained its policy of winning orders with an emphasis on profitability, despite intensified competition for construction projects based on price. As a result, construction profitability has steadily improved over the past few years.

Looking ahead, domestic construction investment may recover to some extent in the short term, but cannot be expected to expand over the medium or long term. For the Obayashi Group to achieve growth under such conditions, the Group must improve its market share in the Tokyo metropolitan area, which is the largest domestic market. Following the Great East Japan Earthquake, we are expecting to see more orders for seismic reinforcement work such as long-period ground motion countermeasures for super high-rise buildings. At the same time, the energy

efficiency and environmental performance of buildings should become increasingly important going forward. Accordingly, we intend to steadily capture demand from these sources.

On the other hand, we must ensure adequate construction volume as we emphasize profitability amid intensified price-based competition. To this end, we must further enhance our procurement capabilities and productivity in order to generate steady earnings.

In light of these conditions, we will strengthen our sales structure with the aim of raising our market share in the Tokyo metropolitan area, where about half of all construction investment is concentrated. The domestic building construction business is a core field that accounts for approximately 70% of Obayashi's non-consolidated net sales. As such, we will continue working to bolster our profitability in this field.

Overseas

By solidifying steady earnings in Japan, we will advance projects in Southeast Asia, North America, and the Middle East.

➔ **Further details** For further details, please see Global Expansion on page 23.

Business Environment

	Positive factors	Negative factors
External environment	Opportunities	Threats
	<ul style="list-style-type: none"> • Signs of recovery in private-sector capital investment • Heightened disaster-readiness awareness • Replacement demand for aging buildings 	<ul style="list-style-type: none"> • Acceptance of low-price orders by competitors • Increase in labor costs • Accelerated shift to manufacturing overseas
Internal environment	Strengths	Priorities
	<ul style="list-style-type: none"> • Advanced construction technologies as a leading general contractor • Energy conservation and environmental technologies • Extensive track record of introducing Building Information Modeling (BIM) worldwide • Extensive overseas track record in construction and strong overseas Group companies 	<ul style="list-style-type: none"> • Strengthen sales capabilities in the Tokyo metropolitan area • Develop global human resources

Strategies Ahead

- Strengthen sales structure to boost share of orders in the Tokyo metropolitan area
- Enhance profitability, positioning the domestic building construction business as a core field
- Expand the overseas building construction business, centering on regions with buoyant construction demand (key areas: Southeast Asia, North America, and the Middle East)

Civil Engineering Business



Focusing on fields that take full advantage of the Company's advanced technological expertise in such areas as maintenance and replacement of infrastructure and large-scale projects

Makoto Kanai

Representative Director
Executive Vice President

In charge of overall civil engineering construction and
General Manager, Civil Engineering Construction Division

Domestic

General contractors have a social mission to address reconstruction demand following the Great East Japan Earthquake. Leveraging our organizational capabilities and agility, we are contributing in many different fields, so that those affected by the disaster can return to normal life as quickly as possible. Examples include disposal of waste arising from earthquake damage and decontamination of radioactive materials.

However, apart from post-quake reconstruction projects, public works spending has gradually declined since peaking out in 1995. Today, public works spending has contracted to less than half of its peak level. Meanwhile, the development of Japan's infrastructure was largely concentrated in the post-war period of high economic growth. Now that roughly 50 years have passed since that period, it is time for Japan's infrastructure to be replaced. Given Japan's limited public works budget, increased replacement demand for infrastructure is projected particularly for roads and bridges.

According to the interim report for the "Long-term Outlook Regarding Land and Infrastructure" by the Ministry of Land, Infrastructure, Transport and Tourism (MLIT), expenditures on maintenance and replacement of the nation's physical infrastructure,

assuming structures reaching their useful lives are replaced with those with the same functions, will increase sharply going forward. By around 2030, these expenditures are projected to roughly double from the current level. Replacing structures in use requires sophisticated technologies, and the Obayashi Group excels at such construction work.

The Company will conduct sales activities focused on fields that require advanced technological prowess, such as the replacement of infrastructure, in addition to shield tunnels, tunnels, pre-stressed concrete bridges, railways and liquefied natural gas (LNG) tanks. Through this approach, we will strive to maintain and improve profitability. We will also take steps to promote the use of Obayashi's technological capabilities in major projects that will underpin Japan's growth, such as the Linear (magnetic levitation) Shinkansen and the Tokyo Outer Ring Road (Gaikan-do).

Overseas

We will develop business in overseas markets where a steady stream of advanced infrastructure plans should be implemented and political and economic conditions are relatively stable, such as markets in North America as well as Oceania and the Middle East.

➡ **Further details** For further details, please see Global Expansion on page 23.

Business Environment

	Positive factors	Negative factors
External environment	Opportunities	Threats
	<ul style="list-style-type: none"> Investment in maintenance and replacement of infrastructure Contribution to the post-quake reconstruction effort Major projects such as Linear (magnetic levitation) Shinkansen and Gaikan-do 	<ul style="list-style-type: none"> Possible cuts in public works spending
Internal environment	Strengths	Priorities
	<ul style="list-style-type: none"> Advanced technological capabilities and extensive track record and expertise in civil engineering work Agility in addressing post-quake restoration work and other projects Extensive track record in major overseas infrastructure work 	<ul style="list-style-type: none"> Enhance planning and consulting-based sales capabilities Risk management for major overseas projects Develop global human resources

Strategies Ahead

- Enhance profitability in step with changes in the domestic business environment (planning, survey, design, maintenance and replacement of social infrastructure)
- Bolster measures to develop social infrastructure for safety and security, including disaster readiness and mitigation
- Expand the overseas civil engineering business and stabilize profits (key areas: North America, Oceania, the Middle East, and Eastern Europe)

Global Expansion

Overseas, there are still many more regions that require the development of advanced infrastructure. Examples include the development of ring roads in major cities to alleviate chronic traffic congestion, and sewerage systems to reduce flooding damage. We have been contributing to economic development in these regions through the development of infrastructure. By solving social issues through the provision of high-quality structures across borders, the Obayashi Group intends to drive its own growth as well.

The Group is targeting an overseas sales ratio in the construction business of 20% three years from now in the fiscal year ending March 2015, with plans to increase this ratio to between 25% and 30% in the medium and long term. To this end, the Group will pursue strategic business expansion in the three regions of North America, Southeast Asia and the Middle East, plus Oceania.

	Business environment and Obayashi's strengths	Strategies and fields of expansion	Major projects
North America (U.S., Canada)	Stable political and economic conditions Active capital investment by IT companies Opportunities to continuously win orders for public works projects Over 40 years in business since entering the market Leading track record in public works projects among Japanese contractors	Expand orders while reducing project execution risk by localizing operations through M&As and forming partnerships with leading local general contractors Private-sector building construction (condominiums and offices) Public infrastructure (railways and sewerage systems)	Hoover Dam Bypass Project—Colorado River Bridge Golden Gate Bridge Seismic Retrofit Acquisition of Kenaidan Group Ltd. of Canada in 2011
Southeast Asia (Thailand, Indonesia, Vietnam, Singapore, Taiwan, etc.)	An increase in Japanese companies making inroads into Southeast Asia Extensive track record Included in Obayashi are localized Group companies that have taken root regionally.	Capturing capital investment demand from Japanese companies Expand orders from global companies Private-sector building construction (production facilities and offices) Develop infrastructure requiring advanced technology	Taiwan High Speed Rail Taipei Dome (under construction) Thai Royalty's Guesthouse
Middle East (Abu Dhabi, Qatar, Saudi Arabia, etc.)	Clients with funding capabilities backed by oil and LNG resources Abundant infrastructure development plans Expertise in large-scale construction projects amassed in the Dubai Metro project, with local partners and procurement channels, etc.	Expand orders while reducing project execution risk through partnerships with leading local general contractors World Cup-related construction in Qatar Public infrastructure (railways, etc.)	Dubai Metro

Risk management system

The Obayashi Group has taken steps to enhance and stabilize profitability. These include establishing regional headquarters in North America, Southeast Asia and the Middle East, and assigning executive officers with regional responsibility to each site. Specialist teams have also been set up to accurately identify various risks and implement response measures, in an ongoing effort to conduct rigorous risk management locally. Furthermore, the Group has continued to reduce various local risks through partnerships with leading general contractors in the region.



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

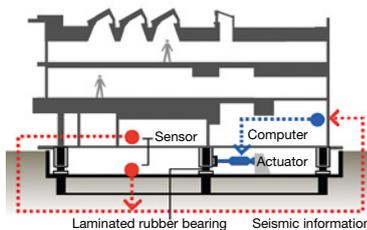
Strategic Global Expansion Utilizing Abundant Experience and Advanced Technological Capabilities Backed by Track Record

Obayashi was the first Japanese general contractor to enter overseas markets. The Company has answered the trust of customers through its wealth of experience and overseas subsidiaries closely tied to each region, particularly in the U.S. and Southeast Asia. Another strength in winning orders is Obayashi's considerable customer base in Japan and global information sharing network. We believe that Obayashi has a competitive edge over competitors from outside Japan such as South Korea and China in terms of its integrated design and construction framework, which is a hallmark of Japanese general contractors, and project management skills backed by technological capabilities.

In the civil engineering business, we excel in large projects where we can take advantage of world-class technologies such as shield tunnels. In the building construction business, we aim to diversify our business portfolio by focusing on capturing orders from global companies, in addition to the construction of production sites for Japanese companies, where we have a strong track record.

Technological Development

Obayashi has a host of technologies designed to provide safety and security by protecting people's lives and business activities from natural disasters. We also have a range of environmentally friendly technologies. We have developed technologies and expertise to meet various needs and solve issues. We believe that these technologies and expertise are crucial to improving our corporate value, while helping to pave the way for a sustainable society.



“Laputa 2D” Super-Active Base Isolation Technology

“Laputa 2D” Super-Active Base Isolation Technology is a system designed to offset seismic tremors by swiftly swaying buildings in opposition to ground tremors when earthquakes strike. The system effectively suspends buildings above the ground, thereby shielding them from the impact of ground tremors. Conventional seismically isolated building systems have been able to reduce the intensity of building tremors to about one-third to one-fifth of that of ground tremors. With the new system, the intensity of building tremors can be reduced to one-thirtieth to one-fiftieth of that of ground tremors. “Laputa 2D” technology has been installed to Techno-Station, the main building of the Obayashi Technical Research Institute.



Dual Frame System

The Dual Frame System links two independent structures, a central pillar and a flexible peripheral building structure, with earthquake-absorbing dampers in a single building. By connecting a rigid central pillar and a flexible building structure with dampers, counteractive sways are held to a minimum. The Dual Frame System can reduce the seismic force experienced by buildings to one-third of what will occur in conventional buildings of the same size.

The interior of the central pillar can be effectively used as a multi-level parking structure, while the peripheral residential building structure allows for open floor plans because the amount of seismic force applied to this section is reduced during earthquakes. This technology is a theoretical adaptation of a traditional, five-story Japanese pagoda.



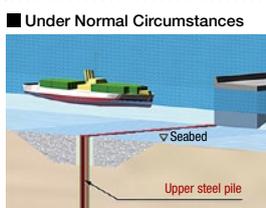
Exterior of the Main Hall of Chuson-ji Temple

High-Performance Wooden Seismic Wall Method

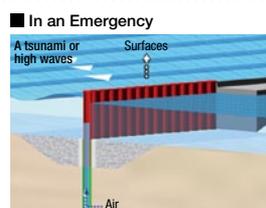
The High-Performance Wooden Seismic Wall Method is a method for improving the seismic resistance of board walls without compromising the external appearance and design features of traditional wooden structures. From the standpoint of ensuring the functionality and aesthetic appeal of traditional wooden structures, the traditional method of building board walls in general use is the “drop method,” where boards are dropped between slotted pillars. By upgrading this method, Obayashi has achieved a wall-strength ratio* of more than 10.

The High-Performance Wooden Seismic Wall Method was used in seismic retrofitting work on the Main Hall of Chuson-ji temple, which is part of Hiraizumi's Cultural Heritage, a UNESCO World Heritage site.

* Wall-strength ratio: A ratio that represents the strength (resistance) of a wall against earthquakes and wind pressure. A 1-meter-wide wall capable of resisting a horizontal load of 200 kilogram-force has a wall-strength ratio of 1. The wall-strength ratio of traditional drop board walls in general use is about 0.6.



Upper steel pile is held under the seabed



Compressed air is supplied into the upper steel pile

Vertical Telescopic Breakwater

With this moving breakwater, upper steel piles rise to the surface from the seabed during times of emergency such as a tsunami or high waves. Because it is normally held under the seabed, it doesn't hamper the passage of ships. However, in emergency situations, the breakwater is designed to surface reliably in a very short amount of time to protect harbors and communities from damage. Currently, work is under way to build a tsunami breakwater using this construction method in the city of Kainan, Wakayama Prefecture. Furthermore, Obayashi proposed this method and won a top award in a town reconstruction competition held by the city of Kesenuma, Miyagi Prefecture.

Note: This technology was developed under a joint consortium comprised of the Port and Airport Research Institute, Obayashi Corporation, Nippon Steel Engineering Co., Ltd., Toa Corporation and Mitsubishi Heavy Industries Bridge & Steel Structures Engineering Co., Ltd.



Akihisa Miwa

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

Diversifying the Earnings Base Using Proprietary Technology

In the course of expanding business globally, we will speedily develop technologies that meet society's needs even more so than before. To this end, we will continue to upgrade and expand the Obayashi Technical Research Institute.

Technology is the source of Obayashi's competitiveness. We will continue to develop technologies that enhance quality and cost effectiveness, along with technological development in fields where we can contribute to post-quake reconstruction and disaster readiness, and fields that anticipate the future of society, including environmental technologies. Through these efforts, we aim to establish Obayashi's competitive edge in the marketplace.

Moreover, the Company's technologies can be applied in a broad range of fields both in Japan and overseas. There are particularly strong needs for disaster readiness and mitigation as well as for the environment. Going forward, we aim to develop business fields that take full advantage of our technologies. One example is the renewable energy business, which we have already entered. Through this approach, we aim to further diversify our earnings base.

Real Estate Development Business



Enhancing a stable earnings base centered on the leasing business

Kenichi Shibata

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

We position the leasing business as the bedrock of the real estate business. The leasing business is subject to some fluctuations in rents, vacancy rates and other parameters reflecting real estate market conditions. Nonetheless, it is a relatively stable business provided that leasing properties are located in areas with good access to transportation. The Obayashi Group plans to upgrade and enlarge its stable earnings base centered on the leasing business. The goal is to expand leasing into a third core business alongside the building construction and civil engineering businesses.

To upgrade and expand the real estate business, we converted Seiwa Real Estate Co., Ltd. into a Group subsidiary in 2011. Seiwa Real Estate and Obayashi Real Estate Corporation will maximize their respective expertise by sharing and coordinating information about land and tenants. Through this approach, we aim to expand the Group's overall real estate earnings.

Looking at the external environment, the Great East Japan Earthquake has spurred heightened disaster readiness awareness and energy conservation needs among tenants. As a construction company, Obayashi possesses cutting-edge technologies in fields such as seismic proofing and energy conservation. For example,

we have fitted the Aoyama Obayashi Building, which is currently being scrapped and rebuilt, with such state-of-the-art technologies (➔ p.40). These innovations serve to make the facility a first-rate, advanced office building that will enable tenants to maintain business continuity in the event of a natural disaster occurring. By fusing Obayashi's new construction technologies with the real estate business, we will continue to answer to the needs of tenants.

Furthermore, we believe that enhancing our real estate property portfolio is also a key priority. Efforts will be focused on building an optimal real estate property portfolio by working to make even more effective use of the real estate property we currently own. At the same time, we will consider the use of real estate property as commercial sites for renewable energy businesses, including solar power generation operations, which Obayashi is currently promoting.

Collaboration with the construction business is also important. Here, we will vigorously implement large-scale redevelopment projects, land brokerage activities and other operations as we strengthen marketing strategies for real estate solutions. The goal is to help Obayashi win construction orders.

Business Environment

	Positive factors	Negative factors
External environment	Opportunities	Threats
	<ul style="list-style-type: none"> Heightened disaster readiness awareness and energy conservation needs among tenants Opportunities to utilize the Company's real estate properties to meet society's need for renewable energy 	<ul style="list-style-type: none"> Concerns about an over-supply of office buildings and a fall in rent prices for these properties in the Tokyo metropolitan area
Internal environment	Strengths	Priorities
	<ul style="list-style-type: none"> Provision of advanced office buildings utilizing Obayashi's expertise as a construction company 	<ul style="list-style-type: none"> Establish a standard model for operation and management of the leasing business for the Obayashi Group

Strategies Ahead

- Upgrade and enlarge the stable earnings base centered on the leasing business (recurring business model)
- Enhance the real estate property portfolio through the effective use of the Group's real estate properties (renewable energy, and condominium and other property sales businesses)
- Enhance profitability through collaboration with the construction business (redevelopment business, tenant leasing, real estate solution proposals)

New Businesses

Aiming to Diversify the Earnings Base from a Medium-to-Long-Term Perspective

• Engineering

Obayashi will provide total coordination of construction projects such as production facilities. This will entail developing the engineering business on a full scale, drawing on Engineering, Procurement and Construction (EPC) and turnkey projects conducted in Japan and the U.S. We plan to provide entire production facilities, including buildings, as an integrated package, targeting pharmaceutical, semiconductor and other production facilities. Overseas, we will also promote this business targeting global companies.

• Energy

Demand for new forms of energy is projected to increase in step with deregulation and changes in social systems. Examples include solar (mega solar power plants), wind and geothermal

power generation. We see the new energy field as a new business opportunity. We will vigorously develop this business by utilizing its real estate properties, based on the technologies we have amassed in the construction and engineering fields.

• Business Innovation

Obayashi will promote business innovation by commercializing innovative technologies using new business models. This will be done by matching technologies and expertise developed in the construction business over the years with unmet needs, and refining those technologies into direct sources of profit. New businesses will be identified and nurtured through flexible ideas unfettered by conventional notions.

Capital Expenditure Plan

Under “Medium-Term Business Plan’12,” the Obayashi Group plans to invest ¥150.0 billion over the next three years to execute various initiatives in the building construction, civil engineering, real estate development, and new businesses.

This investment plan breaks down as follows. We plan to invest ¥75.0 billion across the Group to upgrade and expand our stable earnings base in the real estate business. Of this amount, ¥60.0 billion will be invested in acquiring office buildings in urban areas mostly in Tokyo and Osaka. The goal is to build a stable earnings base by increasing the earnings from leasing business by 60% over the next three years. Additionally, we plan to flexibly invest

¥15.0 billion in the real estate property sales business to build up our real estate business earnings. We plan to invest ¥40.0 billion in R&D and ICT, including in the Obayashi Technical Research Institute development plan. Investment of ¥20.0 billion is planned for domestic and overseas new businesses.

Obayashi will use operating cash flows to fund these investments. We will also use some operating cash flows to repay interest-bearing debts.

In other areas, we will review our portfolio of asset holdings, such as investment securities and idle real estate. By utilizing these assets more effectively, we aim to increase capital efficiency.

FY2012–FY2014 Capital Expenditure Plan

Investment		FY2012–2014	Average per year
Construction machinery and business facilities		¥ 15.0 billion	¥ 5.0 billion
R&D and ICT		¥ 40.0 billion	¥13.3 billion
Real estate investment	Property for leasing	¥ 60.0 billion	¥20.0 billion
	Property for sale	¥ 15.0 billion	¥ 5.0 billion
	Subtotal	¥ 75.0 billion	¥25.0 billion
Domestic and overseas new businesses		¥ 20.0 billion	¥ 6.7 billion
Total		¥150.0 billion	¥50.0 billion

Directors and Corporate Auditors

Representative Directors



Takeo Obayashi

Chairman
Representative Director

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

Toru Shiraishi

President
Representative Director

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



Tadahiko Noguchi

Representative Director
Executive Vice President
In charge of overall building construction and environmental activities

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

Makoto Kanai

Representative Director
Executive Vice President
In charge of overall civil engineering construction,
and General Manager, Civil Engineering
Construction Division

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

Shozo Harada

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

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

Directors



Makoto Kishida

Director
Senior Managing Executive Officer
General Manager,
Overseas Business Division

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

Akihisa Miwa

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

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

Kenichi Shibata

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

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

Nao Sugiyama

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

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

Auditors



Hiroshi Tadokoro

Corporate Auditor

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

Tamio Akiyama

Corporate Auditor

Date of birth March 25, 1949
April 1972
Joined the Corporation
June 2001
General Manager,
Accounting Department,
Osaka Main Office of the Corporation
June 2003
General Manager,
Accounting Department,
Tokyo Head Office of the Corporation
June 2007
Representative Director and Executive
Vice President of Naigai Technos
Corporation
June 2008
Corporate Auditor of the Corporation
(incumbent)

Tatsunosuke Kagaya

Outside Corporate Auditor

Date of birth January 28, 1947
March 1976
Registered as a certified public
accountant
May 1994
Representative Partner of Showa
Ota & Co. (currently Ernst & Young
ShinNihon LLC)
June 2009
Outside Corporate Auditor of Sanyei
Corporation (incumbent)
June 2010
Outside Corporate Auditor of the
Corporation (incumbent)

Yasutaka Kakiuchi

Outside Corporate Auditor

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

Tadatsuna Koda

Outside Corporate Auditor

Date of birth December 24, 1944
April 1967
Joined the Ministry of International Trade and
Industry
July 1994
Deputy Director-General, Minister's Secretariat of
the Ministry of International Trade and Industry
October 1995
Ambassador Extraordinary and Plenipotentiary
to Oman
July 1998
Director of Electric Power Development Co., Ltd.
June 2001
Managing Director of Japan Petroleum
Exploration Co., Ltd.
October 2006
Senior Managing Director of Japan Petroleum
Exploration Co., Ltd.
June 2009
Executive Vice President and Executive Officer
of Japan Petroleum Exploration Co., Ltd.
June 2010
Advisor of Japan Petroleum Exploration Co.,
Ltd. (incumbent)
April 2011
President of Japan Cooperation Center for the
Middle East (incumbent)
June 2011
Outside Corporate Auditor of the Corporation
(incumbent)

Corporate Governance

Management Structure

General Meeting of Shareholders, the Board of Directors, the Audit Committee, Independent Auditors, and other bodies are amply fulfilling their legal responsibilities. Additionally, the Company practices precise and swift decision-making through its executive officer system and the Management Meeting, which is composed of members appointed from among the directors and executive officers.

The Board of Directors is composed of up to 15 directors. Each director makes management decisions and executes duties, as well as supervises the execution of duties by other directors, executive officers and employees. The term of office for directors is one year, which enables the Company to respond dynamically to changes in the business environment, while also clarifying management responsibilities for each business term. In order to clarify the selection process for directors and executive officers, Obayashi has established a Recommendation Committee and a Remuneration Committee.

The Audit Committee comprises a maximum of five corporate auditors (of whom a majority are outside

corporate auditors). In accordance with the “Obayashi Audit Guidelines for Corporate Auditors,” the corporate auditors, in a position independent from the directors, conduct audits of the status of business execution by the directors, and conduct accounting audits to ensure the appropriateness of the financial statements, by monitoring and verifying the work of the independent auditor (accounting firm).

Obayashi has not appointed outside directors, but with regards to checks on decision-making and execution of duties from an external viewpoint, three outside auditors amply fulfill that function from an impartial standpoint based on their accounting and other professional perspectives and rich business experience. Obayashi has instituted standards for selecting outside auditors, including standards regarding independence, as follows.

Requirements for selection as an outside auditor candidate

1. The candidate has capabilities, knowledge, experience and character suited to become an outside auditor for Obayashi, and is able to make citations and give opinions to Obayashi management from an independent and impartial standpoint.
2. The candidate is not a former director or employee of Obayashi or any of its affiliates (requirement for outside auditor stipulated in Article 2-16 of the Companies Act).
3. The candidate is not currently affiliated with, or was not affiliated in the past with, Obayashi's currently contracted accounting firm, law office or main bank.
4. The candidate is not a major shareholder with an ownership stake of 10% or more (or a person currently affiliated with or affiliated in the past with an entity that is a major shareholder).
5. If 3. or 4. unavoidably applies, at least five years have passed since the candidate left the relevant entity.
6. The candidate meets the requirements of an “independent director” stipulated in the Tokyo Stock Exchange's securities listing rules.

(Enacted October 22, 2010)

Corporate Management Structure



Collaboration between Corporate Auditors and Independent Auditor, and Support System

Corporate auditors, the independent auditor, the Business Administration Department (Obayashi's internal audit arm) each conduct audits from their independent standpoints, and also collaborate through exchanges of information and opinions as needed to heighten the effectiveness of audits. In addition, an Audit Department independent of the executive branch of the Company has been set up under the instructions of the Audit Committee and corporate auditors as part of the strengthening of their functions. This office primarily monitors compliance with laws and regulations as a department supporting the Audit

Obayashi's Articles of Incorporation stipulate that the Company “act in good faith in compliance with laws and regulations”

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

Obayashi Corporation Articles of Incorporation, Article 3 (act in good faith in compliance with laws and regulations)

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

Committee and corporate auditors. The Company assigns full-time staff to the Audit Department.

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

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

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

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

Total Amount of Director and Corporate Auditor Remuneration (Fiscal Year Ended March 31, 2012)

Position	Total remuneration and other compensation
Director (12 directors)	¥496 million
Corporate auditor (6 auditors)	¥81 million (of which compensation for four outside corporate auditors: ¥27 million)

Note that the above includes amounts for three directors and one outside corporate auditor who left their posts as of the conclusion of the 107th Ordinary General Meeting of Shareholders held on June 28, 2011.

Matters Pertaining to the Independent Auditor (Fiscal Year Ended March 31, 2012)

Name of independent auditor: Ernst & Young ShinNihon LLC

	Compensation paid for audit certification activities	Compensation paid for non-audit activities
Obayashi Corporation	¥97 million	¥4 million
Consolidated subsidiaries	¥89 million	—
Total	¥187 million	¥4 million

Matters Pertaining to Outside Corporate Auditors

Reasons for appointment and attendance record of Board of Directors and Audit Committee meetings of outside corporate auditors (Fiscal year ended March 31, 2012)

Name	Reasons for appointment and attendance record
Tatsunosuke Kagaya Former representative partner of Ernst & Young ShinNihon LLC	In order to have Mr. Kagaya's specialized knowledge as a certified public accountant, a specialist in accounting, and ample experience in corporate accounting reflected in Obayashi's audits, based on an independent standpoint Mr. Kagaya attended 13 out of 13 Board of Directors' meetings (100% attendance) and 13 out of 13 Audit Committee meetings (100% attendance).
Yasutaka Kakiuchi Former Deputy Director-General, Minister's Secretariat of the Ministry of Construction	In order to have Mr. Kakiuchi's ample experience from many years of involvement in the administration of government policy on land, infrastructure and transport reflected in Obayashi's audits, based on an independent standpoint Mr. Kakiuchi attended 13 out of 13 Board of Directors' meetings (100% attendance) and 13 out of 13 Audit Committee meetings (100% attendance).
Tadatsuna Koda Former Deputy Director-General, Minister's Secretariat of the Ministry of International Trade and Industry	In order to have Mr. Koda's ample experience from many years of involvement in the administration of government policy on economy and industry, and corporate management, reflected in Obayashi's audits, based on an independent standpoint Since his appointment at the Ordinary General Meeting of Shareholders in June 2011, Mr. Koda attended 9 out of 10 Board of Directors' meetings (90% attendance) and 8 out of 9 Audit Committee meetings (89% attendance).

Note that the three individuals above meet the requirements of "independent directors/auditors" as stipulated in the rules of the financial instruments exchanges on which Obayashi's stocks are listed.



Tatsunosuke Kagaya
Outside Corporate Auditor

Comments from an Outside Corporate Auditor

Q1: What is your impression of Obayashi?

A1: The construction industry has been hit by many waves in the course of history, but I believe that Obayashi has responded steadfastly to overcome them each time. I believe this is because directors, officers and employees have combined their wisdom in each era.

Q2: What is your impression of corporate governance at Obayashi?

A2: Since taking my post, I have constantly monitored various divisions within the Company, and my impression is that management's awareness of governance is improving significantly. Even in the face of difficult issues, I think top management is exhibiting leadership beyond divisional boundaries and making appropriate decisions.

Q3: What will be required of governance and management of Obayashi going forward?

A3: In order to enhance its corporate value, Obayashi will have to pursue technological advancements, which are crucial for a construction company, and improve its financial base. For the Company to grow further in the future, aggressive expansion not only domestically but overseas as well will be crucial, but at the same time, taking on the challenge of many risks will also be unavoidable. In such cases, it will be important to monitor whether risks for each project are being handled appropriately so as to not damage corporate value. As an outside corporate auditor, I would like to scrutinize such risks, mainly from the standpoint of a certified public accountant, and monitor them closely while working with the independent auditor and the Business Administration Department (Obayashi's internal audit arm).

Corporate Social Responsibility

Basic Policies

At Obayashi, we think of fulfilling our corporate responsibilities as the best way “toward a brighter future.” This is the goal of all of our business activities. As a good corporate citizen, Obayashi strives to meet the expectations and needs of all stakeholders.

Obayashi’s social responsibility policy, “Our Unique Approach,” was formulated as part of Obayashi’s Vision, Values, and Commitments in order for the Company to be strongly aware of its responsibilities incurred in developing business activities (➡ p.01).

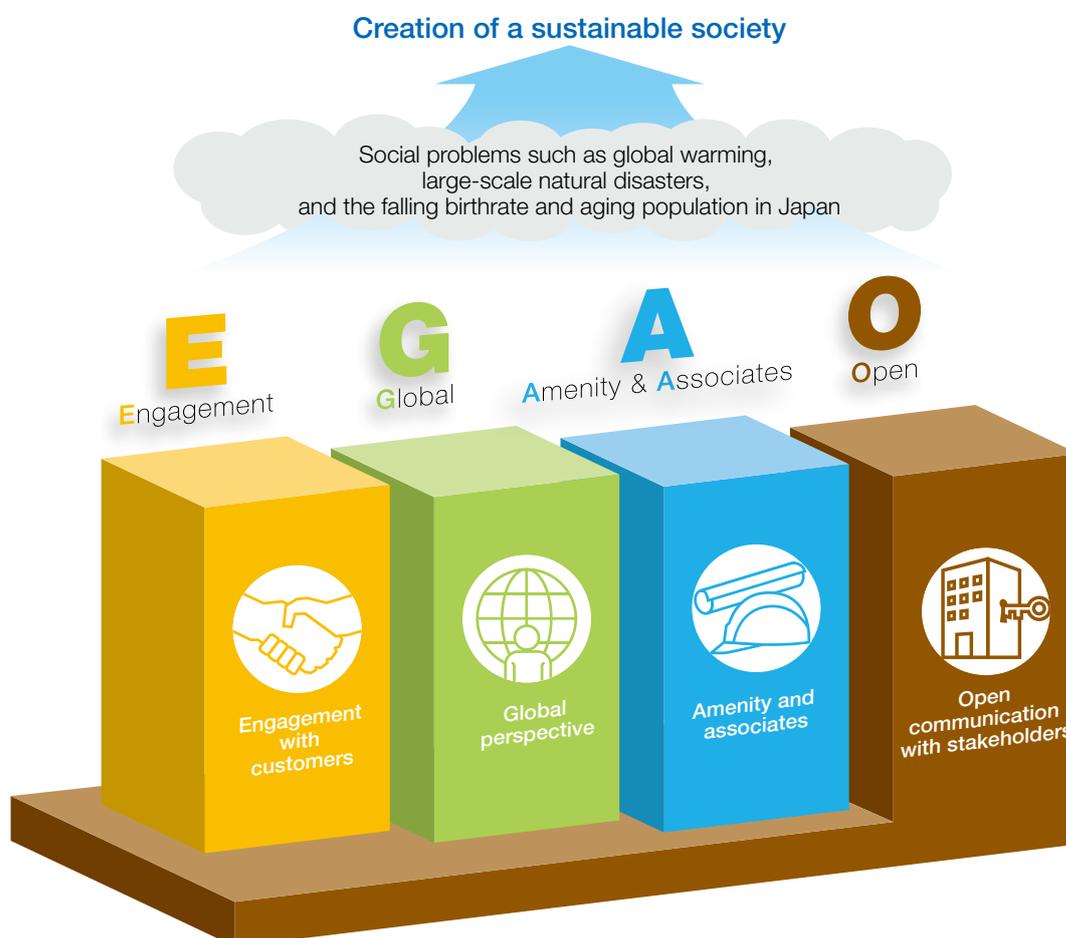
Obayashi’s social responsibility policy “Our Unique Approach” makes the Company’s CSR initiatives easier to relate to by defining its mission and responsibilities through the keyword “EGAO,” which means “smiles” in Japanese, sorting the priority areas that Obayashi should work on towards realizing a sustainable society into four aspects: “E” for engagement with customers, “G” for global perspective, “A” for amenity and associates, and “O” for open communication with stakeholders. “EGAO,” or smiles, also reminds Obayashi of its responsibilities to society, captured in its corporate message, “Toward a brighter future.”

Obayashi is committed to securing the trust of society by thoroughly practicing fundamental CSR, centered on

compliance with laws and regulations and on internal controls, and to contributing to the creation of a sustainable world. To this end, Obayashi engages in “CSR that creates value.” Which is to say, CSR involvement in solving social issues through business activities, by maintaining dialogue with stakeholders and reflecting their expectations and demands toward the Company in Obayashi’s business strategies.

CSR Fulfillment Promotion—Structure and Operation

Obayashi is undertaking cross-organizational initiatives, with full employee participation. The initiatives are led by the CSR Committee, which is chaired by the Company president. Obayashi uses the plan-do-check-act (PDCA) cycle to fulfill its CSR: In accordance with an annual action plan deliberated and approved by the CSR Committee (Plan), activities are undertaken by all divisions Company-wide (Do). Referring to opinions and feedback obtained through communication with stakeholders about the performance of those activities, the achievement level of each activity is checked (Check), and findings are reflected in the next year’s plan and activities (Act) (➡ p.33-34).



Communication with Stakeholders

Obayashi clearly defines its responsibilities to stakeholders, actively discloses information on its views and activities, and seeks various opportunities to enhance communications in order to fulfill its social responsibility.

Obayashi is committed to meeting society's expectations and demands by reflecting the opinions and requests of stakeholders, obtained through dialogue, in its business activities.

Connections with Stakeholders

Components of EGAO	Stakeholders	Obayashi's Responsibilities	Main Means of Communication
E for engagement with customers	Customers	Clients (national and regional governments, private corporations, individuals, etc.) Users of buildings and structures	Providing high-quality construction Improving infrastructure Providing valuable services Supporting business risk reduction Proper management of customer information
	G for global perspective	Communities and society	Community residents Society Citizens NPOs and NGOs Government
A for amenity and associates		Employees	Employees and their families Seconded staff Temporary staff
	O for open communication with stakeholders	Suppliers	Specialist contractors Mechanical and electrical contractors Material and product suppliers, etc.
		Shareholders	Shareholders Investors

Distribution of Economic Value to Stakeholders

Distribution of Obayashi's economic value to key stakeholders in fiscal 2011 was as shown in the table below.

Distribution of Economic Value to Key Stakeholders

Stakeholders	Amount (millions of yen)	Calculation method, etc.
Shareholders	5,748	Annual payout of dividends from surplus recorded in the consolidated statements of changes in net assets: ¥8 per share
Employees*	72,964	Average annual salary multiplied by employee headcount recorded in the annual securities report Headcount: 8,305 employees Average annual salary: ¥8,785,493
Society	17,769	Amount of income taxes recorded in the consolidated statements of income
Environment*	24,736	Independent tabulation of environment-related payments (environmental protection cost under environmental accounting)

* Figures on employee headcount and the environment are on a non-consolidated basis.

Fiscal 2011 Activity Results

At Obayashi, we have sorted the priority areas that the Company should work on towards realizing a sustainable society into four aspects: “E” for engagement with customers, “G” for global perspective, “A” for amenity and associates, and “O” for open communication with stakeholders. Based on this, we have set activity themes corresponding to each aspect, and are confirming their degree of attainment each fiscal year.

Main Fiscal 2011 Activities Results and Goals Going Forward

	P Activity theme	D Main achievements in fiscal 2011
E (Engagement with customers)	Providing High-Quality Construction <ul style="list-style-type: none"> Providing services that accurately respond to customer needs Promotion of various educational and informative initiatives related to quality control and technology Streamlining of operations and enhancing of accuracy in quality control Creating an environment to handle BIM^{*1} 	<ul style="list-style-type: none"> Operation of quality management system (ISO 9001) Dissemination of information within the Company regarding quality management and technology Promotion of BIM Realization of a new construction management system using iPad®
	Technological Development That Leads to Solutions to Societal Issues <ul style="list-style-type: none"> R&D and the deployment of technology that leads to realization of consideration to the environment and securing of safety and security (technology that realizes a low-carbon society, a recycling-oriented society, and a nature-compatible society) (natural disaster countermeasures and the development of technology that contributes to disaster recovery) (renovation technology related to operation and maintenance of existing buildings and public infrastructure) Initiatives related to intellectual property 	<ul style="list-style-type: none"> Development of technology related to productivity and quality improvement Nurture personnel certified as Emergency Risk Discriminators Development of environmentally friendly technology Development of renovation technology Use of latest technology Appropriate management and use of intellectual property
	Work That Gives Peace of Mind to Customers and Local Communities <ul style="list-style-type: none"> Construction management that gives consideration to customers and areas surrounding construction sites 	<ul style="list-style-type: none"> Implementation of safety measures for areas surrounding construction sites
	Supporting Customers in Efforts to Minimize Disaster Risk <ul style="list-style-type: none"> Building and strengthening systems within the Company in preparation for natural disasters Bolstering of services for supporting BCM^{*2} of customers 	<ul style="list-style-type: none"> Support for business continuity plans of customers in times of natural disasters Nurture personnel certified as Emergency Risk Discriminators Build and bolster systems within the Company in preparedness of natural disasters Responses to the Great East Japan Earthquake, typhoons and Thai flood damage
G (Global perspective)	Creating a Low-Carbon Society <ul style="list-style-type: none"> Promotion of energy-saving design towards realization of ZEB^{*3} Energy conservation at the time of construction Entry into the renewable energy business Participation in environmentally responsible development projects Energy conservation at Obayashi's own facilities 	<ul style="list-style-type: none"> Designing low-carbon buildings Making construction activities low-carbon Making building operation and management low-carbon
	Creating a Recycling-Oriented Society <ul style="list-style-type: none"> Commercialization of recycled aggregate concrete Entry into the soil decontamination business Promotion of zero-emission activities for construction waste 	<ul style="list-style-type: none"> Resource-recycling initiatives Popularizing technologies for resource conservation and recycling Resource conservation and recycling in construction activities
	Creating a Nature-Compatible Society <ul style="list-style-type: none"> Quantitative evaluation of ecosystem protection Promotion of regard for the ecosystem at every stage of proposing, designing and constructing projects 	<ul style="list-style-type: none"> Building cities that are in harmony with nature Regard for biodiversity at construction sites Activities toward attainment of the Aichi Biodiversity Target
	Steadily Promoting Environmental Initiatives <ul style="list-style-type: none"> Compliance with environmental laws and regulations Improvement of environmental awareness Promotion of green procurement 	<ul style="list-style-type: none"> Implementation of the Green Action 25 plan Implementation of environmental awards Promotion of green procurement Compliance with environmental laws and regulations
	Promoting Social Contribution Activities <ul style="list-style-type: none"> Promotion of key fields in social contribution activities 	<ul style="list-style-type: none"> Regard for the global environment Disaster prevention, and restoration and recovery from disaster Harmony with society and local communities Nurturing the next generation Other social contributions and charitable donations
	Utilizing Diverse Human Resources <ul style="list-style-type: none"> Spreading the Obayashi Statement on Human Rights Building a workplace environment where diverse human resources can succeed 	<ul style="list-style-type: none"> Initiatives for respecting human rights Fair personnel evaluations Promoting the employment of people with disabilities Support for female employees to succeed
A (Amenity and associates)	Promoting Human Resource Development <ul style="list-style-type: none"> Implementing measures based on New Training Policy and steadily developing human resources Development of local staff overseas 	<ul style="list-style-type: none"> Development of global human resources Training for overseas Group company employees
	Promoting Work-Life Balance <ul style="list-style-type: none"> Reducing overall work time (reducing overtime work and improving the rate of employees taking yearly paid vacations) Acquisition of a certification from the Japanese government for attaining targets in the Third Action Plan for work-life balance, and the formulation of the Fourth Action Plan Promotion of healthy minds and bodies of employees and their families 	<ul style="list-style-type: none"> Reducing overall work time Promotion of health maintenance Enhancement of childcare and nursing care benefits Labor-management initiatives
	Strengthen Relationships with Suppliers <ul style="list-style-type: none"> Promotion of CSR procurement Securing and training of construction technicians Support for training sessions, etc., held by suppliers 	<ul style="list-style-type: none"> Promotion of CSR procurement Support for various educational and training sessions Initiatives to secure human resources
	Preventing Occupational Accidents <ul style="list-style-type: none"> Elimination of fatal accidents Introduction of safety management techniques overseas 	<ul style="list-style-type: none"> Operation of an occupational health and safety management system Initiatives for eliminating fatal accidents Three major campaigns for the prevention of occupational accidents Implementation of safety patrols Implementation of heat exhaustion countermeasures Revision of work standards Introduction of safety management techniques overseas
O (Open communication with stakeholders)	Bolstering of Internal Controls <ul style="list-style-type: none"> Securing proper operations through appropriate operation of internal control systems 	<ul style="list-style-type: none"> Strengthening of internal controls and implementation of internal audits
	Strict Application of Corporate Ethics <ul style="list-style-type: none"> Practicing corporate ethics throughout the Group Strict application and strengthening of information security 	<ul style="list-style-type: none"> Establishment of a corporate ethics promotion structure Conducting Corporate Ethics Committee meetings Utilization of internal reporting desk Creation of information security measures Implementation of corporate ethics training Initiatives for preventing the leakage of personal information
	Proactive Disclosure of Information and Enhanced Communications <ul style="list-style-type: none"> Transmitting information and enhancing communications with stakeholders 	<ul style="list-style-type: none"> Disclosure of earnings-related information Implementation of one-on-one meetings Hosting of financial results briefings Website enhancement Hosting of construction site tours

*1 BIM = Building Information Modeling not only provides a two-dimensional blueprint of a building, as seen to date, but also adds specification information such as materials used and performance to create a three-dimensional building model on the computer so that it “can be seen.”

*2 BCM = Business Continuity Management

*3 ZEB = Net Zero Energy Building; buildings designed to consume net zero primary energy in operation through energy conservation and the generation of renewable energy.

Attainment level:

⊙ exceeded, ○ reached, △ fell short, × not reached

C Attainment level	A Objectives going forward	Page listing	
⊙	<ul style="list-style-type: none"> Continue to provide services that accurately respond to customer needs Continue to promote various educational and informative initiatives related to quality management and technology Promoting and spreading of quality management techniques that use ICT technology Expansion of projects applying BIM 	36–38	Information from a social aspect
○	<ul style="list-style-type: none"> Continue R&D and the deployment of technology that leads to the realization of regard for the environment and securing of safety and security (technology that realizes a low-carbon society, recycling-oriented society and a nature-compatible society) (natural disaster countermeasures and the development of technology that contributes to disaster recovery) (renovation technology related to operation and maintenance of existing buildings and public infrastructure) Appropriate management and use of intellectual property 	39–40	
⊙	<ul style="list-style-type: none"> Continue construction management with regard for customers and areas surrounding construction sites 	40–41	
⊙	<ul style="list-style-type: none"> Inspection and enhancement of the system of emergency preparedness through drills based on business continuity plans (BCP) in the event of an earthquake Continue to bolster services for supporting BCM of customers 	41–42	Information from an environmental aspect
⊙	<ul style="list-style-type: none"> Continue to promote energy-saving design towards realization of ZEB Continue to conserve energy at the time of construction Continue to enter the renewable energy business Continue to participate in environmentally responsible development projects Continue to conserve energy at Obayashi's own facilities 	58	
○	<ul style="list-style-type: none"> Continue to commercialize recycled aggregate concrete Continue to enter the soil decontamination business Continue to promote zero-emission activities for construction waste 	59	
○	<ul style="list-style-type: none"> Continue quantitative assessment of the preservation of ecosystems Continue to promote regard for the ecosystem at every stage of proposing, designing and constructing projects 	60	Information from a social aspect
⊙	<ul style="list-style-type: none"> Continue to comply with environmental laws and regulations Continue to improve environmental awareness Continue to promote green procurement 	61–62	
○	<ul style="list-style-type: none"> Promotion of activities based on the Obayashi Social Responsibility Policy 	43–44	
⊙	<ul style="list-style-type: none"> Continue to spread the Obayashi Statement on Human Rights Continue to build a workplace environment where diverse human resources can succeed 	45–46	Information from a social aspect
○	<ul style="list-style-type: none"> Initiatives in educational measures related to priority fields Continue to develop local staff overseas 	47	
○	<ul style="list-style-type: none"> Continue to reduce overall work time (reduce overtime and improve the rate of employees taking yearly paid vacations) Implement the Fourth Action Plan for work-life balance that provides support for nurturing the next generation of employees, while enhancing childcare and nursing care benefits Continue to promote healthy minds and bodies of employees and their families 	48	
⊙	<ul style="list-style-type: none"> Dissemination of Obayashi Group CSR Procurement Guidelines Continue to secure and train construction technicians Continue support for training sessions, etc., held by suppliers 	49–50	Information from a social aspect
△	<ul style="list-style-type: none"> Continue to eliminate fatal accidents Continue the introduction of safety management techniques overseas 	51–52	
⊙	<ul style="list-style-type: none"> Continue to secure proper operations through appropriate operation of internal control systems 	53	
⊙	<ul style="list-style-type: none"> Practice of corporate ethics throughout the Group and the promotion of priority areas Continue to strictly apply and strengthen information security 	54–55	Information from a social aspect
⊙	<ul style="list-style-type: none"> Continue to transmit information and enhance communications with stakeholders 	56	

Engagement with Customers

P Activity theme	D Main fiscal 2011 activity results	C Attainment level	A Objectives going forward
Providing high-quality construction <ul style="list-style-type: none"> • Providing services that accurately respond to customer needs • Promotion of various educational and informative initiatives related to quality control and technology • Streamlining of operations and enhancing of accuracy in quality control • Creating an environment to handle BIM 	<ul style="list-style-type: none"> • Underwent ISO 9001 external audits (August for the civil engineering business, November for the building construction business), with no non-compliant items • Established specialized BIM departments within every office; formed business alliance with Aidea of the Philippines, to promote use of BIM technology • Systemized equipment, reinforcing bar arrangement, and finish inspections, through use of the iPad® • Promoted internal dissemination of information using the intranet (concerning improvements, non-compliance, construction methods, technologies, etc.) • Arranged briefings and training seminars concerning quality and technology, including production technology presentations, and presentations concerning technological developments 	○	<ul style="list-style-type: none"> • Continue to provide services that accurately respond to customer needs • Continue to promote various educational and informative initiatives related to quality management and technology • Promoting the spreading of quality management techniques that use ICT technology • Expansion of projects applying BIM
Technological Development That Leads to Solutions to Societal Issues <ul style="list-style-type: none"> • R&D and the deployment of technology that leads to realization of consideration to the environment and securing of safety and security (technology that realizes a low-carbon society, a recycling-oriented society, and a nature-compatible society) (natural disaster countermeasures and the development of technology that contributes to disaster recovery) (renovation technology related to operation and maintenance of existing buildings and public infrastructure) • Initiatives related to intellectual property 	<ul style="list-style-type: none"> • Developed "Tough-Road construction method" to reinforce roads against liquefaction when earthquakes occur • Application of "Clean-Crete" low-carbon concrete • Developed "ECOLUMI LED" lighting for grid-system (O-GRID) ceilings • Developed "Sky-Climber," a vertically self-propelled robot for inspection of high-rise building exteriors • Ranked No. 1 by Patent Result in terms of size of patent assets in 2011 in the construction industry 	○	<ul style="list-style-type: none"> • Continue R&D and the deployment of technology that leads to the realization of regard for the environment and securing safety and security (technology that realizes a low-carbon society, recycling-oriented society and a nature-compatible society) (natural disaster countermeasures and the development of technology that contributes to disaster recovery) (renovation technology related to operation and maintenance of existing buildings and public infrastructure) • Appropriate management and use of intellectual property
Work That Gives Peace of Mind to Customers and Local Communities <ul style="list-style-type: none"> • Construction management that gives consideration to customers and areas surrounding construction sites 	<ul style="list-style-type: none"> • Selection of construction methods and technologies that pay consideration to areas surrounding construction sites 	○	<ul style="list-style-type: none"> • Continue to conduct construction management that pays consideration to customers and areas surrounding construction sites
Supporting Customers in Efforts to Minimize Disaster Risk <ul style="list-style-type: none"> • Building and strengthening systems within the Company in preparation for natural disasters • Bolstering of services for supporting BCM of customers 	<ul style="list-style-type: none"> • Reviewed earthquake BCP (devised basic policy, code for individual behavior) • Tested BCP through implementation of earthquake drills based on lessons learned in Great East Japan Earthquake • Established customer support system for earthquake response (inspected each office's track record in constructing seismically isolated and vibration controlled buildings) • Responded rapidly to disasters (Great East Japan Earthquake, Typhoons Talas and Roke, Thai floods) 	○	<ul style="list-style-type: none"> • Inspection and enhancement of the system of emergency preparedness through drills based on business continuity plans (BCP) in the event of an earthquake • Continue to bolster services for supporting the BCM of customers

Attainment level:
 ○ exceeded, ○ reached, △ fell short, × not reached

Basic Philosophy

The social mission of the construction industry is to contribute to the improvement of the quality of people's life as well as to economic development by constructing buildings (office buildings, factories, etc.) and structures (roads, bridges, tunnels, etc.).

In addition to the entities from whom we receive orders directly, we consider long-term users of the buildings, surrounding communities and society as customers in the broadest sense of the word. It is our responsibility to satisfy customers completely by meeting their needs and expectations through utilization of our full competence based on technology and experience cultivated over the years.

Overview of Fiscal 2011 and Issues Going Forward

In fiscal 2011, we completed TOKYO SKYTREE®, a pioneering venture into unexplored heights begun in 2008. In uncharted territory, we practiced safe construction methods where not even the smallest bolt was dropped, employing Knuckle Wall, slip form construction and other proprietary technologies developed over the years, delivering on time and achieving a high-quality product.

We also commenced construction of a new experimental facility called *Open Lab-2*, a third phase for upgrading our Technical Research Institute, that will aid in implementing the basic strategies underpinning the "Obayashi Group Medium-Term Business Plan '12," among them "further strategic global expansion," and "creation of new enterprises through business innovation." *Open Lab-2* is equipped with a large-scale climate chamber where we plan to conduct research into state-of-the-art materials and construction techniques that will withstand climatic conditions around the world. In this facility, we also plan to look into "green innovation" including CO₂ emissions reduction, resource conservation, and new energy sources.

➔ Further details TOKYO SKYTREE Construction Project
<http://www.obayashi.co.jp/english/special/2010032622.html>

Obayashi's Quality Policy

At Obayashi, we construct premium-quality buildings that our clients can use with a sense of security, satisfaction, and pride. We constantly seek to improve our technologies and increase customer satisfaction, recognizing that quality is the key to enhancing our credibility and ensuring further growth.

Our Four Approaches toward Total Customer Satisfaction

1. Quality delivered throughout the process of designing and construction
2. Technology catering to customers' varying new needs
3. Safety at construction sites
4. Risk reduction supporting customers' BCP

Providing High-Quality Construction

Obayashi has implemented a quality management system (QMS) conforming to *ISO 9001*, under which we practice integrated quality management with a commitment to continuous quality improvement, at all stages from planning through design, construction, and after-sales service. We promote information-sharing among employees and provide training programs, so they can contribute to our ongoing pursuit of quality and technological improvement, in doing so ensuring true customer satisfaction.

Quality management system (QMS)

While the general managers of our civil engineering and building construction divisions have each been designated the post of superintendent of QMS, each business division and branch office has an individual QMS officer and QMS managers. These QMS officers host biannual meetings at which they provide updates on the QMS status for each organization. Drawing on reports submitted by the QMS officers and on their own observations, the superintendents of QMS evaluate the suitability and effectiveness of Obayashi's QMS, and based on which, they direct and propagate QMS policies and measures.

➡ **Further details** *ISO 9001* quality management system
http://www.obayashi.co.jp/uploads/File/service_and_technology/needs/iso9001.pdf
(currently available in Japanese only)

ISO 9001 external audits

The suitability and effectiveness of Obayashi's QMS were confirmed in fiscal 2011, when the Japan Testing Center for Construction Materials performed an external audit on our civil engineering business in August, and on our building construction business in November.

Framework for accumulation and cross-sectional use of information

At Obayashi, we believe that to provide buildings of higher quality, we must identify individuals with an innate eye for quality management, and provide them with further training. In addition to training in the course of day-to-day operations via the intranet, we also hold regular workshops and case study presentations.

In recent years, both the public and private sectors have increasingly relied on competitive tendering via the

comprehensive evaluation method, whereby tenderers must submit technological proposals covering all manner of subjects including measures to improve quality, shorten construction periods, reduce costs, ensure safety, and protect the environment. In order to respond appropriately to customers' various needs, Obayashi has amassed a database of technological information, which we can draw on at any time to provide customers across Japan with proposals on cutting-edge construction technologies. We also regularly hold in-house case study presentations highlighting the latest and most sophisticated technologies, to encourage the sharing of information and promote qualitative advances in technology.

Instances of qualitative non-compliance across the Company are noted and incorporated in a feedback sheet aimed at preventing recurrence. Cases involving quality defects are discussed in e-learning programs, posted on the intranet homepage and distributed via an e-mail magazine. All these measures aid in preventing quality defects from recurring.

■ Case study presentations

- Presentations concerning technological developments
- Production technology presentations



Scene from a production technology presentation

■ Workshops for each job category

- Building and mechanical engineering workshops
- Workshops on fundamentals of civil engineering
- Workshops on latest electrical engineering technologies and so forth

■ Intranet

- Feedback sheet on quality defects
- Technical information registration and retrieval system, "OC-Knowledge"
- Technical information database, "Obayashi's Construction Methods and Technologies"
- All manner of online news and so forth

Utilizing BIM

Building Information Modeling (BIM) is the use on a construction project of three-dimensional computer models that include not only two-dimensional data on building shape, like that of conventional drawings, but also data on specifications such as the type and performance of materials, enabling those involved to better visualize the project.

■ **Ability to visualize enables parties to form consensus from an early stage**

Use of three-dimensional modeling makes it easy for the parties involved to visualize the finished product and all the processes, from planning, design, and construction management to operation and maintenance. This promotes information sharing and mutual understanding between the interested parties, and enables clients, architects, and builders to form a consensus at an early stage.

■ **Ability to visualize enhances quality management**

Use of BIM incorporating design, structure and equipment allows for pre-construction interference checks to find and

resolve conflicts, thereby contributing to smooth progress in construction and a quality product.

■ **Centralization of building information facilitates operation and maintenance**

BIM allows for centralization and integration of building information. BIM aids in considering layout changes and planning renovation work. As it can also incorporate the building's construction and renovation history as well as information on fixtures, the formerly complex task of building management should become somewhat simpler.

To promote active use of BIM technology, Obayashi has established specialized BIM departments within every branch. In November 2011, we also formed a business alliance with Philippine design company Aidea, a leading proponent of BIM. We are planning personnel exchanges to further accelerate BIM utilization.

Our objective in taking these steps is to have BIM employed in 80% of our design and construction projects by the end of fiscal 2015.

Prior Use of BIM and Plans for the Future

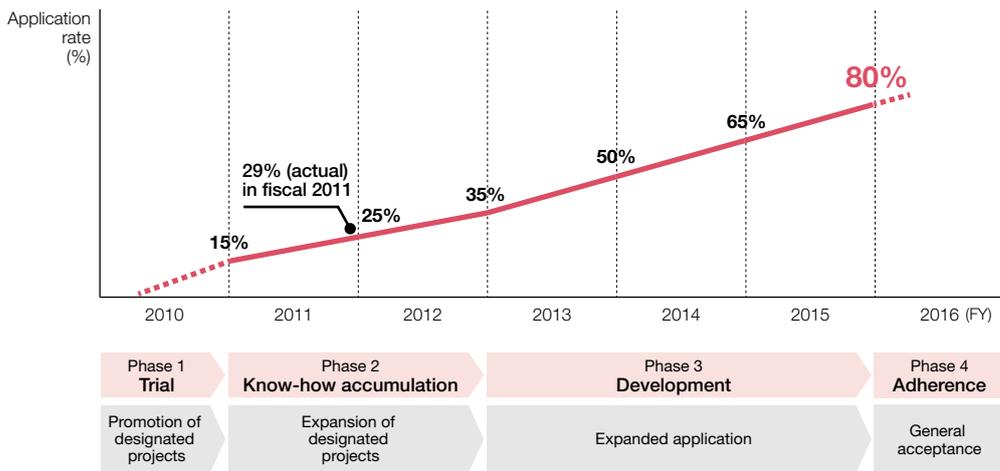
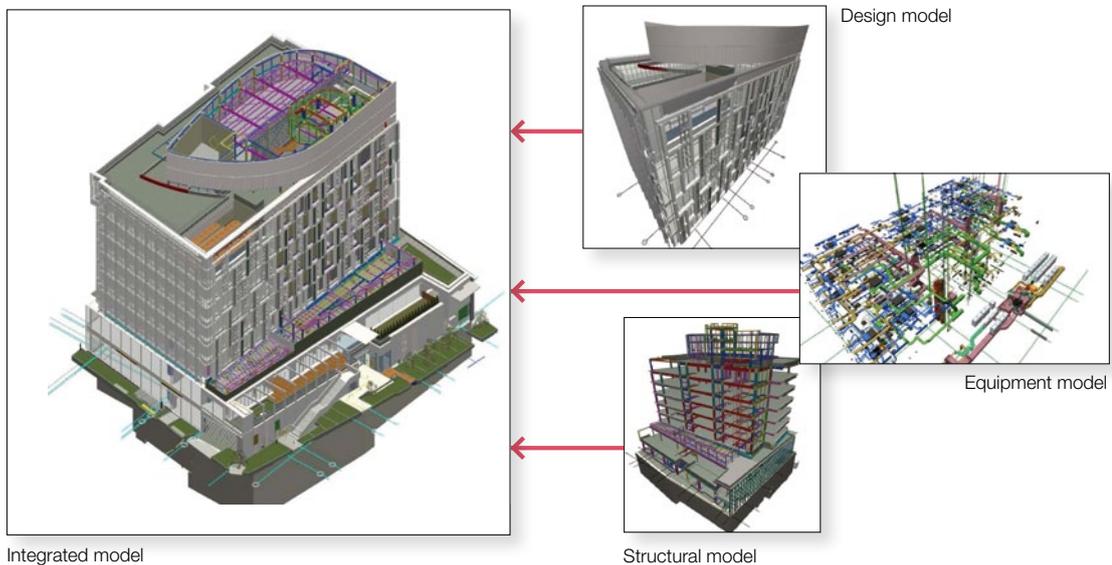


Image of information integrated in BIM



■ SCIM concept takes BIM and applies it to urban planning

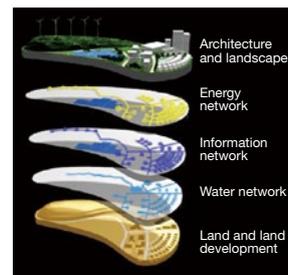
In recent years, the smart city concept has garnered a lot of attention. To enable visualization of entire cities, Obayashi has developed Smart City Information Modeling (SCIM) as a platform for the services required to support smart city growth.

The creation of smart cities requires cooperation involving not just the regulatory authorities and design and construction companies, but also energy providers and trading companies, electrical equipment makers, telecommunications carriers, and so forth. Information sharing tools will prove indispensable.

SCIM draws on the three-dimensional data used in BIM, integrating information on above-ground buildings with data on the various building blocks that make up a city—features

such as the land and land development, the water supply and sewage systems running below ground, information and communication networks, and energy (e.g., electricity and gas) supply networks. In this manner, interested parties are able to visualize the city's infrastructure. SCIM enables information sharing between the authorities and participating companies at every stage of the city's life cycle—not just planning and construction, but also operation and renovation.

In addition to supporting smart city development in Japan, Obayashi will also offer SCIM solutions for overseas urban planning projects, with a focus on emerging markets.



TOPICS

Global Promotion of BIM Leading to Order Growth across Asia

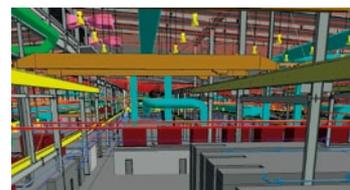
Obayashi has been commissioned to build a new plant in Singapore for a major oil field service company in the U.S.

Obayashi aims to leverage BIM in expanding its operations overseas. We think it significant that Obayashi has won business in Singapore—one of Asia's leading BIM proponents—from a non-Japanese company known throughout the world. We trace this back to collaboration and information-sharing with the project designer (leading U.S. architecture firm Gensler, headquartered in San Francisco, California) using BIM as a platform, which enabled us to devise efficient construction solutions that evidently were well received by the client.

BIM is ideally suited to the kind of contracts favored overseas, where the contractor's technical input is required during the design phase. These include fast-track*1 and pre-construction services*2. Use of BIM in fulfilling pre-construction services agreements will enable us to meet customer demands in a precise and timely manner. Going forward, we plan to make optimum use of BIM in expanding our overseas operations, drawing on the success of our project in Singapore.

*1 Fast-track agreement: a method of delivery in which some construction begins sequentially as design is completed.

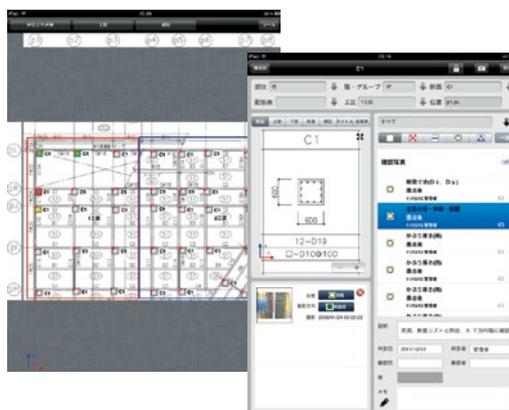
*2 Pre-construction services agreement: used to obtain advice for a fee from a prospective contractor before entering into a formal contract, on buildability, construction turnaround, cost and so forth.



New construction management system utilizing the iPad®

Obayashi has developed and put into practice reinforcing bar arrangement and equipment inspection systems utilizing the Apple iPad and digital cameras. By computerizing inspection records and enabling visualization of the status of quality control, it is possible to greatly improve operational efficiency and lift the level of quality assurance.

Going forward, we plan to deploy these systems nationwide, as part of our bid to supply customers with top-quality buildings that meet their expectations.



iPad screens

Note that Apple iPad is a registered trademark of Apple, Inc. of the U.S.

Develop Technologies That Help Resolve Social Issues

Our customers have diverse needs centering on elevated levels of safety and security, environmental awareness, and comfort and convenience, and we consider it important to meet these needs at the lowest possible cost and in the shortest possible time. At Obayashi, we are constantly striving to identify our customers' problems and the

technologies needed to resolve them. We also seek to determine how these technologies can be put to use in righting social issues. With these things in mind, we strive to make optimum proposals to customers and develop the technologies for making them possible.

Major Achievements in Technological Development in Fiscal 2011

Category	Name of technology	Explanation	Expected impact	Development status			Application examples
				Development	Testing	Application	
Productivity and quality improvement	Smooth-Crete	Highly homogeneous, crack-reducing middle-fluidity concrete	Improved quality and durability				Construction work including Tsunagi Tunnel on National Highway Route 3
	Construction management system utilizing the iPad®	Reinforcing bar arrangement inspection and equipment inspection systems utilizing the Apple iPad and digital cameras	Raised quality management efficiency and improved quality				31 construction sites primarily in Tokyo and Osaka
	Slim-Crete	Ultra-high-strength material with compressive strength of 180N/mm ²	Higher quality and durability				Obayashi Technical Research Institute, harbor facility reinforcement work
	Wireless remote control construction technologies	Wireless remote control operation featuring 3D virtual reality	20% improvement in work productivity				
Safety and security	Hula Mass-Damper System	A vibration control system that utilizes a building's exterior cladding and environmental furnishings, such as green walls and photovoltaic panels, as a ballast	Sway reduction of 20% to 40% and improved earthquake resistance				Aoyama Obayashi Building
	Tough-Road	Technology for minimizing road deformation when earthquakes trigger liquefaction	Prompt passage restoration following an earthquake				
	High-Performance Wooden Seismic Wall Method	Seismic wall with wall magnification of 10x, suited to traditional timber construction	Improved earthquake resistance of traditional timber buildings				Renovation work on main hall of Chuson-ji Temple
Environment	Clean-Crete	Low-carbon concrete	CO ₂ emissions in concrete production reduced by a maximum of 80%				Sumitomo Metals' Wakayama Steel Works, Aoyama Obayashi Building
	ECOLUMI LED	Lighting for grid-system ceiling "O-GRID"	Power consumption reduced by 55% vs. conventional fluorescent lamps				Aoyama Obayashi Building
	Seawater Concrete	Highly durable, high-strength concrete made with seawater and unwashed sea sand	Maximum of 10% cost reduction and 40% reduction in CO ₂ emissions				
Renovation	Multiple-Nut Bar	Technologies for effective reinforcement of underground structures	Raised reinforcement effect and maximum of 40% reduction in both cost and time				
	Sky-Climber	Vertically self-propelled robot for inspection of condominium exteriors	Restoration of security and privacy of residents				
	Skip-Brace Aseismic Construction Method	Seismic retrofitting method suited to high-rise residential buildings	Major reduction in both cost and time of anti-seismic reinforcements				Seismic reinforcement work on Kawaramachi Housing Estate in Kawasaki

➡ Further details: Research and Development
<http://www.obayashi.co.jp/rd>
 (currently available in Japanese only)

Many new techniques employed in reconstruction of Aoyama Obayashi Building



The former Aoyama Obayashi Building, designed by Kenzo Tange and affectionately known as the Hanae Mori Building, had been a landmark fixture of the Omotesando area for many years. With the passing years and changing times, however, its facilities had become somewhat dated, prompting a decision to rebuild. The construction work involves many of Obayashi's latest techniques, and is progressing smoothly toward its scheduled completion in March 2013.

The main technologies in use are as follows:

1. The Hula Mass-Damper System, a vibration deadening system resulting in quake resistance sufficient to reduce building drift by 20% to 40% in earthquakes of magnitude 6 or higher without damaging the frame, while at the same time permitting a highly flexible layout.
2. Clean-Crete, a low-carbon concrete that produces up to 80% less CO₂ emissions during manufacturing compared to normal concrete.
3. ECOLUMI LED lighting, which consumes 55% less power than conventional lights, and O-GRID next-generation grid-system ceilings that are fitted with *Skit Air* compact air conditioning units and can be easily adapted to changes in office layout.

TOPICS

Technically Proficient Obayashi Secures First Place in Patent Asset Ranking for the Construction Industry

Obayashi was ranked No. 1 by Patent Result, a patent analysis company, in terms of size of patent assets in 2011 in the construction industry.

This ranking covers patents registered in the 12 months between April 2010 and the end of March 2011. Data is compiled and evaluated on the basis of attention garnered by each patent. The criteria for evaluating patent assets are based on both quality and quantity instead of just the number of patents. Although the number of our registered patents is relatively low (178), they have been highly rated for their quality—as measured by the level of attention garnered—and the result is a No. 1 ranking.

Of the registered patents drawing particular attention, one is for technology preventing deformation in the soft ground near ground level when using a shield machine to excavate tunnels. This technology forms part of the URUP (Ultra Rapid Underpass) method, where the tunnel boring machine is launched from, and arrives at, ground level. Another is for technology related to equipment that allows for efficient excavation work in vertical holes even where limited space makes the use of large-scale heavy machinery difficult, such as in areas surrounding elevated railway lines.



The URUP method uses a shield machine to tunnel underground through the entire length of the tunnel from entrance to exit. It eliminates the need to excavate vertical shafts.

Appropriate management and use of intellectual property

Intellectual property is extremely important if we are to protect the technologies arising out of our R&D, and put these techniques to effective use in securing a competitive edge. Obayashi takes utmost care to ensure appropriate management of intellectual property, at every stage from R&D through to invention, patent and trademark application and receipt, and subsequent use.

Execute Construction Work That Ensures the Security of Customers and Local Communities

To ensure that our clients have confidence in selecting Obayashi as their contractor, we strive to execute work that ensures the safety and security of customers and regional communities, paying due consideration not just to customers' facilities and equipment, but also to the environment surrounding the construction site.

For example, in the case of projects in busy train stations, Obayashi develops elaborate plans to execute the work with minimal disruption to train operations and the movement of people, and uses a range of construction methods that adapt to changing conditions to maintain a safe environment.

In building TOKYO SKYTREE®, we were determined not to let anything drop to the ground below, as even the smallest item could have caused a major incident; to this end we did everything possible to prevent objects falling from a height. We took a many-layered approach to this challenge, including a large temporary roof to cover the railway tracks that pass nearby, a vertical net surrounding the tower, and horizontal nets on each layer of the structure. In this manner we were able to complete the project without incident, without even dropping the smallest bolt.



(left) Safety nets are attached to building materials at ground level. (middle, right) Once the building materials are in place at heights, work can be conducted safely within the confines of the net. In addition to protecting against falling objects, this also enables workers to carry out their job safely at unprecedented heights.

Supporting Customers in Efforts to Minimize Disaster Risk

When infrastructure such as bridges and dams, or facilities owned by our customers are damaged in a disaster, significant social and economic losses are incurred. Obayashi is prepared to respond to a range of natural disasters that may affect its customers, including earthquakes or torrential rain. In the event that a customer is affected by a disaster, we at Obayashi maintain a support system that enables our customers' operations to resume in a quick and timely manner.

Supporting customers' business continuity plan (BCP) in case of a disaster

Obayashi's business continuity management service includes a full range of solutions, from risk assessment to concrete proposals for mitigating risk from disasters. The service estimates the time and cost of restoration work in case of a disaster, and proposes risk mitigation measures that suit each customer's particular situation.

Further details Supporting BCP in case of a disaster
http://www.obayashi.co.jp/service_and_technology/index015
 (currently available in Japanese only)

Training Emergency Risk Discriminators

In the event of an earthquake, it is essential that no time be wasted in examining the extent of damage to buildings and determining whether or not they are safe to use. This is important in order to prevent secondary disasters involving loss of human life in the event aftershocks cause buildings to collapse or objects to fall or topple over.

We encourage our employees to gain certification as Emergency Risk Discriminators capable of making such judgments. In fiscal 2011, 119 employees qualified, taking the total to 630 as of the end of March 2012.

Establishing and reinforcing an internal structure in preparedness of a disaster

The Great East Japan Earthquake of March 2011 was compounded by a series of crises including aftershocks, the tsunami, and electricity shortages. Based on these experiences, in November 2011 we revised our business continuity plan (BCP; devised in 2006) to include a basic policy for earthquake preparedness and code for individual behavior.

At Obayashi, we believe it is the responsibility of construction companies to ensure the timely restoration of social infrastructure at times of disaster. In addition to setting recovery time objectives (RTOs) for various business processes, our BCP covers the establishment of disaster recovery support centers, emergency contact networks and emergency communication procedures, as well as coordination with suppliers.

In fiscal 2011, we used this BCP to implement a series of earthquake drills based on different scenarios. These included a nationwide drill for the predicted Tokai Earthquake, a drill at Tokyo Machinery Works as a logistics center simulating an earthquake occurring directly under the Tokyo metropolitan area, and drills anticipating earthquakes that strike on holidays or at night.

Going forward, we will continue working on disaster preparedness and disaster recovery, using such drills to regularly test and review our BCP.



Scene from a disaster drill

Response to Damage Caused by Typhoons and Thai Floods

Obayashi has assembled a disaster recovery response system, in the view that it is incumbent on construction companies to support people's lifestyles through infrastructure maintenance.

Emergency measures to protect communities from the threat of landslide dams

Landslide recovery effort in Kumano district of Hiki River basin, Wakayama Prefecture

In September 2011, Typhoon Talas caused major landslides on the Kii Peninsula. In the Kumano district of Tanabe City, Wakayama Prefecture, where slope collapses caused landslide dams, Obayashi carried out emergency work to prevent secondary damage from burst embankments. Some three months after this disaster, the alert for downstream areas was lifted. Currently, we are building drainage canals to stabilize the river flow.



Construction of drainage canals

Linking communities through timely restoration of traffic flow

Naruto area of Takamatsu Expressway: restoration of slope damage

In September 2011, the effects of Typhoon Roke saw the Takamatsu Expressway closed to traffic between the Naruto and Itano interchanges; on the west side of the Naruto Interchange, there were sites where slopes had collapsed and the road shoulder lifted up. There were also slope failures to the east of the Itano Interchange. Obayashi performed emergency restoration work, to the effect that the road closure was lifted provisionally some two weeks after the damage took place, with both sides of the expressway regaining their normal appearance by January 2012.



Damage on west side of Naruto Interchange

Engaging in restoration work in countries serving as global supply chain bases

Response to flood damage in Thailand

Many companies' facilities were inundated when increased precipitation during the rainy season led to massive flooding in the Chao Phraya River basin. Thailand is a key manufacturing center for companies around the world, and the Obayashi Group led by Thai Obayashi did its utmost to ensure a swift resumption of business for customers.

As an initial response, we provided customers with generators, pumps and so forth, working with our respective Japan and Singapore headquarters. We also supported the restoration effort by such means as draining flooded areas, transporting machinery out of manufacturing facilities, and sandbagging.



View of flooded Bangkok



Sompong Chintawongvanich
President
Thai Obayashi Corporation Limited
Executive Officer of Obayashi Corporation

VOICE

While floods occur annually in Thailand, Bangkok had sustained no serious damage in 70 years. In last year's floods, however, seven industrial parks were swallowed up by the floods, causing more than 900 factories to be swamped. In the face of this massive damage, we provided every possible means of support. We aided in flood defense measures, and in instances where factories did go under we undertook inspections and removed supplies to safety, also designing and planning permanent measures against future flooding. We consider it our duty to use this experience to the full in realizing a safe and secure society that is resistant to disasters.

Engagement with Society and Local Communities

P Activity theme	D Main fiscal 2011 activity results	C Attainment level	A Objectives going forward
Promotion of social contribution activities <ul style="list-style-type: none"> Promotion of social contribution activities in priority areas 	<ul style="list-style-type: none"> Formulated Obayashi Social Responsibility Policy (July) Regard for the global environment (Ecocap Movement, tree-planting, etc.) Disaster prevention, and restoration and recovery in times of a disaster (provision of relief money for the Great East Japan Earthquake and Thai floods, provision of former employee dormitory for firefighting drill, etc.) Harmony with society and local communities (building restoration volunteer activities, community cleanups, event participation, etc.) Nurturing the next generation (experiences in the workplace, KidZania pavilion, etc.) 	○	<ul style="list-style-type: none"> Promotion of activities based on the Obayashi Social Responsibility Policy [Priority areas] <ol style="list-style-type: none"> Regard for the global environment Disaster prevention, and restoration and recovery in times of disaster Harmony with society and local communities Nurturing the next generation

Attainment level:
 ● exceeded, ○ reached, △ fell short, × not reached

Basic Policy

The Obayashi Social Responsibility Policy, which clearly expresses our commitment to social contribution activities and lays out our main priorities, was formulated in July 2011 under Obayashi's Vision, Values and Commitments. Social contribution activities are being promoted on this basis.

Obayashi Social Responsibility Policy (excerpt)

The Obayashi Social Responsibility Policy guides Obayashi's efforts to contribute innovative solutions to address global issues. As a good corporate citizen, Obayashi is determined to help build a sustainable world.

Overview of Fiscal 2011 and Issues Going Forward

We formulated the Obayashi Social Responsibility Policy and promoted social contribution activities with priority on areas where our management resources can be effectively utilized. A leave system for volunteer activities was also instituted to support the voluntary initiatives of individual employees. Going forward, we intend to continue promoting social contribution activities throughout the Obayashi Group.

[Priority areas]

1. Regard for the global environment
2. Disaster prevention, and restoration and recovery in times of disaster
3. Harmony with society and local communities
4. Nurturing the next generation

Promotion of Social Contribution Activities

Regard for the global environment

■ Protecting rare species within construction zones

A river that was to be partially filled to make way for a road construction project had been a habitat for aquatic creatures, including an endangered species of amago salmon. The Nagoya Branch's New Tomei Inagi Project Office enlisted the help of local junior high school students and conducted a campaign to move the aquatic life outside the construction zone. Along with helping protect rare species, the campaign also served as an education experience for the students.

In addition, the campaign has helped prompt efforts to recreate natural environments and develop habitats for living creatures in waterways and other measures for protecting ecosystems.



Disaster prevention, and restoration and recovery from disaster

■ Company dormitory scheduled for demolition used for firefighting drill

As a part of fire and disaster prevention activities in collaboration with local communities, our Technical Research Institute (Kiyose, Tokyo) provided a former company dormitory on its premises, which was scheduled to be demolished, for use in a firefighting drill. A joint drill was conducted with the Kiyose Fire Department and other local fire departments, with local disaster prevention volunteers and Obayashi employees also participating. Nine firefighting vehicles and a disaster-relief helicopter were mobilized and a full-fledged drill was conducted.



Harmony with local communities

■ Volunteer participation in building restoration

Webcor, LP, a U.S. subsidiary of Obayashi, participates in volunteer efforts to rebuild and restore facilities for seniors and young people, including nursing homes and Boy Scout facilities, in order to help revitalize local communities. Volunteers get together every year to restore buildings through various renovations, including painting and planting flowerbeds. In fiscal 2011, a large contingent participated in the activities, including Webcor employees and vendors, helping to restore buildings with the help of other participating companies and groups.



Nurturing the next generation

■ Technical college students experience construction site jobs

Students from Kure National College of Technology in Kure, Hiroshima Prefecture were brought to a building construction site for the Toranomom-Roppongi District Urban Redevelopment Project in Tokyo's Minato City, which involves building a skyscraper, and given hands-on work experience at the site. After touring the site, the students participated in waste sorting work, learning the importance of zero-emissions activities, which seek to reduce final disposal volume to zero for waste generated at construction sites.



Other initiatives

■ Other social contribution activities and major fund-raising drives

- Relief funds donated for areas affected by the Great East Japan Earthquake
- Relief funds donated for damage caused by Thai flood
- The Obayashi Foundation support program for urban studies
(Grants totaling ¥25,640,000 provided in fiscal 2011 for 37 projects)
- Publication of 53rd issue of *Obayashi Quarterly*
(issue focuses on towers and announces the space elevator construction concept)
- Obayashi construction site pavilion at KidZania
- Sponsorship of 17th Obayashi Cup Japan Top-12 Table Tennis Tournament
- Children in foster homes in Hyogo Prefecture treated to soccer matches of J-League team Vissel Kobe

PICK UP

Activities at Shimane Asahi Rehabilitation Program Center

As a PFI project*, Obayashi is involved in the development and operation of the Shimane Asahi Rehabilitation Program Center, a correctional facility in Shimane Prefecture. The center runs a repair and recycling program for abandoned bicycles in which unclaimed bicycles are repaired and then donated free of charge to developing countries. The program is a part of the center's correctional education activities for inmates and is conducted in collaboration with Tokyo's Toshima City. In fiscal 2011, residents of temporary housing in the region affected by the Great East Japan Earthquake were provided with 85 bicycles fixed through the program to help support the region's recovery.

* A method of providing more efficient, high-quality public services by utilizing private-sector funds, technology, and know-how in the construction, operation, and maintenance of public facilities.



Used bicycles repaired at the center are labeled as such with a sticker

Amenity in Association with Employees

P Activity theme	D Main fiscal 2011 activity results	C Attainment level	A Objectives going forward
Utilizing Diverse Human Resources <ul style="list-style-type: none"> Spreading the Obayashi Statement on Human Rights Building a workplace environment where diverse human resources can succeed 	<ul style="list-style-type: none"> Establishment of Obayashi Statement on Human Rights (June) Provided training to bolster human rights awareness Women managers: 210 (fiscal 2010: 165); retirement age reemployment rate: 75.3% (fiscal 2010: 71.8%); employment rate of persons with disabilities: 2.09% (statutory employment rate: 1.8%) Introduction of second-life support system for senior employees 	○	<ul style="list-style-type: none"> Continue to spread the Obayashi Statement on Human Rights Continue to build a workplace environment where diverse human resources can succeed
Promoting Human Resource Development <ul style="list-style-type: none"> Implementing measures based on New Training Policy and steadily developing human resources Development of local staff overseas 	<ul style="list-style-type: none"> Implement measures in priority educational areas (dissemination of Obayashi's Vision, Values and Commitments, development of global human resources, promoting acquisition of priority qualifications, continuation of educational plan PDCA cycle) On-site training in Japan held for local staff of overseas Group companies 	○	<ul style="list-style-type: none"> Initiatives in educational measures related to priority fields [Priority areas] <ol style="list-style-type: none"> Training to disseminate Obayashi's Vision, Values and Commitments, and "Medium-Term Business Plan '12" Development of global human resources that realizes diversification of profit base Promoting the acquisition of priority qualifications Continuation of educational plan PDCA cycle Continue to train local staff from overseas
Promoting Work-Life Balance <ul style="list-style-type: none"> Reducing overall work time (reducing overtime work and improving the rate of employees taking yearly paid vacations) Acquisition of a certification from the Japanese government for attaining targets in the Third Action Plan for work-life balance, and the formulation of the Fourth Action Plan Promotion of healthy minds and bodies of employees and their families 	<ul style="list-style-type: none"> Average rate for taking annual paid vacations: 36.2%* (fiscal 2010: 37.5%) Introduction of new vacation system (vacations during transfers, vacations for volunteer activities), widening of employees eligible to use half-day vacations Acquisition of "Kurumin" mark of approval from the Japanese government as a result of attaining targets in the Third Action Plan, and formulation of a Fourth Action Plan Number of employees who took childcare leave: 0 men, 32 women (fiscal 2010: 0 men, 45 women) Mental health counseling service set up at Obayashi Health Consulting: 24 CSR awareness survey covering employees conducted; degree of satisfaction: 73% (fiscal 2010: 68%) 	○	<ul style="list-style-type: none"> Continue to reduce overall work time (reduce overtime and improve the rate of employees taking yearly paid vacations) Implement the Fourth Action Plan for work-life balance that provides support for nurturing the next generation of employees, while enhancing childcare and nursing care benefits Continue to promote healthy minds and bodies of employees and their families

Attainment level:

○ exceeded, ○ reached, △ fell short, × not reached (or not attempted)

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

Basic Policies

Under Obayashi's Vision, Values and Commitments, respect for human rights will be viewed as an important issue within Obayashi's social responsibilities, and these policies will be put into writing, with efforts made in education and enlightenment.

In addition, individuals will be respected and the creation of workplaces where diverse human resources can succeed promoted, while efforts will also be made in developing human resources.

Overview of Fiscal 2011 and Issues Going Forward

We worked on respecting human rights and realizing pleasant workplace environments where diverse human resources can work safely. One result of this was our acquisition of the "Kurumin" next-generation approval mark. We will continue to improve workplace environments and bolster human resource development so that each and every employee can realize their full potential.

Respect for Human Rights

Obayashi Statement on Human Rights (established June 2011)

In the spirit of the Universal Declaration on Human Rights, Obayashi respects fundamental human rights and does not discriminate based on race, gender, age, nationality, religion, social origin, disability or other such distinctions.

In support of this principle, Obayashi will undertake education and awareness-raising efforts to instill appropriate values and understanding regarding human rights in all employees and people associated with our operations to ensure they do not engage in any form of discrimination. Further, our overseas operations will be conducted in compliance with international rules, including International Labour Organization (ILO) agreements. In addition to completely prohibiting the use of forced labour and child labour, Obayashi will operate in compliance with all applicable laws and regulations in the nations and regions in which it operates.

In order to promote enlightenment regarding human rights, a Human Rights Awareness Promotion Committee with the executive vice president as chairman is held regularly.

Obayashi provides human rights awareness training that takes an active approach to pertinent problems, focusing on issues associated with different ranks, from executives to new hires. In fiscal 2011, international human rights issues were also taken up as a theme with the issuance of *ISO 26000*.

In addition, the Company strives to resolve and prevent sexual harassment problems through measures such as publishing guidelines and establishing consultation hotlines inside and outside the Company.

Going forward, as global business expansion is pushed further, we will comply with labour laws and regulations not only domestically but in all nations and regions where overseas sites are located, and aim to create an environment where all people involved in a project can work safely.

Diversity of Human Resources

At Obayashi, we respect individuals based on the thinking that the power of each and every employee supports the Company. Therefore, no unfair discrimination based on reasons unrelated to capabilities and execution of duties, such as race, gender, nationality, etc. is conducted in any aspect of hiring, promotions, etc., we are promoting the creation of workplaces where diverse human resources can succeed, and every one of our employees is realizing his or her full potential and succeeding both domestically and abroad.

Fair personnel evaluations

The foundation of Obayashi's personnel system is fair pay and benefits based on fair personnel evaluation. Personnel evaluations are conducted every six months, after managers and their staff members thoroughly discuss goals and achievements on an individual basis. Under the system, an employee is entitled to check the final results of his or her own evaluation to ensure transparency and validity of personnel evaluations.

Passing on of skills by rehired retirees

We work hard to pass on the Obayashi DNA of "building things with care" and "technical skills," which have been passed down since our founding. Our system of rehiring retirees provides retirees with new employment opportunities, and also contributes to the passing of experience and specialized knowledge, built up over many years in various fields by veteran employees, on to younger employees.

Promotion of the employment of persons with disabilities

We are developing new workplaces for persons with disabilities and are actively engaged in hiring them. We are working with a target hiring rate of 2.0%, which exceeds the statutory hiring rate of 1.8%, and attained 2.09% in fiscal 2011. At our special subsidiary Oak Friendly Service, which celebrated its 10th anniversary in November 2011, 52 staff (as of April 2012) nationwide with mental and psychological disabilities are engaged in administrative support, mail sorting, printing, and cleaning. New offices were opened in Hiroshima and Kyushu in April 2012.

Supporting success of female employees

We hosted an opinion exchange meeting for female engineers in their first to fifth years with the Company as one part of creating an environment where women can succeed. It became an opportunity for contemplating future career plans and how to overcome hurdles unique to women, and a network of female employees was formed.



An opinion exchange meeting

TOPICS

Deputy Project Manager of TOKYO SKYTREE® Construction Site Wins "Woman of the Year" Award

Michie Hattori, who was a deputy project manager at Obayashi's New Tower Project Office, won the leader division in the Woman of the Year 2012 competition hosted by Nikkei BP's *Nikkei Woman* and supported by the Cabinet Office.



The award was won on the basis of Ms. Hattori fulfilling the important role of manager in charge of production design* at the construction site of TOKYO SKYTREE, the tallest free-standing tower in the world, which was built by Obayashi, and for her efforts pursuing both marriage and childbirth in addition to her career advancement, in turn opening up a path for other women to follow.

* A production blueprint is required to build a building. A production blueprint is a blueprint that reflects specific and detailed studies for conducting actual construction. Studies and design for completing this blueprint is called "production design."

Human Resource Development

An educational committee with the executive vice president as chairman will be held regularly to continuously promote improvement in human resource development levels.

Educational Measures

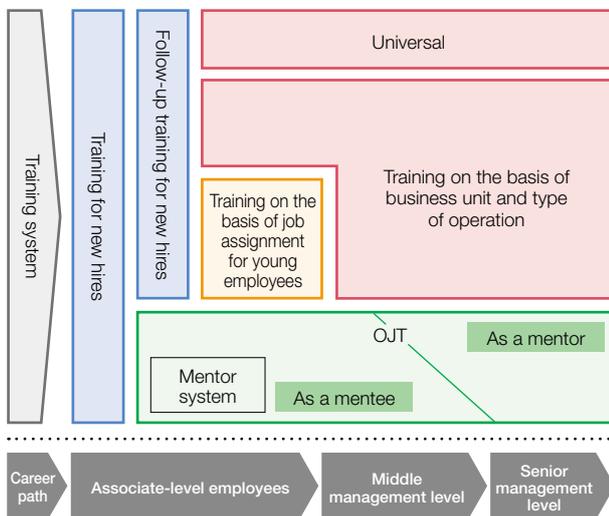
1. Dissemination of Obayashi's Vision, Values and Commitments
2. Development of global human resources
3. Promoting the acquisition of priority qualifications
4. Continuation of educational plan PDCA cycle

Training system

Obayashi has been implementing training on the basis of business unit and type of operation based on a new training policy established with a view toward passing along technology and techniques, and strengthening the business development force. The new training policy calls for the provision of training that develops human resources who understand business strategy and can take action.

By clarifying the type of person and capabilities required of the organization one belongs to and conducting planned training, technical skills will be passed on and sales capabilities bolstered.

Obayashi's Training System



Development of global human resources

In order to promote further strategic expansion overseas, we are aggressively hiring and training human resources who can succeed globally. We are having young employees experience overseas assignments as part of their career path in order to develop global human resources, as well as dispatching them to overseas companies for the purposes of learning risk management for contracts overseas, and aggressively hiring foreign students studying in Japan.

VOICE

Since I came to Japan as a student sponsored by state funds, I want to contribute to Vietnam, my homeland, but I also want to contribute to Obayashi. By succeeding globally at Obayashi, I aim to also contribute to my homeland.



Doan Quang Vu
(Shin-Funabashi Project Office)

Born in Vietnam, came to Japan as a state-sponsored student in 2002. Studied civil engineering at graduate school and joined Obayashi in 2010. Currently in charge of construction management in redevelopment of area in front of Shin-Funabashi Station on Tobu Noda Line.

Development of local staff from overseas

Every year, we accept employees hired locally by overseas Group companies as trainees. Four people came to Japan for training in fiscal 2011.

This training is for the purposes of learning technical skills and Japanese language, as well as Japanese business practices. Trainees are utilizing the skills learned in Japan to contribute to the development of their respective countries.



Trainees from Thai Obayashi

Work-Life Balance

We are working to promote work-life balance under the basic principle of creating a workplace environment where each and every employee can utilize his or her individuality and capabilities and work safely with a sense of security.

We are implementing various measures, such as reducing total work hours, promoting health maintenance, and enhancing childcare- and nursing care-related benefits.

Reduction of overall work time

Reducing total working hours in the construction industry, especially among on-site workers, has become an urgent issue. In response, Obayashi has been making efforts to encourage its employees to take time off and to reduce overtime work.

Before the start of long consecutive holidays, the Company encourages employees in all divisions to plan and take vacations. In fiscal 2011, we introduced vacations during transfers and widened eligibility for half-day vacations to all employees. As a result, the average rate of employees taking annual paid leave was 36.2% in fiscal 2011.

Furthermore, the Company has designated the third Wednesday of every month “No Overtime Day” and calls on employees to leave work on time. The Company instructs employees whose overtime work exceeds 80 hours a month to see a physician. This now includes employees working outside Japan and in other remote locations with the establishment of a Web-based interview system, part of efforts to maintain the health of all employees.

Promotion of Health Management

Health examinations covering all employees are conducted regularly, and digestive system examinations are conducted for those desiring them. There is also a hotline where employees and their families both in Japan and abroad can receive consultation about all health-related matters 24 hours a day, 365 days a year. In fiscal 2011, dependents were added to the list of those eligible for subsidies for a complete medical checkup, as we continue to promote health maintenance for employees and their families.

With regards to mental health, we continue to conduct various training to deepen employees' understanding of this aspect of their health. In fiscal 2011, we set up a new external mental health counseling service.

Enhancement of childcare and nursing care benefits

In an effort to support employees balancing work and childcare, Obayashi has established a childcare leave system among a variety of other benefits and increased opportunities to provide information on those benefits. We also continuously strive to develop a workplace environment where benefits are easy to use.

■ Childcare-related benefits

In our Third Action Plan (October 2009–September 2011), we promoted initiatives toward attaining targets, such as paid childcare leave utilizing the carryover of expired annual paid vacation days. These initiatives were evaluated positively, and in October 2011, the Company received certification as a company supporting childcare from the Ministry of Health, Labour and Welfare, and acquired a next-generation approval mark (“Kurumin” mark).

From October 2011, we are promoting our newly formulated Fourth Action Plan.



“Kurumin” mark

The Fourth Action Plan (October 2011–March 2015)

1. Promote taking of childcare leave by employees, and attain the following targets:
Male employees: At least one person during duration of the plan
Female employees: Rate of taking leave of at least 90% during duration of the plan
2. Bolster system for working shorter hours for childcare
3. Extend childcare leave period
4. Study and implement initiatives toward creating a comfortable working environment

■ Nursing care-related benefits

A nursing care subsidy benefit has been set up to subsidize home care services used by employees and their families. In fiscal 2011, a nursing care service was newly introduced, enabling use of various services such as provision of nursing care assistance information and use of consultation hotlines. A nursing care seminar was also held to provide a forum for deepening understanding of nursing care.

Labor-management initiatives

Labor-management councils such as labor councils and hygiene committees are held regularly for labor and management to discuss a wide range of issues from creating a comfortable workplace environment to promoting health management. A survey of employees was also conducted regarding their degree of satisfaction with corporate life, and systems are being revised, etc., based on such opinions.

Amenity in Association with Suppliers

P Activity theme	D Main fiscal 2011 activity results	C Attainment level	A Objectives going forward
Strengthen relationships with suppliers <ul style="list-style-type: none"> Promotion of CSR procurement Securing and training of construction technicians Support for training sessions, etc., held by suppliers 	<ul style="list-style-type: none"> Formulated Obayashi Group CSR Procurement Guidelines (June) Certified 75 supervisors as excellent supervisors under the Obayashi Excellent Supervisor Certification Program Provided support for suppliers holding training on safety and health education, technologies and corporate ethics, etc. 	○	<ul style="list-style-type: none"> Dissemination of Obayashi Group CSR Procurement Guidelines Continue to secure and train construction technicians Continue support for training sessions, etc., held by suppliers
Prevention of occupational accidents <ul style="list-style-type: none"> Elimination of fatal accidents Introduction of safety management techniques overseas 	<ul style="list-style-type: none"> Number of accidents involving more than four days of lost work: 68 (fiscal 2010: 42) Number of fatal accidents: 2 (fiscal 2010: 0) Frequency rate: 0.70 (fiscal 2010: 0.50) Severity rate: 0.19 (fiscal 2010: 0.02) Implemented the Three Major Campaigns for the prevention of occupational accidents, conducted safety patrols Introduction of safety management techniques used in Japan overseas (Taiwan, Vietnam, Indonesia, Singapore, etc.) 	△	<ul style="list-style-type: none"> Continue to eliminate fatal accidents Continue the introduction of safety management techniques overseas

Attainment level:

◎ exceeded, ○ reached, △ fell short, × not reached (or not attempted)

Basic Policies

Obayashi is working to develop further trust with suppliers through fair treatment, support for quality, technology and safety improvements, promotion of construction industry employment, and other initiatives.

In accordance with the Obayashi Group CSR Procurement Guidelines, we will strive together for growth and development with our suppliers so that efforts to build a sustainable society permeate the supply chain.

Overview of Fiscal 2011 and Issues Going Forward

The Obayashi Group CSR Procurement Guidelines have been formulated for all suppliers, and we intend to steadily carry out related initiatives down the supply chain.

There were two fatal accidents in fiscal 2011. We will make every effort to prevent occupational accidents, completely eliminate fatal accidents and continue striving to ensure the health and safety of everyone working at our construction sites.

Promotion of CSR Procurement

Initiatives down the entire supply chain are essential for a company to fulfill its social responsibilities through business activities. With this in mind, the Obayashi Group CSR Procurement Guidelines were established in June 2011. The guidelines apply to all of Obayashi Group's suppliers.

The guidelines are published on Obayashi's website, and in April 2012 they were disseminated to partners in Japan. The most important of the nine sections of the guidelines are stipulated in contracts concluded with suppliers and checked when the contracts are made.

Obayashi Group CSR Procurement Guidelines (excerpt)

1. Compliance with laws and regulations
2. Establishment of corporate ethics
3. Respect for human rights
4. Secure safety and health
5. Regard for the environment
6. Secure quality
7. Establishment of a risk management system in preparation for times of disaster
8. Secure information security
9. Contribution to society

Secure and Train Construction Technicians

Support for various educational and training sessions

Obayashi is working with suppliers to improve safety and health, through such methods as safety patrols and safety and health training sessions. The Company also actively provides support to develop and enhance management systems, with the aim of improving suppliers' autonomous safety and health management abilities.

In fiscal 2011, a range of safety and health education programs were conducted nationwide. For instance, instructors were sent to special education and training seminars held by suppliers on skills such as arc welding. We also support suppliers in other ways by providing information and training seminars for supplier management teams on subjects ranging from health and safety to regulatory compliance.



Special arc welding training

Initiatives to secure human resources

With the population aging and birthrate declining in Japan, an aging workforce has been a problem for the construction industry in recent years. To address this problem and ensure the sustained development of the industry, Obayashi is working to hire diverse personnel and improve retention rates, starting with young construction technicians.

■ Obayashi Excellent Supervisor Certification Program

In April 2011, Obayashi began certifying and raising the pay of particularly exceptional supervisors among those responsible for construction technicians, under the Obayashi Excellent Supervisor Certification Program. The first certification ceremony since the program was launched was held in July 2011 and 75 supervisors were awarded certification. At the ceremony in fiscal 2012, 98 supervisors were certified, an increase of 23 from the previous year.



■ Creation of pleasant workplace environments

Obayashi works to create workplace conditions not only pleasant for diverse personnel, including young, old and female construction technicians, but also attractive to young people considering a career in construction.

In fiscal 2011 the Osaka Station North Yard Consortium A Block Project Office received an award for excellence at the Pleasant Workplace Awards held by the Japan Federation of Construction Contractors. The office's full-participation-based activities incorporating the views and requests of suppliers were commended highly.



Cooling down at the rest station during the summer



A sports festival in which everyone was involved

TOPICS

Minister of Health, Labour and Welfare Awards for Supervisor Safety Excellence

Two supervisors* involved in Obayashi construction projects were recognized for their strong safety awareness and honored with awards for excellence at the Fiscal 2011 Minister of Health, Labour and Welfare Awards for Supervisor Safety Excellence sponsored by the Ministry of Health, Labour and Welfare.

* Both were certified under the Obayashi Excellent Supervisor Certification Program in fiscal 2012.

VOICE

At the construction site I strive to closely coordinate with people in other positions and work to create pleasant working conditions in which everyone freely feels they have a say. I would not have received this award without the help of my workers and other unit supervisors. I intend to continue working together with everyone to achieve a record of zero workplace accidents.



Mr. Kazushi Furue
Matsuura-Kensetsu
Co., Ltd.
Supervisor

Occupational Health and Safety Management System (OHSMS)

Obayashi has a Safety and Health Commitment that dedicates us to “ensuring the safety and health of all workers at construction sites and to creating pleasant workplace environments.”

In order to fulfill this commitment, we have established and operate an Occupational Safety and Health Management System that integrates management methods related to health and safety. We implement a cycle of policy formulation, execution and revision every year under the system to ensure that improvements are made on an ongoing basis.

Initiatives to Prevent Occupational Accidents

In fiscal 2010, we significantly reduced the number of occupational accidents for the third consecutive year. However, about half of the accidents that did occur were falls and machinery-related, which have a strong likelihood of resulting in fatalities.

In serious view of the circumstances, we continued from fiscal 2010 to make eliminating fatal accidents one of our targets for fiscal 2011, carrying out the following priority measures.

[Priority measures]

1. Prevention of occupational accidents under the leadership of the project manager
2. Prevention of falling accidents
Fully enforce the use of safety belts*1 and check the installation of safety equipment
3. Prevention of machinery accidents
Prevent accidents caused by the misuse of slings*2 and cranes overturning
4. Provision of instruction and support to improve suppliers' autonomous safety and health management
5. Creation of healthy work environments

*1. Safety belt: A belt with a lifeline attached to prevent accidental falls.

*2. Sling work: A series of operations required to carry a load to a specified position by use of a crane and hoisting attachment such as a wire rope.



Daily morning meetings held to reinforce safety management

The Three Major Campaigns

Particularly important occupational health and safety initiatives were organized into Three Major Campaigns and implemented.

1. ATKY Activity

We work to prevent accidents through the ATKY Activity, which combines safety inspections and checks at work-sites with risk identification. We raised the safety awareness of workers by facilitating their understanding of this activity, which was conducted at all construction sites.

2. Campaign for Pointing Out Unsafe Acts

This campaign works to prevent accidents by encouraging workers to raise their voice when they see colleagues engaged in unsafe actions. It seeks to create a workplace culture in which workers actively caution one another.

3. Campaign for Enhancing On-Site Inspections

Monitoring activities by employees and unit supervisors from suppliers working at Obayashi construction sites were enhanced by placing priority on confirming whether instructions are being followed, inspecting and confirming safety equipment and preventing unsafe actions.



Poster for the Safety Belt Endorsement Month, promoting and emphasizing the use of safety belts

As one effort to prevent falling accidents, Obayashi designated April and October Safety Belt Endorsement Months and worked to ensure the use of safety belts and to eliminate injuries from falling accidents resulting from their not being used.

Implementation of safety patrols

Safety patrols for confirming the management status of occupational health and safety on construction sites were carried out a total of 3,750 times nationwide in fiscal 2011. In June and November 2011, Obayashi's officer in charge of safety and health conducted special patrols and gave direct instructions on what improvements were to be made.



Executive Vice President Tadahiko Noguchi, Obayashi's officer in charge of safety and health, on special patrol

Preventing heat stroke

Construction sites are readily affected by climate change, and preventing heat stroke has become an issue in recent years. In fiscal 2011, we implemented full-fledged prevention measures at worksites that included measuring WBGT values (a heat index) and cautioning workers. As a result, incidence of heat stroke fell by approximately 30% compared to fiscal 2010.



WBGT meters installed at construction sites

Revising work standards

The Obayashi Accident Prevention Association organized by Obayashi's suppliers, including subcontractors, work closely with Obayashi to conduct initiatives for raising safety and health standards.

In fiscal 2011, *Work Standards*, a standard operating manual for work safety, was revised under Obayashi's supervision based on the revisions to relevant laws and regulations.

TOPICS

Minister of Health, Labour and Welfare Award for Safety and Health

At the Fiscal 2011 Minister of Health, Labour and Welfare Awards for Safety and Health, which honors project offices and other organizations with exceptional records in health and safety, the construction project for the Osaka Station North Gate Building, being implemented by an Obayashi joint venture, received an award for excellence. The award was received for the project's high safety awareness, which resulted in achievement of 7,180,000 man hours without an accident, the longest span in Obayashi's history.

Awards for excellence are awarded to project offices with particularly exceptional, model records and Obayashi has received one for three consecutive years.

Takao Kyotani, Senior Project Manager of the Osaka Station Project Headquarters, receiving the award certificate from then Senior Vice Minister of Health, Labour and Welfare, Mr. Yoshio Maki



Introduction of Safety Management Techniques Overseas

Obayashi has taken initiatives to transplant its Japanese safety management techniques for introduction overseas, even in environments where conditions and awareness differ from Japan, in order to ensure that its overseas construction projects are executed safely and securely. Such techniques include safety patrols and safety training for personnel. These initiatives have been extremely well received overseas.

In Singapore, two construction sites passed a stringent screening process to win awards at the Workplace Safety and Health Awards 2011*, which are given to construction sites that provide exceptional working conditions in terms of safety and health. In Taiwan, a construction site recognized for excellence in safety and health received an award from the Council of Labor Affairs, a government body.



Awards ceremony in Singapore

* An award given out by an organization made up of government institutions and experts for the purpose of raising occupational safety standards.

Corporate Governance and Risk Management

P Activity theme	D Main fiscal 2011 activity results	C Attainment level	A Objectives going forward
Bolstering of Internal Controls <ul style="list-style-type: none"> Securing proper operations through appropriate operation of internal control systems 	<ul style="list-style-type: none"> Conducted audits with a focus on risk control (17 sites, including overseas offices and subsidiaries) Conducted e-learning training programs for employees on the Antimonopoly Act Compliance Program and Internal Control 	○	<ul style="list-style-type: none"> Continue to secure proper operations through appropriate operation of internal control systems
Strict Application of Corporate Ethics <ul style="list-style-type: none"> Practicing corporate ethics throughout the Group Strict application and strengthening of information security 	<ul style="list-style-type: none"> Held Corporate Ethics Committee meetings four times in a year Provided corporate-ethics training to approximately 11,600 directors, officers, employees, temporary employees, incoming secondment employees and part-time employees Conducted e-learning training programs for employees on Information Security and Protecting Personal Information Administered questionnaire on information security checks 	○	<ul style="list-style-type: none"> Practice of corporate ethics throughout the Group and the promotion of priority areas <p>[Fiscal 2012 priority areas]</p> <ol style="list-style-type: none"> Exclusion of antisocial forces Compliance with Construction Industry Act Prevention of collusion Prohibition on abuse of dominant position Strict prohibition on improper accounting (prevention of kickbacks, etc.) <ul style="list-style-type: none"> Continue to strictly apply and strengthen information security

Attainment level:
 ○ exceeded, ○ reached, △ fell short, × not reached

Basic Policy

Obayashi will improve the transparency of corporate management through strengthening internal controls, conducting appropriate risk management, and other measures in order to establish a corporate culture with a strong sense of ethics and broadly earn the trust of the public.

Overview of Fiscal 2011 and Issues Going Forward

In order to confirm the effectiveness of internal controls, on-site audits led by the Business Administration Department (Obayashi's internal audit arm) were conducted at 17 sites in Japan and overseas. Going forward, we will continue working to ensure the appropriateness of business operations by regularly conducting internal audits with high efficacy.

In addition, corporate-ethics training and e-learning programs on compliance with the Antimonopoly Act and other topics were held for all the Company's employees, including temporary employees and incoming secondment employees. Moving forward, we will work to firmly instill corporate ethics by fostering a sense of ethics in each and every employee through ongoing training and other measures.

Internal Control

Strengthening of internal controls

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

➔ **Further details** Corporate Governance
<http://www.obayashi.co.jp/english/csr/governance/>

The internal control system is subject to operational inspections as appropriate, and when revisions are necessary, the system is reformed by resolution of the Board of Directors. In fiscal 2011, revisions were made that included changing some aspects of the internal reporting system.

In order to confirm the effectiveness of internal controls and the efficiency of business operations in each division, the Business Administration Department identifies operational risks and conducts priority audits on whether corresponding controls are functioning appropriately, in connection with ensuring compliance with laws related to business activities and the credibility of financial reporting, which are important management initiatives.

In fiscal 2011, in addition to paper audits, on-site audits were conducted locally at 17 sites, including overseas offices and Group companies inside and outside of Japan.

Corporate Ethics

Establishment of a corporate ethics promotion structure

Obayashi has established a Corporate Ethics Program to ensure thorough adherence to corporate ethics and has developed and operates a structure to continually maintain and improve the level of corporate ethics. Through this program, we draw on the five “Action Commitments” prescribed by the Obayashi’s Vision, Values, and Commitments to decide policies and standards for the establishment of corporate ethics, develop a structure to ensure adherence to corporate ethics, and conduct training and prepare and use manuals to establish corporate ethics.

Obayashi complies thoroughly with relevant laws and regulations by firmly implementing measures based on its Corporate Ethics Program and by periodically inspecting and reviewing the status of their implementation. In this way, the Group aims to become a corporation capable of continually maintaining and enhancing its high ethical standards.

Conducting Corporate Ethics Committee meetings

The Corporate Ethics Committee, chaired by the president, has been established based on the Corporate Ethics Program. It meets regularly to deliberate on important matters related to corporate ethics, including the establishment of basic compliance policies, and works to rigorously ensure compliance within the Company. In order to

incorporate assessments from independent parties, the Committee’s members include a corporate attorney, outside authority and the head of the employees’ union.

Group companies have also established similar committees, and systems are in place for promoting corporate ethics.

Use of the internal reporting system

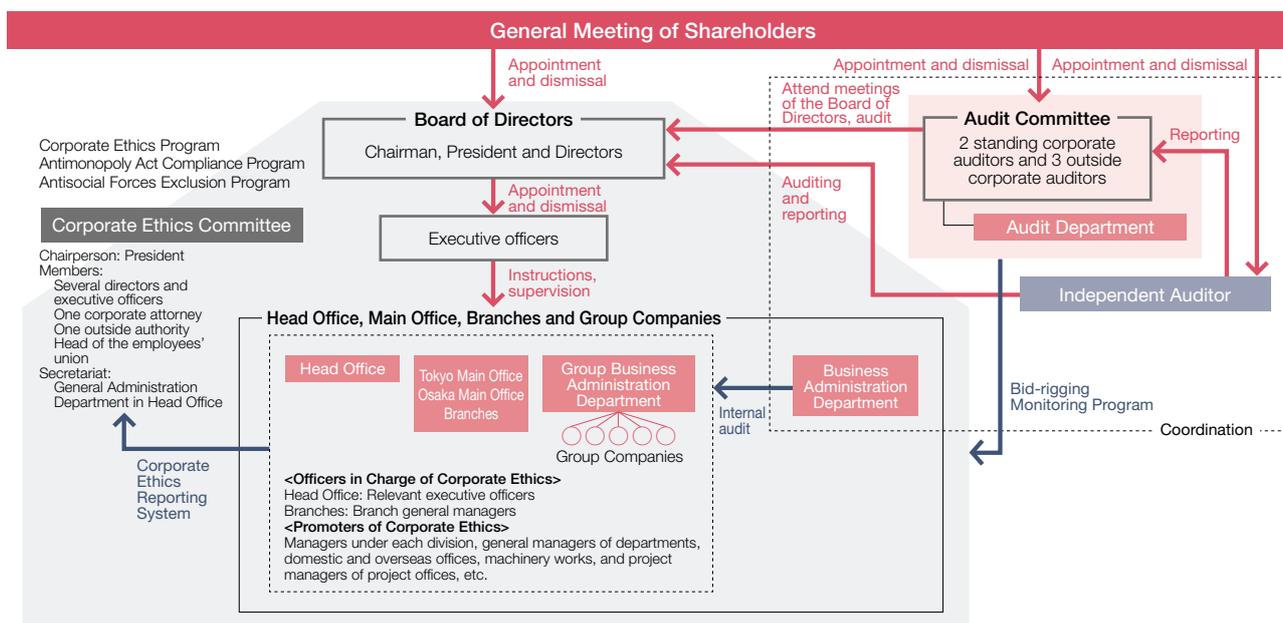
An internal reporting system has been established for everyone involved in the Company’s operations (Company officers and employees, temporary employees, incoming secondment employees, part-time staffers, and suppliers). In addition to an internal contact, an outside law office is available as an external point of contact to make the system easier to utilize for whistleblowers and more effective in general. Whistleblowers can be anonymous and are thoroughly protected against prejudicial treatment. All reports of impropriety are followed promptly with a fact-finding investigation and necessary actions.

Corporate ethics training

In April of each year, workplace corporate ethics training is held for all officers and employees. The in-depth training includes debate on specific cases of bribery, insider trading and the like with the goal of ensuring compliance with the relevant laws and regulations, and sensible conduct.

In order to completely exclude antisocial forces, seminars are held for employees working at construction sites and other training courses are held in line with job duties.

Corporate Ethics Promotion Structure



Establishment of information security measures

The Company has established an Information Security Policy made up of the Basic Policy on Information Security and other policies as well as corresponding rules and guidelines.

On the basis of these policies, in fiscal 2011 we continued to confirm awareness levels and the operational status of concrete security measures required of each individual and instituted measures that included information security diagnostics performed by outside specialists.

In addition, in accordance with the Obayashi Group Information Security Guidelines, we are working to strengthen information security management at the Group level.

At the Company's Civil Engineering Division and Group company Oak Information System Corporation, certification has been obtained based on the ISMS Conformity Assessment Scheme*.

* A third-party conformity assessment scheme for information security management systems in line with international standards administered by the Japan Information Processing Development Corporation.

Basic Policy on Information Asset Security (excerpt)

1. We will establish information security systems and implement risk mitigation measures.
2. We will regularly check security systems and constantly maintain appropriate management systems.
3. We will continually conduct training on information security.
4. Users and administrators will observe information security-related standards and work to ensure the effective functioning of security systems.
5. Users and administrators will observe laws and regulations, among other relevant stipulations, related to information management.
6. In the event of an emergency, such as an attack on information assets or the loss of information assets, we will promptly take appropriate measures and minimize damage to the Company.

Initiatives related to personal information leaks

The Company has established the Obayashi Corporation Privacy Policy and related rules and standards, and has developed the Privacy Compliance Program. In line with this program, we make every effort to appropriately handle personal information for all stakeholders.

We promote the installation of file encryption software as a measure for maintaining confidentiality and preventing leaks of personal information files, and each and every employee works to ensure personal information is acquired, used and managed appropriately.

Obayashi Corporation Privacy Policy (excerpt)

1. Compliance with laws and regulations, and social mores
2. Development, implementation, and continuous improvement of privacy compliance program
3. Appropriate acquisition, use, and provision of personal information
4. Ensuring the accuracy and security of personal information
5. Respect for rights of the individual

Training on information security and privacy

The Company conducts training and education programs to reaffirm rules related to information security and privacy and ensure they are rigorously observed.

In fiscal 2011, e-learning programs were conducted for all employees.

Information Disclosure

P Activity theme	D Main fiscal 2011 activity results	C Attainment level	A Objectives going forward
Proactive disclosure of information and enhanced communications <ul style="list-style-type: none"> Transmitting information and enhancing communications with stakeholders 	<ul style="list-style-type: none"> Held biannual results briefings at the Head Office and also via conference calls Held construction site tours for institutional investors and securities analysts Issued <i>Annual Report</i> and <i>CSR Report</i> 	<p>○</p>	<ul style="list-style-type: none"> Continue to transmit information and enhance communications with stakeholders

Attainment level:
 ◎ exceeded, ○ reached, △ fell short, × not reached

Basic Policy

Obayashi returns profits to shareholders in accordance with its financial performance while putting top priority on a stable dividend over the long term. In addition, to ensure that shareholders and investors are capable of monitoring us with complete confidence, we actively strive to disclose information related to management and beneficial information for investment decisions in an appropriate and timely manner.

Overview of Fiscal 2011 and Issues Going Forward

Management-related information and information beneficial for investment decisions was disclosed in a timely and appropriate manner. Responding to requests from institutional investors and securities analysts for more opportunities to communicate, we intend to further enhance dialogue in the form of more detailed information, investors' briefings and various types of tours.

More Performance-Related Information

We are expanding the scope of disclosure in connection with consolidated segment information on sales and operating income. We have further subdivided our conventional civil engineering and construction segments and are disclosing domestic and overseas earnings information for each classification.

We have also done the same for non-consolidated construction income and are now providing more detailed information by disclosing both domestic and overseas figures.

Enhanced Communications

Results briefings

Results briefings for institutional investors and securities analysts were held following the closing of accounts for the second-quarter and fiscal year-end. The Company's president and relevant executive officers attended the briefings, which featured presentations of the Group's financial performance, earnings forecasts and future policies. For first- and third-quarter results as well, conference calls were made to hold results briefings on the day the results were announced.

- A total of 211 people attended the results briefings
- A total of 168 people participated in results briefings via conference calls

One-on-one meetings

We hold one-on-one meetings with institutional investors and securities analysts to provide an opportunity for direct communication. We also participate in investor conferences sponsored by securities companies.

- One-on-one meetings
- Participation in investor conferences

Construction site tours

In order to deepen understanding of our business activities, construction site tours are held every year for institutional investors and securities analysts. In fiscal 2011, tours were held of the Osaka Station North Yard and URUP Kawajiri projects and included informative question-and-answer sessions.

- Participation in construction site tours was 10 people for the Osaka Station North Yard and 21 people for URUP Kawajiri.

Website

We have an investor relations section on our website expressly for shareholders and investors. The section features financial statements, the Group's "Medium-Term Business Plan," IR news and other information, which is disclosed in a timely manner. In addition, a dedicated page for individual investors (currently available in Japanese only) has been created in order to convey company information in a highly accessible way. We also actively work to provide information to foreign investors by providing financial statements and annual reports on our English-language site.

Environmental Initiatives

P Activity theme	D Main fiscal 2011 activity results	C Attainment level	A Objectives going forward
[Low-Carbon Society]			
Promotion of energy-saving design towards realization of ZEB*1	<ul style="list-style-type: none"> Developed energy savings-related technologies for utilization in design proposals Reduced CO₂ emissions by 32% in operation of buildings we designed (compared to CASBEE standard) 		Continue to promote energy-saving design towards realization of ZEB <ul style="list-style-type: none"> Promote design proposals for energy-efficient buildings Develop technologies that help realize ZEB
Energy conservation at the time of construction	<ul style="list-style-type: none"> Developed roadmap for achievement of ZEC**2 in 2020 Reduced CO₂ emissions from construction projects by 50% (compared to fiscal 1990 levels) 		Continue to conserve energy at the time of construction <ul style="list-style-type: none"> Implement measures to achieve ZEC
Entry into the renewable energy business	<ul style="list-style-type: none"> Launched Kumiya solar power project Received contracts and conducted feasibility studies for solar, wind and geothermal power projects 	○	Continue to enter the renewable energy business <ul style="list-style-type: none"> Promote mega solar and other renewable energy projects
Participation in environmentally responsible development projects	<ul style="list-style-type: none"> Applied new technologies such as Clean-Crete, a low-carbon concrete, at the Aoyama Obayashi Building and acquired S-rank CASBEE certification 		Continue to participate in environmentally responsible development projects <ul style="list-style-type: none"> Promote projects at Aoyama Obayashi Building and accumulate expertise
Energy conservation at Obayashi's own facilities	<ul style="list-style-type: none"> Reduced the Company's summer power consumption volume within the Tokyo, Tohoku and Kansai Electric service areas by 37% (compared to same period of previous year) Reduced the Company's winter power consumption volume in the Kansai and Kyushu Electric service areas by 19% (compared to same period of previous year) 		Continue to conserve energy at Obayashi's own facilities <ul style="list-style-type: none"> Promote "Green Action 25 plan"
[Recycling-Oriented Society]			
Commercialization of recycled aggregate concrete	<ul style="list-style-type: none"> Acquired ministerial approval in Osaka 		Continue to commercialize recycled aggregate concrete <ul style="list-style-type: none"> Expand application of recycled aggregate concrete
Entry into the soil decontamination business	<ul style="list-style-type: none"> Promoted the application of Obayashi's VOC**3, heavy metal and oil decontamination technologies to construction projects Sold Chloroclean, a microbial nutrient agent for VOC decontamination 	○	Continue to enter the soil decontamination business <ul style="list-style-type: none"> Promote soil decontamination as an engineering business by actively proposing its application in relevant construction projects
[Nature-Compatible Society]			
Quantitative evaluation of ecosystem protection	<ul style="list-style-type: none"> Conducted ecological survey of index organisms in urban green space Created assessment program for index organisms in urban green space 	○	Continue quantitative assessment of the preservation of ecosystems <ul style="list-style-type: none"> Promote application of assessment programs to projects

*1 Refer to "Designing Low-Carbon Buildings" on page 58. *2 Refer to "Making Construction Activities Low-Carbon" on page 58. *3 VOC=volatile organic compound
Attainment level:
○ exceeded, ○ reached, △ fell short, × not reached

Basic Policies

The construction business has a major impact on the places people live and the natural environment. For example, in Japan, roughly 40% of the country's CO₂ emissions, said to be one of the main causes of global warming, are generated by construction and operation of buildings and houses. In addition, approximately 40% of materials inputted in Japan go into buildings, and construction projects involve transforming the land, so they also substantially impact ecosystems.

In order to help bring about a low-carbon society, Obayashi is involved in providing energy-efficient buildings, reducing net energy to zero in construction projects, and participating in renewable energy projects. In order to realize a recycling-based society, Obayashi is working to use construction materials with low-environmental impact and to reduce and recycle construction waste.

In order to create a nature-compatible society, Obayashi works to create spaces that are highly habitable for living creatures. We will promote our medium-to-long-term environmental vision, "Obayashi Green Vision 2050," and continue doing our part to bring about a sustainable society, which is a low-carbon, recycling-based society in harmony with nature.

Overview of Fiscal 2011 and Issues Going Forward

[Creating a Low Carbon Society]

Obayashi launched zero-energy activities at construction sites. In addition, we robustly promoted energy-saving activities at our own facilities. As a result, we were able to help reduce peak power consumption during the summer.

[Creating a Recycling-Oriented Society]

We worked to reduce construction waste by continuing to promote zero-emissions activities at construction sites. In addition, utilizing technologies and expertise cultivated to date, we are helping in the restoration and recovery of the region impacted by the Great East Japan Earthquake on the basis of contracts received for processing debris from the disaster.

[Creating a Nature-Compatible Society]

Based on our Policy on Biodiversity Conservation formulated in 2009, ecological considerations were made at each stage, including planning, design and construction. We also created an assessment program for index organisms in urban green space.

Going forward, Obayashi will continue promoting "Obayashi Green Vision 2050" formulated in 2011 and continue working to bring about a sustainable society through solutions to environmental issues, including energy savings, development of renewable energy projects, and proposals for the environmentally responsible reconstruction of regions the disaster affected.

Creating a Low-Carbon Society

The Great East Japan Earthquake has put the spotlight on reducing power usage as well as increases in greenhouse gas emissions caused by increased use of power generated by fossil fuels.

Obayashi implements measures to conserve energy at its own facilities and on construction sites. We are also working to reduce the amount of energy consumed by buildings for their entire life cycles by making the buildings we provide more energy efficient and by making proposals for improvements at the operational stage.

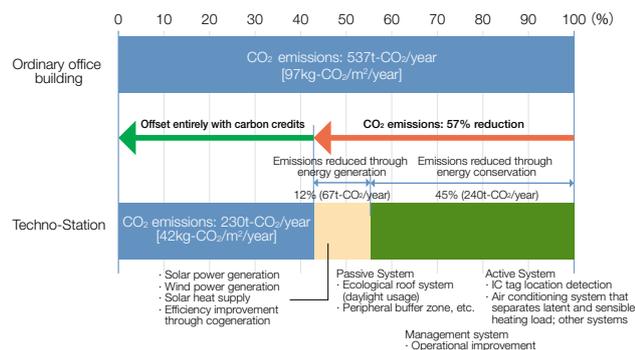
In addition, Obayashi is participating in renewable energy projects such as solar power in an effort to help society as a whole reduce its carbon footprint.

Designing Low-Carbon Buildings

■ Techno-Station, Obayashi's main technical research building

Taking the first step in achieving ZEB*1, this facility in Kiyose, Tokyo was designed to be a carbon-neutral*2 building. It was completed in September 2010 and began full-fledged operations in fiscal 2011 with CO₂ emissions targets set. CO₂ emissions from operational energy were reduced by 57% compared to an ordinary office building, exceeding the initial target of 55%.

Techno-Station Annual Operating Results (April 2011 to March 2012)



*1 A net zero-energy building (ZEB). This means the building fully offsets the fossil fuel-derived energy it consumes in building operations with energy efficiency and use of renewable energies.

*2 Regarding the balance of CO₂ emissions as zero by offsetting emissions with CO₂ sequestration, use of natural energy, and purchases of carbon credits.

Making Construction Activities Low-Carbon

In March 2012 we announced the net Zero Energy Construction (ZEC) concept in an effort to achieve zero-energy construction projects, not just zero-energy building (ZEB) operations. Our goal is to achieve net zero consumption for energy used in construction by more actively promoting the energy efficient construction practices we have conducted to date and by creating energy through Obayashi's renewable energy projects. For the immediate future, we are targeting an 18% reduction, compared to fiscal 2010 levels, in energy consumption per unit of completed work by fiscal 2014.

At individual construction sites, we have begun involvement in solar and wind power as well as small-scale hydroelectric generation using groundwater.

➔ **Related information** Please view page 17 for our renewable energy business initiatives.

Making Building Operation and Management Low-Carbon

■ Art Village Osaki Central Tower

This building in Tokyo's Shinagawa City was originally designed and constructed by Obayashi as an energy-efficient building. One of the Group companies, Obayashi Property Management Corporation*, which handles building management and operations, is continuing initiatives that fully utilize the building's performance in partnership with building occupants in order to achieve even greater energy efficiency. By setting air conditioning and lighting based on the actual outdoor environment and the building's operating conditions, we were able to generate energy savings while maintaining a comfortable environment for occupants.



Art Village Osaki Central Tower

CO₂ emissions compared to a normal building were 29% lower in fiscal 2007 when the building was first completed, but thanks to these measures the figure was boosted further to 46% in fiscal 2011.

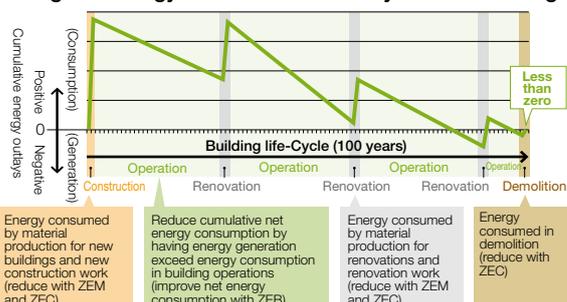
* Obayashi Property Management's facilities operation- and management-related business was transferred to Group company Obayashi Real Estate Corporation in February 2012.

TOPICS

Life Cycle Net Zero Energy Buildings (LCZ)

With a view to 2050, Obayashi is aiming to go beyond ZEB and successfully build life-cycle net zero-energy buildings (LCZ), which means zero net energy usage for the building's entire life cycle, including construction (construction, renovation, and demolition) and production of materials used. We will continue to work toward net Zero Energy Material (ZEM), which is zero energy in material production, and ZEC, which is zero energy in construction, while also generating renewable energies in order to reduce energy consumption to zero for entire building life cycles.

Image of Energy Consumed in Life Cycle of a Building



Creating a Recycling-Oriented Society

The first in Japan's construction industry, Obayashi began conducting zero-emissions activities in 1999. And since 2005, we have endeavored to limit waste generation and reduce final disposal volume at all construction sites.

More than 22 million tons of debris was generated in the Great East Japan Earthquake, which is said to be equivalent to 23 years' worth of regular waste generated in Iwate, Miyagi and Fukushima prefectures. Urgent measures are therefore needed. Obayashi is fully committed to quickly processing and effectively recycling waste from the disaster region by capitalizing on the technologies and expertise we have cultivated to date.

Resource-Recycling Initiatives

■ Processing Debris from the Disaster

In the Watari-Natori Block of Miyagi Prefecture (Watari disposal area), we are processing debris from the earthquake and sediment from the tsunami (sand). Obayashi is dedicated to helping the region recover as quickly as possible



Incinerator commences partial operation in April 2012.

by rapidly processing and effectively recycling debris, which is holding back the region's reconstruction.

After the waste is sorted by machine, it will be meticulously sorted by hand as necessary and then recycled into concrete, asphalt, metal and wood products, and other applications. Ash generated in the combustion of flammable materials will not be buried in landfills but recycled into gravel with a fixation agent and effectively reused in local reconstruction projects.

Moreover, we are also making proposals for effectively reusing, or upcycling*, the large quantity of non-flammable materials that remain after sorting as materials for the reconstruction.

* In this context, upcycling refers to technology for utilizing debris from the earthquake and tsunami in local reconstruction efforts.

➡ **Related information** Please view pages 15 through 16 for related information on Obayashi's response to the March 11 earthquake.

Popularizing Technologies for Resource Conservation and Recycling

■ Concrete with Seawater and Unwashed Seasand

Obayashi has developed a technology for producing extremely dense, strong and highly durable concrete using seawater, which had been seen as harmful for reinforced-concrete structures. In regions without abundant fresh water, the technology makes it possible to build concrete structures using seawater. Blast-furnace slag and coal ash generated as waste in steel manufacturing and power generation is used instead of cement, which makes it possible to use less cement than the amount found in regular concrete.

The technology has patents pending overseas as well, particularly the Middle East, where water is scarce. We announced the technology in March 2011 and conducted joint research in fiscal 2011 with national research agencies and other institutes in order to promote its widespread use.

Because seawater is used, the technology will help make it possible to reuse concrete and other rubble saturated with seawater from the tsunami. Taking advantage of the concrete's high density and other characteristics, we also believe it can be utilized in the disposal of radioactive waste.

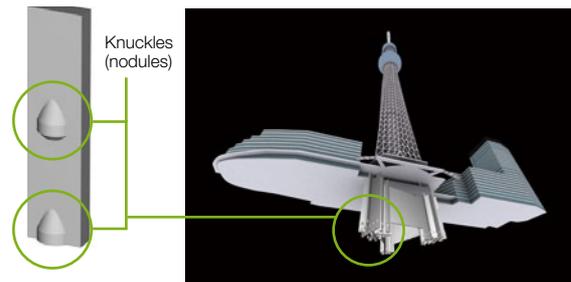
We will continue working toward utilization of the technology in actual construction projects and other applications.

Resource Conservation and Recycling in Construction Activities

■ New Tower Construction Project Office

The project office that constructed TOKYO SKYTREE® was honored with the fiscal 2011 Ministry of Land, Infrastructure, Transport and Tourism award for distinguished service in promoting "Reduce, Reuse, and Recycle" (3R) activities. In addition to steady zero-emissions activities at the construction site, we also successfully utilized proprietary technologies for reducing material usage volume, specifically, Knuckle Walls and slip form construction, and the effectiveness of these efforts was recognized.

Knuckle Walls used for TOKYO SKYTREE



One pile has 40 knuckles (nodules)

The Knuckle Wall technique developed by Obayashi involves wall-shaped piles with nodular protuberances. These nodules solidly anchor the piles in the ground and substantially increase their load-bearing capacity, so the piles can be smaller than piles without the nodules. With TOKYO SKYTREE, we were able to reduce concrete use by approximately 30% thanks to this technology. The amount of soil displaced in drilling for the piles was also reduced. Slip form construction is a method for building concrete structures by continuously moving steel formwork. The formwork can be used more times and more efficiently than wood formwork, which can only be used a number of times before it must be disposed of. Slip form technology also reduced the amount of formwork used when constructing TOKYO SKYTREE's central pillar, which functions to control vibration.

Creating a Nature-Compatible Society

Construction projects can sometimes have a major impact on ecosystems, as they take place in the midst of various natural environments. Obayashi has formulated the Policy on Biodiversity Conservation and conducts activities (➡ [Further details](#)) on the basis of the policy in order to ensure construction projects pay consideration to the natural environment and ecosystems and thereby help create a society in harmony with nature. We not only give consideration to protecting the rich natural environment at each stage in the construction process—planning, design, construction, operation and demolition—but also work to revitalize damaged ecosystems and create communities that are in harmony with them.

Building Cities That Are in Harmony with Nature ■ JHEP* Certification Project Initiatives

Obayashi is conducting the construction work for the Toranomon-Roppongi District Urban Redevelopment Project in Tokyo. The redevelopment project is based on the Vertical Garden City concept of Mori Building Co., Ltd., one of the project promoters, and was planned with the aim of harmonizing city and nature. The project has received a AAA rank, the highest offered, under the JHEP certification scheme, which evaluates and certifies measures taken to protect biodiversity.

Obayashi is also meticulously taking measures to support the creation of high-quality green spaces that pay attention to biodiversity.

Examples of Attention to Biodiversity in Construction Work

- Topsoil containing microorganisms and seeds from the site is stored temporarily so that it can be reused, and when replanting, acidity and nutrients are checked for suitability with plant life.
- Temporary facilities for construction work are laid out and other measures taken so as to preserve existing trees.
- In order to plant with native species, tree species are surveyed and confirmed, and trees that are brought in are rigorously managed.

* JHEP, or Japan Habitat Evaluation and Certification Program, is a biodiversity certification program of the Ecosystem Conservation Society—Japan.

VOICE

This project marks Mori Building's first full engagement in biodiversity issues. Given the inadequacy of gardening market surveys related to native and endemic species, which support biodiversity, we had Obayashi conduct in-depth measures for everything from materials procurement to construction. As a result, we were able to create green space with a readily familiar look and feel that is



Mr. Hiroki Yamaguchi
Technical Advisor
Architectural Design
Department
Mori Building Co., Ltd.

tolerable for living creatures. I think this success was a product of Obayashi's experienced personnel, exceptional technologies and passion. Protecting biodiversity is important from the standpoint of restoring the environment, which is facing a crisis, and efforts need to be continued. It would be wonderful if this project comes to serve as a progressive example of Obayashi's green technology.

■ Ecological Survey of Living Creatures in Urban Green Space

Obayashi studied the environmental effects of new urban green space, including at Namba Parks (Naniwa-ku, Osaka) and Shinagawa Central Garden (Minato-ku, Tokyo). In partnership with the Ecosystem Conservation Society-Japan and with the cooperation of groundskeeper Mori Building, we have been studying the relationship between tree species, height and shape and the number and behavior of white-eyes, great tits and other birds at Mori Garden in the Roppongi Hills complex (Minato-ku, Tokyo) since May 2011. The study's findings are being incorporated into greenscaping design tools and a program for evaluating green space as habitat so that they will be utilized in the creation, maintenance and management of urban green spaces where attention is paid to biodiversity.



White-eye in Mori Garden

Regard for Biodiversity at Construction Sites ■ Protective Observation and Study of Taipei Green Tree Frogs

A subway system construction site in Taipei, Taiwan sits adjacent to a habitat for the Taipei green tree frog, a species threatened with extinction. Obayashi is working to ascertain the impact of the construction project by creating six protective observation ponds and conducting regular surveys in collaboration with National Taiwan University. The surveys have reported an increase in the number of Taipei green tree frogs observed from ten in December 2009 to 26 in December 2011.



Taipei green tree frog observed during the survey

➡ [Related information](#) Please view page 110 for related information on Obayashi's fiscal 2011 construction site activity results.

Activities Toward Attainment of Aichi Biodiversity Targets

Obayashi is organizing its activities and planning future initiatives to contribute to achievement of the Aichi Biodiversity Targets, which were agreed to internationally at the Conference of the Parties to the Convention on Biological Diversity in 2010.

➡ [Related information](#) Please view page 110 for related information on the results of Obayashi's main activities in response to the 20 Aichi Biodiversity Targets.

Steadily Promoting Environmental Initiatives

Obayashi has formulated an environmental policy (➔ [Further details](#)), developed a company-wide environmental management system (EMS) that has received *ISO 14001* certification, and set corresponding targets. We are working on this basis to steadily implement and improve environmental activities.

We also strive to raise the environmental awareness of employees using various means in order to prevent serious impacts on the environment caused by inadequate awareness or education and to further raise the effectiveness of environmental activities.

➔ **Related information** Please view page 106 for related information on EMS activity results.

Implementing “Green Action 25”

Energy-savings activities dubbed “Green Action 25” were conducted at offices and construction sites in order to address summer power shortages caused by the Great East Japan Earthquake.



Logo created to promote the initiative

We set a goal of reducing peak power consumption by at least 25% compared to the same period of fiscal 2010 in areas served by Tokyo Electric and Tohoku Electric, and as a result of various initiatives, we achieved reductions of 35% or greater.

As a result of extending this initiative to the entire Company, we successfully reduced power use by 30% on a year-on-year basis.

Examples of “Green Action 25” Activities

- Promoted visualization of energy conservation
- Optimized lighting brightness and turned off rows of lights
- Switched to energy-efficient lighting at construction sites (LED, metal halide lamps, etc.)
- Encouraged use of solar power, wind power and other renewable energies

These summertime initiatives put the spotlight on unnecessary power use and raised the awareness of every employee. We have therefore excluded emergency measures and repositioned “Green Action 25” as sustainable energy-saving activities, which are now being conducted on an ongoing basis.

Environmental Awards

The third Obayashi Environmental Award program was conducted in January 2012 to encourage progressive environmental activities throughout the Group. Two winning projects were selected from a total of 51 entries.

Third Annual Environmental Award Winners

- Campaign to relocate living creatures in connection with construction of the New Tomei Expressway Inagi Tunnel (New Tomei Inagi Project Office, Nagoya Branch) (➔ p.43)
- Environmentally friendly facilities management at Art Village Osaki Central Tower (Obayashi Property Management Corporation, an Obayashi Group company) (➔ p.58)

Promoting Green Procurement

Obayashi has established green-procurement guidelines for mainly office supplies and construction materials and machinery and is promoting the procurement of technologies, construction methods and products with low environmental impact in all business activities.

Our green procurement rate* for construction materials and machinery in fiscal 2011 was 48%, short of our target of 51%. The major reason was a decrease compared to fiscal 2010 in procurement of steel beams produced in electric furnaces. The green procurement rate for office supplies was 83%, right in line with the target.

* Ratio of green procurement to total procurement value.

Compliance with Environmental Laws and Regulations

Obayashi has an environmental law inquiry service staffed with dedicated personnel who investigate and answer questions from construction sites and the rest of the Company. Particularly important issues gleaned from the approximately 1,300 inquiries made with the service each year are compiled into environmental law Q&A reports, which are distributed horizontally throughout the organization. The report has been published for a total of 700 issues as of the end of fiscal 2011.

➔ **Related information** Please view page 112 for an overview of the occurrence of and response to EMS deficiencies.

TOPICS

Company Dormitory Initiatives Honored with Blue-ribbon Communication Award

At the Low Carbon Cup held at Tokyo Big Sight in February 2012, we presented initiatives being conducted at a Company dormitory, Oak Chikusa in Chikusa-ku, Nagoya, and received the Highest Excellence in Communication Award.

Oak Chikusa was designed as an energy-efficient structure and uses both sunlight and solar heat. Dorm residents grow vegetables and raise honeybees on the garden rooftop and food from the garden is used in the cafeteria. This works to raise environmental awareness on a day-to-day basis.

The dorm also features a recharging station that allows use of solar power, disaster preparedness benches that become hearths, water wells and rainwater collection tanks. It is therefore equipped to serve as a community first-response site in the event of a major natural disaster.



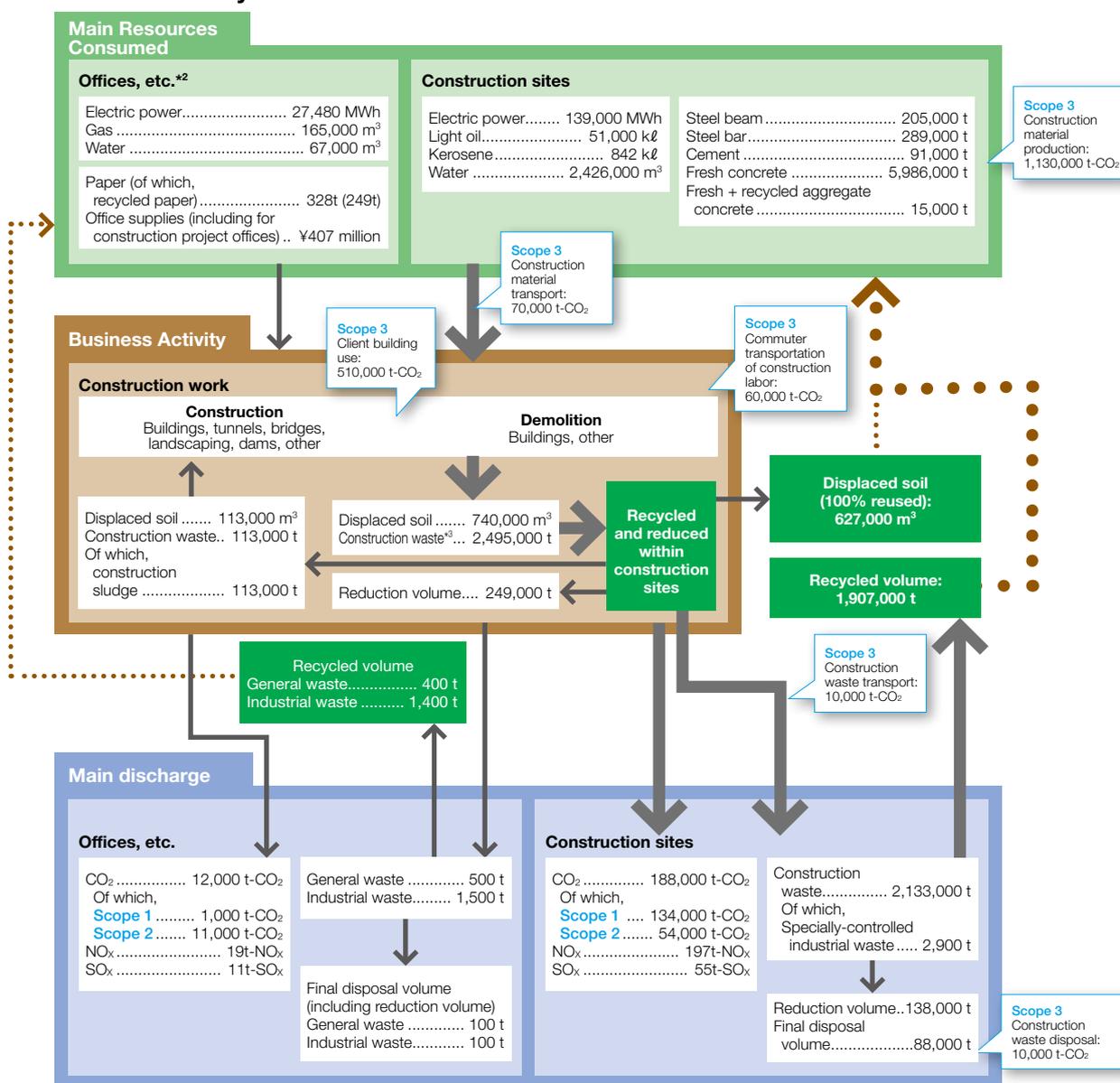
Dorm residents harvesting honey

Overview of Environmental Impact of Obayashi Business Activities

At Obayashi, energy, materials and other resources are consumed in construction projects. The majority of energy is used to power construction machinery and vehicles, which emit carbon dioxide and other gases. Construction materials become buildings and structures, while scrap materials, packaging and the like are discharged as waste. Waste is also produced when buildings are demolished, and soil is displaced in construction digging. Waste and displaced soil are recycled or effectively reused to the extent possible, and the remainder is buried at final disposal sites.

Of the CO₂ emitted in connection with construction, a large proportion is from building operations and production of construction materials, which corresponds to Scope 3*1.

Overview of Obayashi's Material Flow in Fiscal 2011



*1. Greenhouse gas emissions classification established by the GHG Protocol, which was developed to serve as the international standard for calculation and reporting of greenhouse gas emissions.

Scope 1: Directly emitted from Company activities
Scope 2: Indirectly emitted in connection with use of energy in Company activities (power, heat, etc.)
Scope 3: Indirectly emitted due to supplier activities, use of products, etc.

*2. Applicable facilities are buildings housing the Head Office, Tokyo Main Office, Osaka Main Office and branch offices, machinery works, material/equipment centers, the Technical Research Institute, etc.

*3. Of the waste listed below, general waste products are excluded.

General waste: garbage, etc., from plant offices **Industrial waste:** construction sludge, concrete scraps, etc. **Specially-controlled industrial waste:** asbestos, etc.

➔ **Related information** Please view pages 105 through 115 for related information on other environmental data.

Consolidated Financial Summary

Obayashi Group: Consolidated Financial Results

Fiscal years ended March 31	2002	2003	2004	2005
Orders received	¥1,178,116	¥1,214,759	¥1,269,559	¥1,478,252
Orders received (Construction business)	1,126,576	1,142,743	1,201,173	1,398,322
Net sales	1,403,671	1,341,003	1,346,297	1,404,640
Gross profit	99,869	108,889	118,631	119,263
Gross profit margin (%)	7.1	8.1	8.8	8.5
Selling, general and administrative expenses	82,247	80,397	80,657	75,907
Operating income (loss)	17,622	28,491	37,974	43,356
Operating margin (%)	1.3	2.1	2.8	3.1
Ordinary income (loss)	25,676	29,908	41,940	52,576
Net income (loss)	(74,078)	3,124	21,193	25,076
Net income (loss) per share (yen / U.S. dollars)	(102.43)	4.27	29.42	34.81
Net assets	290,360	260,359	344,273	364,301
Total assets	2,044,654	1,948,578	1,821,883	1,842,262
Net assets per share (yen / U.S. dollars)	403.44	361.47	477.80	505.81
Equity ratio (%)	14.2	13.4	18.9	19.8
Return on equity (ROE) (%)* ¹	–	1.1	7.0	7.1
Price earning ratio (PER) (times)* ¹	–	67.4	19.3	19.0
Dividends per share (yen / U.S. dollars)* ²	8	6	8	8
Dividend payout ratio (%)* ¹	–	140.5	27.2	23.0
Cash flow from operating activities* ³	33,677	17,072	38,591	52,049
Cash flow from investing activities* ³	19,212	32,151	21,746	11,172
Cash flow from financing activities* ³	(58,008)	(29,917)	(67,854)	(56,171)
Cash and cash equivalents at end of period	86,884	107,423	103,543	110,781
Number of personnel* ⁴	13,660	13,170	13,695	13,533
[Average number of temporary personnel not included in the above]				
Interest-bearing liabilities (excludes PFIs and other project finance loans)	464,952	429,840	364,149	304,432
PFIs and other project finance loans	–	11,081	12,753	22,814
Total liabilities and project finance loans	464,952	440,922	376,903	327,247
Debt/equity ratio (times)	1.60	1.69	1.09	0.90
Financial balance	(324)	(477)	159	1,607
Capital expenditure	7,633	5,421	15,002	20,076
Research and development	9,629	8,687	8,686	7,887
Depreciation	14,719	11,867	11,594	11,619

*1. Return on equity (ROE), price-earnings ratio (PER) and the dividend payout ratio for the years ended March 31, 2002 and 2010 were omitted due to net loss posted during that year.

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

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

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

*5. U.S. dollar amounts are provided solely for the convenience of the reader, translated on the basis of ¥82.19 to US\$1, the prevailing rate of exchange at March 31, 2012.

						Millions of yen	Thousands of U.S. dollars*5
2006	2007	2008	2009	2010	2011	2012	2012
¥1,533,215	¥1,552,727	¥1,513,380	¥1,494,508	¥1,282,334	¥1,180,639	¥1,362,702	\$16,579,907
1,454,369	1,446,091	1,431,271	1,438,365	1,214,745	1,108,348	1,289,779	15,692,657
1,476,424	1,567,960	1,691,635	1,682,462	1,341,456	1,131,864	1,245,772	15,157,228
121,708	121,436	106,956	106,881	14,569	99,716	110,678	1,346,612
8.2	7.7	6.3	6.4	1.1	8.8	8.9	-
75,050	73,897	78,289	79,518	77,103	76,542	79,532	967,662
46,658	47,538	28,667	27,363	(62,534)	23,174	31,145	378,949
3.1	3.0	1.7	1.6	(4.7)	2.0	2.5	-
50,859	53,320	32,312	31,829	(59,608)	22,207	35,241	428,780
34,489	40,652	18,595	10,966	(53,354)	15,423	5,142	62,573
47.89	56.46	25.83	15.24	(74.21)	21.46	7.16	0.08
486,017	565,456	477,504	395,809	367,618	351,287	365,492	4,446,919
1,977,295	2,066,984	1,854,071	1,725,645	1,590,667	1,505,697	1,618,748	19,695,197
674.94	753.78	625.06	516.06	476.12	453.52	474.01	5.76
24.6	26.3	24.3	21.5	21.5	21.6	21.0	-
8.1	7.9	3.7	2.7	-	4.6	1.5	-
20.0	13.5	16.2	31.4	-	17.2	50.4	-
12	12	8	8	8	8	8	0.09
25.1	21.3	31.0	52.5	-	37.3	111.7	-
17,793	20,565	(47,631)	(39,610)	16,156	1,096	65,755	800,040
25,437	53,036	(18,924)	1,699	(12,746)	(33,134)	(1,919)	(23,359)
(53,996)	(38,325)	54,804	62,427	(15,733)	10,611	(48,949)	(595,569)
101,527	139,942	128,537	143,821	132,425	108,999	121,682	1,480,503
13,704	13,743	15,088	15,150	14,476	14,639	12,870	-
						[2,869]	-
241,253	183,454	242,448	314,165	309,706	321,375	320,798	3,903,137
38,512	74,295	85,373	84,649	81,343	87,885	84,316	1,025,871
279,766	257,750	327,822	398,814	391,050	409,260	405,115	4,929,008
0.58	0.47	0.73	1.07	1.14	1.26	1.19	-
3,567	5,482	5,631	4,384	2,445	2,650	3,433	41,769
16,163	13,856	38,959	16,028	9,876	49,043	17,017	207,045
7,206	6,793	6,947	7,269	8,018	8,561	9,093	110,635
10,517	10,340	10,462	10,956	10,534	11,394	11,954	145,454

Analysis of Business Performance, Financial Position and Cash Flows

Overview of the Year Ended March 31, 2012

During the year ended March 31, 2012, gradual recovery in production activity was observed along with restoration from the Great East Japan Earthquake in the Japanese economy. However, with concern over uncertainty of the European economy and limitations on electric power supply domestically, the outlook for the Japanese economy remains uncertain.

Although orders from the public sector showed signs of recovering gradually in response to the effect of a series of supplemental government budgets, and capital expenditures in the private sector were in the process of picking up moderately, the environment for order intake in the Japanese construction market remained challenging throughout the year.

(1) Business Performance

Compared to the previous fiscal year, Obayashi's net sales for the year under review increased 10.1% to approximately ¥1,245.7 billion, owing mainly to an increase in net sales of construction contracts of the Company and its subsidiaries.

On the earnings front, operating income increased by 34.4% year on year to approximately ¥31.1 billion. This was mainly due to a rise in gross profit on construction contracts that resulted from an increase in net sales of construction contracts and an improvement in profit margins on construction projects. Ordinary income increased by 58.7% to roughly ¥35.2 billion. This was mainly due to an improvement in foreign exchange gains, net, in addition to an increase in operating income. Contrastingly, net income decreased by 66.7% to approximately ¥5.1 billion. This was mostly the net result of impairment losses the Company recorded on property, plant and equipment, and the reversal of deferred tax assets accompanying the enactment of laws lowering corporate income tax rates, that was partially offset by a roughly ¥14.1 billion gain on sales of investment securities.

(2) Financial Position

As of the end of the year under review, total assets were up by roughly ¥113.0 billion (7.5%) year on year to approximately ¥1,618.7 billion. The rise was due mainly to an increase in "Notes receivable, accounts receivable from completed construction contracts and other." Total liabilities as of the end of the year under review were up by roughly ¥98.8 billion (8.6%) to approximately ¥1,253.2 billion. This was mainly due to an

increase in "Notes payable, accounts payable for construction contracts and other." The balance of interest-bearing debts at the end of the year under review was down by around ¥4.1 billion (1.0%) to approximately ¥405.1 billion, due mainly to a ¥40.0 billion decline in the balance of "Commercial papers" that outweighed the consolidation of Seiwa Real Estate Co., Ltd., which led to increases in the balance of "Short-term loans payable" and "Long-term loans payable."

Total net assets at the end of the year under review increased by roughly ¥14.2 billion (4.0%) year on year to approximately ¥365.4 billion. This was due mainly to an increase in "Valuation difference on available-for-sale securities" caused by mark-to-market valuation of investment securities.

As a result, the equity ratio at the end of the fiscal year under review was down 0.6 of a percentage point from the end of March 2011, at 21.0%.

(3) Cash Flows

For the year under review, consolidated net cash provided by operating activities was roughly ¥65.7 billion, mainly owing to an improvement in cash flow in the construction business segment, compared with around ¥1.0 billion yen provided in the previous fiscal year. Consolidated net cash used in investment activities was around ¥1.9 billion, mainly due to the purchase of real estate properties for business use, which cancelled the effect of sales of investment securities, compared with approximately ¥33.1 billion used in the previous fiscal year. Consolidated net cash used in financial activities was approximately ¥48.9 billion, mainly owing to redemptions of commercial papers, compared with around ¥10.6 billion provided in the previous fiscal year. Consequently, consolidated cash and cash equivalents increased by roughly ¥12.6 billion to approximately ¥121.6 billion compared with the balance at the end of the previous fiscal year.

Outlook for the Fiscal Year Ending March 31, 2013

Regarding consolidated performance for the full fiscal year ending March 31, 2013, management expects orders received to be ¥1,380 billion (of which the real estate business and other will contribute ¥70 billion), and to achieve net sales of ¥1,400 billion (of which the real estate business and other will contribute ¥105 billion). Management also forecasts



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

Message from the Director in Charge

We expect consolidated performance for the fiscal year ending March 31, 2013 to be net sales of ¥1,400 billion, operating income of ¥34 billion, and net income of ¥11 billion, year-on-year increases of ¥154.2 billion, ¥2.8 billion, and ¥5.8 billion, respectively.

This will be due to growth in completed construction resulting from a recovery in orders at the Obayashi parent and continued strong earnings at newly consolidated Kenaidan Group Ltd. (Canada) and Seiwa Real Estate Co., Ltd., as well as Southeast Asian subsidiaries, led by those in Thailand and Indonesia.

We plan to utilize the funds earned from these business activities for capital investments, mainly in real estate, and to reduce interest-bearing debt. Specifically, we plan to make total capital investments of ¥49 billion, including real estate investments of ¥38 billion, and reduce consolidated interest-bearing debt balances at the end of March 2013 by about ¥15 billion year on year to ¥390 billion. The fiscal year ending March 31, 2013 will be the first year of our newly formulated "Medium-Term Business Plan '12" (p.20), and will be an important year towards attaining targets three years down the road. We will realize a virtuous circle of making investments with profits generated, and generating new profits from those investments, and aim for attainment of target figures, including an operating margin of 3% and ROE of at least 8%.

Note: The forecasts listed above are based on information available as of March 31, 2012. Actual results may differ materially from forecasts due to various factors.

operating income of ¥34 billion, ordinary income of ¥37 billion and net income of ¥11 billion.

Note: The forecasts listed above are based on information available as of March 31, 2012. Actual results may differ materially from forecasts due to various factors.

Basic Policy Regarding the Allocation of Profits and Dividends for the Fiscal Years Ended March 2012 and Ending March 2013

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

In line with its commitment to stable dividend payouts to shareholders, Obayashi will endeavor to maintain a dividend payout ratio of 20% to 30% at the time of improved consolidated performance.

For the fiscal year ended March 31, 2012, Obayashi paid a year-end dividend of ¥4 per share. Combined with the interim dividend of ¥4 per share, the annual dividend applicable to the year ended March 31, 2012 was ¥8 per share.

For the year ending March 31, 2013, the Company plans to pay interim and year-end dividends of ¥4 per share, for an annual dividend of ¥8 per share.

Note: The plans for dividends listed above are based on information available as of March 31, 2012. Actual results may differ materially due to various factors.

Business Risks

Among the matters covered in this report, items that may have a material impact on the decisions of investors include those listed below. The information related to future events as described herein is based on judgments made by the Obayashi Group at the end of the fiscal year under review.

(1) Legal Restrictions on Business

Revisions, abolishment, new implementation or changes in standards for applying laws such as the Construction Business Act, the Building Standards Act, the Building Lots and Buildings Transaction Business Act, the Anti-Monopoly Act, and the Industrial Safety and Health Act, may affect Group performance.

(2) Trends in the Construction Market

Marked downsizing of the construction market due to economic slumps in Japan or abroad may affect Group performance.

(3) Construction Defects and Major Accidents

In the event that a major defect should occur in design or construction, or a major accident should occur and inflict damage on people or structures, the Group's performance and reputation could be affected.

(4) Credit Risk of Business Partners

In the event that a client, subcontractor, or company jointly operating the same project should experience credit uncertainty, it could become impossible to collect funds or cause delays in construction. Such events could have an effect on the Group's performance.

(5) Surge in Prices of Construction Materials, or Difficulties in Their Procurement

If construction materials or equipment were to increase sharply in price or become difficult to obtain, or if serious electricity shortages were to occur, the cost of construction could rise, leading to lower profit margins, or the Group may be required to pay damages due to delays in construction. Such events could have an effect on the Group's performance.

(6) Price Fluctuations of Asset Holdings

If market prices for real estate held for sale, real estate used for business, or investment securities were to decline markedly, the Group's performance could be affected.

(7) Risk Related to Private Finance Initiative Operations

In the course of long-term private finance initiative (PFI) operations, should there be dramatic changes in the operating environment, or a major accident from the standpoint of the Group carrying out its operations, the Group's performance and corporate evaluation could be affected.

(8) Risk Related to Overseas Operations

- 1) The Obayashi Group conducts business activities in countries around the world, including various Asian countries and the United States. Should there be dramatic changes in the operating environment in a country where the Obayashi Group does business, including political destabilization due to terrorism or conflict, changes in economic conditions, significant currency exchange rate fluctuations, or changes to the legal system, the Group's performance could be affected.
- 2) With regards to the unpaid portion of the contract for the construction of an urban transport system in Dubai that was jointly awarded to Obayashi and other companies and completed in August 2011, it was agreed that the Roads and Transport Authority (RTA) of the Government of Dubai, UAE, would pay this in equal monthly installments over 84 months from October 2011 to September 2018, with interest. With regards to this agreement, steps have been taken to protect these receivables, such as concluding a payment guarantee contract with the Government of Dubai, in order to avoid collection risk. However, if significant changes were to occur in Dubai's political or economic conditions, there could be an impact on the Obayashi Group's performance. Payment of the construction contract price by RTA is being made as scheduled based on the contents of the agreement, and the Company's "Accounts receivable from completed construction contracts" (installment amount) from RTA as of the end of March 2012 was US\$526 million (corresponding to approximately ¥43.0 billion).

(9) Risks Related to Deferred Tax Assets

If the need to reverse deferred tax assets was to arise due to fluctuations in estimated future taxable income or revisions in the tax system, such as changes in tax rates, the Group's performance could be affected.

Consolidated Financial Statements

Consolidated Balance Sheets

OBUYASHI CORPORATION
At March 31, 2012 and 2011

	Millions of yen		Thousands of U.S. dollars (Note 2)	
	2012	2011	2012	2011
Assets				
Current assets				
Cash and deposits (Notes 5 and 11)	¥ 121,714	¥ 109,031	\$ 1,480,885	\$ 1,326,572
Notes receivable, accounts receivable from completed construction contracts and other (Notes 5 and 11)	486,544	416,361	5,919,749	5,065,843
Short-term investment securities (Notes 11 and 12)	2,783	3,616	33,869	44,004
Real estate for sale	40,841	24,791	496,910	301,634
Costs on uncompleted construction contracts (Note 5)	48,251	52,822	587,072	642,693
Costs on real estate business	15,093	7,909	183,644	96,229
Inventories for PFI and other projects (Note 5)	65,607	64,928	798,247	789,981
Other inventories	5,393	6,406	65,625	77,949
Deferred tax assets (Note 15)	18,381	27,005	223,641	328,572
Accounts receivable—other (Note 11)	73,192	97,720	890,533	1,188,957
Other	11,222	10,928	136,546	132,965
Allowance for doubtful accounts	(744)	(766)	(9,056)	(9,325)
Total current assets	888,282	820,755	10,807,669	9,986,076
Noncurrent assets				
Property, plant and equipment, net (Note 5)				
Buildings and structures (Note 5)	78,371	79,992	953,537	973,263
Machinery, vehicles, tools, furniture and fixtures (Note 5)	8,493	10,007	103,334	121,760
Land (Note 5)	261,799	266,960	3,185,294	3,248,091
Leased assets	607	1,035	7,389	12,601
Construction in progress	8,915	2,213	108,476	26,929
Total property, plant and equipment, net	358,186	360,209	4,358,032	4,382,645
Intangible assets	6,046	7,127	73,565	86,722
Investments and other assets				
Investment securities (Notes 5, 11 and 12)	264,365	251,196	3,216,512	3,056,287
Long-term loans receivable (Note 5)	3,460	1,035	42,101	12,593
Deferred tax assets (Note 15)	39,854	45,774	484,909	556,931
Other	63,240	24,456	769,444	297,560
Allowance for doubtful accounts	(4,699)	(4,871)	(57,174)	(59,266)
Total investments and other assets	366,221	317,590	4,455,793	3,864,106
Total noncurrent assets	730,454	684,928	8,887,391	8,333,474
Deferred assets	11	14	136	170
Total assets	¥1,618,748	¥1,505,697	\$19,695,197	\$18,319,722

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

	Millions of yen		Thousands of U.S. dollars (Note 2)	
	2012	2011	2012	2011
Liabilities				
Current liabilities				
Notes payable, accounts payable for construction contracts and other (Notes 5 and 11)	¥ 525,536	¥ 429,365	\$ 6,394,162	\$ 5,224,059
Short-term loans payable (Notes 5, 11 and 22)	132,514	97,111	1,612,298	1,181,552
Current portion of PFI and other project finance loans (Notes 5, 11 and 22)	10,676	13,343	129,901	162,345
Commercial papers (Notes 11 and 22)	–	40,000	–	486,677
Current portion of bonds (Notes 11 and 21)	–	10,000	–	121,669
Lease obligations (Note 22)	320	504	3,900	6,142
Income taxes payable	2,391	1,634	29,101	19,885
Deferred tax liabilities	463	831	5,645	10,122
Advances received on uncompleted construction contracts	62,250	60,002	757,402	730,047
Deposits received (Note 11)	69,334	64,327	843,582	782,671
Provision for warranties for completed construction	2,642	1,982	32,150	24,117
Provision for loss on construction contracts (Note 5)	7,374	9,093	89,726	110,640
Other	65,109	59,713	792,188	726,532
Total current liabilities	878,616	787,911	10,690,060	9,586,463
Noncurrent liabilities				
Bonds payable (Notes 11 and 21)	60,000	50,000	730,015	608,346
Long-term loans payable (Notes 5, 11 and 22)	128,284	124,263	1,560,823	1,511,902
PFI and other project finance loans (Notes 5, 11 and 22)	73,639	74,542	895,970	906,950
Lease obligations (Note 22)	225	481	2,749	5,855
Deferred tax liabilities for land revaluation (Note 15)	29,786	34,808	362,405	423,512
Provision for retirement benefits (Note 14)	63,329	64,983	770,530	790,646
Provision for environmental measures	1,032	1,061	12,565	12,910
Other	18,341	16,359	223,156	199,042
Total noncurrent liabilities	374,639	366,498	4,558,217	4,459,167
Total liabilities	1,253,255	1,154,410	15,248,278	14,045,630
Net assets				
Shareholders' equity				
Capital stock	57,752	57,752	702,672	702,672
Capital surplus	41,750	41,750	507,977	507,977
Retained earnings	152,278	151,684	1,852,761	1,845,536
Treasury stock	(1,530)	(1,379)	(18,618)	(16,780)
Total shareholders' equity	250,251	249,808	3,044,793	3,039,406
Accumulated other comprehensive income				
Valuation difference on available-for-sale securities	72,198	59,863	878,435	728,349
Deferred gains (losses) on hedges	(143)	82	(1,750)	1,005
Revaluation reserve for land (Note 5)	23,302	20,446	283,522	248,765
Foreign currency translation adjustments	(5,145)	(4,264)	(62,601)	(51,881)
Total accumulated other comprehensive income	90,212	76,127	1,097,606	926,240
Minority interests	25,028	25,351	304,519	308,444
Total net assets	365,492	351,287	4,446,919	4,274,091
Total liabilities and net assets	¥1,618,748	¥1,505,697	\$19,695,197	\$18,319,722

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

Consolidated Statements of Income

OBAYASHI CORPORATION
For the years ended March 31, 2012 and 2011

	Millions of yen		Thousands of U.S. dollars (Note 2)	
	2012	2011	2012	2011
Net sales:				
Construction contracts (Note 6)	¥1,170,192	¥1,054,945	\$14,237,655	\$12,835,450
Real estate business and other	75,579	76,918	919,572	935,867
Total net sales	1,245,772	1,131,864	15,157,228	13,771,317
Cost of sales:				
Construction contracts (Note 6)	1,073,050	971,301	13,055,733	11,817,756
Real estate business and other (Note 6)	62,043	60,846	754,883	740,312
Total cost of sales	1,135,094	1,032,147	13,810,616	12,558,068
Gross profit:				
Construction contracts	97,142	83,644	1,181,922	1,017,694
Real estate business and other	13,535	16,072	164,689	195,554
Total gross profit	110,678	99,716	1,346,612	1,213,249
Selling, general and administrative expenses (Note 6) . . .	79,532	76,542	967,662	931,281
Operating income	31,145	23,174	378,949	281,967
Other income/(expenses):				
Interest and dividend income	7,403	6,566	90,072	79,899
Foreign exchange gains (losses), net	582	(2,581)	7,085	(31,407)
Interest expense	(3,886)	(3,799)	(47,291)	(46,234)
Gain on sales of investment securities	14,144	8,248	172,091	100,357
Gain on sales of noncurrent assets	350	44	4,261	538
Loss on sales and disposal of noncurrent assets (Note 6) . .	(757)	(586)	(9,213)	(7,130)
Impairment loss (Note 6)	(19,759)	(3,521)	(240,406)	(42,846)
Loss on valuation of investment securities	(2,782)	(4,620)	(33,856)	(56,221)
Expenses for assisting businesses after earthquake	(899)	(135)	(10,938)	(1,642)
Loss on liquidation of subsidiaries and affiliates	(800)	—	(9,733)	—
Cumulative effect on prior years of adopting the accounting standard for asset retirement obligations	—	(1,282)	—	(15,608)
Other, net (Note 6)	(1,144)	(1,463)	(13,925)	(17,808)
Total other income/(expenses)	(7,549)	(3,131)	(91,854)	(38,104)
Income before income taxes and minority interests	23,596	20,043	287,095	243,863
Income taxes (Note 15)				
Income taxes—current	2,960	1,705	36,018	20,749
Income taxes—deferred	14,809	2,917	180,184	35,494
Total income taxes	17,769	4,622	216,203	56,244
Income before minority interests	5,826	15,420	70,892	187,619
Minority interests in earnings (losses) of consolidated subsidiaries	683	(2)	8,318	(35)
Net income	¥ 5,142	¥ 15,423	\$ 62,573	\$ 187,654

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

Consolidated Statements of Comprehensive Income

OBAYASHI CORPORATION
For the years ended March 31, 2012 and 2011

	Millions of yen		Thousands of U.S. dollars (Note 2)	
	2012	2011	2012	2011
Income before minority interests	¥ 5,826	¥ 15,420	\$ 70,892	\$ 187,619
Other comprehensive income				
Valuation difference on available-for-sale securities	12,348	(21,996)	150,245	(267,629)
Deferred gains (losses) on hedges	(197)	35	(2,397)	436
Revaluation reserve for land	4,202	(2,969)	51,135	(36,134)
Foreign currency translation adjustments	(1,862)	(1,338)	(22,660)	(16,290)
Share of other comprehensive income of affiliates accounted for by the equity method	(54)	(7)	(661)	(90)
Total other comprehensive income (Note 7)	14,437	(26,276)	175,661	(319,708)
Comprehensive income	¥20,264	¥(10,856)	\$246,553	\$(132,089)
Comprehensive income attributable to:				
Shareholders	¥20,389	¥(10,531)	\$248,074	\$(128,136)
Minority interests	(124)	(324)	(1,520)	(3,952)

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

Consolidated Statements of Changes in Net Assets

OBAYASHI CORPORATION
For the years ended March 31, 2012 and 2011

	Millions of yen		Thousands of U.S. dollars (Note 2)	
	2012	2011	2012	2011
Shareholders' equity				
Capital stock				
Balance at the beginning of current period	¥ 57,752	¥ 57,752	\$ 702,672	\$ 702,672
Balance at the end of current period	57,752	57,752	702,672	702,672
Capital surplus				
Balance at the beginning of current period	41,750	41,750	507,977	507,977
Balance at the end of current period	41,750	41,750	507,977	507,977
Retained earnings				
Balance at the beginning of current period	151,684	139,176	1,845,536	1,693,355
Dividends from surplus	(5,748)	(5,750)	(69,941)	(69,961)
Net income	5,142	15,423	62,573	187,654
Reversal of revaluation reserve for land	1,199	2,817	14,592	34,281
Effect of change in fiscal year-end of consolidated subsidiaries	-	16	-	205
Balance at the end of current period	152,278	151,684	1,852,761	1,845,536
Treasury stock				
Balance at the beginning of current period	(1,379)	(1,340)	(16,780)	(16,308)
Purchase of treasury stock	(151)	(38)	(1,838)	(471)
Balance at the end of current period	(1,530)	(1,379)	(18,618)	(16,780)
Total shareholders' equity	250,251	249,808	3,044,793	3,039,406
Accumulated other comprehensive income				
Valuation difference on available-for-sale securities				
Balance at the beginning of current period	59,863	81,844	728,349	995,791
Net changes during the period	12,335	(21,981)	150,085	(267,442)
Balance at the end of current period	72,198	59,863	878,435	728,349
Deferred gains (losses) on hedges				
Balance at the beginning of current period	82	(59)	1,005	(723)
Net changes during the period	(226)	142	(2,756)	1,729
Balance at the end of current period	(143)	82	(1,750)	1,005
Revaluation reserve for land				
Balance at the beginning of current period	20,446	26,233	248,765	319,182
Net changes during the period	2,856	(5,787)	34,757	(70,417)
Balance at the end of current period	23,302	20,446	283,522	248,765
Foreign currency translation adjustments				
Balance at the beginning of current period	(4,264)	(3,130)	(51,881)	(38,088)
Net changes during the period	(881)	(1,133)	(10,720)	(13,792)
Balance at the end of current period	(5,145)	(4,264)	(62,601)	(51,881)
Total accumulated other comprehensive income	90,212	76,127	1,097,606	926,240
Minority interests				
Balance at the beginning of current period	25,351	25,390	308,444	308,923
Net changes during the period	(322)	(39)	(3,925)	(478)
Balance at the end of current period	25,028	25,351	304,519	308,444
Total net assets	¥365,492	¥351,287	\$4,446,919	\$4,274,091

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

[Further details](http://www.obayashi.co.jp/english/ir/financial_statements/) Financial Statements http://www.obayashi.co.jp/english/ir/financial_statements/

Consolidated Statements of Cash Flows

OBAYASHI CORPORATION
For the years ended March 31, 2012 and 2011

	Millions of yen		Thousands of U.S. dollars (Note 2)	
	2012	2011	2012	2011
Net cash provided by (used in) operating activities				
Income before income taxes and minority interests	¥ 23,596	¥ 20,043	\$ 287,095	\$ 243,863
Depreciation and amortization	11,954	11,394	145,454	138,639
Impairment loss	19,759	3,521	240,407	42,846
Increase (decrease) in allowance for doubtful accounts	(205)	533	(2,498)	6,494
Increase (decrease) in provision for loss on construction contracts	(1,715)	(16,622)	(20,873)	(202,249)
Increase (decrease) in provision for retirement benefits	(1,720)	(1,152)	(20,930)	(14,026)
Loss (gain) on valuation of short-term and long-term investment securities	2,782	4,620	33,856	56,221
Interest and dividend income	(7,403)	(6,566)	(90,072)	(79,899)
Interest expense	3,886	3,799	47,291	46,234
Loss (gain) on sales of short-term and long-term investment securities	(14,139)	(8,238)	(172,036)	(100,242)
Decrease (increase) in notes and accounts receivable—trade	(71,560)	20,409	(870,668)	248,325
Decrease (increase) in costs on uncompleted construction contracts	4,582	30,034	55,753	365,432
Decrease (increase) in inventories	(3,546)	18,877	(43,149)	229,677
Decrease (increase) in inventories for PFI and other projects	(679)	(5,314)	(8,266)	(64,666)
Decrease (increase) in other assets	(13,220)	(3,425)	(160,849)	(41,676)
Increase (decrease) in notes and accounts payable—trade	96,744	(26,005)	1,177,088	(316,412)
Increase (decrease) in advances received on uncompleted construction contracts	2,514	(35,991)	30,597	(437,906)
Increase (decrease) in other liabilities	8,534	(10,099)	103,844	(122,876)
Other, net	4,110	1,843	50,014	22,424
Subtotal	64,277	1,660	782,057	20,201
Interest and dividend received	7,532	6,443	91,644	78,395
Interest paid	(3,965)	(3,770)	(48,249)	(45,876)
Income taxes (paid) refunded	(2,088)	(3,236)	(25,412)	(39,377)
Net cash provided by (used in) operating activities	65,755	1,096	800,040	13,343
Net cash provided by (used in) investing activities				
Purchase of property, plant and equipment and intangible assets	(17,540)	(48,072)	(213,418)	(584,896)
Proceeds from sales of property, plant and equipment and intangible assets	3,949	969	48,048	11,795
Purchase of short-term and long-term investment securities	(5,433)	(3,232)	(66,108)	(39,330)
Proceeds from sales and redemption of short-term and long-term investment securities	15,626	14,480	190,125	176,188
Payments of loans receivable	(2,579)	(79)	(31,378)	(968)
Collection of loans receivable	177	172	2,156	2,100
Purchase of subsidiaries' shares resulting in change in scope of consolidation	–	(1,805)	–	(21,966)
Proceeds from purchase of subsidiaries' shares resulting in change in scope of consolidation	3,706	16	45,096	194
Other, net	174	4,416	2,119	53,737
Net cash provided by (used in) investing activities	(1,919)	(33,134)	(23,359)	(403,144)
Net cash provided by (used in) financing activities				
Net increase (decrease) in short-term loans payable	14,102	(4,913)	171,585	(59,783)
Net increase (decrease) in commercial papers	(40,000)	(10,000)	(486,677)	(121,669)
Repayments of lease obligations	(626)	(765)	(7,621)	(9,316)
Proceeds from long-term loans payable	43,627	9,700	530,809	118,019
Repayment of long-term loans payable	(56,326)	(13,161)	(685,322)	(160,133)
Proceeds from PFI and other project finance loans payable	9,774	19,459	118,921	236,761
Payment of PFI and other project finance loans payable	(13,343)	(12,917)	(162,345)	(157,162)
Proceeds from issuance of bonds	10,000	40,000	121,669	486,677
Redemption of bonds	(10,000)	(10,000)	(121,669)	(121,669)
Cash dividends paid	(5,748)	(5,750)	(69,941)	(69,961)
Cash dividends paid to minority shareholders	(256)	(998)	(3,122)	(12,153)
Other, net	(152)	(40)	(1,855)	(496)
Net cash provided by (used in) financing activities	(48,949)	10,611	(595,569)	129,112
Effect of exchange rate changes on cash and cash equivalents	(2,202)	(2,000)	(26,791)	(24,334)
Net increase (decrease) in cash and cash equivalents	12,683	(23,426)	154,320	(285,023)
Cash and cash equivalents at beginning of period	108,999	132,425	1,326,183	1,611,206
Cash and cash equivalents at end of period (Note 9)	¥121,682	¥108,999	\$1,480,503	\$1,326,183

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

Notes to Consolidated Financial Statements

OBAYASHI CORPORATION
For the years ended March 31, 2012 and 2011

1. Basis of Presenting Consolidated Financial Statements

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

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

2. U.S. Dollar Amounts

The accounts of the consolidated financial statements presented herein are expressed in Japanese yen by rounding down to the nearest million. The U.S. dollar amounts shown in the accompanying consolidated financial statements and notes thereto were translated from the original Japanese yen into U.S. dollars on the basis of ¥82.19 to US\$1, the rate of exchange prevailing at March 31, 2012, and were then rounded down to the nearest thousand. These U.S. dollar amounts are not intended to imply that the Japanese yen amounts have been or could be converted, realized or settled in U.S. dollars at this or any other rate.

3. Summary of Significant Accounting Policies

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

The Company had 85 subsidiaries at March 31, 2012. The consolidated financial statements as of and for the years ended March 31, 2012 and 2011 included the accounts of the Company and all subsidiaries.

All significant intercompany accounts and transactions are eliminated. Investments in all affiliates (26 companies for 2012) are accounted for by the equity method.

(2) Business year for consolidated subsidiaries

Certain foreign consolidated subsidiaries (29 companies) and a domestic consolidated subsidiary (1 company) have a fiscal year that ends on December 31. Certain foreign consolidated subsidiaries (5 companies) have a fiscal year that ends on February 29. The consolidated financial statements were prepared based on the financial statements as of the same date or provisional settlement based on the latest quarterly financial statements. Necessary adjustments for consolidation were made on significant transactions that took place during the period between the fiscal year-end of the subsidiaries and that of the Company. Consolidated subsidiaries other than those referred to above have the same business year as the Company, which ends on March 31. Kenaidan inc. and its consolidated subsidiaries (4 companies) changed their fiscal year end from November 30 to February 29.

(3) Goodwill

Goodwill is amortized by the straight-line method over a period of 5 years. However, goodwill that is not material is charged to income in the year of acquisition.

Differences between the cost and underlying net equity of investments in affiliates accounted for by the equity method are charged or credited to income as they occur.

(4) Foreign currency translation

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

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

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

(5) Cash equivalents

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

(6) Short-term investment securities and investment securities

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

(7) Inventories

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

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

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

(8) Property, plant and equipment

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

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

(9) Intangible assets

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

(10) Leased assets

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

(11) Allowance for doubtful accounts

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

(12) Provision for warranties for completed construction

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

(13) Provision for loss on construction contracts

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

(14) Provision for retirement benefits

The provision for retirement benefits is provided mainly at an amount calculated based on the projected benefit obligation and the fair value of the pension plan assets, as adjusted for unrecognized actuarial differences and unrecognized prior service cost. Prior service cost (PSC) is amortized by the straight-line method over a period of 10 years which is shorter than the average remaining years of service of the employees, while PSC of certain subsidiaries is expensed as incurred. Actuarial differences are amortized commencing in the year or in the following year after the difference is recognized primarily by the straight-line method over periods (5 years to 10 years) which are shorter than the average remaining years of service of the employees.

(15) Provision for environmental measures

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

(16) Derivatives and hedge accounting

(a) Method of hedge accounting

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

(b) Hedging instruments and hedged items

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

(c) Hedging policy

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

(d) Assessment of hedge effectiveness

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

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

(17) Recognizing revenues and costs of construction contracts

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

(18) Revenues and expenses associated with finance lease transactions

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

(19) Consumption taxes

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

(20) Income taxes

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

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

(21) Consolidated taxation system

Effective the year ended March 31, 2012, the Companies adopted the consolidated taxation system.

4. Additional Information

Application of the “Accounting Standard for Accounting Changes and Error Corrections”

Effective the year ended March 31, 2012, the Companies adopted “Accounting Standard for Accounting Changes and Error Corrections” (ASBJ Statement No. 24, issued on December 4, 2009) and “Guidance on Accounting Standard for Accounting Changes and Error Corrections” (ASBJ Guidance No. 24, issued on December 4, 2009).

5. Notes to Consolidated Balance Sheets

(1) Accumulated depreciation of property, plant and equipment

At March 31	Millions of yen		Thousands of U.S. dollars	
	2012	2011	2012	2011
	¥171,817	¥163,864	\$2,090,488	\$1,993,724

(2) Investments in affiliates

At March 31	Millions of yen		Thousands of U.S. dollars	
	2012	2011	2012	2011
	¥2,957	¥2,948	\$35,982	\$35,876

(3) Revaluation reserve for land

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

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

(4) Pledged assets

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

At March 31	Millions of yen		Thousands of U.S. dollars	
	2012	2011	2012	2011
Assets pledged as collateral:				
Buildings and structures	¥12,516	¥13,140	\$152,291	\$159,883
Machinery, vehicles, tools, furniture and fixtures	174	199	2,125	2,425
Land	10,462	10,624	127,296	129,266
Investment securities	2,593	1,513	31,553	18,414
Long-term loans receivable	65	–	800	–
Total	¥25,813	¥25,478	\$314,068	\$309,990
Liabilities secured thereby:				
Long-term loans payable	¥ 8,423	¥ 9,395	\$102,483	\$114,310
Current portion of long-term loans payable	1,585	2,200	19,290	26,767
Advances received on uncompleted construction contracts	516	–	6,287	–
Total	¥10,525	¥11,595	\$128,062	\$141,078

(5) Contingent liabilities

The Companies were contingently liable for the following:

At March 31	Millions of yen		Thousands of U.S. dollars	
	2012	2011	2012	2011
Guarantees of long-term debt of customers, affiliates and employees	¥1,118	¥1,424	\$13,607	\$17,335
Repurchase obligation for notes receivable sold	306	1,344	3,724	16,363
Transferred notes by endorsement	30	–	365	–

(6) Estimated loss on uncompleted construction contracts

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

At March 31	Millions of yen		Thousands of U.S. dollars	
	2012	2011	2012	2011
	¥322	¥866	\$3,923	\$10,542

(7) Matured notes

As financial institution closed at March 31, 2012, notes included the matured notes.

The matured notes were as follows:

At March 31	Millions of yen		Thousands of U.S. dollars	
	2012	2011	2012	2011
Notes receivable—trade	¥1,326	¥—	\$16,139	\$—
Notes payable—trade	3,162	—	38,476	—

(8) Directly-deducted advanced depreciation

Advanced depreciation for tax purposes was charged directly to the following non-current assets:

	Millions of yen		Thousands of U.S. dollars	
	2012	2011	2012	2011
Buildings and structures	¥22	¥40	\$277	\$497
Machinery, vehicles, tools, furniture and fixtures	—	29	—	363
Total	¥22	¥70	\$277	\$860

(9) PFI and other project finance loans

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

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

At March 31	Millions of yen		Thousands of U.S. dollars	
	2012	2011	2012	2011
Cash and deposits	¥ 8,380	¥ 7,683	\$ 101,964	\$ 93,489
Notes receivable, accounts receivable from completed construction contracts and other	11,228	11,443	136,616	139,232
Inventories for PFI and other projects	65,607	64,928	798,247	789,981
Buildings and structures	5,309	5,559	64,599	67,640
Machinery, vehicles, tools, furniture and fixtures	236	330	2,877	4,019
Land	19	19	236	236
Total	¥90,782	¥89,965	\$1,104,542	\$1,094,600

(10) Commitment lines

The Company has a commitment line agreement with syndicated financial institutions to ensure timely access to funds in case of emergency. At March 31, 2012 and 2011, there were no outstanding balances under the agreement.

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

The total commitment lines available were as follows:

At March 31	Millions of yen		Thousands of U.S. dollars	
	2012	2011	2012	2011
	¥50,000	¥50,000	\$608,346	\$608,346

(11) Covenants on syndicated loan

The Company has entered into a syndicated loan agreement that includes certain financial covenants on net assets and the credit rating of the Company. The outstanding balance payable was ¥13,500 million (US\$164,253 thousand) under long-term loans payable and ¥10,000 million (US\$121,669 thousand) under short-term loans payable at March 31, 2012 and ¥23,500 million (US\$285,922 thousand) under long-term loans payable at March 31, 2011.

6. Notes to Consolidated Statements of Income

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

For the years ended March 31	Millions of yen		Thousands of U.S. dollars	
	2012	2011	2012	2011
	¥933,290	¥860,410	\$11,355,282	\$10,468,557

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

For the years ended March 31	Millions of yen		Thousands of U.S. dollars	
	2012	2011	2012	2011
	¥6,028	¥3,025	\$73,343	\$36,814

(3) Write-down of inventories included in cost of sales on real estate business and other

For the years ended March 31	Millions of yen		Thousands of U.S. dollars	
	2012	2011	2012	2011
	¥2,719	¥98	\$33,093	\$1,192

(4) The major components of “Selling, general and administrative expenses”

For the years ended March 31	Millions of yen		Thousands of U.S. dollars	
	2012	2011	2012	2011
Employees' salaries and allowances	¥31,654	¥31,480	\$385,143	\$383,025
Retirement benefit expenses	2,601	2,809	31,656	34,183
Research study expenses	9,093	8,561	110,635	104,170

(5) Research and development costs included in “Selling, general and administrative expenses”

For the years ended March 31	Millions of yen		Thousands of U.S. dollars	
	2012	2011	2012	2011
	¥9,093	¥8,561	\$110,635	\$104,170

(6) Loss on sales and disposal of noncurrent assets was from the sale of land and buildings and the disposal of structures.

(7) The major components of “Other, net” included in “Other income/(expenses)”

For the years ended March 31	Millions of yen		Thousands of U.S. dollars	
	2012	2011	2012	2011
Other income				
Gain on bad debts recovered	¥ –	¥296	\$ –	\$3,609
Reversal of allowance for doubtful accounts	–	267	–	3,259
Other expenses				
Loss on valuation of art	628	–	7,650	–

(8) Impairment loss

The following table summarizes the impairment losses recognized for the fiscal years ended March 31, 2012 and 2011.

Classification by purpose

Use	2012		
	Type of assets	Location	Number of assets
Real estate for lease	Land, buildings and others	Osaka and others	6
Real estate reclassified as "held for development"	Land, buildings and others	Kanagawa	1
Underutilized real estate and others	Land, buildings and others	Miyagi and others	4

Use	2011		
	Type of assets	Location	Number of assets
Real estate for lease	Land, buildings and others	Kanagawa and others	7
Real estate reclassified as "held for sale"	Land, buildings and others	Fukuoka and others	5
Underutilized real estate	Land, buildings and others	Tokyo and others	2

Breakdown by account

	Millions of yen		Thousands of U.S. dollars	
	2012	2011	2012	2011
Buildings	¥ 370	¥ 482	\$ 4,503	\$ 5,864
Structures	3	7	38	96
Machinery	66	–	805	–
Tools, furniture and fixtures	–	0	–	2
Land	18,091	3,031	220,113	36,882
Construction in progress	1,228	–	14,946	–
Total	¥19,759	¥3,521	\$240,407	\$42,846

Valuation method

The Companies recognize impairment losses for individual items classified as; 1) Real estate for lease; 2) Real estate reclassified as "held for development"; 3) Underutilized real estate; and 4) Real estate reclassified as "held for sale."

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

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

7. Notes to Consolidated Statements of Comprehensive Income

The following table presents reclassification adjustments as amounts reclassified to net income for the year ended March 31, 2012 which were recognized in other comprehensive income for the year ended on or before March 31, 2012, and tax effect allocated to each component of other comprehensive income for the year ended March 31, 2012.

For the years ended March 31	Millions of yen	Thousands of U.S. dollars
	2012	2012
Valuation difference on available-for-sale securities		
Occurred during the year	¥ 9,832	\$119,629
Reclassification adjustments	1,510	18,378
Valuation difference on available-for-sale securities before tax effect	11,342	138,007
Tax effect	1,005	12,238
Valuation difference on available-for-sale securities	12,348	150,245
Deferred gains (losses) on hedges		
Occurred during the year	(379)	(4,617)
Reclassification adjustments	76	930
Deferred gains (losses) on hedges before tax effect	(302)	(3,686)
Tax effect	105	1,289
Deferred gains (losses) on hedges	(197)	(2,397)
Revaluation reserve for land		
Occurred during the year	-	-
Tax effect	4,202	51,136
Revaluation reserve for land	4,202	51,136
Foreign currency translation adjustments		
Occurred during the year	(1,882)	(22,905)
Reclassification adjustments	20	245
Foreign currency translation adjustments	(1,862)	(22,660)
Share of other comprehensive income of affiliates accounted for by the equity method		
Occurred during the year	(54)	(662)
Share of other comprehensive income of affiliates accounted for by the equity method	(54)	(662)
Total other comprehensive income	¥14,437	\$175,661

8. Notes to Consolidated Statements of Changes in Net Assets

(1) Type and number of outstanding shares

For the year ended March 31, 2012

Type of shares	Number of shares			
	Balance at beginning of year	Increase in shares during the year	Decrease in shares during the year	Balance at end of year
Issued stock:				
Common stock	721,509,646	-	-	721,509,646
Treasury stock:				
Common stock	2,825,344	418,996	-	3,244,340

Note: Treasury stock increased by 418,996 shares due to the repurchase of shares less than one unit by 184,992 and the purchase of shares from missing shareholders by 234,004.

For the year ended March 31, 2011

Type of shares	Number of shares			
	Balance at beginning of year	Increase in shares during the year	Decrease in shares during the year	Balance at end of year
Issued stock:				
Common stock	721,509,646	-	-	721,509,646
Treasury stock:				
Common stock	2,723,032	102,312	-	2,825,344

Note: Treasury stock increased by 102,312 shares due to the repurchase of shares less than one unit.

(2) Dividends

(a) Dividends paid to shareholders

For the year ended March 31, 2012

Resolution approved by	Type of shares	Amount		Amount per share		Shareholders' cut-off date	Effective date
		Millions of yen	Thousands of U.S. dollars	Yen	U.S. dollars		
Annual General Meeting of Shareholders (June 28, 2011)	Common stock	¥2,874	\$34,976	¥4	\$0.04	March 31, 2011	June 29, 2011
Board of Directors (November 9, 2011)	Common stock	¥2,873	\$34,964	¥4	\$0.04	September 30, 2011	December 9, 2011

For the year ended March 31, 2011

Resolution approved by	Type of shares	Amount		Amount per share		Shareholders' cut-off date	Effective date
		Millions of yen	Thousands of U.S. dollars	Yen	U.S. dollars		
Annual General Meeting of Shareholders (June 25, 2010)	Common stock	¥2,875	\$34,981	¥4	\$0.04	March 31, 2010	June 28, 2010
Board of Directors (November 9, 2010)	Common stock	¥2,874	\$34,979	¥4	\$0.04	September 30, 2010	December 10, 2010

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

For the year ended March 31, 2012

Resolution approved by	Type of shares	Amount		Paid from	Amount per share		Shareholders' cut-off date	Effective date
		Millions of yen	Thousands of U.S. dollars		Yen	U.S. dollars		
Annual General Meeting of Shareholders (June 28, 2012)	Common stock	¥2,873	\$34,956	Retained earnings	¥4	\$0.04	March 31, 2012	June 29, 2012

For the year ended March 31, 2011

Resolution approved by	Type of shares	Amount		Paid from	Amount per share		Shareholders' cut-off date	Effective date
		Millions of yen	Thousands of U.S. dollars		Yen	U.S. dollars		
Annual General Meeting of Shareholders (June 28, 2011)	Common stock	¥2,874	\$34,976	Retained earnings	¥4	\$0.04	March 31, 2011	June 29, 2011

(3) Shareholders' equity

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

9. Notes to Consolidated Statements of Cash Flows

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

At March 31	Millions of yen		Thousands of U.S. dollars	
	2012	2011	2012	2011
Cash and deposits	¥121,714	¥109,031	\$1,480,885	\$1,326,572
Time deposits with a maturity of more than three months	(31)	(32)	(382)	(389)
Cash and cash equivalents at end of period	¥121,682	¥108,999	\$1,480,503	\$1,326,183

10. Lease Transactions

Operating leases

(a) Lessee's accounting

Future minimum payments under non-cancelable lease contracts at March 31, 2012 and 2011, were as follows:

At March 31	Millions of yen		Thousands of U.S. dollars	
	2012	2011	2012	2011
Within 1 year	¥1,184	¥ 861	\$14,413	\$10,483
Over 1 year	1,376	938	16,744	11,419
Total	¥2,560	¥1,800	\$31,158	\$21,902

(b) Lessor's accounting

Future minimum receivables under non-cancelable lease contracts at March 31, 2012 and 2011, were as follows:

At March 31	Millions of yen		Thousands of U.S. dollars	
	2012	2011	2012	2011
Within 1 year	¥2,212	¥ 2,172	\$ 26,915	\$ 26,437
Over 1 year	7,265	9,124	88,404	111,016
Total	¥9,478	¥11,297	\$115,320	\$137,454

11. Financial instruments

(1) Overview

(a) Policy for financial instruments

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

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

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

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

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

“Short-term loans payable,” “Long-term loans payable,” “Commercial paper” and “Bonds payable” are used for operations or capital investment. “PFI and other project finance loans” are used for enterprise funds related to particular PFI projects and other. The floating rate loans are exposed to fluctuation in interest rates. In order to hedge against the interest rate risks and fix the payment of interest, the Companies utilize derivative transactions (interest rate swaps) for each contract of certain long-term loans payable. The evaluation of hedge effectiveness is omitted for interest rate swaps as they meet certain criteria under the short-cut method. The transactions of derivative financial instruments are carried out in accordance with the Companies’ internal rules, and the status of the transactions is reported regularly to the Board of Directors. The Companies trade derivative transactions with major financial institutions and therefore consider there is no credit risk underlying those transactions.

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

(c) Supplementary explanation of fair values of financial instruments

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

(2) Fair value of financial instruments

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

At March 31, 2012	Millions of yen			Thousands of U.S. dollars		
	Carrying value	Fair value	Difference	Carrying value	Fair value	Difference
Assets						
Cash and deposits	¥121,714	¥ 121,714	¥ –	\$ 1,480,885	\$ 1,480,885	\$ –
Notes receivable, accounts receivable from completed construction contracts and other	486,544	486,959	414	5,919,749	5,924,797	5,047
Short-term investment securities and investment securities	244,060	244,070	10	2,969,467	2,969,593	125
Accounts receivable—other . . .	73,192	73,192	–	890,533	890,533	–
Subtotal	¥925,511	¥ 925,936	¥ 425	\$11,260,636	\$11,265,809	\$ 5,172
Liabilities						
Notes payable, accounts payable for construction contracts and other	¥525,536	¥ 525,536	¥ –	\$ 6,394,162	\$ 6,394,162	\$ –
Short-term loans payable	132,514	132,514	–	1,612,298	1,612,298	–
Current portion of PFI and other project finance loans	10,676	10,676	–	129,901	129,901	–
Commercial papers	–	–	–	–	–	–
Current portion of bonds	–	–	–	–	–	–
Deposits received	69,334	69,334	–	843,582	843,582	–
Bonds payable	60,000	60,195	195	730,015	732,396	2,380
Long-term loans payable	128,284	129,444	1,160	1,560,823	1,574,941	14,118
PFI and other project finance loans	73,639	77,526	3,886	895,970	943,262	47,292
Subtotal	¥999,985	¥1,005,228	¥5,242	\$12,166,754	\$12,230,545	\$63,791
Derivative transactions ^(*)	¥ (263)	¥ (263)	¥ –	\$ (3,207)	\$ (3,207)	\$ –

At March 31, 2011	Millions of yen			Thousands of U.S. dollars		
	Carrying value	Fair value	Difference	Carrying value	Fair value	Difference
Assets						
Cash and deposits	¥109,031	¥109,031	¥ –	\$ 1,326,572	\$ 1,326,572	\$ –
Notes receivable, accounts receivable from completed construction contracts and other	416,361	416,632	270	5,065,843	5,069,136	3,292
Short-term investment securities and investment securities	231,631	231,630	(0)	2,818,241	2,818,236	(4)
Accounts receivable—other . . .	97,720	97,720	–	1,188,957	1,188,957	–
Subtotal	¥854,744	¥855,014	¥ 270	\$10,399,614	\$10,402,902	\$ 3,287
Liabilities						
Notes payable, accounts payable for construction contracts and other	¥429,365	¥429,365	¥ –	\$ 5,224,059	\$ 5,224,059	\$ –
Short-term loans payable	97,111	97,111	–	1,181,552	1,181,552	–
Current portion of PFI and other project finance loans	13,343	13,343	–	162,345	162,345	–
Commercial papers	40,000	40,000	–	486,677	486,677	–
Current portion of bonds	10,000	10,000	–	121,669	121,669	–
Deposits received	64,327	64,327	–	782,671	782,671	–
Bonds payable	50,000	49,725	(274)	608,346	605,005	(3,340)
Long-term loans payable	124,263	125,811	1,547	1,511,902	1,530,734	18,831
PFI and other project finance loans	74,542	77,508	2,966	906,950	943,040	36,090
Subtotal	¥902,953	¥907,193	¥4,239	\$10,986,174	\$11,037,755	\$51,580
Derivative transactions ^(*)	¥ 79	¥ 79	¥ –	\$ 968	\$ 968	\$ –

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

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

Assets

Cash and deposits

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

Notes receivable, accounts receivable from completed construction contracts and other

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

Short-term investment securities and investment securities

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

Information on securities classified by holding purpose is disclosed in Note 12 "Securities."

Accounts receivable—other

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

Liabilities

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

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

The carrying value is the same as fair value.

Bonds payable

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

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

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

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

Derivatives

See Note 13 "Derivative Transactions."

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

	Millions of yen		Thousands of U.S. dollars	
	2012	2011	2012	2011
Non-listed stocks	¥18,476	¥18,718	\$224,798	\$227,748
Non-listed preferred equity securities	933	740	11,351	9,003
Investments in silent partnership	721	774	8,781	9,422
Stocks of affiliates	2,918	2,910	35,512	35,416
Investments in capital of affiliates	38	37	470	459
Total	¥23,088	¥23,181	\$280,914	\$282,051

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

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

	Millions of yen			
	Due in 1 year or less	Due after 1 year through 5 years	Due after 5 years through 10 years	Due after 10 years
At March 31, 2012				
Cash and deposits				
Deposits	¥120,966	¥ -	¥ -	¥ -
Notes receivable, accounts receivable from completed construction contracts and other	433,614	37,006	11,836	4,086
Short-term investment securities and investment securities				
Held-to-maturity securities				
Government bonds and municipal bonds	-	49	410	-
Corporate bonds	6	45	6	-
Accounts receivable—other	73,192	-	-	-
Total	¥627,781	¥37,100	¥12,253	¥4,086

	Thousands of U.S. dollars			
	Due in 1 year or less	Due after 1 year through 5 years	Due after 5 years through 10 years	Due after 10 years
At March 31, 2012				
Cash and deposits				
Deposits	\$1,471,795	\$ -	\$ -	\$ -
Notes receivable, accounts receivable from completed construction contracts and other	5,275,762	450,251	144,018	49,716
Short-term investment securities and investment securities				
Held-to-maturity securities				
Government bonds and municipal bonds	-	603	4,995	-
Corporate bonds	76	547	76	-
Accounts receivable—other	890,533	-	-	-
Total	\$7,638,168	\$451,403	\$149,090	\$49,716

	Millions of yen			
	Due in 1 year or less	Due after 1 year through 5 years	Due after 5 years through 10 years	Due after 10 years
At March 31, 2011				
Cash and deposits				
Deposits	¥108,807	¥ -	¥ -	¥ -
Notes receivable, accounts receivable from completed construction contracts and other	356,954	39,901	15,039	4,466
Short-term investment securities and investment securities				
Held-to-maturity securities				
Government bonds and municipal bonds	49	-	289	-
Corporate bonds	762	35	12	-
Accounts receivable—other	97,720	-	-	-
Total	¥564,294	¥39,936	¥15,341	¥4,466

	Thousands of U.S. dollars			
	Due in 1 year or less	Due after 1 year through 5 years	Due after 5 years through 10 years	Due after 10 years
At March 31, 2011				
Cash and deposits				
Deposits	\$1,323,857	\$ -	\$ -	\$ -
Notes receivable, accounts receivable from completed construction contracts and other	4,343,035	485,476	182,986	54,345
Short-term investment securities and investment securities				
Held-to-maturity securities				
Government bonds and municipal bonds	607	-	3,520	-
Corporate bonds	9,274	425	152	-
Accounts receivable—other	1,188,957	-	-	-
Total	\$6,865,732	\$485,902	\$186,658	\$54,345

Note 4. Redemption schedule for bonds, long-term loans payable, lease obligations and other interest bearing debts at March 31, 2012

See Note 21 "Corporate bonds" and Note 22 "Loans."

12. Securities

(a) Held-to-maturity debt securities

	Millions of yen			Thousands of U.S. dollars		
	Carrying value	Estimated fair value	Unrealized gain/(loss)	Carrying value	Estimated fair value	Unrealized gain/(loss)
At March 31, 2012						
Securities whose fair value exceeds their carrying value:						
Government bonds and municipal bonds	¥402	¥412	¥10	\$4,892	\$5,021	\$129
Securities whose carrying value exceeds their fair value:						
Government bonds and municipal bonds	58	57	(0)	706	703	(3)
Corporate bonds	57	57	—	699	699	—
Subtotal	115	115	(0)	1,406	1,402	(3)
Total	¥517	¥528	¥10	\$6,299	\$6,424	\$125

	Millions of yen			Thousands of U.S. dollars		
	Carrying value	Estimated fair value	Unrealized gain/(loss)	Carrying value	Estimated fair value	Unrealized gain/(loss)
At March 31, 2011						
Securities whose fair value exceeds their carrying value:						
Government bonds and municipal bonds	¥ 171	¥ 172	¥0	\$ 2,087	\$ 2,098	\$ 11
Securities whose carrying value exceeds their fair value:						
Government bonds and municipal bonds	167	166	(1)	2,040	2,024	(16)
Corporate bonds	809	809	—	9,852	9,852	—
Subtotal	977	976	(1)	11,893	11,876	(16)
Total	¥1,149	¥1,148	¥(0)	\$13,980	\$13,975	\$ (4)

(b) Other securities

	Millions of yen			Thousands of U.S. dollars		
	Carrying value	Acquisition cost	Unrealized gain/(loss)	Carrying value	Acquisition cost	Unrealized gain/(loss)
At March 31, 2012						
Securities whose carrying value exceeds their acquisition cost:						
Stock	¥214,130	¥ 96,035	¥118,095	\$2,605,306	\$1,168,452	\$1,436,854
Other	229	224	5	2,797	2,734	62
Subtotal	214,360	96,259	118,100	2,608,104	1,171,186	1,436,917
Securities whose acquisition cost exceeds their carrying value:						
Stock	26,599	32,315	(5,716)	323,633	393,185	(69,551)
Other	2,583	2,603	(20)	31,430	31,679	(248)
Subtotal	29,182	34,919	(5,736)	355,063	424,864	(69,800)
Total	¥243,542	¥131,179	¥112,363	\$2,963,168	\$1,596,051	\$1,367,116

It is extremely difficult to determine the fair values for non-listed stocks and non-listed preferred equity securities (carrying value ¥20,130 million (US\$244,931 thousand)), since they have no quoted market prices available. Thus, they are not included in "Other securities" above.

At March 31, 2011	Millions of yen			Thousands of U.S. dollars		
	Carrying value	Acquisition cost	Unrealized gain/(loss)	Carrying value	Acquisition cost	Unrealized gain/(loss)
Securities whose carrying value exceeds their acquisition cost:						
Stock	¥201,415	¥ 92,445	¥108,969	\$2,450,603	\$1,124,778	\$1,325,824
Other	179	174	4	2,178	2,118	59
Subtotal	201,594	92,619	108,974	2,452,781	1,126,896	1,325,884
Securities whose acquisition cost exceeds their carrying value:						
Stock	26,209	34,141	(7,932)	318,889	415,398	(96,509)
Other	2,678	2,697	(19)	32,590	32,825	(234)
Subtotal	28,888	36,839	(7,951)	351,479	448,224	(96,744)
Total	¥230,482	¥129,459	¥101,023	\$2,804,261	\$1,575,121	\$1,229,140

It is extremely difficult to determine the fair values for non-listed stocks and non-listed preferred equity securities (carrying value ¥20,233 million (US\$246,175 thousand)), since they have no quoted market prices available. Thus, they are not included in "Other securities" above.

(c) Sales of securities classified as other securities

For the year ended March 31, 2012	Millions of yen			Thousands of U.S. dollars		
	Sales proceeds	Aggregate gain	Aggregate loss	Sales proceeds	Aggregate gain	Aggregate loss
Stock	¥14,427	¥14,141	¥8	\$175,543	\$172,056	\$97
Other	9	2	-	109	34	-
Total	¥14,436	¥14,144	¥8	\$175,653	\$172,091	\$97

Non-listed stocks, for which fair value was extremely difficult to determine, are included in "Stock" above. (Sales proceeds: ¥14,279 million (US\$173,732 thousand), aggregate gain: ¥14,112 million (US\$171,700 thousand) and aggregate loss: ¥8 million (US\$97 thousand))

For the year ended March 31, 2011	Millions of yen			Thousands of U.S. dollars		
	Sales proceeds	Aggregate gain	Aggregate loss	Sales proceeds	Aggregate gain	Aggregate loss
Stock	¥12,358	¥8,244	¥8	\$150,370	\$100,304	\$100
Other	393	4	1	4,784	59	16
Total	¥12,752	¥8,248	¥9	\$155,154	\$100,364	\$116

Non-listed stocks, for which fair value was extremely difficult to determine, are included in "Stock" above. (Sales proceeds: ¥61 million (US\$744 thousand), aggregate gain: ¥0 million (US\$4 thousand) and aggregate loss: ¥0 million (US\$4 thousand))

(d) Write down of securities

For the year ended March 31	Millions of yen		Thousands of U.S. dollars	
	2012	2011	2012	2011
Other stocks	¥2,782	¥4,620	\$33,856	\$56,221
Non-listed stocks included in "Other stocks" above	¥1,242	¥ 53	\$15,121	\$ 656

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

13. Derivative Transactions

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

Currency-related transactions

	Millions of yen				Thousands of U.S. dollars			
	Contract amount	Contract amount of more than 1 year	Estimated fair value	Unrealized loss	Contract amount	Contract amount of more than 1 year	Estimated fair value	Unrealized loss
At March 31, 2012								
Foreign exchange forward contract								
Sell								
EURO	¥ 122	¥ 122	¥ (0)	¥ (0)	\$ 1,488	\$ 1,488	\$ (6)	\$ (6)
Buy								
EURO	1,475	1,000	(16)	(16)	17,952	12,166	(200)	(200)
US\$	502	496	(20)	(20)	6,118	6,037	(254)	(254)
AUS\$	380	327	(6)	(6)	4,634	3,984	(77)	(77)
JPY	96	81	(8)	(8)	1,172	989	(99)	(99)
Total	¥2,578	¥2,027	¥(52)	¥(52)	\$31,368	\$24,667	\$(638)	\$(638)

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

Compound financial instruments

	Millions of yen				Thousands of U.S. dollars			
	Contract amount	Contract amount of more than 1 year	Estimated fair value	Unrealized loss	Contract amount	Contract amount of more than 1 year	Estimated fair value	Unrealized loss
At March 31, 2012								
Derivative-embedded deposits :								
(Special policy of cancellation before expiry date/ Condition fulfillment type deposits) . . .								
	¥300	¥300	¥(39)	¥(39)	\$3,650	\$3,650	\$(483)	\$(483)

	Millions of yen				Thousands of U.S. dollars			
	Contract amount	Contract amount of more than 1 year	Estimated fair value	Unrealized loss	Contract amount	Contract amount of more than 1 year	Estimated fair value	Unrealized loss
At March 31, 2011								
Derivative-embedded deposits :								
(Special policy of cancellation before expiry date/ Condition fulfillment type deposits) . . .								
	¥300	¥300	¥(54)	¥(54)	\$3,650	\$3,650	\$(659)	\$(659)

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

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

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

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

		Millions of yen			Thousands of U.S. dollars		
		Contract amount	Contract amount of more than 1 year	Estimated fair value	Contract amount	Contract amount of more than 1 year	Estimated fair value
At March 31, 2012	Hedged item						
Benchmark method :							
Foreign exchange forward contract (Buy US\$)	Imports of materials (Forecasted transaction)	¥ 85	¥-	¥0	\$ 1,038	\$-	\$5
Translated at the contracted rate :							
Foreign exchange forward contract (Sell US\$)	Accounts payable for construction contracts	7,561	-	[*]	92,000	-	[*]
Total		¥7,646	¥-	¥0	\$93,038	\$-	\$5

		Millions of yen			Thousands of U.S. dollars		
		Contract amount	Contract amount of more than 1 year	Estimated fair value	Contract amount	Contract amount of more than 1 year	Estimated fair value
At March 31, 2011	Hedged item						
Benchmark method :							
Foreign exchange forward contract (Buy US\$)	Accounts payable for construction contracts	¥4,755	¥-	¥231	\$ 57,853	\$-	\$2,814
Translated at the contracted rate :							
Foreign exchange forward contract (Buy US\$)	Short-term loans payable	4,007	-	[*]	48,754	-	[*]
Total		¥8,762	¥-	¥231	\$106,608	\$-	\$2,814

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

[*] Since the foreign exchange forward contract, which is translated at the contract amount, is treated with accounts payable for construction contracts or short-term loans payable, the fair value of the contract is included in the fair value of Accounts payable for construction contracts or short-term loans payable.

Interest-related transactions

		Millions of yen			Thousands of U.S. dollars		
		Contract amount	Contract amount of more than 1 year	Estimated fair value	Contract amount	Contract amount of more than 1 year	Estimated fair value
At March 31, 2012	Hedged item						
Benchmark method :							
Interest rate swaps: Payment fixed/ Receive floating	PFI and other project finance loans (Forecasted transaction).	¥11,490	¥11,490	¥(136)	\$ 139,798	\$139,798	\$(1,660)
Short-cut method :							
Interest rate swaps: Payment fixed/ Receive floating	Long-term loans payable.	60,045	40,899	[*1]	730,565	497,617	[*1]
	PFI and other project finance loans.	3,995	3,530	[*1]	48,613	42,956	[*1]
	PFI and other project finance loans as of affiliate company's [*2]	3,531	354	(21)	42,961	4,311	(258)
Interest rate swaps: Payment floating/ Receive fixed	PFI and other project finance loans as of affiliate company's [*2]	3,531	354	22	42,961	4,311	273
Total		¥82,592	¥56,628	¥(135)	\$1,004,900	\$688,995	\$(1,645)

At March 31, 2011	Hedged item	Millions of yen			Thousands of U.S. dollars		
		Contract amount	Contract amount of more than 1 year	Estimated fair value	Contract amount	Contract amount of more than 1 year	Estimated fair value
Benchmark method :							
Interest rate swaps: Payment fixed/ Receive floating	PFI and other project finance loans (Forecasted transaction).	¥11,490	¥11,490	¥(97)	\$139,798	\$139,798	\$(1,185)
Short-cut method :							
Interest rate swaps: Payment fixed/ Receive floating	Long-term loans payable.	42,111	38,721	[*1]	512,361	471,115	[*1]
	PFI and other project finance loans.	5,599	3,995	[*1]	68,123	48,613	[*1]
	PFI and other project finance loans as of affiliate company's ^[*2]	4,057	3,531	(69)	49,365	42,961	(845)
Interest rate swaps: Payment floating/ Receive fixed	PFI and other project finance loans as of affiliate company's ^[*2]	4,057	3,531	76	49,365	42,961	928
Total		¥67,314	¥61,268	¥(90)	\$819,014	\$745,450	\$(1,102)

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

[*1] Since these interest rate swaps, which are not remeasured at market value but the differential paid or received under the swap agreements is charged to income, are treated with long-term loans payable or PFI and other project finance loans payable, the fair values of the contracts are included in the fair value of long-term loans payable or PFI and other project finance loans payable presented in Note 11 "Financial Instruments (2) Fair values of financial instruments."

[*2] Since these interest rate swaps, which are not remeasured at market value but the differential paid or received under the swap agreements is charged to income, and borrowings held by affiliates are not accounted for in the consolidated balance sheets, the fair values of the contracts are not included in the fair value of derivative transactions presented in Note 11 "Financial Instruments (2) Fair values of financial instruments."

14. Retirement Benefit Plans

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

The following tables show the funded and accrued status of the plans and the amounts recognized in the consolidated balance sheets at March 31, 2012 and 2011 of the Company and its domestic subsidiaries.

At March 31	Millions of yen		Thousands of U.S. dollars	
	2012	2011	2012	2011
Projected benefit obligations	¥(137,064)	¥(141,660)	\$(1,667,651)	\$(1,723,574)
Plan assets at fair value	66,753	67,566	812,185	822,073
Unfunded projected benefit obligations	(70,310)	(74,094)	(855,466)	(901,500)
Unrecognized actuarial loss	6,923	9,162	84,240	111,480
Unrecognized prior service cost	260	(51)	3,170	(626)
Amount reported on the consolidated balance sheet	(63,126)	(64,983)	(768,054)	(790,646)
Prepaid pension costs	203	-	2,476	-
Provision for retirement benefits	¥ (63,329)	¥ (64,983)	\$ (770,530)	\$ (790,646)

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

The components of retirement benefit expenses for the years ended March 31, 2012 and 2011 are outlined as follows:

For the years ended March 31	Millions of yen		Thousands of U.S. dollars	
	2012	2011	2012	2011
Service cost	¥ 4,823	¥ 4,868	\$ 58,682	\$ 59,230
Interest cost	3,507	3,640	42,677	44,297
Expected return on plan assets	(1,680)	(1,723)	(20,443)	(20,971)
Amortization of actuarial differences	2,575	3,255	31,333	39,611
Amortization of prior service cost	20	(45)	254	(555)
Total	¥ 9,246	¥ 9,995	\$112,505	\$121,611

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

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

At March 31	2012	2011
Method of attributing the projected benefit obligations to periods of service	Straight-line basis	Straight-line basis
Discount rate	1.8% or 2.5%	1.8% or 2.5%
Expected rate of return on plan assets	1.8% or 2.5%	1.8% or 2.5%
Amortization period for prior service cost	10 years (Prior service cost (PSC) is amortized by the straight-line method over a period of 10 years, which is shorter than the average remaining years of service of the employees, while PSC of certain subsidiaries is expensed as incurred.)	10 years (Prior service cost (PSC) is amortized by the straight-line method over a period of 10 years, which is shorter than the average remaining years of service of the employees, while PSC of certain subsidiaries is expensed as incurred.)
Amortization period for actuarial differences	5 to 10 years (Actuarial differences are amortized commencing in the year or in the following year after the difference is recognized primarily by the straight-line method over periods (5 years to 10 years) which are shorter than the average remaining years of service of the employees.)	5 to 10 years (Actuarial differences are amortized commencing in the year or in the following year after the difference is recognized primarily by the straight-line method over periods (5 years to 10 years) which are shorter than the average remaining years of service of the employees.)

15. Deferred Tax Accounting

The major components of deferred tax assets and liabilities at March 31, 2012 and 2011 are summarized as follows:

At March 31	Millions of yen		Thousands of U.S. dollars	
	2012	2011	2012	2011
Deferred tax assets:				
Tax loss carryforwards	¥ 39,048	¥ 54,975	\$ 475,097	\$ 668,881
Impairment loss	24,045	15,935	292,555	193,888
Provision for retirement benefits	23,449	26,322	285,314	320,267
Loss on valuation of real estate for sale	3,131	3,051	38,102	37,127
Provision for loss on construction contracts	2,764	3,653	33,639	44,452
Unrealized profit on inventories	1,004	1,213	12,216	14,764
Other	21,047	25,224	256,084	306,903
	114,491	130,376	1,393,011	1,586,285
Valuation allowance	(14,162)	(14,346)	(172,312)	(174,554)
Total deferred tax assets	100,329	116,030	1,220,699	1,411,731
Deferred tax liabilities:				
Valuation difference on available-for-sale securities	(39,776)	(40,781)	(483,952)	(496,190)
Reserve for advanced depreciation of noncurrent assets	(1,829)	(1,827)	(22,256)	(22,229)
Other	(952)	(1,473)	(11,584)	(17,929)
Total deferred tax liabilities	(42,557)	(44,082)	(517,794)	(536,350)
Net deferred tax assets	¥ 57,771	¥ 71,947	\$ 702,905	\$ 875,381

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

At March 31	Millions of yen		Thousands of U.S. dollars	
	2012	2011	2012	2011
Current assets—Deferred tax assets	¥18,381	27,005	\$223,641	\$328,572
Noncurrent assets—Deferred tax assets	39,854	45,774	484,909	556,931
Current liabilities—Deferred tax liabilities	(463)	(831)	(5,645)	(10,122)

In addition to the above, the Companies recognized deferred tax liabilities of ¥29,786 million (US\$362,405 thousand) and ¥34,808 million (US\$423,512 thousand) related to reserve for land revaluation at March 31, 2012 and 2011, respectively.

A reconciliation between the statutory tax rates and the effective tax rates for the years ended March 31, 2012 and 2011 are summarized as follows:

For the years ended March 31	2012	2011
Statutory tax rate	40.5%	40.5%
Reconciliation:		
Effect of unrecognized deferred taxes on subsidiaries—losses	3.2	5.7
Permanent non-deductible items	4.6	6.9
Permanent non-taxable items	(5.5)	(6.1)
Per-capita inhabitant tax	1.7	2.0
Decrease in valuation allowance	(6.6)	(23.3)
Change in tax rate	37.9	—
Other	(0.5)	(2.6)
Effective tax rates	75.3%	23.1%

The “Act for Partial Revision of the Income Tax Act etc. for the Purpose of Creating Taxation System Responding to Changes in Economic and Social Structures” (Act No. 114 of 2011) and the “Act on Special Measures for Securing Financial Resources Necessary to Implement Measures for Reconstruction following the Great East Japan Earthquake” (Act No. 117 of 2011) were promulgated on December 2, 2011 and the staged reduction of the national corporate tax rate and a special reconstruction corporate tax will apply to corporate taxes effective fiscal years beginning on or after April 1, 2012.

As a result, the statutory corporate tax rate used to measure the Companies’ deferred tax assets and liabilities was changed from 40.5% to 37.8% for temporary differences expected to reverse and tax loss carryforward expected to be utilized in the fiscal years beginning on or after April 1, 2012 to on or after April 1, 2014

and from 40.5% to 35.5% for temporary differences expected to reverse and tax loss carryforward expected to be utilized in the fiscal years beginning on or after April 1, 2015. The effect of the reduction of the statutory corporate tax rate was to decrease deferred tax assets, net by ¥3,337 million (\$40,603 thousand) and increase deferred income taxes by ¥8,932 million (\$108,681 thousand) as of and for the year ended March 31, 2012.

16. Asset Retirement Obligations

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

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

At March 31	Millions of yen		Thousands of U.S. dollars	
	2012	2011	2012	2011
(1) Estimated total unrefundable deposits	¥4,138	¥4,107	\$50,349	\$49,972

(2) Estimated period of use

7–38 years from the initial day of the contract

17. Investment and Rental Properties

(1) For the year ended March 31, 2012

The Company and certain of its subsidiaries hold office buildings (including land), lands for redevelopment projects, etc., mainly in Tokyo and Osaka. Profit and impairment loss from these real estate properties for the year ended March 31, 2012 were ¥7,438 million (US\$90,502 thousand) and ¥19,415 million (US\$236,229 thousand) respectively. Sales and costs on real estate are recorded as “Net sales on real estate business and other” and “Cost of sales on real estate business and other” respectively. Impairment loss is included in “Other income/(expenses).”

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

	Thousands of U.S. dollars	
	Millions of yen	2012
Carrying value		
At the beginning of current period	¥220,950	\$2,688,291
Increase (decrease)—net	1,345	16,370
At the end of current period	¥222,296	\$2,704,662
Fair value at the end of current period	¥258,239	\$3,141,984

- The carrying value represents the acquisition cost less the accumulated depreciation.
- “Increase (decrease)—net” mainly consists of investment and rental properties of new consolidated company in the amount of ¥19,180 million (US\$233,373 thousand) and impairment loss in the amount of ¥19,415 million (US\$236,229 thousand).
- Fair value at March 31, 2012 was estimated in accordance with the “Real estate evaluation standards,” and was adjusted using official indices.

(2) For the year ended March 31, 2011

The Company and certain of its subsidiaries hold office buildings (including land), lands for redevelopment projects, etc., mainly in Tokyo and Osaka. Profit and impairment loss from these real estate properties for the year ended March 31, 2011 were ¥7,045 million (US\$85,724 thousand) and ¥2,771 million (US\$33,724 thousand) respectively. Sales and costs on real estate are recorded as “Net sales on real estate business and other” and “Cost of sales on real estate business and other” respectively. Impairment loss is included in “Other income/(expenses).”

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

	Millions of yen	Thousands of U.S. dollars
	2011	2011
Carrying value		
At the beginning of current period	¥183,477	\$2,232,354
Increase (decrease)—net	37,473	455,937
At the end of current period	¥220,950	\$2,688,291
Fair value at the end of current period	¥241,976	\$2,944,107

1. The carrying value represents the acquisition cost less the accumulated depreciation.
2. "Increase (decrease)—net" mainly consists of purchase of office buildings (including land) for rent and other in the amount of ¥31,963 million (US\$388,892 thousand) and impairment loss in the amount of ¥2,771 million (US\$33,724 thousand).
3. Fair value at March 31, 2011 was estimated in accordance with the "Real estate evaluation standards," and was adjusted using official indices.

18. Segment Information

(1) Segment information

(a) Overview of reportable segments

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

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

The Companies therefore have five reportable segments: "domestic civil engineering," "overseas civil engineering," "domestic building construction," "overseas building construction" and "real estate development." The overview of each reportable segment is as follows:

Domestic civil engineering:	Execution of civil engineering construction contracts and related businesses within Japan
Overseas civil engineering:	Execution of civil engineering construction contracts and related businesses outside Japan
Domestic building construction:	Execution of building construction contracts and related businesses within Japan
Overseas building construction:	Execution of building construction contracts and related businesses outside Japan
Real estate development:	Purchase, sale and rent of real estate properties, development of land parcels, and related businesses

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

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

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

Millions of yen

For the year ended March 31, 2012	Reporting segment						Others (Note 1)	Total
	Domestic civil engineering	Overseas civil engineering	Domestic building construction	Overseas building construction	Real estate development	Subtotal		
Net sales:								
Sales to third parties	¥240,085	¥31,058	¥761,807	¥137,241	¥41,103	¥1,211,296	¥34,476	¥1,245,772
Inter-segment sales and transfers	10,444	–	40,574	23	1,927	52,970	8,504	61,474
Segment sales	250,530	31,058	802,382	137,265	43,030	1,264,267	42,980	1,307,247
Operating income:								
Operating income from sales to third parties (Note 2)	2,959	9,174	14,288	1,118	2,891	30,432	713	31,145
Inter-segment operating income and transfers	(247)	–	1,130	–	(0)	882	(17)	864
Segment income	¥ 2,711	¥ 9,174	¥ 15,418	¥ 1,118	¥ 2,891	¥ 31,314	¥ 695	¥ 32,010

Thousands of U.S. dollars

For the year ended March 31, 2012	Reporting segment						Others (Note 1)	Total
	Domestic civil engineering	Overseas civil engineering	Domestic building construction	Overseas building construction	Real estate development	Subtotal		
Net sales:								
Sales to third parties	\$2,921,099	\$377,883	\$9,268,861	\$1,669,811	\$500,105	\$14,737,761	\$419,467	\$15,157,228
Inter-segment sales and transfers	127,082	–	493,667	288	23,449	644,489	103,470	747,959
Segment sales	3,048,182	377,883	9,762,528	1,670,099	523,554	15,382,250	522,938	15,905,188
Operating income:								
Operating income from sales to third parties (Note 2)	36,004	111,625	173,847	13,612	35,178	370,268	8,681	378,949
Inter-segment operating income and transfers	(3,014)	–	13,753	–	(1)	10,737	(214)	10,522
Segment income	\$ 32,989	\$ 111,625	\$ 187,600	\$ 13,612	\$ 35,176	\$ 381,005	\$ 8,466	\$ 389,472

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

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

2. "Operating income from sales to third parties" was computed by subtracting "Inter-segment operating income and transfers" from "Segment income." The total "Operating income from sales to third parties" equals to "Operating income" as shown in the consolidated statements of income.

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

For the year ended March 31, 2011	Reporting segment							Others (Note 1)	Total
	Domestic civil engineering	Overseas civil engineering	Domestic building construction	Overseas building construction	Real estate development	Subtotal			
	Millions of yen								
Net sales:									
Sales to third parties	¥252,392	¥47,319	¥643,752	¥111,481	¥47,647	¥1,102,593	¥29,271	¥1,131,864	
Inter-segment sales and transfers	10,500	–	27,628	19	1,878	40,027	8,202	48,230	
Segment sales	262,892	47,319	671,381	111,500	49,525	1,142,620	37,474	1,180,094	
Operating income (loss):									
Operating income (loss) from sales to third parties (Note 2)	6,730	4,330	2,604	977	8,564	23,206	(31)	23,174	
Inter-segment operating income and transfers	(254)	(3)	1,191	–	(20)	913	(20)	892	
Segment income	¥ 6,476	¥ 4,326	¥ 3,795	¥ 977	¥ 8,544	¥ 24,119	¥ (52)	¥ 24,067	

For the year ended March 31, 2011	Reporting segment							Others (Note 1)	Total
	Domestic civil engineering	Overseas civil engineering	Domestic building construction	Overseas building construction	Real estate development	Subtotal			
	Thousands of U.S. dollars								
Net sales:									
Sales to third parties	\$3,070,838	\$575,737	\$7,832,491	\$1,356,382	\$579,721	\$13,415,172	\$356,145	\$13,771,317	
Inter-segment sales and transfers	127,757	–	336,159	240	22,854	487,011	99,801	586,813	
Segment sales	3,198,596	575,737	8,168,650	1,356,623	602,576	13,902,184	455,946	14,358,131	
Operating income (loss):									
Operating income (loss) from sales to third parties (Note 2)	81,884	52,685	31,683	11,893	104,207	282,355	(387)	281,967	
Inter-segment operating income and transfers	(3,091)	(47)	14,492	–	(244)	11,109	(254)	10,854	
Segment income	\$ 78,793	\$ 52,638	\$ 46,176	\$ 11,893	\$103,962	\$ 293,464	\$ (642)	\$ 292,822	

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

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

For the year ended March 31, 2012	Millions of yen	Thousands of U.S. dollars
Income (loss)		
Total reportable segment	¥31,314	\$381,005
Loss on "Others"	695	8,466
Elimination of inter-segment transactions	(864)	(10,522)
Operating income in the statements of income	¥31,145	\$378,949

For the year ended March 31, 2011	Millions of yen	Thousands of U.S. dollars
Income (loss)		
Total reportable segment	¥24,119	\$293,464
Loss on "Others"	(52)	(642)
Elimination of inter-segment transactions	(892)	(10,854)
Operating loss in the statements of income	¥23,174	\$281,967

(2) Related information

(a) Information by product or service

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

(b) Information by region

Net sales by region

For the year ended March 31, 2012

Millions of yen					Thousands of U.S. dollars				
Japan	North America	Asia	Others	Total	Japan	North America	Asia	Others	Total
¥1,075,768	¥101,240	¥66,683	¥2,080	¥1,245,772	\$13,088,799	\$1,231,783	\$811,327	\$25,318	\$15,157,228

For the year ended March 31, 2011

Millions of yen					Thousands of U.S. dollars				
Japan	North America	Asia	Others	Total	Japan	North America	Asia	Others	Total
¥971,138	¥68,745	¥90,362	¥1,617	¥1,131,864	\$11,815,777	\$836,423	\$1,099,437	\$19,679	\$13,771,317

Tangible assets by region

As Japan-based tangible assets account for over 90% of total tangible assets at March 31, 2011 and 2012, this information has not been presented.

(c) Information by major customers

Of sales to external customers, sales to a specific customer account for less than 10% of net sales in the consolidated financial statements, and therefore this information has not been presented for the year ended March 31, 2011 and 2012.

(3) Impairment loss of noncurrent assets by reportable segment

Millions of yen							
	Domestic civil engineering	Overseas civil engineering	Domestic building construction	Overseas building construction	Real estate development	Others (Note)	Total
For the year ended March 31, 2012	¥-	¥-	¥-	¥ 63	¥ 19,415	¥ 279	¥ 19,759

Thousands of U.S. dollars							
	Domestic civil engineering	Overseas civil engineering	Domestic building construction	Overseas building construction	Real estate development	Others (Note)	Total
For the year ended March 31, 2012	\$-	\$-	\$-	\$775	\$236,229	\$3,402	\$240,407

Note: Impairment loss of real estate reclassified as "held for development" and underutilized real estate in the amount of ¥279 million (US\$3,402 thousand), which is not divided by reporting segment, is included in Others.

Millions of yen							
	Domestic civil engineering	Overseas civil engineering	Domestic building construction	Overseas building construction	Real estate development	Others (Note)	Total
For the year ended March 31, 2011	¥ 7	¥-	¥-	¥-	¥ 2,580	¥ 934	¥ 3,521

Thousands of U.S. dollars							
	Domestic civil engineering	Overseas civil engineering	Domestic building construction	Overseas building construction	Real estate development	Others (Note)	Total
For the year ended March 31, 2011	\$86	\$-	\$-	\$-	\$31,393	\$11,366	\$42,846

Note: Impairment loss of underutilized real estate and others in the amount of ¥713 million (US\$8,679 thousand), which is not divided by reporting segment, is included in Others.

(4) Amortization and balance of goodwill by reportable segment

Millions of yen

	Domestic civil engineering	Overseas civil engineering	Domestic building construction	Overseas building construction	Real estate development	Others	Total
For the year ended March 31, 2012							
Amortization amount	¥0	¥ 280	¥-	¥449	¥-	¥-	¥ 730
Balance	-	1,122	-	224	-	-	1,347

Thousands of U.S. dollars

	Domestic civil engineering	Overseas civil engineering	Domestic building construction	Overseas building construction	Real estate development	Others	Total
For the year ended March 31, 2012							
Amortization amount	\$2	\$ 3,413	\$-	\$5,468	\$-	\$-	\$ 8,884
Balance	-	13,660	-	2,734	-	-	16,394

Millions of yen

	Domestic civil engineering	Overseas civil engineering	Domestic building construction	Overseas building construction	Real estate development	Others	Total
For the year ended March 31, 2011							
Amortization amount	¥0	¥ -	¥-	¥449	¥-	¥-	¥ 450
Balance	-	1,527	-	674	-	-	2,201

Thousands of U.S. dollars

	Domestic civil engineering	Overseas civil engineering	Domestic building construction	Overseas building construction	Real estate development	Others	Total
For the year ended March 31, 2011							
Amortization amount	\$9	\$ -	\$-	\$5,468	\$-	\$-	\$ 5,477
Balance	-	18,583	-	8,203	-	-	26,787

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

None.

19. Related Party Transactions

Details of transactions with related parties and the respective balances as of and for the years ended March 31, 2012 and 2011 were as follows:

For the year ended March 31, 2012

None.

For the year ended March 31, 2011

Classification	Related party	Address	Capital		% of voting rights held (held by others)	Relationship	Nature of transaction	Amount of transaction ^(*)		Balance at the end of the year	
			Millions of yen	Type of business				Millions of yen	Thousands of U.S. dollars	Millions of yen	Thousands of U.S. dollars
Companies in which the majority of voting rights are owned by a director's close relative	Naniwabashi Law Office ^{(*)2}	Kita-ku, Osaka	-	Law Office	-	The Company agreed to retain the services of the law office	Request legal advisory services ^{(*)3}	¥26	\$324	-	-

*1 Consumption taxes have not been included in the transaction amounts.

*2 The law office is managed by a close relative of Mr. Naohiro Tsuda, a statutory auditor of the Company.

*3 The fees for legal services were determined in consideration of the fees typically paid for the performance of such work.

20. Amounts per Share

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

Diluted net income per share was not presented for the years ended March 31, 2012 and 2011 because the Company had no potentially dilutive shares outstanding as of these balance sheet dates.

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

Net assets and net income per share for the years ended March 31, 2012 and 2011 were as follows:

For the years ended March 31	Yen		U.S. dollars	
	2012	2011	2012	2011
Net assets per share	¥474.01	¥453.52	\$5.76	\$5.51
Basic net income per share	7.16	21.46	0.08	0.26

1. Net assets per share

At March 31	Millions of yen		Thousands of U.S. dollars	
	2012	2011	2012	2011
Net assets	¥365,492	¥351,287	\$4,446,919	\$4,274,091
Amounts deducted from net assets (Minority interests)	25,028	25,351	304,519	308,444
Net assets applicable to shareholders of common stock	340,463	325,936	4,142,399	3,965,646
Number of shares of common stock at the year end (thousands of shares)	718,265	718,684	718,265	718,684

2. Basic net income per share

For the years ended March 31	Millions of yen		Thousands of U.S. dollars	
	2012	2011	2012	2011
Net income	¥ 5,142	¥15,423	\$ 62,573	\$187,654
Net income not attributable to shareholders of common stock	–	–	–	–
Net income attributable to shareholders of common stock	5,142	15,423	62,573	187,654
Average number of shares issued and outstanding during the period (thousands of shares)	718,444	718,735	718,444	718,735

21. Corporate Bonds

At March 31	Issued by	Issue type	Issue date	Millions of yen		Thousands of U.S. dollars		Interest rate (%)	Collateral	Maturity
				2012	2011	2012	2011			
	Obayashi Corp.	9th unsecured straight bond	Jun. 3, 2003	¥10,000	¥10,000	\$121,669	\$121,669	1.07	None	Jun.3, 2013
	Obayashi Corp.	13th unsecured straight bond	Oct. 27, 2004	–	10,000	–	121,669	1.34	None	Oct.27, 2011
	Obayashi Corp.	14th unsecured straight bond	Aug. 30, 2010	15,000	15,000	182,503	182,503	0.85	None	Aug.28, 2015
	Obayashi Corp.	15th unsecured straight bond	Oct. 26, 2010	10,000	10,000	121,669	121,669	0.68	None	Oct.23, 2015
	Obayashi Corp.	16th unsecured straight bond	Oct. 26, 2010	15,000	15,000	182,503	182,503	0.96	None	Oct.26, 2017
	Obayashi Corp.	17th unsecured straight bond	Sep. 13, 2011	10,000	–	121,669	–	0.624	None	Sep.13, 2016
	Total			¥60,000	¥60,000	\$730,015	\$730,015			

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

2. The annual repayment schedule of corporate bonds subsequent to March 31, 2012 is as follows:

	Millions of yen	Thousands of U.S. dollars
Less than 1 year	¥ –	\$ –
Over 1 year less than 2 years	10,000	121,669
Over 2 years less than 3 years	–	–
Over 3 years less than 4 years	25,000	304,173
Over 4 years less than 5 years	10,000	121,669

22. Loans

At March 31	Millions of yen		Thousands of U.S. dollars		Average interest rate (%)	Maturity
	2012	2011	2012	2011		
Short-term loans payable	¥ 77,851	¥ 55,232	\$ 947,214	\$ 672,013	0.59	–
Current portion of long-term loans payable	65,339	55,222	794,984	671,884	1.48	–
Current portion of lease obligations	320	504	3,900	6,142	–	–
Long-term loans payable (excluding current portion)	201,923	198,805	2,456,793	2,418,853	1.68	2013–2037
Lease obligations (excluding current portion)	225	481	2,749	5,855	–	2013–2019
Commercial paper	–	40,000	–	486,677	–	–
Total	¥345,661	¥350,246	\$4,205,643	\$4,261,426		

1. The “Average interest rate” is the weighted average interest rate for the average balance of loans during the given fiscal year.
2. The annual repayment schedule of long-term loans payable and lease obligations subsequent to March 31, 2012 is as follows:

	Millions of yen	Thousands of U.S. dollars
Long-term loans payable		
Over 1 year less than 2 years	¥53,516	\$651,133
Over 2 years less than 3 years	68,367	831,827
Over 3 years less than 4 years	19,072	232,048
Over 4 years less than 5 years	12,548	152,679
Lease obligations		
Over 1 year less than 2 years	¥ 132	\$ 1,606
Over 2 years less than 3 years	53	644
Over 3 years less than 4 years	26	316
Over 4 years less than 5 years	9	117

3. The loan amounts above include “Current Liabilities—Current portion of PFI and other project finance loans” and “Noncurrent liabilities—PFI and other project finance loans.”
4. The “Average interest rate” columns for the “Current portion of lease obligations” and the “Lease obligations (excluding current portion)” are left blank, as the lease obligations stated on the consolidated balance sheet include the interest portion of the lease payments.

23. Subsequent Event

None.

Independent Auditor's Report



Ernst & Young ShinNihon LLC
Hibiya Kokusai Bldg.
2-2-3 Uchisaiwai-cho
Chiyoda-ku, Tokyo, Japan 100-0011

Tel : +81 3 3503 1100
Fax: +81 3 3503 1197

Independent Auditor's Report

The Board of Directors
OBAYASHI CORPORATION

We have audited the accompanying consolidated financial statements of OBAYASHI CORPORATION and its consolidated subsidiaries, which comprise the consolidated balance sheet as at March 31, 2012, and the consolidated statements of income, comprehensive income, changes in net assets, and cash flows for the year then ended and a summary of significant accounting policies and other explanatory information, all expressed in Japanese yen.

Management's Responsibility for the Consolidated Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of OBAYASHI CORPORATION and consolidated subsidiaries as at March 31, 2012, and their consolidated financial performance and cash flows for the year then ended in conformity with accounting principles generally accepted in Japan.

Convenience Translation

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

Ernst & Young ShinNihon LLC

June 29, 2012
Tokyo, Japan

Social Aspect Data

Obayashi Corporation on an unconsolidated basis unless noted otherwise
Fiscal years ended March 31

Human Resource Data

Employee Headcount and Composition (as of March 31)

Item	Unit	2008	2009	2010	2011	2012
Consolidated employee headcount*	Persons	15,088	15,150	14,476	14,639	12,870
Employee headcount*	Persons	9,280	9,294	9,222	9,246	8,305
Men	Persons	8,100	8,140	8,070	8,089	7,193
Women	Persons	1,180	1,154	1,152	1,157	1,112
Average age	Years old	44.4	44.5	44.3	44.3	42.4
Average years of continuous employment	Years	20.5	20.5	20.2	20.1	18.1

* Some temporary employees were excluded from the employee headcount starting from the fiscal year ended March 31, 2012.

Status of Female Managers (as of March 31)

Item	Unit	2008	2009	2010	2011	2012
Headcount of female managers	Persons	100	120	143	165	210
Percentage of female employees who were managers	%	8.5	10.4	12.4	14.3	18.9

Headcount and Ratio of Retirement Age Employees Who Were Rehired (as of March 31)

Item	Unit	2008	2009	2010	2011	2012
Headcount of rehired employees	Persons	371	570	645	823	775
Rehiring ratio	%	54.8	65.7	67.8	71.8	75.3

Employment Rate of Persons with Disabilities (as of March 31)

Item	Unit	2008	2009	2010	2011	2012
Employment rate of persons with disabilities	%	1.92	1.90	2.02	1.98	2.09

Recruitment Count

(Unit: Persons)

Recruitment category	Gender	2008	2009	2010	2011	2012
New graduates	Men	204	214	259	253	245
	Women	27	31	35	43	35
	Total	231	245	294	296	280
Mid-career recruits	Men	42	60	14	3	11
	Women	1	0	2	1	0
	Total	43	60	16	4	11
Total		274	305	310	300	291

Recruitment of Foreign Students Studying in Japan

(Unit: Persons)

Item	2009	2010	2011	2012
Foreign students recruited	3	1	6	1

Nationality of Foreign Employees (as of March 31)

(Unit: Persons)

Nationality	2011	2012	Nationality	2011	2012	Nationality	2011	2012
U.S.A.	37	35	Turkey	0	1	Malaysia	0	2
Canada	0	4	Taiwan, R.O.C	13	25	U.A.E.	64	14
U.K.	2	5	Singapore	25	28	Australia	1	1
France	1	1	Thailand	31	38	New Zealand	0	4
Switzerland	1	1	Vietnam	29	24			
Hungary	1	1	Indonesia	16	35	Total	221	219

Employees with Human Rights Awareness Training

(Unit: Accumulative headcount)

Item	2008	2009	2010	2011	2012
Number of trained employees	4,581	4,474	4,426	5,415	4,573

Occupational Accidents Data

Status of Occupational Accidents

Item	Unit	2008	2009	2010	2011	2012
Accident frequency rate*1	-	1.03	0.79	0.56	0.50	0.70
Severity rate*2	-	0.32	0.10	0.19	0.02	0.19
Number of accidents involving more than four days of lost work	Cases	119	80	52	42	68

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

*2 Severity rate: An indicator of the severity of accidents measured as the number of workdays lost to occupational accidents recorded for every 1,000 man-hours of labor

Vacation Data

Trend in Ratio of Employees Who Took Annual Paid Vacations

Item	Unit	2008	2009	2010	2011	2012
Ratio of employees who took their annual paid vacations	%	31.4	35.7	38.8	37.5	36.2

Note that some temporary employees were excluded from the statistical headcount starting from the fiscal year ended March 31, 2012.

Status of Employees Who Took Vacation

Vacation category	2011		2012	
	Number of employees on leave	Number of days taken	Number of employees on leave	Number of days taken
Construction site paid vacation days (summer, New Year's)*1	1,187	3,213	796	1,570
Construction site paid vacation days (during transfers)*2			116	303
Vacations during transfers*3	-	-	566	1,270
"Refresh" vacation days*4	357	2,450	400	2,084
Accumulated vacation day carryovers taken (personal illness and injury)*5	163	3,104	177	3,233
Accumulated vacation day carryovers taken (spouse giving birth)*5	10	33	11	30
Nursing leave and accumulated vacation day carryovers taken (nursing)*6	12	47	23	75
Nursing-care leave and accumulated vacation day carryovers taken (nursing care)*6	10	211	8	119
Leave for volunteer activities (accumulated vacation day carryovers taken)*7	-	-	7	12

*1 These are paid vacation days employees working in construction sites can take during the summer and for New Year's.

*2 These are paid vacation days employees working in construction sites can take in the process of being transferred. These vacation days were abolished in June 2011 and subsumed by a newly established vacation during transfers system.

*3 These are paid vacation days eligible for employees who need time to pack their belongings and move to new assignments, and for employees working in construction sites who are in the process of being transferred. This new system began in July 2011.

*4 "Refresh" vacation days are awarded to employees in their 12th, 22nd, and 32nd consecutive year of employment.

<Reference> Ratio of employees who took their "Refresh" vacation days: 76.6% (during the year ended March 31, 2012)
Number of employees who were awarded "Refresh" vacation days in the year ended March 31, 2011,
who took their "Refresh" vacations during the eligibility period from April 1, 2010 through March 31, 2012
employees who were awarded "Refresh" vacation days in the year ended March 31, 2011

*5 The accumulated vacation day carryover system enables employees to carryover expired annual paid vacation days and use them for a limited range of purposes.

*6 Obayashi's nursing and nursing-care leave system enables employees to take their accumulated vacation day carryovers in addition to their legally entitled nursing and nursing care leave.

*7 Leave for volunteer activities was instituted in July 2011 as an additional reason for validating the use of accumulated vacation day carryovers.

Note that Obayashi also has leave for public duty, marriage, death in the family, maternity, menstruation, special leave and other.

Status of Employees Taking Childcare Leave

Gender	Item	Unit	2008	2009	2010	2011	2012
Men	Number of employees on leave	Persons	1	1	1	0	0
	Ratio of employees on leave	%	0.4	0.4	0.4	0.0	0.0
	Ratio of employees on leave who returned to work	%	100	100	100	-	-
Women	Number of employees on leave	Persons	43	43	32	45	32
	Ratio of employees on leave	%	97.7	102.4	97.0	104.7	100.0
	Ratio of employees on leave who returned to work	%	93.9	95.2	100	100	97.5

Note that the method for calculating the ratio of employees on childcare leave was changed from the year ended March 31, 2012.

Calculation method from the year ended March 31, 2012 $\frac{\text{Number of employees who went on childcare leave}}{\text{Number of employees who had a child within the fiscal year}}$

Calculation method before the year ended March 31, 2012 $\frac{\text{Number of employees who went on childcare leave within the fiscal year}}{\text{Number of employees who had a child within the fiscal year}}$

Note that ratio of employees on leave who returned to work refers to the ratio of employees who were planning to return from childcare leave, and did.

Employees on Shortened Working Hours for Childcare

(Unit: Persons)

Item	2011	2012
Number of employees who went on shortened working hours for childcare	91	112

Environmental Aspect Data

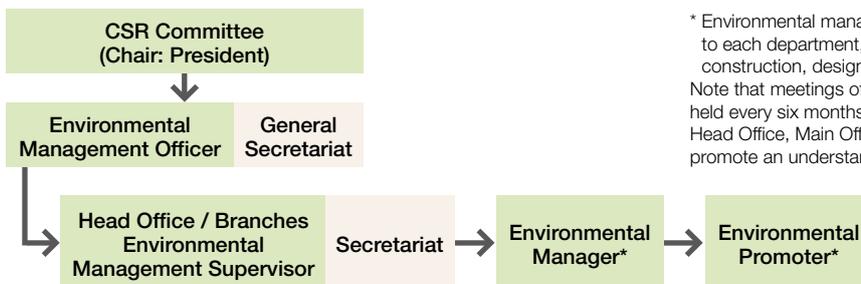
Environmental Management System (EMS)

External EMS certification



Note that the Company has received certification of its environmental management system based on the ISO 14001 standard (2004 version).

EMS organizational chart (As of March 31, 2012)



* Environmental managers and environmental promoters have been assigned to each department, including shared services, civil engineering, building construction, design and sales.
Note that meetings of the Branch Environmental Supervisors' Committee are held every six months for environmental supervisors and secretariats of the Head Office, Main Offices and branches. The purpose of these meetings is to promote an understanding of activity policies, exchange opinions, and so forth.

Results of external assessment of EMS

Items		Fiscal 2011
Registration body		Japan Testing Center for Construction Materials
Implementation period		From November 28 to December 5, 2011
Assessed items		Head Office, Tokyo Main Office, Hokuriku Branch, Nagoya Branch, Hiroshima Branch, Technical Research Institute, Tokyo Machinery Works
Number of deficiencies	Serious deficiencies	0
	Minor deficiencies	2
Number of items under observation		5

Results of internal audit of EMS

Items			Fiscal 2011
Audited items			All branches and departments
Number of audits	Permanent divisions	Planned	62
		Implemented (Implementation rate)	61 (98%)
	Construction offices	Planned	223
		Implemented (Implementation rate)	205 (92%)
	Secretariats	Planned	10
		Implemented (Implementation rate)	10 (100%)
Total		Planned	295
		Implemented (Implementation rate)	276 (94%)
Number of internal auditors (active)			549
Number of deficiencies			29
Number of items under observation			114

Environmental Management System (EMS) (continued)

Obayashi Corporation on an unconsolidated basis unless noted otherwise
Fiscal years ended March 31

Environmental targets and results

Environmental targets	Unit	2008	2009	2010	2011	2012			2013	2015	
		Actual				Target	Actual	Evalu- ation	Target*1	Medium- term target*2	
Reduce resource and energy consumption											
Reduce power consumption in offices*3 *4	kWh/person	2,358	1,845	1,695	1,605	1,759 or less*4	1,495	○	1,539 or less	1,400 or less	
Reduce paper usage in offices*5	kg/person	59	58	54	53	53 or less	54	×	53 or less	50 or less	
Reduce water usage in offices*3	m ³ /person	9.1	8.1	6.8	6.8	6.8 or less	6.4	○	6.4 or less	6.0 or less	
Reduce water usage at construction sites (targets established from the fiscal year ending March 31, 2013)	m ³ /billion yen	-								Civil engineering: 28.0 or less Building construction: 12.0 or less	Civil engineering: 26.0 or less Building construction: 10.0 or less
Reduce waste emissions											
Improve the percentage of construction sites satisfying the Company's zero emission achievement standards*6	%	81	84	83	81	83 or more	81	△	S: 35 or more A: 53 or more B: 77 or more C: 86 or more	S: 40 or more A: 60 or more B: 80 or more C: 90 or more	
Improve the overall recycling rate*7 for construction waste (excluding sludge)	%	97.2	97.9	97.8	97.9	98 or more	97.5	×	98 or more	98 or more	
Improve the usage rate of electronic manifests at construction sites	%	46	59	74	82	86 or more	80	×	82 or more	85 or more	
Reduce the amount of general waste emissions*5	kg/person	138	109	90.5	95.4	90 or less	89.8	○	90 or less	85 or less	
Improve the recycling rate for general waste*5	%	75	76	75	77	77 or more	79	○	79 or more	80 or more	
Improve the recycling rate for industrial waste*8	%	73	81	91	92	92 or more	91	×	92 or more	95 or more	
Reduce CO₂ emissions											
Improve the reduction rate for CO ₂ emissions during operation of buildings to be designed*9	%	22	24	27	25	20 or more	32	○	20 or more	20 or more	
Improve the reduction rate for CO ₂ emissions from construction work (vs. fiscal 1990 level)	%	43	46	55	57	57 or more	50	×	50 or more	56 or more	
Reduce hazardous substances											
Reduce the amount of PRTR Act substances handled*8 *10	kg	599	533	461	568	1,263 or less	1,044	○	Shift to daily management		
Implement green procurement											
Improve the green procurement ratio*11 for construction materials and supplies	%	14	18	16	51	51 or more	48	×	50 or more	55 or more	
Improve the green procurement ratio for office supplies, etc.*5	%	77	75	81	82	83 or more	83	○	84 or more	85 or more	

Legend and notes

○: Targets achieved

△: Targets have yet to be achieved, but results have improved from the previous fiscal year

×

*1 Targets for the fiscal year ending March 31, 2013 differ from the medium-term targets published in *CSR Report 2011* due to revisions in targets based on results, business forecasts and other factors.

*2 New medium-term targets have been set for the fiscal year ending March 31, 2015.

*3 Scope of facilities: buildings tenanted by Head Office, Tokyo Main Office, Osaka Main Office and various branches

*4 From the fiscal year ended March 31, 2012, the power usage for air conditioning at Head Office and Tokyo Main Office has been included in the scope of aggregation. In accordance with this change, the target has been revised from the corresponding figure published in *CSR Report 2011*.

*5 Scope of facilities: buildings tenanted by Head Office, Tokyo Main Office, Osaka Main Office and various branches, and various machinery works, equipment centers and the Obayashi Technical Research Institute

*6 In the fiscal year ended March 31, 2012, the landfill disposal rate was 5% or less for construction waste (excluding sludge). However, for new building construction work, landfill disposal was either as above or amounted to 5 kg/m² or less.

From the fiscal year ending March 31, 2013, waste disposal will be classified according to the following four ratings:

S: Landfill disposal rate of less than 0.5% for construction waste (excluding sludge). For new building construction work, landfill disposal shall either be as above or amount to less than 0.5 kg/m².

A: Landfill disposal rate of less than 1% for construction waste (excluding sludge). For new building construction work, landfill disposal shall either be as above or amount to less than 1 kg/m².

B: Landfill disposal rate of less than 3% for construction waste (excluding sludge). For new building construction work, landfill disposal shall either be as above or amount to less than 3 kg/m².

C: Landfill disposal rate of less than 5% for construction waste (excluding sludge). For new building construction work, landfill disposal shall either be as above or amount to less than 5 kg/m².

*7 Ratio of waste processing other than landfill disposal (recycling, compacting, etc.) (=100 (%) – landfill disposal rate (%)).

*8 Scope of facilities: various machinery works

*9 Figures for the fiscal year ended March 31, 2012 represent comparisons with the CASBEE reference values, with the scope of aggregation including all building uses. Figures through the fiscal year ended March 31, 2011 represent comparisons with a standard reference building established by the Company (a building that has not adopted energy conservation methods), with the scope of aggregation including only buildings used as offices, etc.

*10 The scope of monitored substances was expanded in the fiscal year ended March 31, 2012 in accordance with the amendment of the PRTR Act.

*11 The ratio of the green procurement value to the total procurement value of all monitored items for the green procurement ratio

Low-Carbon Society

Obayashi Corporation on an unconsolidated basis unless noted otherwise
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Amount of CO₂ emissions during the construction stage

Items	Unit	2008	2009	2010	2011	2012
Total amount of emissions	1,000 t-CO ₂	215	203	169	163	188
Amount of emissions per value of completed work	t-CO ₂ /billion yen	2.1	2.0	2.0	2.1	2.1

Composition of CO₂ emissions sources during the construction stage

Items	Unit	2008	2009	2010	2011	2012
Electricity	%	37	32	32	28	29
Light oil	%	62	67	67	71	70
Transport vehicles	%	29	26	28	25	27
Drilling machinery	%	15	20	21	24	15
Other construction machinery	%	18	21	18	22	28
Kerosene	%	1	1	1	1	1

Reduction rate for CO₂ emissions of designed buildings

Items	Unit	2008	2009	2010	2011	2012
Number of designed buildings	Cases	22	27	24	19	83
Total area of designed buildings	m ²	73,815	153,156	71,783	62,564	1,101,715
Amount of CO ₂ emissions reduced	1,000 t-CO ₂ /years	1.6	3.5	1.9	1.5	15.9
CO ₂ emissions reduction rate	%	22	24	27	25	32

Note that figures through the fiscal year ended March 31, 2011 represent comparisons with a standard reference building established by the Company (a building that has not adopted energy conservation methods). The scope of aggregation includes only buildings used as offices, etc.
Figures for the fiscal year ended March 31, 2012 represent comparisons with CASBEE reference values. The scope of aggregation includes all building uses.

Power usage during office work

Item	Unit	2008	2009	2010	2011	2012
Power usage	kWh/person	2,358	1,845	1,848	1,759	1,495

Note that scope of facilities: buildings tenanted by Head Office, Tokyo Main Office, Osaka Main Office and various branches
(From the fiscal year ended March 31, 2010, figures have been revised to aggregated figures including power usage for air conditioning of buildings tenanted by Head Office and Tokyo Main Office. Accordingly, targets differ from the corresponding figures published in *CSR Report 2011*.)

Recycling-Based Society

Obayashi Corporation on an unconsolidated basis unless noted otherwise
Fiscal years ended March 31

Zero emissions standards* achievement rate of construction sites

Items	Unit	2008	2009	2010	2011	2012
Building construction (excluding retrofitting work)	%	80	86	85	83	82
Civil engineering	%	82	82	81	79	80
Total	%	81	84	83	81	81

* Zero emissions achievement standards: landfill disposal rate of 5% or less for construction waste (excluding sludge). However, for new building construction work, landfill disposal shall either be as above or amount to 5 kg/m² or less on a per-floor area basis.

Amount of waste emissions and recycling rate for construction waste (excluding sludge)

Items	Unit	2008	2009	2010	2011	2012
Waste emissions	1,000 t	1,321	1,503	1,217	1,362	1,373
Concrete debris	1,000 t	999	1,156	905	1,052	1,021
Asphalt and concrete debris	1,000 t	153	157	130	125	127
Wood scraps	1,000 t	25	31	35	33	30
Other sorted waste	1,000 t	92	99	95	117	155
Mixed waste	1,000 t	52	61	53	35	40
Landfill disposal amount	1,000 t	37	32	27	28	34
Recycling rate	%	97.2	97.9	97.8	97.9	97.5

Breakdown of amount of emissions from new building construction and demolition

Items	Unit	2008	2009	2010	2011	2012
New building construction	1,000 t	196	152	213	173	162
Demolition	1,000 t	1,125	1,351	1,004	1,189	1,211
Total	1,000 t	1,321	1,503	1,217	1,362	1,373

Waste processing and disposal ratio by type of waste

Items		Unit	2008	2009	2010	2011	2012
Concrete debris	Landfill disposal	%	0	0	0	0	0
	Reduction	%	0	0	0	0	0
	Recycling and reuse	%	100	100	100	100	100
Asphalt and concrete debris	Landfill disposal	%	0	0	0	0	0
	Reduction	%	0	0	0	0	0
	Recycling and reuse	%	100	100	100	100	100
Wood scraps	Landfill disposal	%	1	1	1	0	0
	Reduction	%	8	3	2	6	6
	Recycling and reuse	%	91	96	97	94	94
Other sorted waste	Landfill disposal	%	27	19	18	17	15
	Reduction	%	3	2	5	3	2
	Recycling and reuse	%	70	79	77	80	83
Mixed waste	Landfill disposal	%	21	15	16	22	24
	Reduction	%	10	16	14	8	9
	Recycling and reuse	%	69	69	70	70	67
(Reference)							
Construction sludge	Landfill disposal	%	8	12	7	12	5
	Reduction	%	19	26	26	23	18
	Recycling and reuse	%	73	62	67	65	77

Recycling-Based Society (continued)

Obayashi Corporation on an unconsolidated basis unless noted otherwise
Fiscal years ended March 31

Amount of waste emissions per floor area (excluding sludge) and mixed waste from construction work (new building construction)

Items	Unit	2008	2009	2010	2011	2012
Construction waste (excluding sludge)	kg/m ²	18.3	16.6	17.9	21.2	19.9
Mixed waste	kg/m ²	5.0	4.2	3.8	4.1	4.6

Amount of asbestos processed

Item	Unit	2008	2009	2010	2011	2012
Amount processed	t	2,370	1,298	2,439	2,437	2,582

Electronic manifests: number of sheets used and usage rate

Items	Unit	2008	2009	2010	2011	2012
Number of sheets used	Thousands of sheets	153	175	188	259	266
Usage rate	%	46	59	74	82	80

CFC and halon gases: amount collected and processed

Items	Unit	2008	2009	2010	2011	2012
CFC gas	t	4.5	3.3	3.5	2.0	9.6
Halon gas	t	0.0	0.0	0.0	0.2	1.2
Total	t	4.5	3.3	3.5	2.2	10.8

Note that in the fiscal year ended March 31, 2012, the amount of CFC gas recycled and processed was 0.2 tons. All other CFC and halon gases were destroyed.

Results of soil contamination surveys and remediation work

Items	Unit	2008	2009	2010	2011	2012
Surveys (including those associated with remediation work)	Cases	129	110	96	140	140
Remediation work	Cases	73	74	49	86	62

Note that figures have been aggregated based on orders for the fiscal year ended March 31, 2008 and based on completion from the fiscal year ended March 31, 2009.

Amounts of resource usage and waste emissions, etc., during office work

Items	Unit	2008	2009	2010	2011	2012
Water usage*1	m ³ /Person	9.1	8.1	6.8	6.8	6.4
Paper usage*2	kg/Person	59	58	54	53	54
Recycled paper	kg/Person	52	37	42	41	41
Other	kg/Person	7	21	12	12	13
Recycled paper usage rate	%	88	63	78	77	76
Amount of general waste emissions*2	kg/Person	138	109	91	95	90
Recycling	kg/Person	103	83	68	73	71
Other	kg/Person	35	26	23	22	19
Recycling rate	%	75	76	75	77	79

*1 Scope of facilities: buildings tenanted by Head Office, Tokyo Main Office, Osaka Main Office and various branches

*2 Scope of facilities: buildings tenanted by Head Office, Tokyo Main Office, Osaka Main Office and various branches and various machinery works, material/equipment centers and the Obayashi Technical Research Institute

Nature-Compatible Society

Activities to preserve biodiversity at construction sites (fiscal 2011)

Protection for animals

- Experts from outside our Group performed a study of the Japanese giant salamander prior to a construction project at a river where these amphibians live.
- For a construction project near a goshawk preservation area, workers underwent training to learn about these hawks and ways to hold down noise from construction machinery.
- Advice from a local conservation group was used to minimize the removal of trees at a construction project near an area that is home to an endangered dragonfly.

Regard for Plants and Other Vegetation

- Endangered plants at a construction site were transplanted to another location and their condition was monitored.
- Obayashi changed construction methods and took other steps to minimize alterations to the construction site and the removal of trees.
- Vegetation and topsoil at construction sites are preserved for use as greenery once projects have been completed.

Overall

- When rerouting a mountain stream for a construction project, we made revisions based on our proposal for protecting the local ecosystem.
- For a construction project in the mountains, Obayashi prepared an environmental handbook covering animals, plants, water and noise at the site. All workers received a handbook along with associated training.
- At a construction site near a river, we periodically test effluents and report the results to the association that manages this watershed.

Forests on Company land (fiscal 2011)

Woodlands on Company land where precious species of animals and plants are being observed:

About 1.8 hectares of Konara Oak (*Quercus Serrata*) woodland at the Technical Research Institute, which is home to *Kinran* (*Cephalanthera Falcata*), a plant threatened with extinction in Japan

Forests on company land managed under the Forestry Agency's Forest Management Plan:

310 hectares (land owned by Obayashi Group member Obayashi Real Estate Corporation)

Major activities to help achieve the Aichi Biodiversity Targets

Targets		Activities Example
Strategic Goal A: Address the underlying causes of biodiversity loss by mainstreaming biodiversity across government and society		
1	Make people aware of the values of biodiversity and the steps they can take to conserve and use it sustainably.	Establish a policy concerning biodiversity and use a variety of Obayashi Group activities to promote biodiversity initiatives and environmental education and publicity programs. Create and operate a website called "Let's learn more about biodiversity" that provides clear explanations of biodiversity to make people feel more involved with this issue.
4	Implement a plan for sustainable production and consumption by stakeholders at all levels.	Include "a nature-compatible society" as one element of "Obayashi Green Vision 2050," a medium-to-long-term environmental vision, and enact an action plan to achieve this goal.
Strategic Goal B: Reduce the direct pressures on biodiversity and promote sustainable use		
5	Reduce the loss of all natural habitats, including forests, by at least half and where feasible to close to zero, and significantly reduce degradation and fragmentation.	Establish green procurement guidelines for building materials, office products and other items; reduce the use of wood frames for concrete; increase the procurement of wood products made of lumber approved under forest certification systems and lumber from thinning forests in Japan.
6	Enable marine resources to support the sustainable harvest of fish.	Perform research to determine methods to create tidal wetlands that are good habitats for clams in coastal areas in bays.
7	Manage sustainably areas used for agriculture, aquaculture and forestry.	Management of 310 hectares of Company-owned woodland is performed by local forest associations under a program approved by the Forestry Agency (Obayashi Group member Obayashi Real Estate Corporation).
8	Hold pollution to levels that are not detrimental to biodiversity.	Perform research involving water cleansing method (vegetation-covered water channels, etc.) that uses plants to remove nitrogen from eutrophic water.
9	Control and eradicate invasive alien species.	Develop and use the Taihi-Shuttle Method, in which sludge, vegetation and other materials from a construction site are used to create soil suitable for the growth of native plants while shutting out seeds of alien species and other unwanted plants.
10	Minimize the negative effects of climate change and ocean acidification on vulnerable ecosystems like coral reefs.	Obayashi removed earth from a coral reef that had been covered in mud from a landslide.
Strategic Goal C: Improve the status of biodiversity by safeguarding ecosystems, species and genetic diversity		
11	Use protected areas and other conservation measures to protect at least 17% of inland water and 10% of coastal and marine areas.	Protect wooded areas and establish biotopes at the Technical Research Institute, which has woodlands that can be a base for a regional network of greenery.
12	Prevent the extinction or decline of threatened species.	Perform studies and research concerning the proper environment for <i>kinran</i> , a Japanese orchid that grows at the Technical Research Institute and is threatened with extinction in Japan, and protect these plants.
Strategic Goal D: Enhance the benefits to all from biodiversity and ecosystem services		
14	Restore and safeguard ecosystems that provide essential services.	Develop and use cleansing technologies for contaminated soil and groundwater (bio-remediation and other methods).
15	Contribute to climate change mitigation and adaptation by restoring at least 15% of degraded ecosystems.	Improve the thermal environment by creating greenery zones and perform studies and research concerning CO ₂ fixation and then reflect this research in designs of green zones.
16	Make the Nagoya Protocol on Access to Genetic Resources and the Fair and Equitable Sharing of Benefits Arising from Their Utilization in force and operational.	When purchasing microorganism materials and other items, confirm that rights involving genetic resources are consistent with international guidelines.
Strategic Goal E: Enhance implementation through participatory planning, knowledge management and capacity-building		
19	Improve knowledge, the science base and technologies relating to biodiversity.	Perform studies and create plans for the restoration of nature in regions and perform monitoring after completion of the plans. Use awards and other forms of recognition to increase the use of nature restoration programs.
20	Substantially increase financial resources from the current levels for effectively implementing the Strategic Plan.	Give employees time off to volunteer so they can participate in tree-planting and other activities.

Others

Obayashi Corporation on an unconsolidated basis unless noted otherwise
Fiscal years ended March 31

Major green purchases of construction materials

Items	Unit	2008	2009	2010	2011	2012	
Liquefied stabilized soil	Million yen	351	353	316	273	369	
Soil from construction sites	1,000 m ³	401	141	465	573	835	
Recycled concrete aggregate, etc.	1,000 t	389	283	383	310	147	
Recycled asphalt and concrete	1,000 t	69	47	54	41	46	
Blast furnace cement	1,000 t	23	16	24	63	33	
Blast furnace concrete	1,000 m ³	357	393	247	254	378	
Recycled steel (electric arc furnace steel)	Steel frame	1,000 t	124	160	36	134	93
	Reinforcing bars	1,000 t	294	280	241	243	289
Precast concrete products	Million yen	10,384	11,914	10,771	9,906	14,524	

Green procurement ratio* for office products and other items

Items	Unit	2008	2009	2010	2011	2012
Procurement amount	Million yen	90	93	93	115	104
Procurement rate	%	77	75	81	82	83

* Green procurement as a percentage of the total monetary amount of purchases of items used for the green procurement ratio calculation

Volume of substances subject to the PRTR Law* handled at the machinery works

Items	Unit	2008	2009	2010	2011	2012
Xylene	kg	230	173	234	147	267
Toluene	kg	9	22	31	105	61
Ethylbenzene	kg	17	28	55	35	43
Trimethylbenzene	kg	312	268	133	215	277
Others	kg	31	42	8	66	396
Total	kg	599	533	461	568	1,044
Tokyo Machinery Works						
Xylene	kg	122	94	96	90	157
Toluene	kg	5	9	3	11	9
Ethylbenzene	kg	14	7	6	20	24
Trimethylbenzene	kg	116	138	96	126	117
Others	kg	25	24	3	6	218
Subtotal	kg	282	272	204	253	525
Osaka Machinery Works						
Xylene	kg	107	79	138	57	110
Toluene	kg	4	13	28	94	52
Ethylbenzene	kg	3	22	49	15	19
Trimethylbenzene	kg	197	130	37	89	160
Others	kg	6	17	5	60	178
Subtotal	kg	317	261	257	315	519

* A law to improve the monitoring and management of releases to the environment of designated chemical substances
Note that a revision to the PRTR Law increased the number of substances subject to this law in fiscal year ended March 2012.

Removal*² of PCB waste materials*¹

Items	Unit	2008	2009	2010	2011	2012
Capacitors	Units	67	57	16	143	31
Transformers	Units	0	1	0	0	0

*¹ Methods for the storage and disposal of these waste materials are regulated by law because these materials contain polychlorinated biphenyl (PCB), which is a toxic substance.

*² PCB waste materials must be transported to Japan Environmental Safety Corporation, the company designated by the government of Japan to treat these materials.

Others (continued)

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A training session concerning environmental laws and regulations

Item	Unit	2008	2009	2010	2011	2012
Number of training sessions held	Times	177	227	209	194	175

Deficiencies* and complaints

Items	Unit	2008	2009	2010	2011	2012
Deficiencies	Cases	5	4	4	0	0
Claims	Cases	1,487	876	870	1,122	1,075

* Obayashi designates items as deficient and requiring management in the following cases:

- When administrative guidance has been received
- When a written apology must be submitted
- When a government agency has submitted a recommendation to take corrective actions
- When a civil fine must be paid
- When there is a penalty of a petty fine or greater

Note that Obayashi is committed to responding properly to complaints and other problems while taking into consideration the environment at the location as well as to preventing the problem from occurring again.

Selection of environmental protection activities at construction sites

(Number of construction project offices)

Environmental protection activities are selected from the following list	2008	2009	2010	2011	2012
Reduce consumption of resources and energy	467	434	441	499	526
Reduce the volume of waste materials	Mandatory	Mandatory	Mandatory	Mandatory	Mandatory
Reduce the volume of surplus soil from construction activities	205	242	263	299	334
Reduce the amount of engine exhaust gas	514	452	454	494	531
Reduce the generation of dust	464	419	423	477	500
Reduce the generation of CO ₂	Mandatory	Mandatory	Mandatory	Mandatory	Mandatory
Reduce the generation of substances harmful to the ozone layer	95	66	80	91	105
Reduce the use of tropical timber for concrete forms	169	140	153	189	207
Reduce noise	536	448	436	497	520
Reduce vibrations	250	428	421	485	510
Reduce odors	194	158	193	220	246
Reduce the generation of hazardous chemical substances	151	106	131	151	154
Reduce the generation of water pollutants	402	344	352	395	421
Reduce the generation of soil pollutants	202	152	188	211	247
Reduce ground subsidence	187	111	144	177	203
Prevent disruptions of train operations	91	77	84	96	93
Reduce gas generated within tunnels	30	26	32	33	47
Use green procurement	Mandatory	Mandatory	Mandatory	Mandatory	Mandatory
Reduce changes in the natural environment and ecosystem	98	46	54	71	58

Note that Obayashi construction sites use an Environmental Site Navipack, which is an environmental management system implementation tool produced for each project office. The tool selects environmental protection activities from the 19 items shown above and implements these activities.

Environmental Accounting

Obayashi Corporation on an unconsolidated basis unless noted otherwise
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Cost of environmental protection

(Millions of yen)

Items		2008	2009	2010	2011	2012
Cost within business area	Cost of preventing pollution	9,241	8,625	5,914	5,787	5,444
	Cost of protecting the global environment	506	783	280	151	524
	Cost of recycling resources	17,191	14,229	14,060	13,049	13,369
	Subtotal	26,938	23,637	20,254	18,987	19,337
Upstream and downstream cost	Cost of environmental design elements	1,614	1,455	1,464	1,483	1,637
Cost of management activities	Cost of environmental management system	230	178	105	115	86
	Cost of information disclosure and environmental advertisements	65	71	64	60	51
	Cost of supervision and measurements	252	94	113	226	166
	Cost of environmental education	7	4	2	3	8
	Cost of improving appearance of area near the construction site	102	93	40	76	42
	Cost of departments associated with environmental activities	363	356	244	387	396
	Subtotal	1,019	796	568	867	749
R&D costs	Cost of environmental R&D activities	2,408	2,153	2,273	2,666	2,968
Social activities costs	Cost of contributions and assistance for environmental organizations	13	14	12	13	3
Cost of correcting environmental damage	Cost of nature restoration activities	0	10	0	46	41
	Cost of allowances and insurance for damage to the environment	4	28	10	18	1
	Subtotal	4	38	10	64	42
Total		31,996	28,093	24,582	24,080	24,736

Environmental performance indicators

Items	Unit	2008	2009	2010	2011	2012
CO ₂ emissions	Million yen/ t-CO ₂	4.84	4.99	5.01	4.73	4.87
Construction waste discharges	Million yen/t	5.31	6.64	3.98	4.45	5.63
Green procurement*	%	14	18	16	51	48

Note that calculation formula

CO₂ emissions: total sales from a project divided by CO₂ emissions during construction

Construction site waste materials: total sales from a project divided by volume of construction waste materials (excluding sludge) produced when constructing a new building

Green procurement: monetary amount of construction materials purchased using green procurement divided by total cost of construction materials purchased

* In the fiscal year ended March 2011, the number of items included in green procurement data was reduced to eight: liquefied stabilized soil, soil from construction, recycled aggregate, recycled asphalt and concrete, blast furnace cement, blast furnace concrete, recycled steel (electric arc furnace steel), and precast concrete.

Basic unit for calculating environmental protection benefits (fiscal year ended March 2012)

Items	Electricity	Light oil	Kerosene	Gas
Primary energy* ¹	9.97MJ/kWh	37.7MJ/L	36.7MJ/L	44.8MJ/m ³
CO ₂ * ²	By electric utility company* ⁴	2.58kg-CO ₂ /L	2.49kg-CO ₂ /L	2.23kg-CO ₂ /m ³
SO _x * ³	0.424 g-SO _x /kWh	0.00298 g-SO _x /MJ	0.00358 g-SO _x /MJ	0.00318 g-SO _x /MJ
NO _x * ³	0.673 g-NO _x /kWh	0.06965 g-NO _x /MJ	0.04998 g-NO _x /MJ	0.05353 g-NO _x /MJ

*1 Electricity: Ordinance for Enforcement of the Act on the Rational Use of Energy

All others except electricity: Calculation Methods and Emission Coefficients for Calculation, Report and Announcement Systems (after March 2010 revisions)

*2 Calculation Methods and Emission Coefficients for Calculation, Report and Announcement Systems (after March 2010 revisions)

*3 Building Life Cycle Assessment Guidelines (Proposal), Architectural Institute of Japan

CO₂ emission coefficients for individual electric utilities
(Announced on January 17, 2012), Ministry of the Environment

*4 Emission coefficients for individual electric utilities

Power companies	Effective emission factor (kg-CO ₂ /kWh)
Hokkaido Electric Power Co., Inc.	0.353
Tohoku Electric Power Co., Inc.	0.429
Tokyo Electric Power Co., Inc.	0.375
Chubu Electric Power Co., Inc.	0.473
Hokuriku Electric Power Company	0.423
The Kansai Electric Power Co., Inc.	0.311
The Chugoku Electric Power Co., Inc.	0.728
Shikoku Electric Power Co., Inc.	0.326
Kyushu Electric Power Co., Inc.	0.385
The Okinawa Electric Power Co., Inc.	0.935
Alternative	0.559

Environmental Accounting Calculation Standards

- Obayashi calculation standards were used to determine the cost and benefits of each environmental protection measure. These standards are based on the 2002 Environmental Accounting Guidelines for the Construction Industry, which was produced by three construction industry associations*, and uses as reference the 2005 Environmental Accounting Guidelines of the Ministry of the Environment.
- For the cost of pollution prevention and protecting the global environment, the portion of these costs accounted for by construction sites is estimated by using figures from sample sites, construction sales during the fiscal year and other data.
- The portion of resource recycling costs accounted for by the processing and disposal of construction waste materials from construction sites is the actual amount according to the manifest multiplied by an average processing unit price for each item at individual branches (cost includes construction sites of Obayashi alone and all costs at joint construction projects where Obayashi is the lead contractor).

* Japan Federation of Construction Associations, Japan Civil Engineering Contractors Association, Building Contractors Society. These three organizations merged in 2011 to form the Japan Federation of Construction Contractors.

Environmental Accounting (continued)

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Impact on environmental protection

		Items	Unit	2008	2009	2010	2011	2012
Input	Energy consumption	Construction site	TJ*1	4,035	3,568	2,937	2,873	3,340
		Portion of electricity purchased	GWh	208	156	127	117	139
		Offices, etc.*2	TJ	182	173	161	170	307 (146)
		Electricity purchased	GWh	17	16	15	16	27 (14)
	Water usage	Construction sites	1,000 m ³	1,931	1,696	2,244	2,887	2,426
		Offices, etc.*2	1,000 m ³	84	81	76	83	67
	Green procurement amount	Construction materials	Million yen	66,879	83,376	55,475	47,114	52,325
Recycled paper*2		Million yen	42	43	43	46	42	
Office supplies*3		Million yen	191	208	193	195	199	
Siteware		Million yen	88	86	73	121	99	
Output	CO ₂ emissions	Construction sites	1,000 t-CO ₂	215	203	169	163	188
		Of which, Scope 1*4	1,000 t-CO ₂	135	136	115	117	134
		Of which, Scope 2*4	1,000 t-CO ₂	80	67	54	46	54
		Offices, etc.*2	1,000 t-CO ₂	7	7	7	7	12 (6)
		Of which, Scope 1*4	1,000 t-CO ₂	1	1	1	1	1 (1)
		Of which, Scope 2*4	1,000 t-CO ₂	6	6	6	6	11 (5)
	SO _x emissions	Construction sites	t-SO _x	94	72	59	55	64
		Offices, etc.*2	t-SO _x	8	7	7	8	11 (6)
	NO _x emissions	Construction sites	t-NO _x	276	243	201	197	229
		Offices, etc.*2	t-NO _x	12	11	11	12	19 (10)
	Volume of construction waste materials (including sludge)		1,000 t	2,164	1,964	1,618	2,139	2,132
	Construction waste material reuse (on site) ratio (including sludge)		%	1	4	3	2	5
	Construction waste material recycling ratio (including sludge)		%	86	89	89	85	89
	Construction waste material landfill disposal (including sludge)		1,000 t	132	95	65	142	90
	Construction waste material landfill disposal ratio (excluding sludge)		%	3	2	2	2	3
Products and services	CO ₂ emission reduction due to use of environmental design*5*6	1,000 t-CO ₂	56	123	67	54	557	

Economic impact

		Items	Unit	2008	2009	2010	2011	2012
Input	Reductions due to construction site resource and energy conservation measures	Electricity used*7 (vs. previous year)	Million yen	923	1,128	646	214	-476
		Diesel fuel used*7 (vs. previous year)	Million yen	1,205	-42	645	-88	-1
		Heating oil used*7 (vs. previous year)	Million yen	16	6	6	2	0
		Materials purchased*8 (actual amount)	Million yen	27	113	112	64	261
Output	Benefits from sorting construction site waste materials	Reduction in treatment cost for mixed waste materials*9	Million yen	41	28	5	13	-22
		Gain from sales of waste materials	Million yen	99	133	17	13	30

*1 Unit for energy: 1 terajoule = 1 x 1,012 joules

*2 Locations included: Head office / Tokyo Main Office, Osaka Main Office, buildings housing other branch offices, machinery factories, equipment centers, and the Technical Research Institute. Starting in the fiscal year ended March 2012, energy and gas emissions use the reporting guidelines based on Act on the Rational Use of Energy (Energy Conservation Act). As a result, the scope of coverage is larger than in previous fiscal years. Numbers in parentheses in the fiscal year ended March 2012 column use the same scope for data as in previous fiscal years.

*3 Calculated using the Biznet procurement system for office supplies, etc.

*4 The greenhouse gas emission categories prescribed in the Greenhouse Gas Protocol developed as the international standard for calculating and reporting the volume of greenhouse gas emissions.
Scope 1: Direct emissions (caused by business activities)
Scope 2: Indirect emissions (caused by energy used (electricity, heat, etc.) for business activities)

*5 Comparison with CASBEE reference figures. Data cover all applications. In the fiscal year ended March 2011 and previous years, comparisons are with a reference building selected by Obayashi (building using no energy conservation methods) and the scope is limited to "offices, etc."

*6 Figures assume a useful building life of 35 years.

*7 Conversions for reductions in volume used from previous fiscal year are as follows:
Electricity (¥22/kWh)

Source: Price Guidelines for New Electricity Rates by the Home Electric Appliances Fair Trade Conference
Light oil (¥10,100/kl) Kerosene (¥72,500/kl)
Source: March 2012 issue of Sekisan Shiryō magazine, published by the Economic Research Association

*8 Waste materials reused at the construction site have been converted to construction material equivalents as follows:

Construction sludge → Backfilling soil (¥3,000/m³)
Concrete debris → Recycled crushed stone (¥1,500/m³)
Asphalt/concrete debris → Recycled crushed stone (¥1,500/m³)
Source: March 2012 issue of Sekisan Shiryō magazine, published by the Economic Research Association
Wood scraps → Wood chips (¥4,000/m³)
Sample price for 50 frequently used hardwood trees in Saitama Prefecture
Source: Website of Forestation Section, Department of Agriculture and Forestry, Saitama Prefectural Government

*9 Data for construction sites for newly constructed buildings

Charters, Proposals and Other External Guidelines That Obayashi Follows and Supports

External organizations in which Obayashi is a participant

Keidanren Voluntary Action Plan on the Environment

<http://www.keidanren.or.jp/english/policy/pol058/index.html>
Keidanren (Japan Business Federation)

Voluntary Action Plan on the Environment in the Construction Industry

http://www.nikkenren.com/activity/environment_1_2.html
Japan Federation of Construction Contractors
(currently available in Japanese only)

Challenge 25 Campaign

<http://www.challenge25.go.jp/>
(currently available in Japanese only)

Main environmental organizations in which Obayashi participated (fiscal 2011)

- Special Project on Eco-innovation and Eco-business for Sustainable Development (SPEED)
- Green Energy Partnership
- Green Purchasing Network (GPN)
- Keidanren Committee on Nature Conservation
- Network for Sustainability Communication (NSC)
- Sustainability Science Consortium (SSC)
- Japan Business and Biodiversity Partnership
- Ecozeria Association
- Global Environment Forum—KANSAI (GEF-K)
- Nippon Environment Club
- Japan Climate Leaders' Partnership (Japan-CLP)
- minato eco-conscious consortium (mecc)

Obayashi Group Environmental Data

Years ended March 31

Items		Unit	2008	2009	2010	2011	2012
CO ₂ emissions	Obayashi Group	1,000 t-CO ₂	311	302	262	271	311
	Group excluding parent company	1,000 t-CO ₂	88	92	87	101	111
Waste Discharges	Obayashi Group	10,000 t	247	227	197	246	240
	Group excluding parent company	10,000 t	31	31	35	32	27
Paper usage	Obayashi Group	t	371	382	373	362	391
	Group excluding parent company	t	61	62	55	54	63

Note that scope of Group companies*1 (year ended March 2012)

[Construction Business]

Obayashi Road Corporation, Naigai Technos Corporation, Obayashi Facilities Corporation, Oak Setsubi Corporation, Tokken Corporation*2, Soma Environmental Service Corporation, ATELIER G&B Co.*2, Obayashi Design Partners*2

[Real Estate Business]

Obayashi Real Estate Corporation, Seiwa Real Estate Co., Ltd.*2

[Other Businesses]

<Information-related>

Oak Information System Corporation

<Golf course-related>

Ibaraki Green Co., Ltd.

<Restaurant-related>

Le Pont de Ciel Co., Ltd.

<Hotel-related>

HR Osaka Inc.*2

*1 Excludes companies for which separate data cannot be collected, such as companies that operate within Obayashi offices

*2 Company newly included in data starting with the fiscal year ended March 2012

*3 Data for Mutsuzawa Green Kaihatsu, which was separate in previous years, is included with data for Ibaraki Green because Mutsuzawa Green became a part of Ibaraki Green.

Note that the environmental policy includes support for Group companies in order to lower the environmental impact of the entire Obayashi Group. In line with this policy, the Group Company Environmental Activity Liaison Conference was formed to deal with issues for the entire Group.

In addition, individual companies use their business activities for developing recyclable materials and increasing their use, combating the heat island effect, conserving energy for building operations, and other purposes.

External Evaluation

Major Awards from External Organizations



Hoki Museum



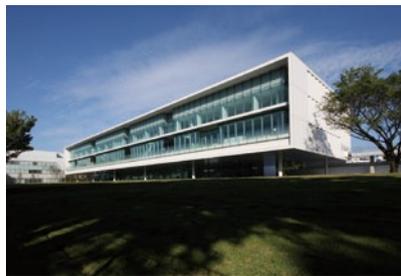
Osaka Station City North Gate Building



Colorado River Bridge at Hoover Dam



Hanshin Koshien Stadium



Obayashi Technical Research Institute Main Building



Rokkatei Project (Rokka Forest)

Award name	Award sponsor	Award-winning object/party
JSCE Award for Fiscal 2010, Innovative Technique Award and Environmental Award, among others	Japan Society of Civil Engineers	Innovative Technique Award: Development of Ultra-Rapid Underpass (URUP) method Environmental Award: The recycling of sludge generated in the high-pressure jet agitation construction method as subgrade material after granular solidification processing and plasticization
Prize of AJU 2011, Specific Contributions Category	Architectural Institute of Japan	In recognition of Obayashi's many years of contribution to the Rokkatei Project, in creating a local cultural facility out of a site that began as a confectionery factory
Construction Excellence Awards 2011 for Industrial Buildings	Building and Construction Authority (Singapore)	Credit Suisse Asia Pacific Regional Data Centre
12th Japan Society of Seismic Isolation Award, Incentive Award for Technology, Architectural Object Award	Japan Society of Seismic Isolation	Incentive Award for Technology: For applying the Dual Frame System, a vibration control system that links two structures, to high-rise RC constructions Architectural Object Award: The Super Active Base Isolation System of the Obayashi Technical Research Institute Main Building
24th Nikkei New Office Awards, New Office Promotion Award	Nikkei Inc. and New Office Promotion Association	Obayashi Technical Research Institute Main Building
Fiscal 2011 Minister of Health, Labour and Welfare Awards for Safety and Health, Award for Excellence	Ministry of Health, Labour and Welfare	Construction of the North Gate Building to Osaka Station, Osaka Main Office (OSAKA STATION CITY North Gate Building)
Fiscal 2011 Awards for Achievement in Promoting Reduce, Reuse, Recycle Activities (3R Awards), Minister of Land, Infrastructure, Transport and Tourism Award, 3R Promotion Council Chairman's Award	Reduce, Reuse, Recycle Promotion Council	Minister of Land, Infrastructure, Transport and Tourism Award: New Tower Project Office, Tokyo Main Office 3R Promotion Council Chairman's Award: Kyoto Jukan Nagaokakyo Project Office, Osaka Main Office Hanshin Expressway Teppo-cho Project Office, Osaka Main Office
Good Design Award 2011	Japan Institute of Design Promotion	Multipurpose Laboratory and Materials & Chemical Engineering Laboratory, Obayashi Technical Research Institute Main Building
Civil Engineering Design Prize 2011, Prize for Excellence, JSCE	Landscape & Design Committee, Japan Society of Civil Engineers	Namba Parks
4th Sustainable Building Awards, Minister of Land, Infrastructure, Transport and Tourism Award, Office Building Construction Category	Institute for Building Environment and Energy Conservation	Obayashi Technical Research Institute Main Building
Second Pleasant Workplace Awards, Award for Excellence	Japan Federation of Construction Contractors	Osaka Station North Yard Development Project—Block A Project Office, Osaka Main Office
2012 Outstanding Civil Engineering Achievement Award	American Society of Civil Engineers	Colorado River Bridge at Hoover Dam
21st BELCA Awards, Long Life Category	Building and Equipment Long-life Cycle Association (BELCA)	Hanshin Koshien Stadium
18th Chiba Prefecture Cultural Architecture Awards, Cultural Architecture Award for Buildings of Scenic Excellence	Chiba Prefecture	Hoki Museum

SRI Indexes

Obayashi is listed in the FTSE4Good Global Index and the Dow Jones Sustainability Asia Pacific Index, which are global socially responsible investment (SRI) indexes. In Japan, Obayashi is listed in the Morningstar Socially Responsible Investment Index (as of June 2012).



FTSE4Good
Further details

Stock Information

Stock Information (As of March 31, 2012)

Number of Shares Authorized:	1,224,335,000 shares
Total Number of Shares Issued and Outstanding:	721,509,646 shares
Number of Shareholders:	48,466
Transfer Agent:	Mitsubishi UFJ Trust and Banking Corporation 1-4-5, Marunouchi, Chiyoda-ku, Tokyo, 100-8212, Japan
General Meeting of Shareholders:	June
Stock Listings:	Tokyo, Osaka and Fukuoka

Major Shareholders (As of March 31, 2012)

	Shareholdings	
	Shares held (Thousands)	Percentage of total shares held (%)
Japan Trustee Services Bank, Ltd. (Trust Account)	58,094	8.09
The Master Trust Bank of Japan, Ltd. (Trust Account)	50,154	6.98
Nippon Life Insurance Company	26,131	3.64
Japan Trustee Services Bank, Ltd. (Trust Account 9)	22,532	3.14
Takeo Obayashi	21,564	3.00
SSBT OD05 OMNIBUS ACCOUNT - TREATY CLIENTS	15,616	2.17
Obayashi Employee Shareholding Association	12,031	1.68
Northern Trust Co. AVFC Re U.S.Tax Exempted Pension Funds	9,476	1.32
Sumitomo Realty & Development Co., Ltd.	9,159	1.28
State Street Bank and Trust Company 505225	7,072	0.98

(Note) Shareholding ratios exclude treasury stock (3,244,340 shares).

Editorial Policy

To date, Obayashi has issued two reports annually: the *Annual Report* focused on economic aspects such as management policy and strategy, business results, and financial condition, and the *CSR Report* focused on social and environmental initiatives toward realizing a sustainable society.

From this year, we have decided to issue both as a single, comprehensive *Corporate Report*, this year's being *Obayashi Corporate Report 2012*, to present our activities in such economic, social, and environmental aspects over one year in a unified and easy-to-understand format, aiming for unified promotion of our growth strategy and CSR management, as well as understanding of our overall global business activities.

This report is composed of four reporting sections on an introductory section, the economy, corporate governance, society, and the environment; and a section for corporate data. The reporting sections report on our activities in the year ended March 31, 2012 and their results. The economic section reports on business performance and our business strategy based on our medium-term business plan; the corporate governance section reports on structures for promoting corporate controls and corporate ethics; the social section reports on activities by stakeholder, such as customers, employees, suppliers, communities and society, and shareholders; and the environmental section reports mainly on activities based on our medium-to-long-term environmental vision, "Obayashi Green Vision 2050," formulated in the year ended March 31, 2011.

We have positioned this report as an important communication tool for having our stakeholders understand our business activities. In editing the report, attention was paid to universal design with an emphasis on readability.

Consideration Given to Coverage and Importance:

The contents listed are particularly important social issues that are important initiatives for Obayashi, based on investor opinions, the guidelines listed to the right, and survey items related to socially responsible investment (SRI). Information not able to be listed in this report due to paper limitations is listed on the Company website with notice thereof and the URL.

• Organizations Covered:

The economic section covers Obayashi Corporation and the Obayashi Group, while the corporate governance, social, and environmental sections cover Obayashi Corporation (initiatives at some Group companies also listed).

• Period covered:

Fiscal 2011 (April 1, 2011–March 31, 2012, and coverage of some activities in fiscal 2012)

• Scope of activities:

Economic, social and environmental activities of Obayashi Corporation and Group companies

• References and guidelines:

Sustainability Reporting G3.1 Guidelines by Global Reporting Initiative (GRI)

Environmental Report Guidelines 2007 by the Ministry of the Environment of Japan

ISO 26000 by Japan Standards Association

• Published:

July 2012

Previous issue: July 2011

Next issue: Scheduled for July 2013

• Prepared by:

CSR Department, Head Office

• Contact:

Obayashi Corporation

Shinagawa Intercity Tower B, 2-15-2

Konan, Minato-ku, Tokyo, 108-8502, Japan

Phone: +81-3-5769-1324

Fax: +81-3-5769-1910

E-Mail: csr@ml.obayashi.co.jp

Contact for additional information:

Please refer to the following URL for detailed information on Obayashi Corporation's website, updated as the need arises, that pertains to the Group's business activities in general, financial information, CSR activities and other relevant topics.

• **Homepage to Obayashi's website:**

<http://www.obayashi.co.jp/english>

• **Financial information on Obayashi's website:**

<http://www.obayashi.co.jp/english/ir>

• **CSR activities on Obayashi's website:**

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

The names of our products and services that appear in this report are the trademark or registered trademark of Obayashi Corporation. Likewise, the product and service names of other companies that appear in this report are the trademark or registered trademark of the respective relevant company.

OBAYASHI CORPORATION

Shinagawa Intercity Tower B,
2-15-2 Konan, Minato-ku, Tokyo 108-8502, Japan
TEL +81-3-5769-1324 (Corporate Social Responsibility Dept.)

<http://www.obayashi.co.jp>



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